EXECUTIVE SUMMARY

In recent years, a wide range of studies and reports have outlined elements of the ‘business case’ for green buildings, but this report is the first attempt to synthesize all credible evidence from around the world into one definitive resource, complete with global examples and thought pieces from leading experts.

Research clearly shows that there are a large number of compelling benefits from building green, which are received by different stakeholders throughout the building life cycle. Yet, one issue that has remained controversial is whether it is possible to attach a financial value to the benefits of green buildings – crucial information for real estate lenders and the investment community.

Do green buildings attract a financial premium in terms of rental and sales value? Are they more attractive to tenants and occupiers? Are employees occupying greener buildings more productive?

This report investigates the business costs and benefits of green building in five vital categories and finishes with an exploration into the both the impacts that a greener built environment can have at a macro scale and how this can be achieved.

Download the full report:
www.worldgbc.org/business-case
Key Findings

Using peer-reviewed evidence as the standard for the analysis and guided by a steering committee of experts from around the world, the findings presented in this study represent a critical summation of the most recent and relevant research.

The body of the report provides insight into how these findings were reached, including the context of the studies – essential reading for understanding the relevance of the findings to what is found in local markets.

**Design and Construction Costs**

Research shows that building green does not necessarily need to cost more, particularly when cost strategies, program management and environmental strategies are integrated into the development process right from the start.

While there can be an additional costs associated with building green as compared to a conventional building, the cost premium is typically not as high as is perceived by the development industry.

**Asset Value**

As investors and occupants become more knowledgeable about and concerned with the environmental and social impacts of the built environment, buildings with better sustainability credentials enjoy increased marketability.

Studies around the world show a pattern of green buildings being able to more easily attract tenants and to command higher rents and sale prices.

In markets where green has become more mainstream, there are indications of emerging ‘brown discounts,’ where buildings that are not green may rent or sell for less.

**Operating Costs**

Green buildings have been shown to save money through reduced energy and water use and lower long-term operations and maintenance costs.

Energy savings in green buildings typically exceed any design and construction cost premiums within a reasonable payback period.

In order to achieve their predicted performance, high-performing green buildings need to be backed up by robust commissioning, effective management, and collaboration between owners and occupiers.
Workplace Productivity and Health
Research shows that the green design attributes of buildings and indoor environments can improve worker productivity and occupant health and well-being, resulting in bottom line benefits for businesses.

Despite evidence of its impact, improved indoor environmental quality has not been a priority in building design and construction, and resistance remains to incorporating it into financial decision-making.

While more research is needed, investing in better indoor environments can lead to better returns on one of every company’s greatest assets - its employees.

Risk Mitigation
Sustainability risk factors can significantly affect the rental income and the future value of real estate assets, in turn affecting their return on investment.

Regulatory risks have become increasingly apparent in countries and cities around the world, including mandatory disclosure, building codes and laws banning inefficient buildings.

Extreme weather events and systematic changes in weather patterns affect the insurability of real estate and lead to questions about the resilience of assets.

Changing tenant preferences and investor risk screening may translate into risk of obsolescence for inefficient buildings.

Scaling Up from Green Buildings
By greening our built environment at the neighborhood and city scale, we can deliver on large-scale economic priorities such as climate change mitigation, energy security, resource conservation and job creation, long-term resilience and quality of life.
What These Findings Mean for Business

The report points to an increasingly compelling business case for green buildings. The evidence presented highlights that sustainable buildings make clear business sense – it’s not just about saving the planet. These benefits range from risk mitigation across a building portfolio and city-wide economic benefits, to the improved health and well-being of individual building occupants. Moreover, green buildings can now be delivered at a prices comparable to those for conventional buildings and these costs can be recouped through operational costs savings and, with the right design features, through more a more productive workplace. Design decisions made at the start of a project will impact the long-term value of the building and its return on investment, meaning a whole-life cost/value approach is needed, from design through building operation. While there is a growing evidence base for all of these findings, the information being gathered is concentrated in certain regions and climates. In order to effectively transform the global marketplace, there is a need for more data and for more case studies from around the world.

This presents an excellent opportunity for businesses to partner with each other, and with academia and government, to better understand the financial implications of a more sustainable built environment. We need the right data to spur better financial decision-making.

A key illustration of this point is where due to a lack of financial metrics, many businesses have ignored the potential to improve indoor environments and are now missing a major opportunity to use buildings to leverage broader organizational success. Studies can tell us what has happened in given markets over a specific period of time. Practitioners have to look at local market conditions and at what defines and drives green building in a given location, not just a snapshot of data, to get the complete picture and effectively decide whether investments will ultimately translate into enhanced financial returns.

What is clear is that there is mounting evidence that in many markets across the world, part of being a better quality building means being a green building. In premium markets in particular, green is increasingly expected by tenants and owners – it is just part of what good ‘quality’ means.

With so many drivers for green buildings at play, and many parts of the world still at the nascent phase of green building, there can be no doubt that the business case for green building will continue to evolve as markets mature. Green building is something that tenants, investors and policy makers will come to demand and expect over time – indeed we have already seen this momentum grow globally where in more and more places, green is now becoming the status quo.

This report lays out the best business case evidence we have available today and provides insights into what these findings mean for industry as well as next steps we can take from here. It also shows how governments can leverage green building policies to support local economies and meet their long-term goals. With this foundation, we call on the private and public sectors to use their collective knowledge and strength to move the green building agenda forward, knowing that it benefits people and the environment - and their bottom lines.
DEVELOPER
Why would I want to build this green building?

TENANT
Why would I want to lease this green building?

OWNER
Why would I want to own this green building?

higher sales price
lower design and construction costs
quicker sales
ability to secure finance
rapid return on investment
increased market value
reduced vacancies
slower depreciation
lower refurbishment costs
corporate image and prestige value
compliance with legislation and CSR requirements
lower transaction fees
reduced downtime
lower operating costs
lower maintenance costs
increased occupancy rates
lower exit yield
health and well-being
increased productivity
lower operating costs
lower refurbishment costs
lower maintenance costs
increased market value
reduced vacancies
increased occupancy rates
reduced downtime
lower operating costs
lower maintenance costs
increased occupancy rates
lower exit yield
health and well-being
increased productivity
THE BUSINESS CASE FOR GREEN BUILDING

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