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## **Sustainable Design Becoming Key to Long Term Investment Strategies**

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In today's value-oriented real estate world, sustainable design is fast becoming more than just an "alternative investment" option for investors with an interest in "doing the right thing". "Green buildings" are at the forefront of a cultural change in how designers, investors and property managers are envisioning environmentally-friendly facilities for the 21st Century. At the core of this new mindset, is the exploration of innovative ways to drastically reduce the following statistics from the U.S Department of Energy:

Buildings consume 65.2% of U.S. electricity

Buildings emit 30% of greenhouse gases

Construction generates 136 million tons of waste per year

Construction consumes 40% of raw materials used globally

At a recent meeting of the RI Commercial and Appraisal Board of Realtors, RI Green Building Council members Laurie Drucker of CB Richard Ellis / NE and Mark Hanchar of Gilbane Building Company led a discussion on how sustainable design can have a positive impact not just on our environment and our workplaces but also on the appraised values of real estate assets - new or renovated. This forum focused on the 69 point sustainable design criteria contained in the Leadership in Energy and Environmental Design Green Building Rating System of the United States Green Building Council (or "LEED" for short) - the most widely used building certification process in America.

According to USGBC, the perceived advantages of building "green" include:

- \* 8 - 9% average decrease in annual operating costs

- \* 3.5% average increase in occupancy rates

Which lead to:

- \* 3% average increase in rents

- \* 6.6% average increase in ROI

- \* 7.5% average increase in asset value

The "bottom line" questions from Drucker and Hanchar to the RICABR professionals was, "if a 'green building' costs a little more initially, but has long term benefits, will investors ultimately want to own a traditional building or a 'green building'? and how much more should they be willing to pay???" Real estate appraisers should be a key to answering these fundamental investment questions and therefore must become comfortable and conversant in how sustainable design features will impact comparables in any given market. Perhaps public agencies should also provide tax credits or incentives to positively impact these financial calculations.

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