The *greening* of property

Anita Mitchell
Head of Energy and Sustainability Services
Jones Lang LaSalle, Australia
What I will cover

• Drivers for the greening of property
• Market outlook for sustainability
• Challenges facing our industry
• Tips for the property sector
Why are we qualified to speak about this?

- Cover entire property chain: leasing, sales, advisory, management
- More than 10 years actively in this space
- Manage over 3,000 buildings in Australia on behalf of owners and occupiers
- Dedicated global sustainability business: Energy and Sustainability Services
- Developed in-house tools for sustainability measurement, benchmarking and reporting
- Series of white papers to keep our clients abreast of the latest sustainability trends in the industry
Buildings are responsible for 23% of Australia’s greenhouse gas emissions.
30% reduction in emissions possible using existing technologies

Least-cost carbon abatement comes from energy efficiency in buildings
The perfect storm? Drivers for greening property

- Regulation (NGER and EEO) = Transparency in emissions and energy use
- Utilities pricing = Rapidly increasing outgoings
- Tenant demand for green = Increased focus on asset performance
- Green building rating tools = Allows comparisons at a glance
- Mandatory disclosure = Transparency no longer just on the +ve, but also -ve
- Green valuation = Values are being influenced by green attributes

Transparency + Focus = Change
Trends – our research

Corporate real estate executives told us:

- 3/4 companies see energy and sustainability as ‘major’ or ‘tie-breaker’ factors in location decisions
- Fewer are willing to pay a premium for sustainable space today than a year ago
- Green space is getting harder to find
- They want to measure the benefits of sustainability, but are dissatisfied with current metrics

Source: CoreNet/ JLL CRE and Sustainability Survey 2008
Challenges

• Immediate focus on capital availability and cost putting priority on operational rather than capital improvements
• Demonstrating ROI and validating investment within the company
• Comparing new and existing buildings like-for-like with existing tools
• Comparing assets across countries with no global rating tool
• Understanding and managing climate change impacts and carbon risk
• Lack of consistent tools and processes for due diligence
• Lack of appropriate skills/qualifications/knowledge across the property spectrum
• Lack of practical examples of how green leases work
• Reporting takes up too much management time
Market outlook: Investors

Dog or diamond?

“It is important to make the most of sustainability now”

Anonymous Investor
Market outlook: Occupiers

Beyond the stars

- Hotels don’t market themselves on their stars alone, so why should buildings?
- Need to demonstrate value beyond ‘feel good’
- Include the ‘so what?’ factor
Make it ‘spreadsheetable’

Estimated REDUCTION in Tenant Outgoings
(3 Star NABERS Building w/ GreenPower vs True 5 Star NABERS Building)

Savings ($/m² pa)

Low Escalation
Med Escalation
High Escalation

SAMPLE ONLY
The future: Our predictions

- Funds treat higher-performance properties differently and move out of the lower-end of the market or revisit cap rate projections
- Buildings with little potential to achieve appropriate ratings decline in value
- The short-term focus is on operational rather than capital improvements due to increasing pressure on capital
- Efficient measurement and easily generated management information are standard
- Industry (occupants, service providers, vendors) is educated on sustainability and become more ecologically responsible
- Operation and design are more closely linked
Tips

• Look proactively now for any savings in energy, water and waste
• Benchmark your building’s performance and know its ‘upgradeability’
• Review your market and match your strategy to tenant demand
• Streamline and understand your environmental reporting. Track and use data for decision making, not just compliance
• Look to bridge the gap between tenant and owner
• Reposition assets in the market to maintain and enhance your investment

Know your asset strategy - futureproof it!