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Companies increase focus on energy and sustainability to reduce costs

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Corporate real estate (CRE) executives are less likely to be willing to pay a premium for green office space than they were a year ago, even though more of them see energy and sustainability as a business priority, according to a new survey conducted by CoreNet Global and Jones Lang LaSalle (JLL).

Of more than 400 CRE executives surveyed, 69% said sustainability is a critical business issue for their real estate departments. When CoreNet and JLL asked the same question in 2007, 47% said it was a critical issue. Furthermore, 40% this year rated energy and sustainability as a "major factor" in their companies' location decisions, with an additional 36% calling it a "tie-breaker" between locations that are otherwise competitive.

Despite the high level of importance companies place on sustainability, however, only 42% of CRE executives are now willing to pay a premium (usually 1 to 5%) to lease green space, and 53% said they would pay a premium to retrofit property they own to gain sustainability benefits. In the 2007 CoreNet-JLL survey, 77% said they were willing to pay some level of premium for green space.

"The survey results reinforce the idea that corporate real estate directors are continually looking for ways to deliver greater strategic value to their organizations at a lower cost," said Dr. Prentice Knight, CEO of CoreNet Global.

Low-Cost Strategies Prevail

The focus on cost-effective strategies is evident in responses to a question on how broadly companies have implemented various green initiatives. Recycling, a strategy that requires little upfront cost and engenders goodwill from employees has been embraced by most companies, with broad implementation at about three-quarters of firms and limited implementation at another 20%.

Energy management, the strategy with the greatest potential for cost savings, has been broadly implemented at nearly 60% of firms and implemented on a limited basis at another 30%. Strategies such as purchasing green power and investing in renewable power sources--which may help the environment but offer companies less-promising cost/benefit equations--are broadly implemented at less than 20% of companies.

The full results of the survey were announced at the CoreNet Global Summit in Orlando, FL on November 10th. Surveys were conducted in September and October.

About CoreNet Global

CoreNet Global members manage US \$1.2 trillion in worldwide corporate assets consisting of owned and leased office, industrial and other space. With 7,000 members representing large corporations around the world, CoreNet Global (www.corenetglobal.org) operates in five global regions: Asia, Australia, Europe, Latin America and North America, including Canada.