

'Green to be our DNA'

"Green is no longer hype, but a selection criterion for investments." The tone is set... In the 2010 version of its 'Emerging Trends in Real Estate'® report, PwC reflects the general conviction of players in the sector, who believe that good environmental performance is "impossible to neglect if you want to stay in the race". In Belgium, things are moving slowly, but the trend is quite clear.



Michael Taelman, Senior Consultant DTZ, is the author of an interesting study "Relevance of the Sustainable Labels for Commercial Properties", undertaken within the framework of a Master thesis in Real Estate Management.



Jean-Louis Hubermont, Evaluator BREEAM, Building for the Future (B4F): "It is important to keep in mind that the real estate sector is looking to be able to call upon a single system which is recognised beyond our borders."

These categorical declarations relayed by PwC only seem to be very partially translated into the figures, however, in Belgium as elsewhere: according to the 2010 'Barometer on eco-performance reporting for buildings' published by Novethic (a research centre for Socially Responsible Investment and CSR), and a subsidiary of the French 'Caisse des Dépôts), we are not yet seeing any financial benefits from the energy performance of green buildings. The environmental quality of buildings is certainly an important factor in their future value, and it forms an integral part of the strategic positioning of companies. But statistics from the real estate market are not yet able to demonstrate this. This is in particular due to the low number of transactions involving green buildings. All that can be observed at this stage are the 'counter-balancing' effects. For example, the loss of value of certain assets which have become obsolete from an energy point of view, or which are badly served by public transport.

Be green and prove it

The environmental quality of a building is not limited to its energy performance: it also involves the sustainable nature of its overall conception. "The energy performance, for example, only represents less than 15% of the overall evaluation of a building according to the BREEAM method", explains Jean-Louis Hubermont (Building for the Future).

It is therefore a collection of many and complex factors which have to be analysed objectively and compared in order to evaluate a real estate project. This role is assigned to labels. "Environmental certification is a tool for helping in the conception and selection of a project, a multi-criteria approach – described as holistic – of the performance of a building at various levels, throughout its whole life-cycle, enabling the best cost/benefit, or value for money, choices to be made", adds Jean-Louis Hubermont.

In Belgium, the best known methods are BREEAM (UK), LEED (USA), VALIDEO (B), HQE (F) and to a lesser degree DGNB (D). BREEAM is tending to impose itself on the Belgian market, because it offers a system able to adapt to the national and regional

context, and is more credible with its 20 years of existence. On top of this, BREEAM and HQE are working more closely together, which will give the French market a credible certification system with international recognition, which HQE has not really been able to achieve. Faced with the multiplicity of evaluation criteria, some investors do not hesitate to adopt a multi-certification approach.

A European label – when?

The Sustainable Building Alliance, created in 2008, sets out to bring together the various buildings research centres and evaluation organisms. Its objective is to develop common methods. The Open House project from the EU is also looking to develop a common evaluation method at European level. But despite these approaches, there will probably not be a single European label in the short term.

But if the road risks being long, which one should we choose while waiting? Which certification is going to come out on top? The survey recently carried out by Michael Taelman, Senior Consultant DTZ, within the context of his Master's thesis in Real Estate Management at Northumbria University (UK), sheds some light on this.

Comparison

In his study, Michael Taelman compared the Valideo, HQE, BREEAM and LEED labels. He noted that in the following criteria, the four labels are very close:

- Water and energy consumption
- Waste management
- Impact of the building on the environment
- Site management and maintenance

Where differences are concerned, he points out:

- that LEED is the only one not to take into account the quality and origin of materials, nor their potential risks. It is also the only one not to consider health and well-being criteria and not to schedule regular audits designed to confirm or modify the certification. It is by contrast the only label to include a geographic positioning dimension in its evaluation.



The Atlantis building (CODIC – Architects Cerau and DWS) was the first building to be certified BREEAM in Belgium and also the first in Europe to receive the new certification 'BREEAM Europe for Offices 2008'

- HQE is the only one not to include an innovation criterion.
- VALIDEO is the only one not to include a safety criterion.

And finally, the author of the study notes that these labels do not take into account the economic performance of the buildings. This is incorrect. In the BREEAM Europe Commercial 2009 approach (the most recent version, published in November 2009), there is an evaluation of the economic performance of buildings, particularly at the level of a comparative life-cycle analysis (LCC – life-cycle cost) for the building's structure, its façades, its technical equipment and finishing levels (see credit Man 12). This economic analysis is requested for a duration of 30 and 60 years. A comparative economic analysis is also requested when renewable energy sources are deployed.

One of the conclusions of the author is that the 'power' of a sustainable label in the end lies in its international recognition. Michael Taelman also recommends that the energy element which each of these labels includes should integrate the European Directive on energy performance, as is already the case with BREEAM.

Added value and on-cost

Remaining with the research of Michael Taelman, certified buildings are shown to have a higher capital and rental value. This bonus was calculated for the LEED and it represents between 6 and 12% for rental and between 16 and 31% for capital value. The certification also improves the 'liquidity' of the asset. These figures cannot be extrapolated to the

other labels, however, except with extreme prudence. There currently exists no method for putting a financial value on 'sustainability', but this may change in the future. The way in which European legislation evolves will also have an impact on how much more (or less) difficult it will be for non-certified buildings to find takers compared to those bearing certificates.

Where energy savings are concerned, at current prices the economic advantage of a certified building over a traditional one is marginal. This may, however, rapidly change when the next, predictable, increase in oil prices occurs. The current benefits are therefore to be found more at the level of image, of market value and of personnel loyalty. Finally, where the extra cost of a sustainable building is concerned, it can be zero if a slightly inferior comfort level in summer is accepted, equal to around 10% if compared to the comfort levels of a traditional building. Whatever the case, and despite the effect of the objective advantages and on-costs, current trends show that the vast majority of lessees are demanding certified buildings, and that a 'virtuous circle' is therefore taking shape: currently, the majority of developers and investors only have sustainable buildings in their portfolios.

Importance of the operating mode

Using a famous example, the Berlaymont, Michael Taelman demonstrates the importance of regular building audits, which take into account the way in which it is operated. In fact, this recently totally renovated 240,000 m² building, high performing from an environmental point of view, is occupied

Label harmonisation

The Sustainable Building Alliance has set out the markers for unification of the voluntary labelling systems, and has in particular recently defined six common indicators:

- Energy consumption (kWh/m²/year)
 - Greenhouse gas emissions (equivalent kg of CO₂/m²/year)
 - Water consumption (m³/year)
 - Waste generated (tonnes/year)
 - The quality of interior air (content of volatile organic components and formaldehydes)
 - Thermal comfort (% of hours at a given temperature)
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by 2,700 persons. Based on the average surface area per person in offices in the Brussels Region (20 m² per person), it can be seen that the building could accommodate almost four times more people! The conclusion is that an excellent level of technical performance may be totally nullified by a costly usage of the building, and thus lead to a relatively poor overall evaluation in terms of the environmental certification.

Mission impossible?

In view of the specifications of the various certification systems, it is pertinent to ask whether the obtaining of certification is not in fact a journey strewn with obstacles. “It is fairly easy to obtain certification”, replies Michael Taelman. “By contrast, it is much more difficult to obtain a high rating in the chosen certification system”. This observation is confirmed by Jean-Louis Hubermont. He advised Codic in their approach to certification for the Atlantis project, which received the mention ‘very good’. He speaks of a “titanic piece of work lasting eight months”. He does add, however: “Whether you want them or not, certificates are

dragging the market upwards, if only because they respond to a real need, but the law-makers will doubtless only react slowly. And yet in England it is the public sector which is setting the example”. So there seems to be general interest in certification. But will it be accessible to everybody? Guy Degryse, deputy director of Codic, recently replied to this question in a round table organised by La Libre Belgique: “Not all players will be able to undertake this type of approach (it is relatively onerous and requires substantial know-how). The difference will lie in the capacity of a developer or a project owner to render sustainability desirable. If real estate sustainability contents itself with managing technical parameters, it will be somewhat sterile and is hardly likely to engender aspiration within potential occupants. So it has to be imbibed with a desirable dimension, in order to make potential occupants want the building, understand the approach and accept the behaviour respectful of the environment that this brings with it”.

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Eolis building, located in the centre of Brussels, near the canal, has been entirely restructured into a next generation building. After renovation it has been HQE certified. Eolis is now highly equipped in terms of thermal and acoustic isolation, energy and water savings, waste management and flexible working environment.



References

Available on profacility.be/references

- “Relevance of the Sustainable Labels for Commercial Properties” Thesis for a Master in Real Estate Management by Michael Taelman, Director Business Development - Belgium at CB Richard Ellis. Northumbria University (UK), 2009.
- “Emerging Trends in Real Estate® Europe 2010” Urban Land Institute (ULI) and Price-waterhouseCoopers (PwC).