



# GREEN BUILDING STANDARDS

## ENVIRONMENTAL & ECONOMIC BENEFITS / MARKET TRENDS

DATE

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CLIENT

**CITY OF SAN CARLOS (COMPILED BY THE LOMA PRIETA  
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As the City of San Carlos looks at options for green building standards and future city ordinances, it is important to look not only at the implementation costs to all involved, but also the economic payback to all parties, which helps drive the estate market. It is also important to understand the current and near term future trends in green building as seen by building industry (contractors and developers) and the real estate investment perspective. Rather than being resisted by the business community and home buyers, the transformation is already well underway.

- \* Businesses are actively seeking green commercial buildings for the reduced operating expenses, improved employee health, and to demonstrate good corporate citizenship. This is reflected in higher occupancy rates, higher rent and sales prices paid for green commercial buildings. There is currently more demand than supply.
- \* As energy cost go up and concern over climate change grows among home buyers, the demand for environmentally efficient housing is growing as well. The green sector of the housing market is the only one showing growth through the current housing slump, and is projected to accelerate as the economy recovers.
- \* Builders and developers are changing their design and building practices to offer green buildings to meet this increase in demand. The majority of new homes built today have green technology built into them and are marketed as green to buyers. More than 96% of home builders plan on incorporating more green materials and practices in the coming year.

Commercial Sector - green buildings have become widely accepted in the business community due to decreased operating costs, improved employee productivity and health, and as a demonstration of responsible corporate citizenship

- \* The green building market is projected to increase from 12 billion in 2008, to 60 billion by 2010
- \* Among firms surveyed that were planning new building projects, 75% were considering incorporating Green materials and features
- \* Investors are becoming more focused on green building investment - CalPERS and the real estate firm Hines formed the \$500-million Hines/CalPERS Real Estate development fund to invest in LEED certified projects. Koll Development Co. and Prudential Real Estate Investors have launched their second \$200-million Green fund.
- \* 83% of business executives surveyed were “extremely likely” or “very likely” to seek LEED certification if involved with a green building over the next 3 years
- \* These same surveyed executives specified the level of LEED certification they would seek - 26% said Certified, 40% said Silver Certification, 25% said Gold Certification, and 10% said Platinum Certification

Commercial Sector - the need to reduce costs is driving demand for green commercial buildings. Green building is shifting from government/institutional to the private sector.

- \* \$150 per square foot sales price premium is being paid for green commercial buildings relative to non-green
- \* Rental rates for green buildings are higher, and the differential has increased at an increasing rate since 2005
- \* Lease rates for green buildings are also higher (10% higher for “full service” commercial space)
- \* Two-thirds of all LEED certified buildings are occupied by private owner/operators, multi-tenant, and non-profit users - private developer ownership has gone from 3% by 2002, to 18% by 2005, and 26% by 2008

The Housing Sector is going through a green transformation driven largely by home builders and developers to take advantage of market changes - “green building is a bright spot in a down market.”\*

- \* The National Association of Home Builders (NAHB) has set up programs to educate builders/ developers on green design and construction - these programs are broadly supported. Growth, “exceeds even our most optimistic projections.”
- \* Master Green Builder-Remodeler designation incorporating additional building science and project management coursework will be unveiled by NAHB next year.
- \* Over 96% of home builders surveyed intend to increase the use of green materials and processes in the coming year
- \* Consumers now have available over 1500 certified green professional home builders in the US (up from 1000 in August of 2008)

# Conclusions

- \* Green building makes economic sense - saving money for building owners, occupants and home owners for the life of the structure. It has also demonstrated improved health and productivity for occupants. These factors have generated a demands for green buildings reflected in increased sales prices, occupancy rates, and rental rates.
- \* Especially for commercial buildings, this represents an opportunity for San Carlos to have a competitive advantage in attracting businesses by working with developers to build an inventory of green structures within the city.
- \* Building green is marginally more expensive than non-green construction, but these costs going down fast and are more than outweighed by the economic payback
- \* The move to green building on the part of developers, contractors, businesses and home owners has reached a threshold - demand is growing, and external factors such as rising energy prices and the need to mitigate effects of climate change will accelerate this trend
- \* Adopting accepted standards, such as Greenpoint and LEED green building standards, will be the most cost effective and efficient way for San Carlos to achieve its green house gas reduction goals and get the economic payback that comes with green building. These standards are also consistent with those adopted by many other municipalities in the Bay Area