

'Green' buildings bring in more green

October 20 2015

'Green' commercial buildings bring in the green for landlords, according to new research by a University of Guelph professor.

Environmentally friendly office buildings have higher rents and occupancy rates as well as more satisfied tenants, says the study by Guelph real estate and housing professor Avis Devine.

It was published recently in the biannual special real estate issue of the *Journal of Portfolio Management*.

"This is one of the most in-depth analyses of sustainable and energy efficient building operations to date," said Devine, who worked on the study with Nils Kok of Maastricht University in the Netherlands.

"It provides important new insight into the implications of [energy efficiency](#) and sustainability certifications on the operation and performance of commercial real estate assets."

The study examined 10 years of data from one of North America's largest commercial real estate firms and included 58 million square feet of office space - 148 buildings in Canada and 143 in the United States.

Green buildings were those that met energy efficiency and sustainability standards based on three different certification programs: LEED, BOMA BESt, and ENERGY STAR.

The period examined - 2004 to 2013 - included a boom, bust and

recovery of the North American [real estate](#) market.

The researchers analyzed both tangible and intangible metrics that can affect financial outcomes, including monthly rents, lease renewals, energy and water consumption, and tenant satisfaction.

"Previous studies have suggested correlations but none have included such diverse metrics across a large portfolio, and covering such a substantial period of time," Devine said.

The study is also among the first to look at the non-financial outcomes of building and renting more sustainable spaces.

Highlights of the findings for 'green' buildings include:

- Rents on average are 3.7 per cent higher;
- Occupancy rates were 18.7 per cent higher in Canada and 9.5 per cent higher in the U.S.;
- Tenant renewal rates were 5.6 per cent higher in Canada;
- Tenant satisfaction scores were 7 per cent higher in Canada; and
- Energy consumption per square foot was 14 per cent lower in the U.S.

"Building owners and investors are affected by the choices they make on investments in [energy](#) and sustainability issues," Devine said. "This study is an important step toward mapping the business case for more sustainable building."

Provided by University of Guelph

Citation: 'Green' buildings bring in more green (2015, October 20) retrieved 27 April 2024 from <https://phys.org/news/2015-10-green.html>

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