Corporate Occupier Sustainability - 2011

Green Building Study
Contributors

• Norm G. Miller, PhD, University of San Diego, Burnham-Moores Center for Real Estate [nmiller@sandiego.edu]
• Dave Pogue, LEED AP and National Director of Sustainability, CBRE [Dave.Pogue@cbre.com]
• Donna Laquidara-Carr, PhD, LEED® AP® Green Research and Communication, McGraw-Hill [donna_laquidara@mcgraw-hill.com]
• JD Hughes, CoreNet Global
• With assistance from Sean Dempsey, from the University of San Diego; Lisa Colicchio, CBRE Director of Operations Sustainability, Maura Hudson, CBRE; and Sonali Tare, CORENet Global.
Background

Corenet Global started this on-going study in the fall of 2006, “Corporate Occupier Sustainability”. Five years in, the University of San Diego’s Burnham-Moores Center for Real Estate joined with CBRE to continue this research. The 2011 Survey is a research project combining the efforts of CoreNet Global, the Burnham-Moores Center for Real Estate at the University of San Diego, McGraw-Hill Construction, and CBRE to evaluate impressions and opinions from CoreNet members and to compare these to some of the research at CBRE and USD.
Melissa Securda, Director, Knowledge and Research, CoreNet Global

“The survey results show that corporate real estate executives continue to be very focused on sustainability,”

“Despite the economic challenges of the past year, more than a third of corporate real estate executives would consider paying extra for a green lease, and nearly three-quarters would pay to retrofit properties they own.”
Dave Pogue, LEED AP, Director of Sustainability, CBRE

• “You can poorly manage a green building or manage well a not-so-green building, so retrofitting a building or building greener buildings is not sufficient.”
Dr. Norm Miller, Professor and Editor of the Journal of Sustainable Real Estate

“What we have observed in surveys like this one is that sometimes the framing of the question matters. For example, while many occupiers of greener buildings say they will not pay a premium, the market evidence suggests that on average they will.”
2011 Survey

This year’s survey set was developed by the University of San Diego with CBRE and CORENet and sent to over 2500 members of CORENet. The ENERGY STAR® average score at the time of the survey was 89 for the LEED certified buildings.

23% of those surveyed responded that the building in which they work is LEED® certified. 2011 results reinforce a trend of increased demand for and value of green initiatives – in particular for LEED® certified buildings and improving Energy Star scores.

40% of the participating companies occupy the entire building in which they work which is higher than for the nation as a whole suggesting that responding CORENet members are on average larger firms.

A large majority of employers feel that it is important that employees work in a green environment. Most feel that such an environment is attractive to potential employees, customers, and the public, and that Energy STAR scores should be made available to the public.
General Findings

• The ENERGY STAR® average score continues to improve and is significantly above the average for the market as a while.

• Occupancy & Rental Rates are higher than the market as a whole.

• Sub-Metering has helped to align tenant and owner goals.
  – Note in the USD & CBRE study from 2009 buildings with sub-metering had an average of 21% lower energy costs on average compared to those without sub-metering.
Survey Respondent Industries Represented:

At 19%, the largest group responding works in Real Estate.
We see more non-LEED among non-specified fields but also among consulting companies and construction/development companies which is quite unexpected.
Public or Private and Years in Business

57% of the survey respondents were publicly traded companies, and 81% had been in business more than 20 years. These companies have buildings mostly in North America, but also in Latin/South America, EMEA, Asia/Pacific, and Australia/New Zealand.
Years in Business  The greatest number of participants in this survey had occupied space in their current building for less than 3 years, and most occupy these buildings 5 days a week.
Commuting Patterns are Identical to Average American Professionals

Only 2% of those surveyed commuted less than a mile to work, similar to the US as a whole.

Greater than 60% travelled between 6 and 50 miles and 79% drive to work alone.
Length of Daily Commute for Respondents
(Proportion of each)

- Over 90 miles (over 144 km): 6%
- 71 to 90 miles (113 to 144 km): 2%
- 51 to 70 miles (81-112 km): 9%
- 31 to 50 miles (49-80 km): 15%
- 21 to 30 miles (33-48 km): 9%
- 16 to 20 miles (18-32 km): 13%
- 11 to 15 miles (17-24 km): 19%
- 6 to 10 miles (9-16 km): 19%
- 2 to 5 miles (3-8 km): 9%
- Less than 2 miles (3 km): 2%
Natural light available to respondents is similar to that for the US Office Stock as a whole.
The majority of employees have control over lighting, both natural and artificial, while only a few have control over temperature and natural air supply.

- **Lighting (in addition to desk lighting):** 52%
- **Natural light:** 52%
- **None:** 28%
- **Temperature control:** 20%
- **Natural air:** 9%
Dedicated Staff and Shared Policies

A vast majority of the respondents have employees dedicated to environmental issues in behalf of the firm.

A formal written policy on sustainable goals is often shared with employees, and often with clients. This is a higher percent than found for the USD-CBRE survey of smaller tenants, reflecting the greater proportion of public companies in the sample.
Membership in the US Green Building Council is quite high and use of the LEED standard is high.

![Bar chart showing membership in various green building organizations. The US Green Building Council and its affiliates using LEED have the highest membership.]

Membership in the Canadian Green Building Council is quite high for those respondents from Canada but this choice was omitted from the survey.
Green Environmental Policies and Operations

• 49% have a separately metered suite which is much higher than the US office stock as a whole but reflects the fact that 40% occupy the entire building.

• 45% are required to recycle, and 36% provide favorable parking for hybrid vehicles.

• 75% have after hour and HVAC lighting provisions.

• 84% lack onsite alternative energy sources such as solar panels or geothermal energy or wind turbines.
Importance of Sustainability

62% of respondents said that the health of environment – specifically air quality – is the single most important factor when considering signing a new lease or renewing a current lease.

![Importance of Sustainability Chart](image-url)
Comparing the Most Important Aspects of Sustainability With CBRE Tenants

(Scales Converted to Match)

The CBRE Tenant survey is mostly non-public tenants while CORENet tenants are larger and include many public firms.
80% of respondents chose healthy indoor air quality as the single most important feature of the place in which they work. 72% of respondents also said their building’s recycling program is very important.
Respondents’ levels of satisfaction are generally lower than the levels of importance they place on various features of their workplace.

- Recycling program
- Favorable parking considerations for alternative fuel or hybrid vehicles
- Electric recharging stations for cars
- Healthy indoor air quality
- Comfortable indoor temperature
- Daylight and views in the office space/building
- Practices and fixtures to conserve energy in the office space/building
- Practices and fixtures to conserve water in the office space/building
- Convenient access to public/alternative transportation
- Lighting controls and sensors to conserve electricity in the office space/building
- Utilization of reclaimed and recycled materials and resources in building interior and exterior
- Use of cleaning products and practices in the office space/building that do not harm the environment
- Sustainable practices in management and maintenance

![Chart showing levels of satisfaction and importance]

Very unsatisfied: 0.0
Somewhat unsatisfied: 0.1
Neutral: 0.2
Somewhat satisfied: 0.3
Very satisfied: 0.4
Very unsatisfied: 0.5
Somewhat unsatisfied: 0.6
Neutral: 0.7
Somewhat satisfied: 0.8
Very satisfied: 0.8
Comparison of the Surveys Based on Satisfaction in These Categories

- Air Quality
- Temperature
- Daylight
- Recycling
- Lighting Controls
- Energy Conservation

CORENet Survey vs. CBRE Tenant Survey
More than half of respondents said that green features increased the overall building cost.

More than half also said green features resulted in savings in operating expenses, reduced energy needs and created a competitive advantage.
Levels of satisfaction with the current state of the workplace is very high compared with the average surveys of this type.
Type of Lease

28% sign a Gross lease while 52% sign a Net lease.
Will tenants pay more in rent?

100% of respondents indicated that they would be willing to pay higher rent for a building if it could be demonstrated that the building provided a higher level of sustainable practices with energy and or water savings, and especially with improved air quality.

In contrast, this figure was 66% in 2009 to the same survey group.

Only 18% among the CBRE Tenants in 2009 said “Yes”, when asked “Will You Pay More in Rent for a Greener Building?” so the form of the question may have influenced the answer.
Productivity

• In general, greener buildings resulted in fewer sick days for occupants in the opinion of those surveyed.

• While no one reported lower productivity, most felt that they have become more productive and that the quality of their work has increased with greener space.

• This is consistent with the results from the CBRE-USD studies whereby we saw slight decreases in sick days and generally higher productivity.
Size Matters

• The CoreNet study reveals that size has an impact on implementing certain sustainable practices, with large firms expanding their participation more than small firms.

• Smaller and younger companies prefer lower rent in some cases more than they prefer greener space.

• The survey shows that the greatest reason for companies to consider Green alternatives is that Green investments save money and are often triggered by tax incentives.
The Economics of Green

• Survey respondents consider green features important when selecting office space. On a scale of 1-5, the average rating is 3.58.

• A healthy indoor environment is the most important factor, with an increasing focus on air quality.

• Even though Green labeled buildings have higher rents by 2-5%, higher effective rents by 6 to 7% (based on studies by Eicholtz, Kok, Quigley, Fuerst and McAllister, and Miller and others), companies are realizing that increased worker productivity and lower turnover pays back the premium for facilities with higher air-quality, better temperature control, and more natural light.
Conclusions

The 2011 survey finds, overall, that Green awareness has increased significantly over the years since the survey began (100% of respondents have now heard of LEED®).

Occupants are more satisfied with Green labeled buildings.

Green initiatives in terms of sustainable features and operation are being implemented at a greater rate, and new construction or building retrofit is much more likely to be green.

Most respondents feel that sustainable features reduce overall operating expenses, provide tax incentives, and increase the value of facilities.

While greener building are perceived to cost more, the actual initial cost differentials have often disappeared for LEED certified or Silver buildings when experienced contractors and designers are involved.
Contact

- Norm Miller at nmiller@sandiego.edu
References


