

# Building labeling + certification: added value?

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# Why labels?

- Part of a more general interest in green building
- Labeling harnesses competitive spirit
- Allows for flexibility of approach on projects
- “Brand” is a familiar concept
- Helps sound-byte a complex issue
- Perceived as shorthand for building performance
- Facilitates comparison

# Background: the green consumer

Hartman Group data

12% of consumers  
outside realm of  
sustainability altogether

88% claim interest, but:

- Only 29% can identify a company with a sustainability initiative

# Green construction

McGraw Hill

*Green Outlook 2009*

Value of green building  
starts:

- 2005: \$10b
- 2009: \$36-49b
- 2013: \$96-140b

# Green construction

McGraw Hill

*Green Outlook 2009*

Growing awareness

Decreased operating  
costs

- 2005: 9%
- 2008: 13.6%

Increased building value

- 2005: 7.5%
- 2009: 10.9%

# Corporate attitudes

McGraw Hill  
*Greening of Corporate America 2007*

Execs from 190 firms with revenues of \$250m +

- 63% CEOs recognize financial benefits of green building
- 60% CFOs see sustainability as market differentiation tool
- Risk no longer the primary driver toward green initiatives

# Certification study 1

*Doing Well by Doing  
Good?* By Quigley,  
Eichholz, Kolk  
(2008)

Compared 697 LEED,  
Energy Star buildings to  
7489 nearby standard  
office buildings

- Rents 2% higher (adjusted for occupancy, rents were 6% higher)

Also:

- Higher occupancy rates
- Higher quality (79% Class A vs 35%)
- Larger
- Newer

# Certification study 2

CoStar  
(2008)

1500 LEED, Energy Star commercial buildings compared to buildings of similar vintage, size, location, class, tenancy

Certified buildings:

- Sell for a premium (\$171/sf for LEED, \$61/sf E\*)
- Command higher rent (\$11.24/sf for LEED, \$2.38 for E\*)
- Have higher occupancy rates (3.8% for LEED, 3.6% higher for E\*)



## Case study

### Brewery Blocks, Portland

- 6 blocks in Pearl District
- Former brewery
- Mixed use office, retail, and residential
- 4 buildings, 3 LEED Gold, 1 LEED Silver
- 660,000 SF total
- Sold in 2007 for \$291.6m
- PSF and per unit record price for Portland

# (Preliminary) conclusions

- General value add with certification
- Which certification seems to matter
- Some portion of value may be an artifact of supply bottleneck
- Menu-based systems make it difficult to generalize on value
- Marketing and education to highlight features and benefits still key

# Thank you!

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