

# ***The Green Lease*** ***- Market Perspective & Brokerage Guidelines -***

**Presented by:**

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Information contained herein has been obtained from the owners or from other sources deemed reliable. We have no reason to doubt its accuracy but we cannot guarantee it. All properties subject to change or withdrawal without notice.

*Our Knowledge is your Property*

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# **Nancy Searchfield, LEED® AP**

## **National Leader, Sustainability Services**



- Over 24 years' experience in commercial real estate, licensed real estate salesperson, with Colliers (Toronto, Ont., Canada) for over 10 years.
- Specializes in green buildings & sustainability
- Office Leasing Tenant Representation specialist since 1989, now acts as green advisor on wide range of assignments
- First commercial real estate salesperson in Canada to receive LEED® Accredited Professional designation (2004)
- Board of Directors, Canada Green Building Council
- Executive Seat on Advisory Board of World Green Building Council and also sits on Membership Committee (Member is a national GBC)
- Key team member representing RBC/RBC Dexia in lease of 625,000 sf in new Class A, 1.1 Million sf, 41-storey green office tower under construction by Cadillac Fairview in Downtown Toronto, candidate for LEED® certification (target gold)
- Team member representing BMW Canada in lease of new 85,000 sf suburban green design/build head office, candidate for LEED® certification

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# Sample Colliers Green Transactions



**Microsoft Canada**



**RBC Centre**



**WWF (World Wildlife Fund)  
Canada**



**BMW Canada**

# *Sustainability in the Forefront*



**“... meeting the needs of people today without destroying the resources that will be needed... by persons in the future; based on long range planning and the recognition of the finite nature of natural resources...”**

UN Environmental Programme

# Climate Change



INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE



- In late 2007, the IPCC's Fourth Assessment Report concluded that 'warming of the climate system is unequivocal'
- "There are a lot of signs and evidence in this report which clearly establish not only the fact that climate change is taking place, but also that it really is human activity that is influencing that change ... [The report] embodies substantial new research, it addresses gaps that existed in our knowledge earlier, it has reduced existing uncertainties."



IPCC Chair, Rajendra K. Pachauri

The IPCC was joint winner of the 2007 Nobel Peace Prize with Al Gore. The IPCC is a scientific intergovernmental body established by the United Nations Environment Programme (UNEP) and the World Meteorological Organization (WMO). More than 2,500 scientific expert reviewers from over 130 countries have contributed to the Report over the past 6 years.

## ***Our Collective Challenge***



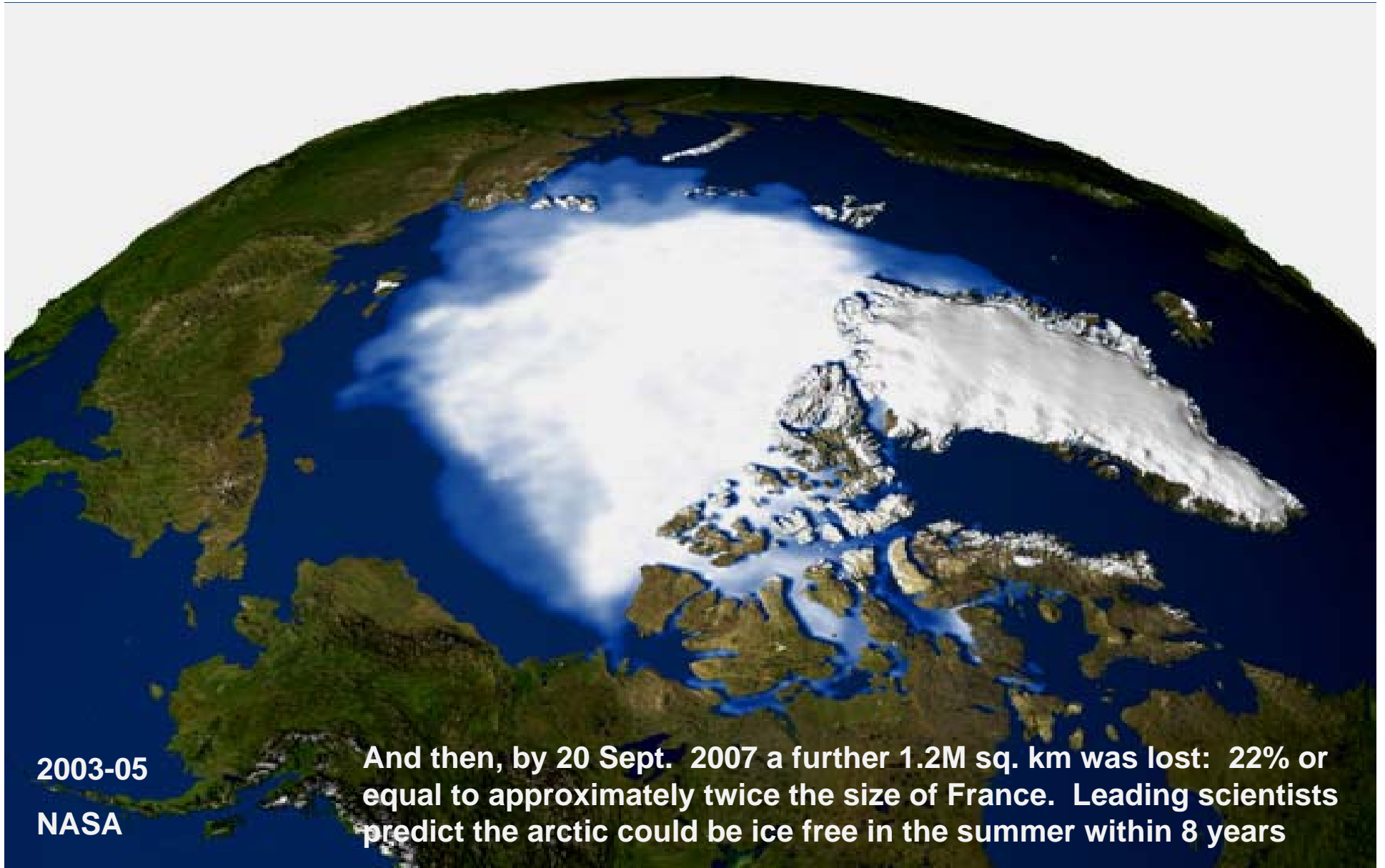
**“Slowing and reversing the effects of climate change is the defining challenge of our age.”**

**Ban Ki-Moon, Secretary General, United Nations**



1979-81

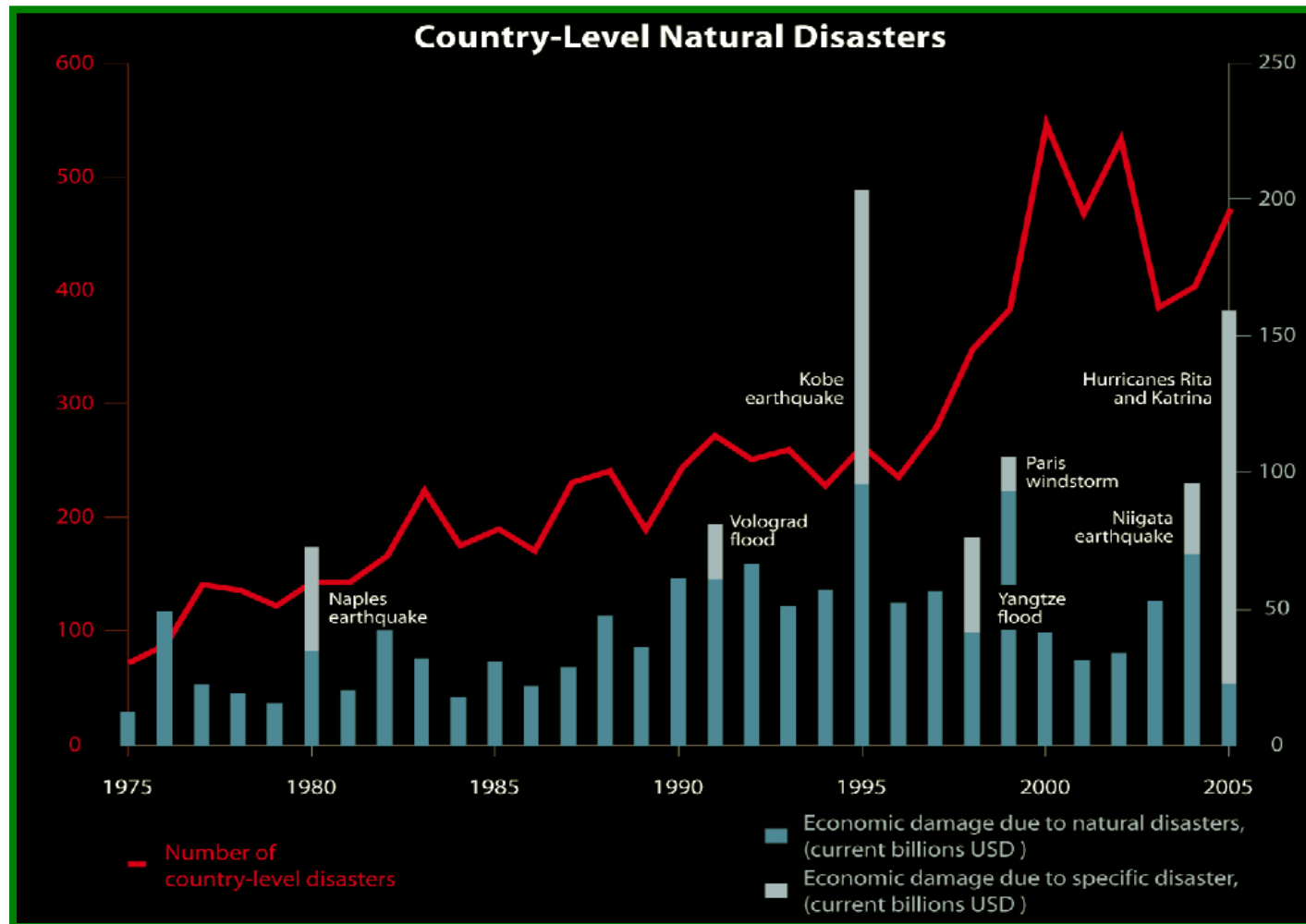
NASA



2003-05  
NASA

And then, by 20 Sept. 2007 a further 1.2M sq. km was lost: 22% or equal to approximately twice the size of France. Leading scientists predict the arctic could be ice free in the summer within 8 years

# Economic Cost of Natural Disasters



Source: Busby, Perkins and Will Architects, 2007

# Sustainability in the Forefront



COMMERCIAL REAL ESTATE  
**GOING GREEN**  
Environmental efficiency is actually the hottest trend in  
...ment. The challenge is creating demand among t...

Special  
Reprint  
Edition

USA  
TODAY  
As seen in  
MONEY

Building 'gre  
REAL ESTATE FINANCE  
Real Estate's Latest Move

green  
by  
DESIGN

The Gre  
in A

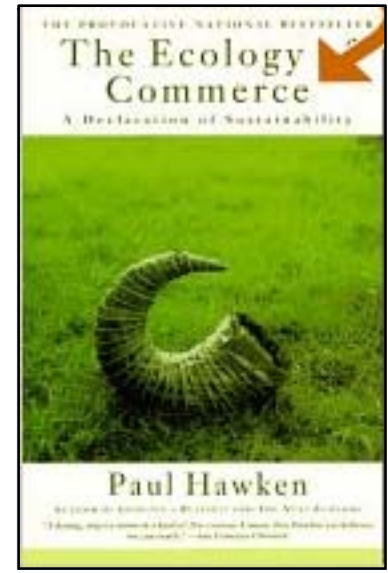
Adobe has turned its headquarter  
and is saving millions of d

go  
Carbon  
Neutral  
lighten the load

The New York Times  
Editorial

Build Green,  
Make Green

CONDOLiving  
It's Easy Being Gr



Global Citizenship at Microsoft

"At Microsoft, environmental stewardship is important and integral to our business."

AN INCONVENIENT TRUTH



# ***Business Case for Sustainability***

- **Increasing widespread concern about climate change and environmental degradation**
- **Companies who are greening their operations and service offerings will have a significant competitive advantage:**
  - Lower consumption = lower costs
  - Increased environmental stewardship enhances CSR
  - Enhanced culture
  - Enhanced brand
  - Attract the best and brightest employees
  - Retain market share, opportunity to expand market share
  - Increased investor appeal
- **There are serious business risks to *not* going green**

# Values of the Young Workforce

**THE NEXT  
GENERATION'S  
PERSPECTIVE  
WILL INCREASE  
GREEN BUILDING**

**89%** choose brands aligned  
with social cause

**74%** listen to brands aligned  
with social cause

**69%** shop for brands aligned  
with social cause

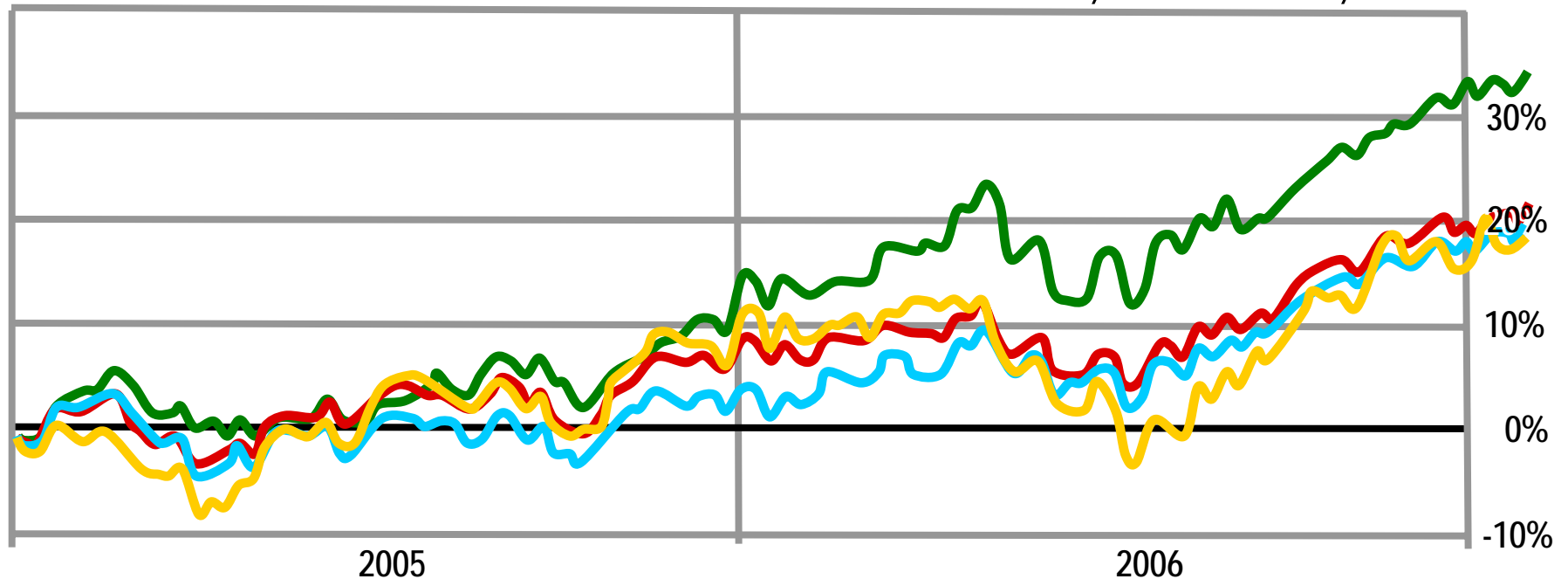
**66%** recommend brands aligned  
with social cause

U.S. Green Building Council

# Dow Jones Sustainability Index vs. Dow Jones Industrial Average

■ Dow: +19.32%     ■ DJSI: +34.28%  
■ S&P 500: +22.10%     ■ Nasdaq: +18.53%

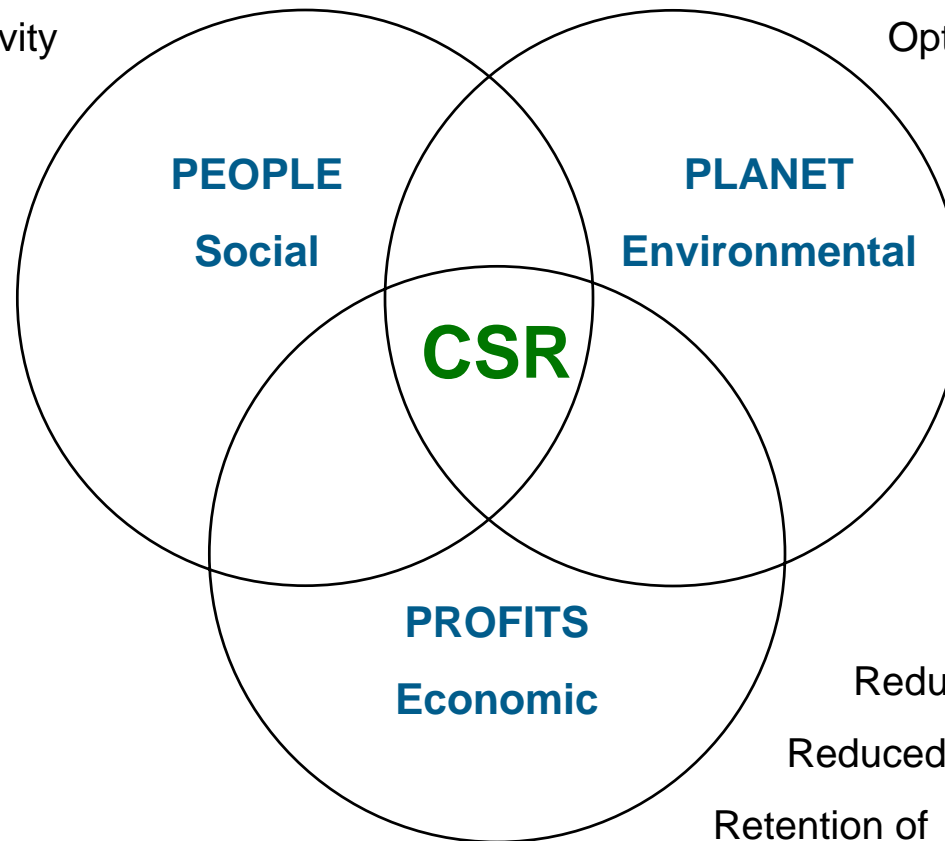
*Jan. 14, 2005 - Feb. 2, 2007*



Over \$200 billion invested in assets designated as socially responsible 'green' investments in 2005 with strong growth.

# Green Buildings Enhance CSR

Increased employee wellness  
Increased productivity  
Enhanced culture



Reduced environmental impact  
Optimal performance  
Peak efficiency

Reduced churn costs  
Reduced operating costs  
Retention of leasehold value

# Sample Companies Going Green

- **Companies with LEED®-Registered and/or Certified Projects in North America**

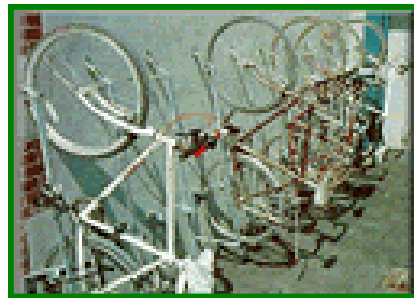
- Bank of America
- BP Canterra
- Canpar
- Delta Airlines
- General Motors
- Goldman Sachs
- Ford Motor Company
- Frito Lay, Inc.
- Harley-Davidson Motor Co.
- Herman Miller Inc.
- Hines
- HOK
- IBM
- IKEA
- Liberty Mutual
- Manulife Financial
- Microsoft
- Mountain Equipment Co-op
- National Assoc. of Realtors (USA)
- Nestle Waters North America
- Pharmacia
- Prologis
- RBC Royal Bank of Canada
- Sprint
- Starbucks
- Steelcase
- Telus
- Toyota Motor Sales
- Walmart
- Warner Brothers
- Wells Fargo

# Green Buildings



- **Green Buildings provide reductions in:**

- natural resource consumption
- energy use
- toxic emissions
- waste



# Green Buildings



RBC Centre, Toronto, ON, Canada  
Registered LEED® Silver

- **Green Buildings are sustainable, high performance buildings based on design and construction practices that significantly reduce the negative impact of buildings on the environment and occupants, providing a healthier workplace.**

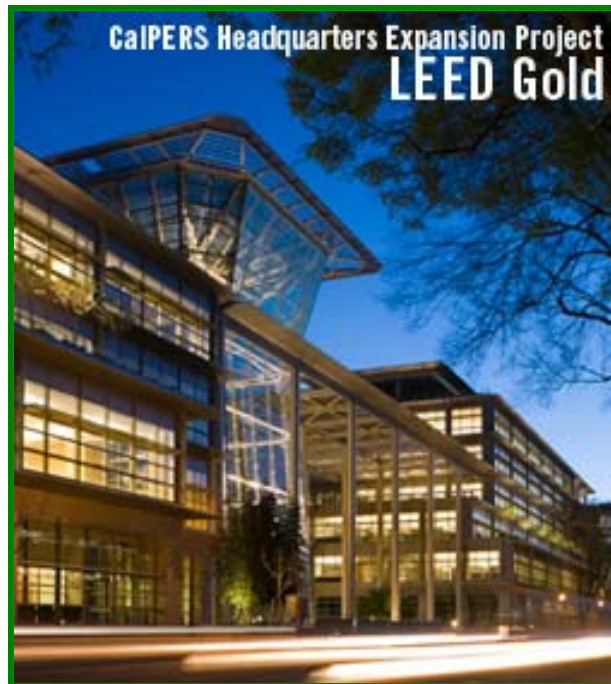
# Green Buildings



7 World Trade Centre, New York, NY, USA  
Certified LEED® Gold

- **Green Buildings are sustainable, high performance buildings based on design and construction practices that significantly reduce the negative impact of buildings on the environment and occupants, providing a healthier workplace.**

# Green Buildings



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# Green Buildings



The Lighthouse (proposed)  
Dubai

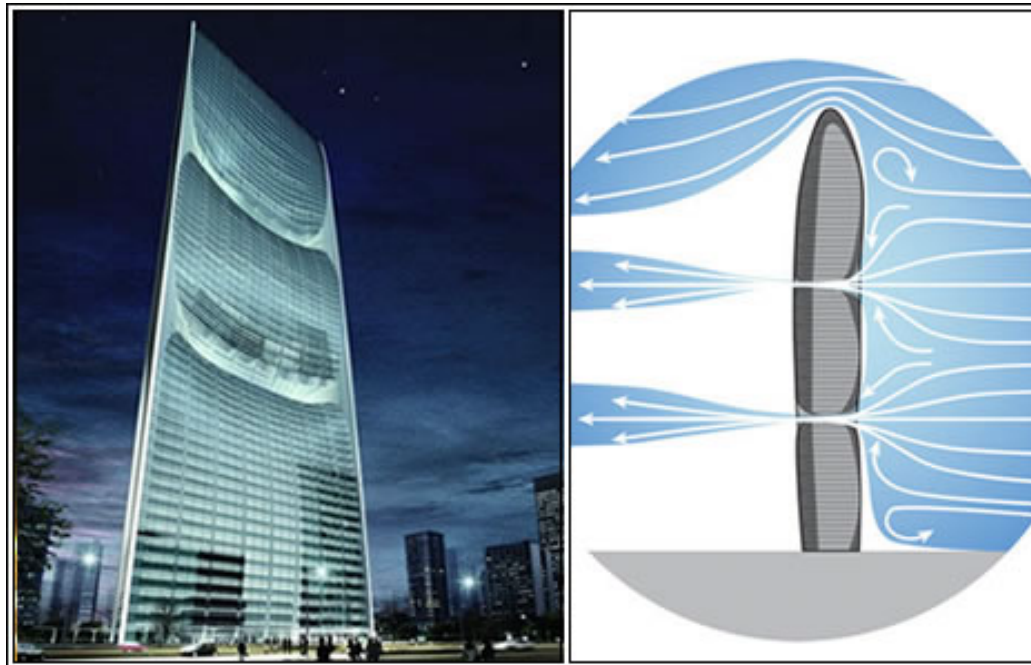
- **Green Buildings are sustainable, high performance buildings based on design and construction practices that significantly reduce the negative impact of buildings on the environment and occupants, providing a healthier workplace.**

# ***Bank of America Tower, New York***

- **“World’s greenest skyscraper” to be completed early 2008**
- **Seeking LEED® Platinum certification**
- **\$1.3 billion building, 54 stories, 2.2 million SF**
- **One Bryant Park, near Times Square**
- **Green features will include:**
  - Rainwater harvesting
  - Water collection from A/C condensation
  - Daylighting, 9.5’ windows, low-iron glass
  - Under-floor air, filters, O<sub>2</sub> sensors
  - Natural gas power plan
  - Almost no parking
  - Ice storage (made at night for day cooling)
  - Waterless urinals



- **The Pearl River Tower, Guangzhou, China (Under Construction)**



A skyscraper designed to harness winds at lofty heights, the Pearl River Tower will use internal wind turbines to keep the lights on. Fashioned like a giant wing, the tower pushes air through wind tunnels on two of the building's 71 stories. This eco-marvel of a building will also employ geothermal heat sinks, ventilated facades, waterless urinals, integrated photovoltaics and daylight responsive controls when it opens in late 2009.

- Burj al-Taqa ('Energy Tower')

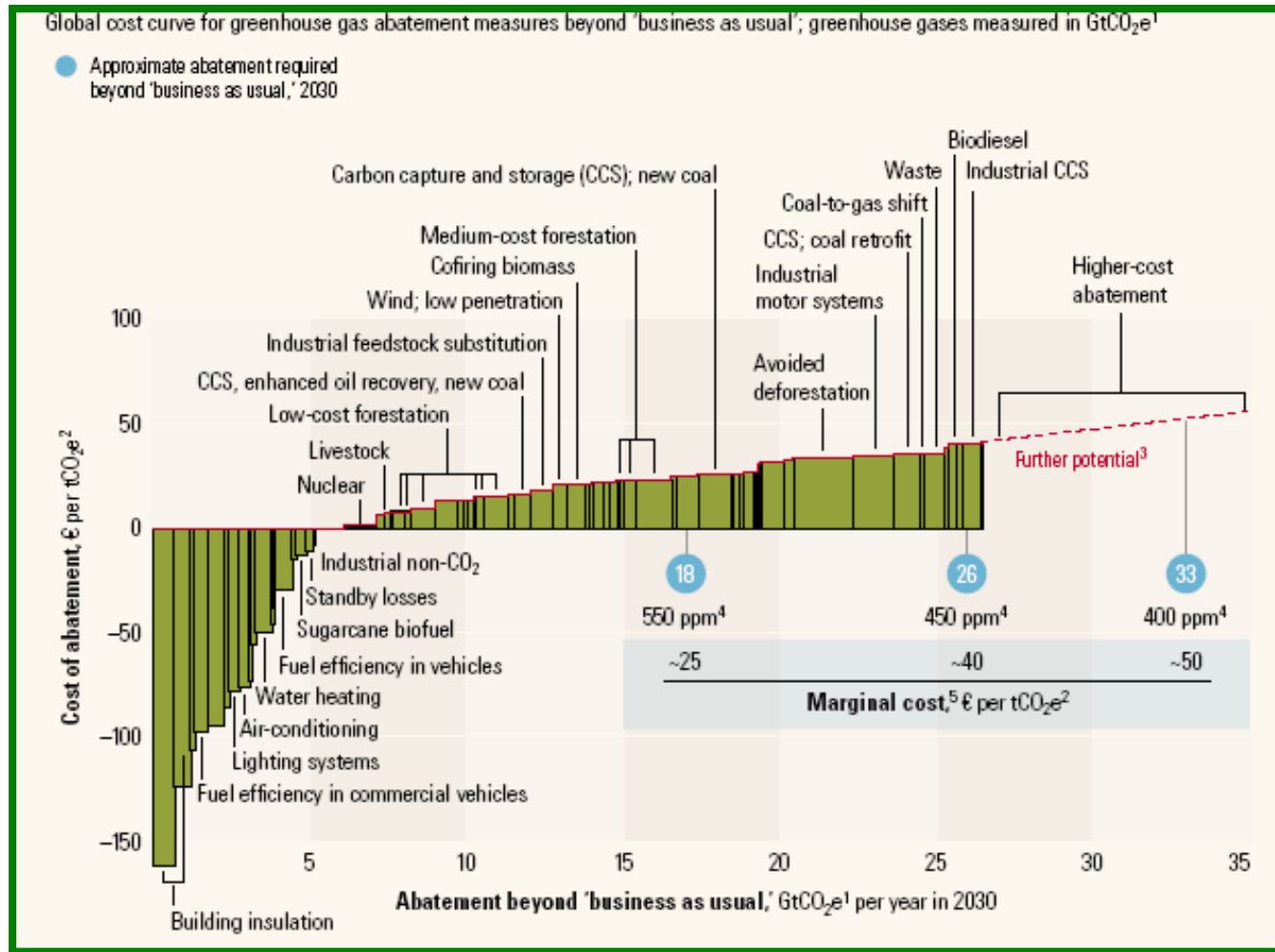


This skyscraper, to be built in Dubai, is called the Burj al-Taqa ('Energy Tower'), and it will produce 100% of its own power. The tower will have a huge (197 foot diameter) wind turbine on its roof, and arrays of solar cells that will total 161,459 sq. ft. in size. Additional energy is provided by an island of solar panels, which drifts in the sea within viewing distance of the tower.

# ***Benefits of Green Buildings***

- **Economic**
- **Environmental**
- **Health and Safety**
- **Community**
- **Corporate Brand & Culture**

# McKinsey Abatement Curve

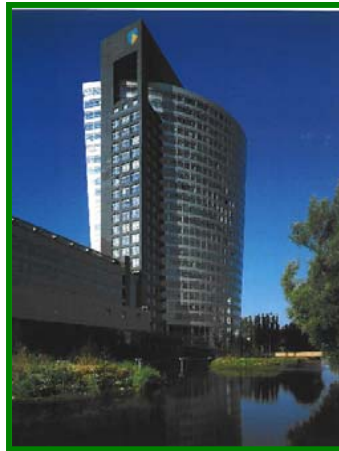


# *Environmental Sustainability*

## *A Global Movement – from icons...*



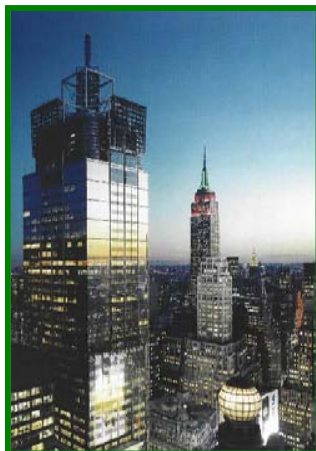
Manulife Financial U.S. HQ  
Boston, MA



ABN-AMRO Bank World HQ  
Amsterdam, Netherlands



Swiss Re HQ  
London, England



Condé Naste Building  
New York, NY



Reuter's  
New York, NY



Commerzbank  
Frankfurt, Germany

# *Environmental Sustainability*

*...to tuning up whole CBDs*



*Sydney, Australia*

# *Transforming Real Estate*

- **Developers and landlords around the globe are preparing their portfolios for a range of reasons: fear of regulation, market differentiation, meeting tenant demands**
- **Tenants are recognizing the value of green buildings in terms of CSR, brand positioning, corporate ecological footprint reduction, employee attraction and retention, client retention and investor value**
- **In many markets, new building standards are being set by regulation**

*Addressing climate change is the single largest economic opportunity since the post World War II boom.*

# Green Lease

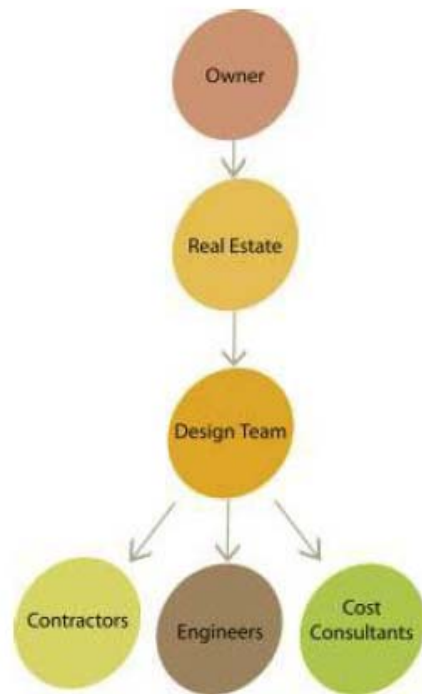
- **Applies to new construction and existing building inventory**
- **Existing buildings encumbered by leases of 5-10+ years but we need to address climate change and environmental degradation now**
- **Cooperative approach between landlord**
- **Structure leases to create compulsion, incentive and flexibility**
- **Green lease:**
  - Ensures that landlord and tenants are required to adopt environmentally friendly practices
  - Remove disincentives in the commercial lease to reduced energy, water and raw material consumption, increased recycling, sustainable materials in tenant improvements and encourages sustainable practices by both landlord and tenant

# ***Brokers Need New Knowledge***

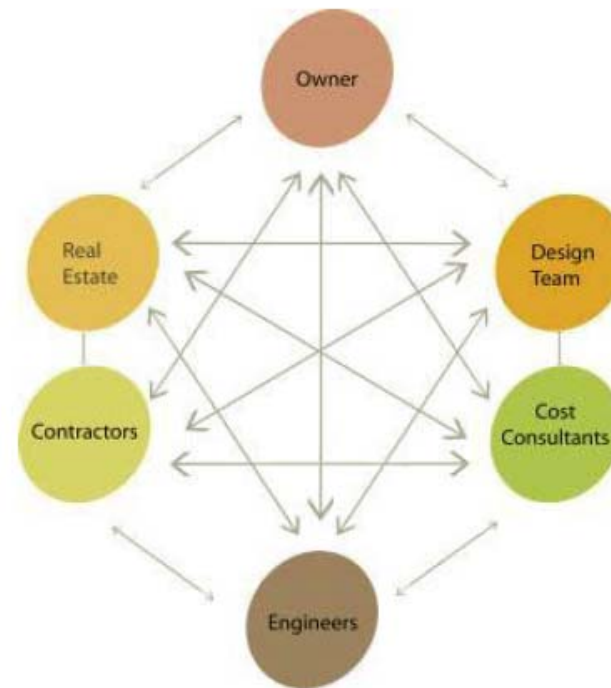
- **To maximize green benefits, brokers and salespeople need to understand what provisions may be needed in offer to lease:**
  - LEED® rating systems
  - Registration and certification process
  - Integrated design process
  - How LEED® requirements impact site and building selection
  - Landlord's and Tenant's Work
  - Fixturing period and timing issues
- **Architect feedback – they are often not being involved early enough in the transaction to maximize green benefits!!**

# Integrated Design Process

- Involve all team members as early as possible – holistic approach



Traditional Approach



Integrated Design Process

# Site Selection

## ● New Developments

- Site orientation to maximize daylighting
- Stormwater management
- Brownfield opportunities
- Avoid environmentally sensitive areas
- Development density
- Employee access – public transportation, bicycles, alternative fuel vehicles

## ● Existing Buildings

- LEED® certified buildings, or other green ratings
- Potential green retrofits
- Employee access
- Bike racks and showers

# Planning Principles

- Maximize daylight = no perimeter buildout
- Minimize distances from perimeter to core



# Planning Principles

High Volume Printing +  
Copying enclosed

Direct Exhaust

Reduce Airborne  
Pollutants

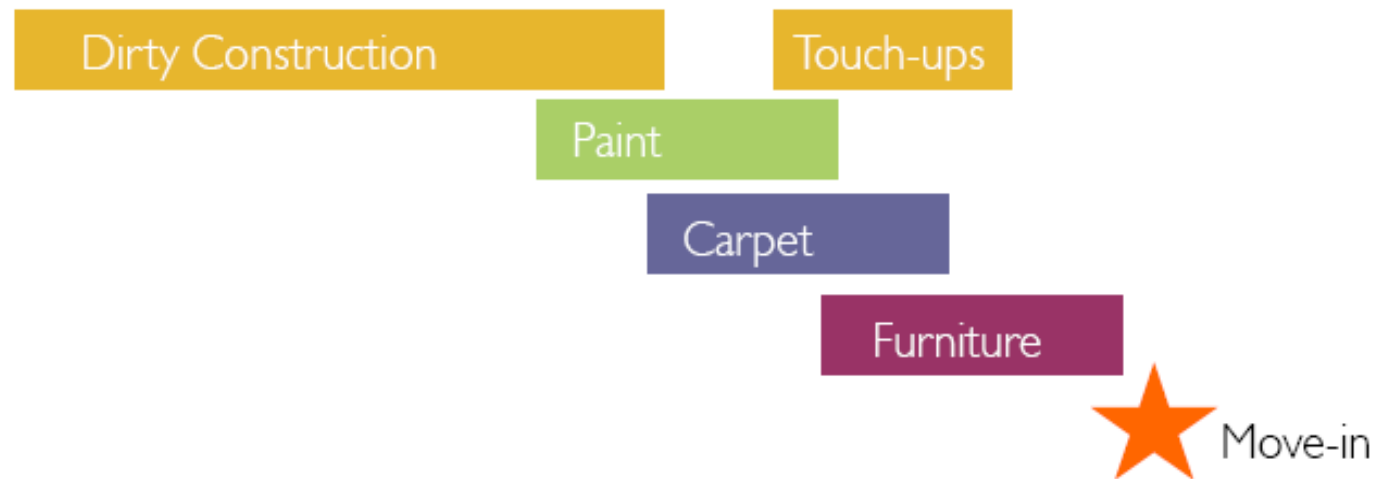


Enclosed Copy Rooms



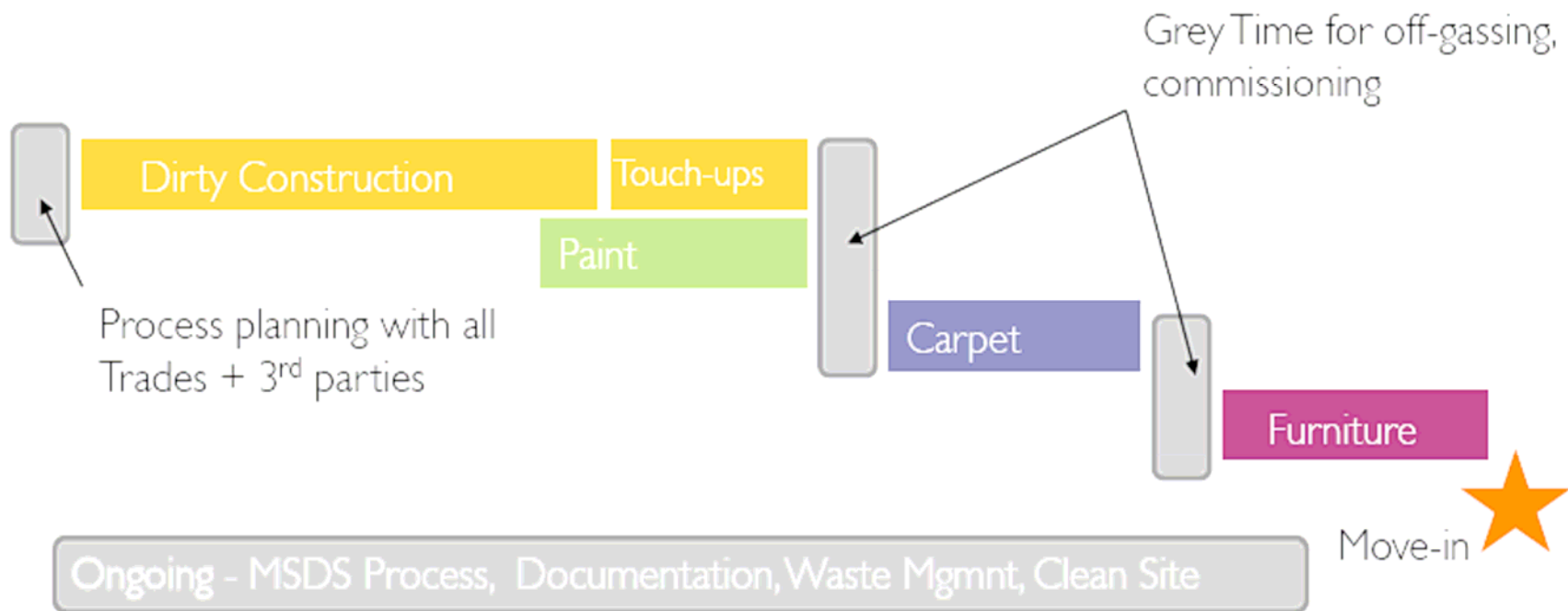
# Timelines

## Typical Tenant Construction Process



# Timelines

## LEED CI Tenant Construction Process



**Expect 2-3 additional weeks over 16 week schedule**



(MSDS = Material Safety Data Sheet)

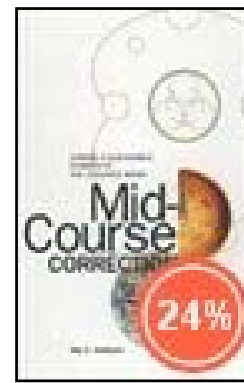
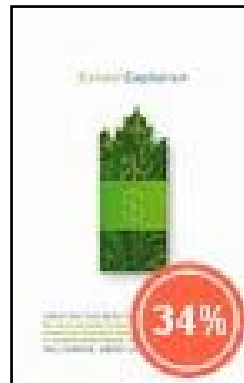


# ***Avoid Greenwashing***

- **In December 2007, environmental marketing company TerraChoice gained national press coverage for releasing a study called "The Six Sins of Greenwashing," which found that 99% of 1,018 common consumer products randomly surveyed for the study were guilty of greenwashing.**
- **According to the TerraChoice study, the six types of greenwashing are:**
  - Hidden Trade-Off
  - No Proof
  - Vagueness
  - Irrelevance
  - False Claims
  - Lesser of Two Evils

## Next Steps in Learning ....

- **Attend GreenBuild Boston or another green conference in your area**
  - GreenBuild – Nov. 19-21, 2008, Boston, MA [www.greenbuildexpo.org](http://www.greenbuildexpo.org)
- **Suggested Reading Materials:**
  - The Ecology of Commerce, Paul Hawken
  - Natural Capitalism, Paul Hawken
  - Mid-Course Correction, Ray Anderson
  - These books have been recommended to us by green building experts, available at [www.chapters.ca](http://www.chapters.ca) (discounts may no longer apply)



# Green Lease Reference Material

- **Green Leases and Green Buildings**

- S. Michael Brooks, LL.B., LL.M., REALpac (www.realpac.ca)
- [http://designersi.com/users/12415/downloads/GreenLeasesAndBuildings\\_16May08\\_3935179\\_1.pdf](http://designersi.com/users/12415/downloads/GreenLeasesAndBuildings_16May08_3935179_1.pdf)

- **Green Lease Guide**

- Investa Registered Investment Advisors & Money Managers, City of Melbourne, City of Sydney and the Institute for Sustainable Futures at UTS
- <http://www.investa.com.au/Sustainability/GreenLeaseGuide.aspx>

*Thank you*

