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Survey by CoreNet and JLL shows greater demand for green buildings

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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. Of more than 400 CRE executives surveyed, 69% said sustainability is a critical business issue for their real estate departments. When CoreNet and Jones Lang LaSalle 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. "They have climbed a steep learning curve on sustainability in the past two years, and have learned how to achieve the benefits of sustainability without overspending to get there."

"A year ago, most CRE directors believed that improving energy efficiency and reducing carbon emissions would cost money, at least in the short run," said Dan Probst, chairman of energy and sustainability services at Jones Lang LaSalle. "Today, they realize they can meet sustainability goals and save money at the same time."

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, Florida. Surveys were conducted in September and October 2008. Copies of the report are available at www.corenetglobal.com or by emailing craig.bloomfield@am.jll.com.

