



To LEED, or not to LEED? That is the question

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Leadership in Energy and Environmental Design, or LEED as it is increasingly known in the marketplace, is a rating system and design tool developed by the US Green Building Council (USGBC) to assist owners and developers to cost-effectively improve the environmental performance of their buildings. Clearly, green - sustainable - high performance buildings are no longer a fringe consideration with world class projects, major developers, municipal, state and federal government increasingly adopting the LEED standard or something similar.

Even if you don't believe in global warming, there are warnings that those who do not embrace this approach right now are investing millions of dollars in buildings that will soon be obsolete or at a significant disadvantage in the marketplace. As the cost of energy and water reach historical highs, public perception and tenant concern will inevitably rise.

While LEED was originally developed to apply only to New Construction, over the last few years, the USGBC has expanded its product line to include guidelines for commercial interiors, core & shell, neighborhood developments, retail, homes, schools, healthcare and most importantly, existing buildings.

The U.S. government has provided the user-friendly and very helpful Energy Star Buildings Program, which helps you benchmark your property against a nationwide database of similar buildings but its scope is largely limited to energy efficiency. If an owner or developer is interested in improving the environmental profile of a building in regard to its site attributes, water efficiency, indoor environmental quality and material and resource use, in addition to energy - LEED is a fantastic tool.

LEED provides a framework that identifies all the key opportunities to green buildings and offers well-vetted performance benchmarks to help guide any project towards its best and most cost-effective options. LEED offers lots of flexibility since except for a handful of prerequisites, a project can pick and choose the credits that make the most sense for it.

The USGBC's third party verification process is also valuable since it ensures that if a developer or owner decides to invest in the greening of a building, that a project across the street cannot make similar claims without pursuing a similar process.

Two new studies, one by the New Buildings Institute (NBI) and the other by the CoStar Group, have begun to validate the claims made by green building advocates that third party certified buildings outperform their conventional counterparts across a wide variety of metrics, including energy savings, occupancy rates, sale price and rental rates.

In the NBI study, the results show that new buildings certified under the U.S. Green Building Council's (USGBC) LEED certification system are, on average, performing 25-30% better than non-LEED certified buildings in terms of energy use. The study also showed a correlation between increasing levels of LEED certification and increased energy savings. Gold and Platinum LEED

certified buildings have average energy savings approaching 50%.

CoStar analyzed more than 1,300 LEED Certified and ENERGY STAR buildings representing about 351 million s/f in CoStar's commercial property database of roughly 44 billion s/f, and assessed those buildings against non-green properties with similar size, location, class, tenancy and year-built characteristics to generate the results.

According to the CoStar study, LEED buildings achieve rent premiums of \$11.24 per s/f over their non-LEED equivalents and have 3.8% higher occupancy. Rental rates in ENERGY STAR buildings represent a \$2.38 per s/f premium over comparable non-ENERGY STAR buildings and have 3.6% higher occupancy.

And, in a trend that should garner greater attention from institutional investors, ENERGY STAR buildings are selling for an average of \$61 per square foot more than their peers, while LEED buildings command a remarkable \$171 more per s/f.

So can you afford to ignore LEED? Over the next few years, there will be more data, more studies and public interest will undoubtedly grow, whether driven by environmental concern, or increasing costs. As more LEED-certified buildings come into the marketplace, the more tenants will demand them. There is still time to LEED and gain competitive advantage, but wait too long and your reputation and bottom line will surely suffer.

Pamela Lippe is the president of e4, inc., New York, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540