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## CoStar Convenes Experts to Discuss Opportunities, Challenges of Green Building

### *Panel Examines Greening the Built Sector*

If the energy consumption of commercial buildings was likened to the fuel efficiency of cars and trucks, it would look something like this: one quarter of Americans currently work in buildings that are the equivalent of a Toyota Prius or other type of fuel-efficient hybrid while the remaining three-quarters work in buildings comparable to gas-guzzling Hummers, Winnebagos and Mack tractor trailers.

But while it's fairly obvious which vehicles are more efficient and environmentally friendly, it's very difficult to tell from observation which buildings are designed and are being operated in the most environmentally efficient and responsible way.

That is one of the challenges currently facing tenants and landlords who favor green workplaces and stores, according to a CoStar Group-sponsored roundtable discussion on green buildings that convened Wednesday.

Hosted by CoStar Group President and CEO Andrew C. Florance, the panel included Marc Heisterkamp, director of commercial real estate at the U.S. Green Building Council; Laurie McMahon, managing director and principal of Washington-based Cassidy & Pinkard Colliers; Thomas Olson, a consulting attorney for the Environmental Defense Fund's National Climate Campaign; and Steve Teitelbaum, principal of the law firm Jones Day.

The issue of tenants, real estate brokers and landlords all having access to more transparent and readily available information to enable them to make better informed decisions remains one of the biggest challenges facing the industry today, noted the panelists. At the same time, they credited the growing awareness of sustainability and energy efficiency issues associated with commercial property largely to the success of the U.S. Government's Energy Star label for energy efficiency and USGBC's LEED green building certification.

Before LEED, which was created about a decade ago, sustainable building design and operation lacked a "common framework" for the industry to coalesce around, Heisterkamp said.

Today, the LEED program touches more than 5.6 billion square feet of commercial space and has transformed the once-boutique USGBC into an industry giant. According to McMahon, LEED has become "the glossary on how to be green" for many building stakeholders.

Energy Star, which has enjoyed a similar swell in popularity, has been used to benchmark the energy usage of about 12 billion square feet of real estate, which includes roughly 40% of all U.S. office buildings, according to recent data from the U.S. Environmental Protection Agency.

Buildings with either label have been tied to financial benefits for owners, health and productivity gains for tenants, and lower building operations and maintenance costs. Several academic studies, including one by CoStar, have published compelling evidence that sustainable and energy-efficient buildings command higher sales prices, rental rates and occupancy than their non-green peer buildings.

Even during the recession, CoStar Group data shows that occupancy levels in LEED buildings continue to climb, while occupancy in comparable non-LEED buildings has eroded. "LEED buildings are dramatically

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outperforming the non-LEED buildings," Florance said.

According to Teitelbaum, the benefits for those who occupy green buildings go far beyond lower operating expenses. Employers are increasingly correlating their sustainable offices with increased work productivity, lower absenteeism and higher employee retention -- significant advantages for businesses of all shapes and sizes.

"We focus a lot, because we're real estate people, on the operating expenses. It's an easy one," he said. "But the benefits go beyond just operating expenses. There are studies that show in many cases, you get productivity benefits out of green buildings that far outweigh any expenses."

Forces from outside the industry are also driving real estate sustainability. Policymakers are moving briskly to enact sustainability and energy efficiency mandates for commercial structures, which can account for up to 80% of greenhouse gas emissions in large cities.

In April, New York City Mayor Michael Bloomberg proposed a sweeping package of energy efficiency mandates that would require commercial building owners to audit and disclose the energy use of their buildings, and in some cases, demonstrate energy efficiency improvements. Mandates for sustainable development are common now in many cities, and in Washington, DC, and the state of California, energy disclosure laws for privately owned buildings are also on the books.

Those provisions, coupled with a national building energy label that is proposed at the federal level, would help the building industry become more energy-transparent Florance said. "You know if your neighbor drives a Hummer to work every day. You don't know if they work in a "Hummer" building," he said.

But the green building movement remains a work in progress, the panelists said, with obstacles and misperceptions about sustainability still prevalent in parts of the market.

For instance, cost premiums for LEED certification are still greatly exaggerated in many circles, and divergent definitions and expectations about what is "green" often put building stakeholders at odds with each other, the panelists said.

And though landlords are often criticized for not being sustainable enough, tenants are known to hedge on rent increases in green buildings, public transit requirements and the cost of green cleaning programs, Teitelbaum said. "You see resistance on the tenant side as much as on the landlord side. It's not a one-way street."

The industry is also coming to terms with how to best address the existing building stock, which remains a mostly untouched wilderness of inefficient and unsustainable buildings. Just 1% of all U.S. properties have achieved the Energy Star label or LEED certification, according to CoStar information, and a lion's share of those have been constructed recently.

To make a real impact on climate change, retrofitting existing buildings is an essential part of the equation, Olson said.

"In the past few years, the amount of carbon dioxide the world has been emitting has actually been more than people thought was the worst that could possibly happen," Olson said. "We are already seeing the effect of the carbon dioxide we're putting into the atmosphere."

But if the commercial real estate industry remains committed to energy efficiency and sustainability, "you can be heroes in terms of climate change, make money, and you can go home and tell your kids that you're green," he said.

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