

# The Economics of Green Building

*ULI Marketplace 2007*

## Drivers of Sustainable Design

- ▶ USGBC
- ▶ Architects
- ▶ Corporate Users
- ▶ Developers
- ▶ Tenants
- ▶ Capital Markets
- ▶ Brokers

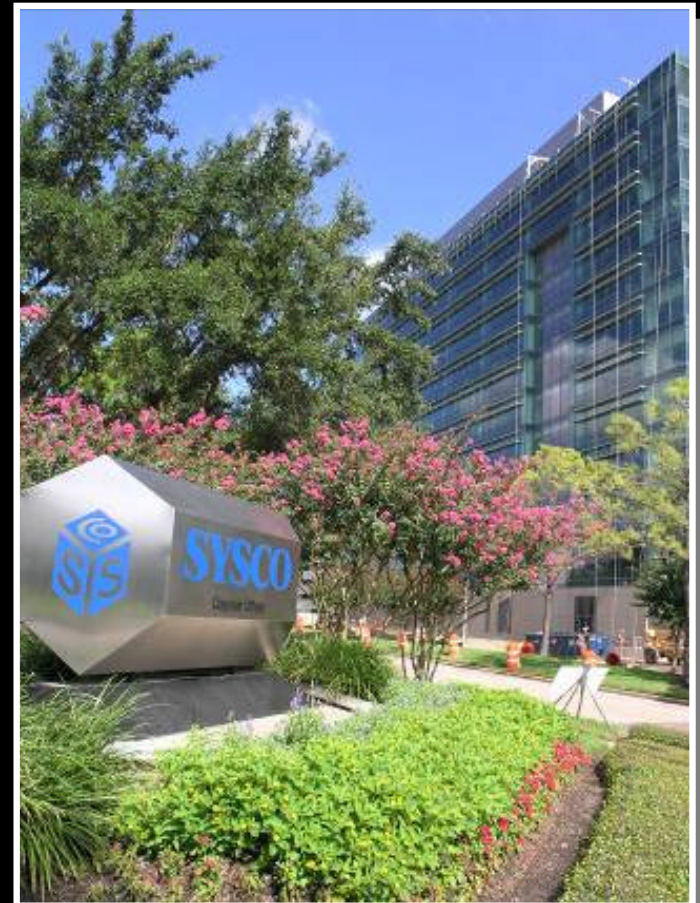
## Corporate Users

- ▶ Corporate image in community
- ▶ Environmental stewardship
- ▶ Commitment to employees
- ▶ Tangible benefits of sustainable design
  - ✦ Improved recruiting and retention
  - ✦ Increased employee productivity
  - ✦ Healthier work environment
  - ✦ Workplace focus on sustainability

## Corporate Commitment to Sustainable Design *Houston*



**Shell Woodcreek**



**Sysco**

## Developers

- ▶ Cost benefit analysis
- ▶ Differentiation of product
- ▶ Benefits of sustainable design
- ▶ Class A re-defined
- ▶ “Green Only” in future

## Tenants

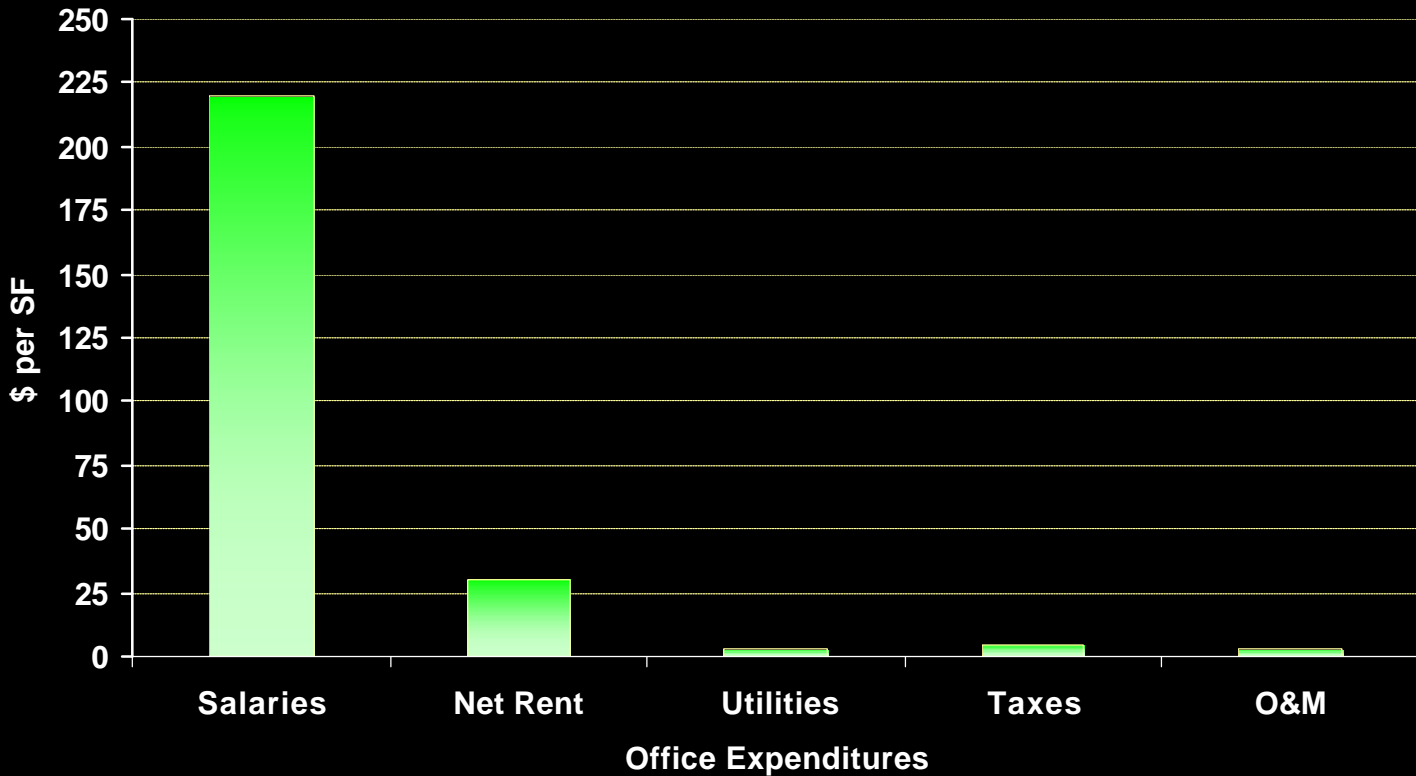
- ▶ Commitment to LEED buildings
- ▶ Efficiency of new space
- ▶ Benefits
  - ✦ Improved recruiting and retention
  - ✦ Increased employee productivity
  - ✦ Healthier work environment
  - ✦ Workplace focus on sustainability

“In the future, Shell will not lease space in non-LEED certified buildings.”

*Shell Corporate Real Estate Executive*

## Leveraging Productivity

Average Annual Expenditures (\$/SF)



**Average Cost of Employee**

**\$55,000**

**Average Office Space per Employee**

**250 SF**

**Impact of 1% Improvement in Productivity**

**\$2.20 per SF**

## Capital Markets

- ▶ Recognition of value creation in LEED-certified assets
- ▶ Targeting sustainable design projects
  - ✦ Hines CalPERS Green Fund (HCG) - \$100M
  - ✦ Hines U.S. Green Development Fund (MetLife) - \$600M

## Investment Power

### **1180 Peachtree** *Atlanta, GA*

The first multi-tenant  
LEED Gold Certified high-rise building  
in the world

Sold for record price in the  
Atlanta market



## Brokers

- ▶ Lack of vision/understanding
- ▶ Focus on construction cost/rent premium for LEED certification
- ▶ Belief that primary benefit to tenants is reduced operating expenses

## Conclusion

Developers can no longer afford NOT to build LEED certified buildings!

- ✦ Class A buildings have been re-defined
- ✦ Major tenants are driving demand
- ✦ Capital markets have proven the investment thesis

## MainPlace

*Houston, TX*

**LEED Silver**  
**2010**

