



A Lighter Shade of Green: Tenants Search for Economical Side of Sustainability

May 1, 2009

By Eugene Gilligan, Senior Editor

The green building revolution is hitting its stride just as the recession challenges corporations to prop up their bottom lines. Thus some green development has had to take a back seat to economic reality, said Commercial Tenant Real Estate Representation president Marisa Manley.

As of nine months ago, one of her clients intended to include plenty of green features in a 180,000-square-foot suburban office building planned for Connecticut's Fairfield County. Economic concerns, however, led the corporation to first scale back its green commitment and later cancel the entire project. It is difficult to pay a premium for green if companies cannot find the money to build at all.

More than ever, corporations must find the bottom-line benefit of building green, according to Opus Architects and Engineers director of national design Daniel Young Dixon. Many of his clients are still building green, but "they are asking how they can get the best bang for their buck."

A Matter of Choice

KDC Real Estate Development & Investments president Tobin Grove reported that those companies that are building still focus on green. But they can strive for levels that fit their coffers. "If there are 10 things they can do (to achieve a high level of LEED certification), maybe they do 10 or maybe do the first five," he said, noting that many of these components are "tenets of good development" anyway.

Liberty Property Trust senior vice president of development Jim Lutz reported that the cost to develop at LEED levels is .5 to 2 percent, a premium that should encourage any owner to seriously consider it. "If you don't build green, you really run the risk that your building will become obsolete," he said.

Some steps toward sustainability do not even effect development costs, at least directly. Site selection—to take advantage of natural light or to be near public transportation—can maximize sustainability efforts, as can planting native foliage to reduce watering needs, Grove noted. And Dixon noted that builders can also take advantage of natural light by incorporating plenty of windows, cautioning, however, that a building with too much glass can lose heat.

Three percent of the roofs of Watson Land Co.'s new industrial facilities are skylights, and Watson takes further advantage of natural light with clerestory windows, smaller windows near the ceiling. The company also uses motion sensors to turn on lights only when, for instance, a forklift is in the vicinity. "Many warehouses used to have their lights on all day and all night," said vice president of marketing and leasing Lance Ryan. Similarly, many offices employ task lighting, which concentrates on workstations rather than entire floors, noted Colliers CMN Inc. CEO Doug Frye.

The Real World

Some green features can meet with resistance from tenants. Waterless urinals that Watson Land Co. wanted to install in an office building met with some tenant hesitancy, but Ryan said tenants quickly got used to them.

And Jerry Lea, senior vice president of Hines, said that the developer sometimes does forgo gaining LEED points because of market realities. For example, the United States Green Building Council awards LEED points for providing less parking at buildings, to encourage use of mass transit. But, many tenants demand sufficient parking at their buildings, Lea said.

And some new cutting edge new energy sources have yet to make a major impact on the green building movement, largely due to cost, but because of other barriers as well. Many skyscrapers located in large urban centers have not been able to use solar power, because of a lack of roof area to put the panels, said Randy Gerner, principal of the architecture firm Gerner Kronick & Valcarel. The same can be said of wind power at urban skyscrapers, due to concerns that the wind turbines could fall off.

Adding green roofs to industrial buildings would seem to be a natural, Lutz said. But the expansive surface area can translate to a prohibitive cost, he said. At \$10 to \$15 per square foot above the typical \$50 per square foot development cost, a green roof can be better justified for an office building.

The mid-tier, new extended-stay hotel brand, Home2Suites by Hilton, will incorporate such green features in its hotels such as front desks made of recycled granite and Energy Star appliances that use 10 to 50 percent less energy and water.

Incorporating green features in Home2Suites will appeal to the younger travelers that Home2Suites wants to capture, and is part of Hilton Hotels Corp. approach to sustainability, said Bill Duncan, global brand manager of Home2Suites and Homewood Suites for Hilton Hotels Corp. However, Home2Suites, with its first property scheduled to open next year, will have a development cost of from \$72,000 to \$75,000 per key, which is in line with its competitors, Duncan said. Incorporation of sustainable features proves most cost effective on ground-up development, he said, and Home2Suites has also achieved favorable pricing through Hilton's scale.

Another help to cash-strapped corporations is that green building products are both more affordable and more available than ever before, said Heidi Hendy, managing principal at architecture firm H. Hendy Associates. Her firm recently worked with environmental consulting firm Environ on its new, 21,785-square-foot headquarters in Irvine, Calif. The firm identified a number of products and materials that helped it stay within its \$35,000 budget for green features—such as energy-efficient lighting, including dimmers and automated occupant sensors—and direct task lighting at individual workstations.

As a result of the credit crunch and the global recession, the focus of the green building movement will undoubtedly turn to making existing buildings more energy efficient, owing to the slowdown in new development, said Marc Heisterkamp, director of commercial real estate for the U.S. Green Building Council.

One way that owners can save on operation costs is commissioning a building, Young pointed out. "That involves looking at all of the building systems to see if they are working exactly to specification," he said. Lea added that owners should not undervalue the human element. "You have to have the right people with the right training operating these systems. You can have the most energy-efficient building around, but people have to know how to run it correctly."