Green, energy-efficient office space on the rise in Manhattan

March 10, 2008 - Owners Developers & Managers

As the local green building movement closes in on the first quarter of 2008, New York City's commercial real estate market continues to more aggressively implement sustainable and energy-efficient design features. An increasing number of office properties are seeking certification under both the U.S. Green Building Council's various LEED rating systems, as well as the federal government's Energy Star program. Most significantly, it appears that tenants are recognizing the importance of these programs and ranking green and energy-efficient spaces as important criteria when searching for commercial space in Manhattan.

In a recent report that was released by the Burnham-Moores Center for Real Estate at the University of San Diego, New York City ranked third among U.S. cities for LEED or Energy Star-certified office space. Gotham checked in with 11 buildings and 12.3 million s/f, while Los Angeles topped the list with 100 buildings and 26.2 million s/f. Comparing dense, vertical New York with the sprawling Los Angeles metropolis yields the disparate number of certified buildings, and a number of commercial projects currently under construction, including LEED hopefuls Bank of America Tower and 11 Times Square, which should boost the Apple's totals in future compilations of any similar lists.

In 2007, EPA distributed 1,400 commercial Energy Star ratings- the most in the program's history, which dates from 2002. In order to receive the designation, a building must perform better than 75% of comparable properties as compared with an EPA benchmark. Five New York City properties earned the award, including Cass Gilbert's New York Life Insurance Building at 51 Madison Ave. Thanks to a number of energy-efficient retrofits that were implemented over the past three years, the building now accounts for 18 million less pounds of C02 annually- equivalent to 1,540 fewer cars on the road. The other four properties that received a rating were 375 Hudson St., 520 Madison Ave., and 460 and 320 Park Ave. In order to qualify under USGBC's LEED for Existing Buildings rating system, a participating property must achieve, at a minimum, an Energy Star rating of 67.

While it's obviously important for owners and operators to take the green initiative, tenants who recognize the importance of energy efficiency and the cost savings that it can potentially help them capture are essential to the success of the green commercial office market. According to the CoStar Group, three out of the top ten commercial leases that were finalized during the course of 2007 were for space in green buildings. L&L Acquisitions' 200 Fifth Ave., registered under LEED for Core and Shell, signed the Grey Global Group for nearly 370,000 s/f of space; the deal ranked sixth on CoStar's top 50 list. At number 7, Boston Properties' 250 West 55th St., which will seek a Gold rating under LEED for New Construction, inked law firm Gibson Dunn & Crutcher for just over 220,000 s/f. Another law firm, Goodwin Proctor, checked in at number 8 on the list for its 217,000 s/f at New York Times Tower which, although not a LEED building, offers tenants an extensive menu of sustainable design features ranging from radiant flooring to an efficient, double-hung curtain wall.

Six other leases in the top fifty were secured at similar green properties, including Larry Silverstein's LEED Gold 7 World Trade Center and 350 Park Ave. and 599 Lexington Ave., both of which are seeking certification under LEED for Existing Buildings

Green building is rapidly changing the commercial office landscape in Manhattan, and tenants will likely have an increased number of LEED and Energy Star-certified options to choose from over the course of the next year. Owners and operators will likely have no choice but to both educate themselves about the types of programs that exist, as well as the different types of green design features that may be cost-effective and attractive to tenants given the type of property at issue. Otherwise, they may run the risk of being at a competitive disadvantage given the currently unstable economic environment.

Stephen Del Percio, Esq., is a partner with Zetlin & De Chiara LLP, New York, N.Y.