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Companies are paying a premium to lease space in metro buildings for their efficiencies – and the cachet.

When Xcel Energy opted to fork over thousands of extra dollars in rent each month to land new energy-efficient office space in Lower Downtown Denver, it was an affirmation that going “green” is today’s business mantra.

Companies are hot to position themselves in buildings certified for their energy efficiencies - “green” in enviro-speak and “LEED” in business gab - in part to score valuable marketing points with key clients.

“We did this with a substantial amount of enthusiasm, even though this is painful financially,” said G.E. Buenning, branch manager at Colorado Financial Partners LLP in Lakewood, which sprinted to rent space across the street, despite its own lease lasting another six months.

The 8,000 square feet of LEED space at the Signature Centre in Lakewood was simply too good to pass up, Buenning said.

“I just knew this space wouldn’t become available again,” he said.

Going green may well be the environmentally correct thing to do, but it’s also of critical importance in today’s business world to look good while you’re doing it.

“Traditionally, commercial real-estate value has been based on rental rate, level of amenities and location,” said Rich Von Lührte, president of Denver architecture firm RNL, which has designed a number of green buildings worldwide.

“You’ve got value created by sustainability and the building’s operating cost,” he said.

Can market support it?

The question naturally becomes: Can the market support the higher lease rates that go with developing a LEED - Leadership in Energy and Environmental Design - project, the most recognized seal of approval for green buildings?

Some tenants are willing to pay the premium for office space that’s more energy efficient, has better air quality and natural light.

All of that appears in the LEED designation.

When Xcel leased 330,000 square feet of office space at 1800 Larimer, a pre-certified LEED Platinum

building under construction in Lower Downtown, it had to take on an average asking-lease rate of \$34 to \$36 a square foot - far more than the average for non-green spaces.

“The LEED Platinum was very desirable,” said Noel Mattison, project director for Xcel. “It further demonstrates our commitment to environmental leadership.”

LEED is a point-based system where building projects are graded for satisfying specific green-building criteria in six categories. Platinum is highest, gold next, then silver.

The U.S. Green Building Council, a nonprofit organization that administers the LEED-certification program, recently launched a program requiring newly constructed buildings to provide energy and water bills for the first five years of operation as a condition of certification.

Certification can be revoked if the data are not produced.

While the perception is it's more expensive to build green, costs can be diverted from elements such as expensive exteriors and finishes to under-floor air-distribution systems, higher windows for natural light and waterless urinals.

“We've never been one to embrace the environment or embrace sustainability unless there was legitimate payback,” said Rich McClintock, president of Westfield Co. Inc., which owns 1800 Larimer.

The market appeal has been clear. When Aardex developed the Signature Centre, the market sat at 15 percent vacancy.

Still, the company leased the 300,000-square-foot building five months before it was completed - and for nearly double the going rents of surrounding buildings.

“When we announce a vacancy, it's snapped up immediately,” Aardex chief executive Rick Butler said.

The average lease rate for space in a LEED-certified Class A building in the metro area is \$29.23 a square foot, compared with \$24.78 for a non-LEED Class A building, according to CB Richard Ellis.

“Brokers still don't get it”

While many companies have jumped on the sustainability bandwagon, real estate brokers are coming to it more slowly, said Tom Lee, senior managing director of Frederick Ross Co., who is marketing 1800 Larimer, where Xcel leased space.

“Brokers still don't get it,” Lee said. “Brokers are all about rate, and the green aspects have taken a back seat to the economics.”

Xcel is paying about 5 percent more than it would in another building, Mattison said, largely because of the under-floor air-distribution system.

The energy savings will pay off the added expense within four years.

A study last year by the New Buildings Institute found LEED-certified buildings, on average, performed up to 30 percent better than non-LEED buildings in terms of energy use.

Gold and Platinum LEED-certified buildings - the best available - have average energy savings of nearly 50 percent.

So, what makes it “green”?

Minimum requirements for a Leadership in Energy and Environmental Design-certified project:

Construction-activity pollution prevention

Water-use reduction

Commissioning of building energy systems

Energy performance

Refrigerant management

Storage and collection of recyclables

Indoor-air quality

Environmental tobacco-smoke control

How projects earn additional points

Public transportation access, bicycle storage and changing rooms

Water-efficient landscaping

Innovative wastewater technologies

Rapidly renewable materials

Certified wood

Indoor air-quality management plan during construction

Low-emission construction materials

Daylight and views

Source: U.S. Green Building Council