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*Real value in a changing world*

# Sustainability trends in commercial real estate

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# About Jones Lang LaSalle

Global expertise	Recognized Leader	Making an impact in 2008
<ul style="list-style-type: none"> <li>• <b>166 offices</b> worldwide</li> <li>• Operating in more than <b>700 cities</b> in over <b>60 countries</b></li> <li>• 2007 revenue of over <b>\$2.65 billion</b></li> <li>• <b>32,700</b> employees worldwide</li> <li>• Manage <b>1.2 billion square feet</b> globally</li> </ul>	<ul style="list-style-type: none"> <li>• 100 Best Corporate Citizens, CRO Magazine (2007)</li> <li>• Chairman’s Award, Alliance to Save Energy (2007)</li> <li>• Partner of the Year, ENERGY STAR (2007)</li> <li>• Sustainable Cities Award, Financial Times and ULI (2008)</li> <li>• International Energy Engineer of the Year, Association of Energy Engineers (2008)</li> <li>• World’s Most Ethical Companies, Ethisphere Institute (2008)</li> </ul>	<ul style="list-style-type: none"> <li>• Documented <b>\$95 M</b> in energy savings</li> <li>• Reduced <b>438,000 tons</b> of greenhouse gas emissions</li> <li>• Saved <b>790,million kWh</b></li> <li>• Provided <b>20,000 facilities</b> with specialized energy services</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Managed <b>73</b> LEED projects, totaling over <b>35 MSF</b></li> <li>• Over <b>330</b> LEED APs</li> </ul>

# Industry is moving quickly

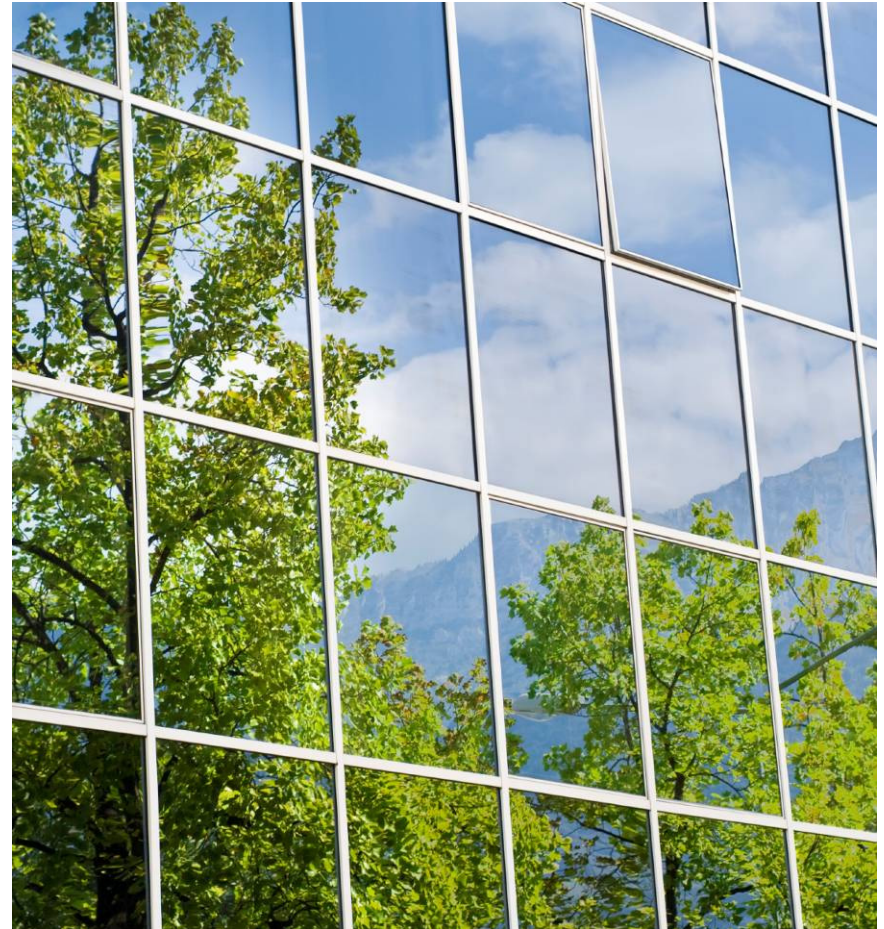


# 2008 Global Trends in Sustainable Real Estate

- The survey was conducted jointly by Jones Lang LaSalle and CoreNet Global in September-October 2008
- 382 respondents participated in the “2008 Global Trends in Sustainable Real Estate”, covering a variety of business lines throughout North America, Europe, Asia Pacific, Middle East and Africa, South America and Australia New Zealand
- Of those surveyed, 78% have greater than 1000 employees, 75% are based in North America and 69% identify their organization’s scope as global

# Key 2008 takeaways

- CRE executives demonstrate a much greater level of knowledge and skill in navigating the fast-moving world of sustainability
- Sustainability is a critical business issue at 67% of companies today, up from 47% in 2007
- At the same time, fewer companies appear willing to pay for green buildings today than a year ago.



# Sustainability influences CRE strategies and decisions

**76%** say energy/sustainability is a major or tie-breaker in location decisions

Sustainability is already a critical business issue of corporate real estate to **67%** of respondents

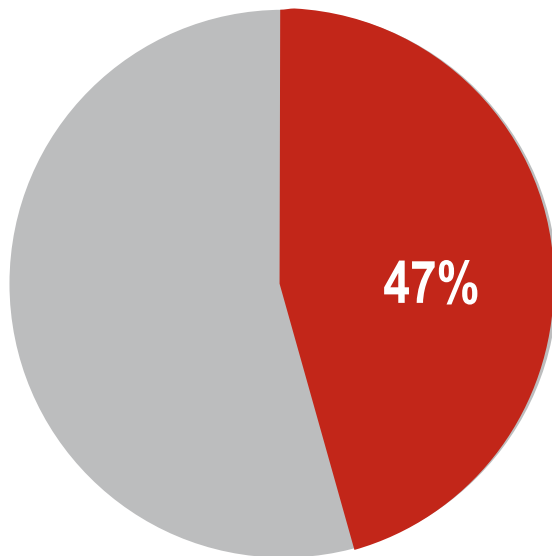
**76%** say energy costs are very important in managing the sustainability of their workplaces

An energy efficiency program is broadly implemented in some form at **57%** of respondents companies

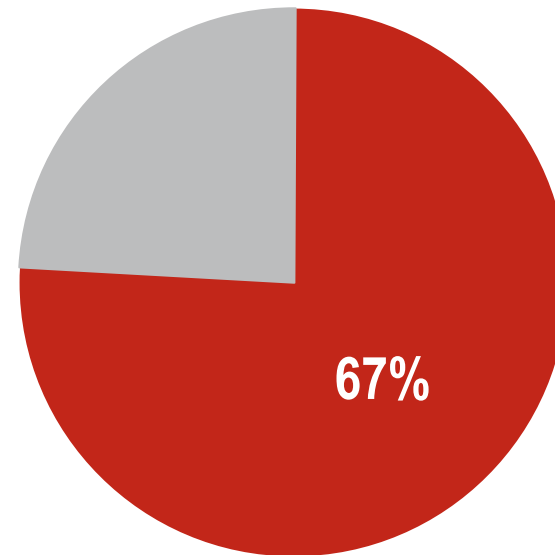
# Sustainability continues to be a key priority for tenants

Companies that think sustainability is a critical business issue

**2007**



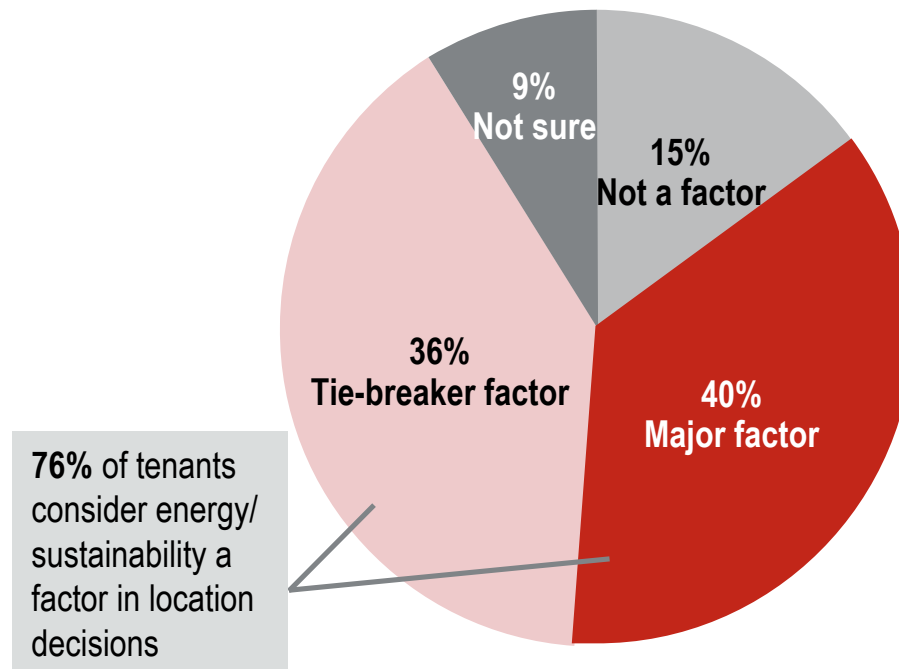
**2008**



\* Source: CoreNet/Jones Lang LaSalle survey on sustainability, 2008

# Sustainability impacts location decisions...

Q: How big a factor is energy/sustainability in your location decisions?





## ...but sustainable space is limited

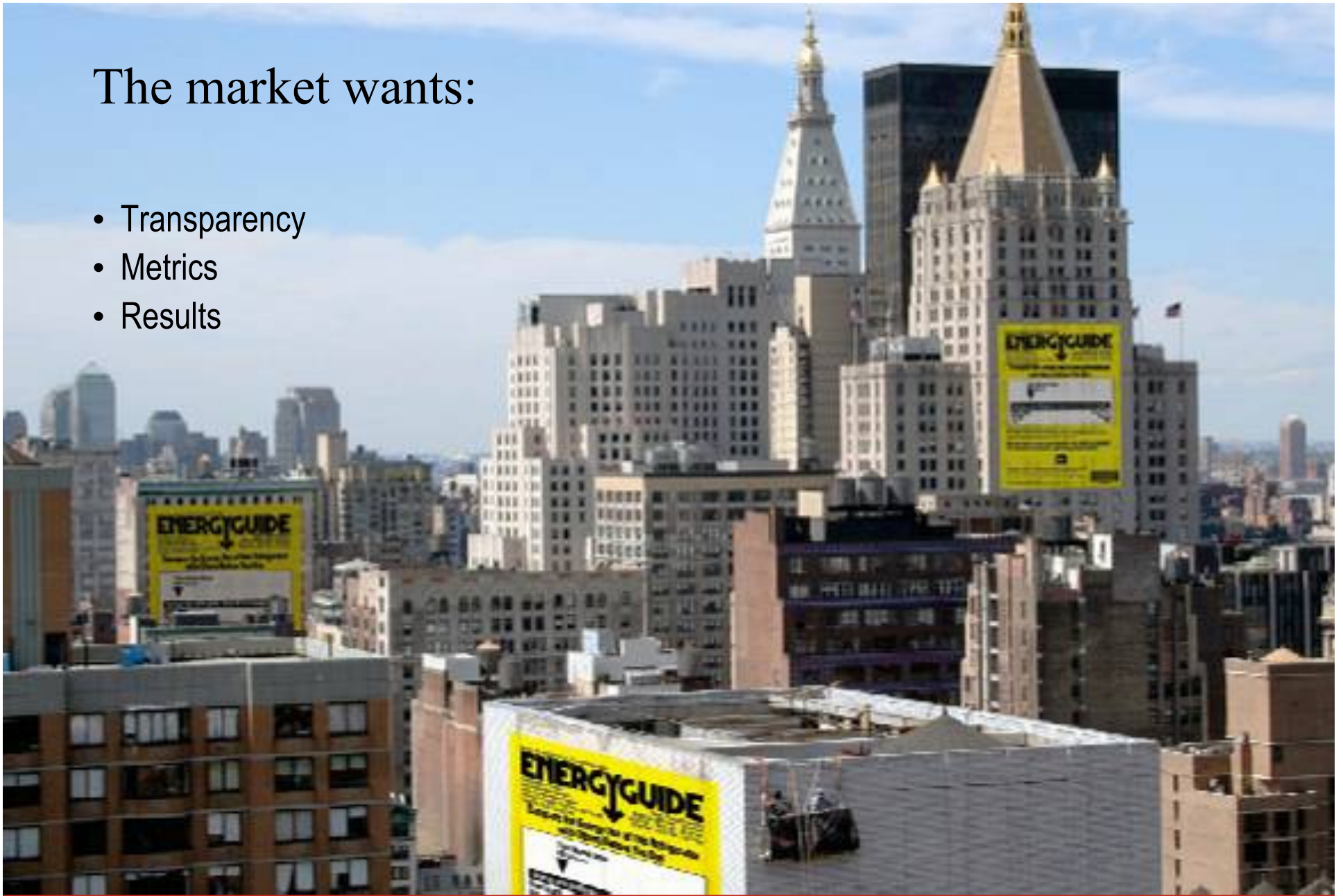
- Tenants are finding it increasingly more difficult to locate green space in many markets, largely due to demand outpacing supply.
- Many new developments gained LEED certification in the past year, few existing buildings did. At the same time, a flood of “green lease” requests hit the market.

Q: How strong is the availability of sustainable space for lease?



## The market wants:

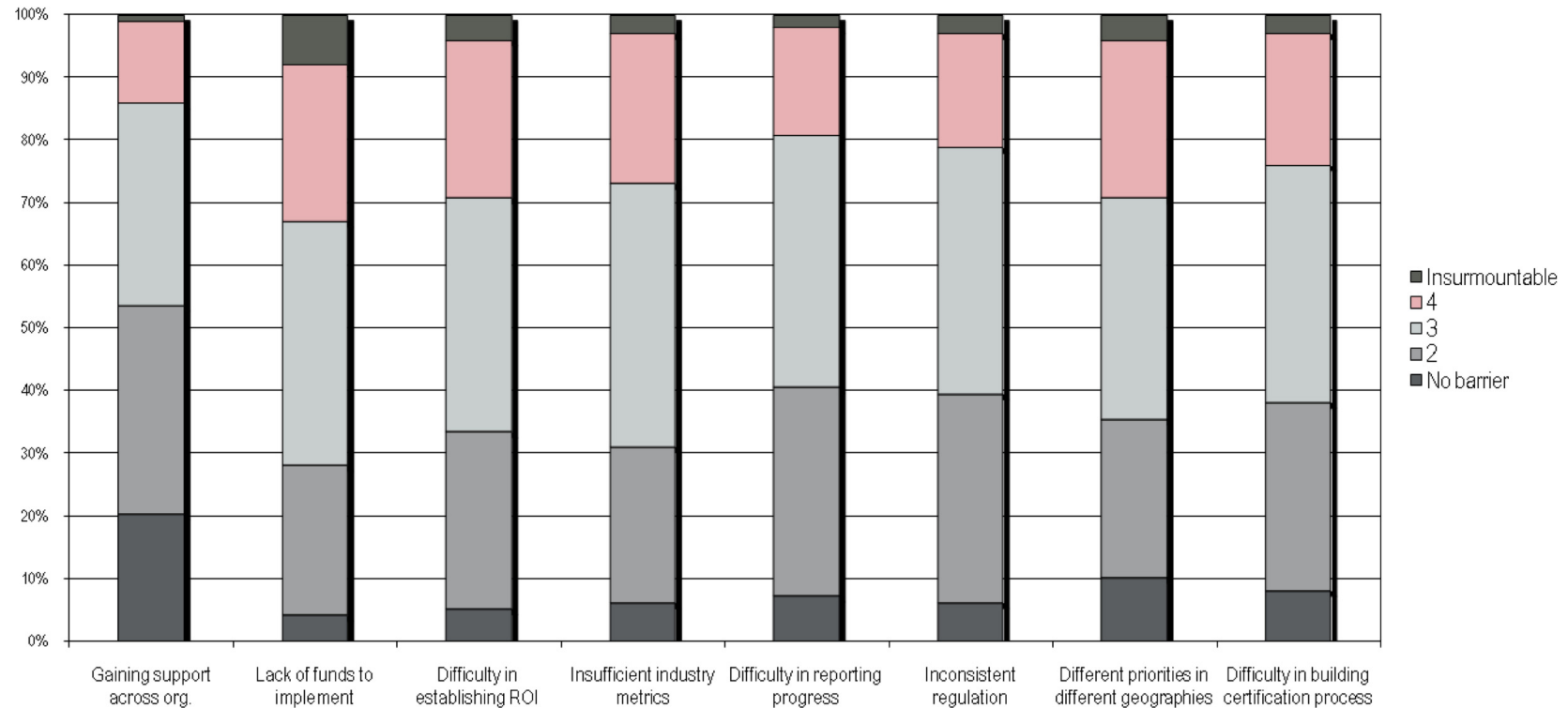
- Transparency
- Metrics
- Results



# European Union rating system

Energy Certificate	Certificate type		FULL	Building Energy Performance>>	As built: Asset rating	In use: Operational rating
	Building type		Office			
	Whole or part of building		Whole building			
			B	D		
					Calculated	Actual
	Asset rating method		UK National Standard 2004		<b>48</b>	<b>83</b>
	Operational rating Method		UK Office Tailored Benchmarks 2002			
	Unite used		Kg CO <sub>2</sub> per sq m of net area per annum			
	Occupancy level		Square metres net lettable area per person		14	12
	Equipment rating method		Watts per square metre net		12	12
	Weekly occupancy hours		Hours per week		55	58
	Heating performance rating				A B C D E F G	A B C D E F G
	HVAC Performance ratings (cooling, fans and pumps)				A B C D E F G	A B C D E F G
	Lighting performance ratings				A B C D E F G	A B C D E F G
Management rating (for in-use performance only)					A B C D E F G	
Internal environment quality					Not assessed	
Internal environment risk					Not assessed	
Certifying organization Street PO Box City Contact Tel Email		Building Name Organization Street City Contact Tel Email		Further Information can be found in the Energy Log Book <b>GB 2005</b>		

# Obstacles to sustainability



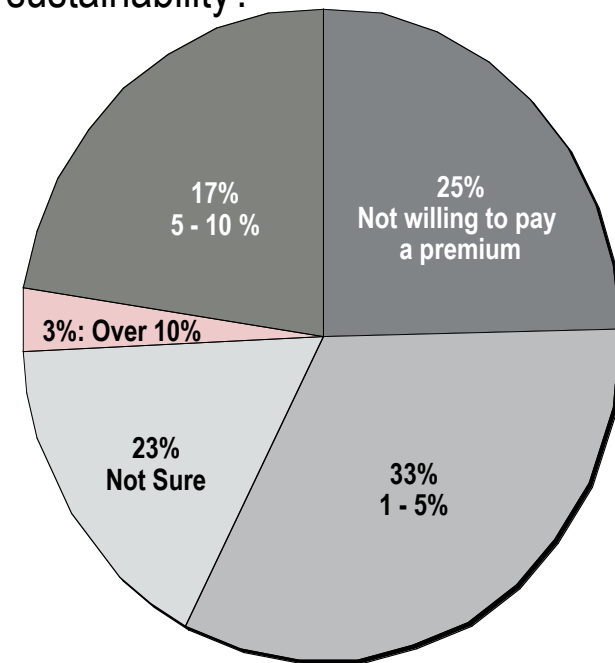
The availability of sustainable space for lease isn't the only obstacle CREs face. 29% of respondents gave a rating of 4 or 5 to "difficulty in establishing the return on investment" and "different priorities in different geographies."

# Cash-strapped owners are delaying green initiatives

- The economy is forcing owners of real estate to put green retrofit and new developments on hold
  - 50% would be willing to pay a premium between 1-10%, with the majority—33%--willing to pay a premium of up to 5%.
- Owners are realizing that green buildings need to quickly become a priority in this tenant-driven market

“We have been very successful utilizing our sustainability position as a great recruiting tool to attract, engage and retain top tier talent,” said one owner

Q: What premium are you willing to pay to retrofit owned space for sustainability?



# Green operational improvements

Pre-and post-LEED certification levels

	Bldg 1—LEED Gold	Bldg 2—LEED Gold	Bldg 3—LEED Silver
Energy consumption improvement	38.7%	42.7%	33.4%
GHG emissions improvement	39.4%	43.0%	33.4%
Energy consumption payback (in years)	2.5	1.2	2.0
Water consumption payback (in years)	19.1	12.2	13.6
Value increase	16.7%	24%	30.3%
Payback period (in years)	.6	.3	.2

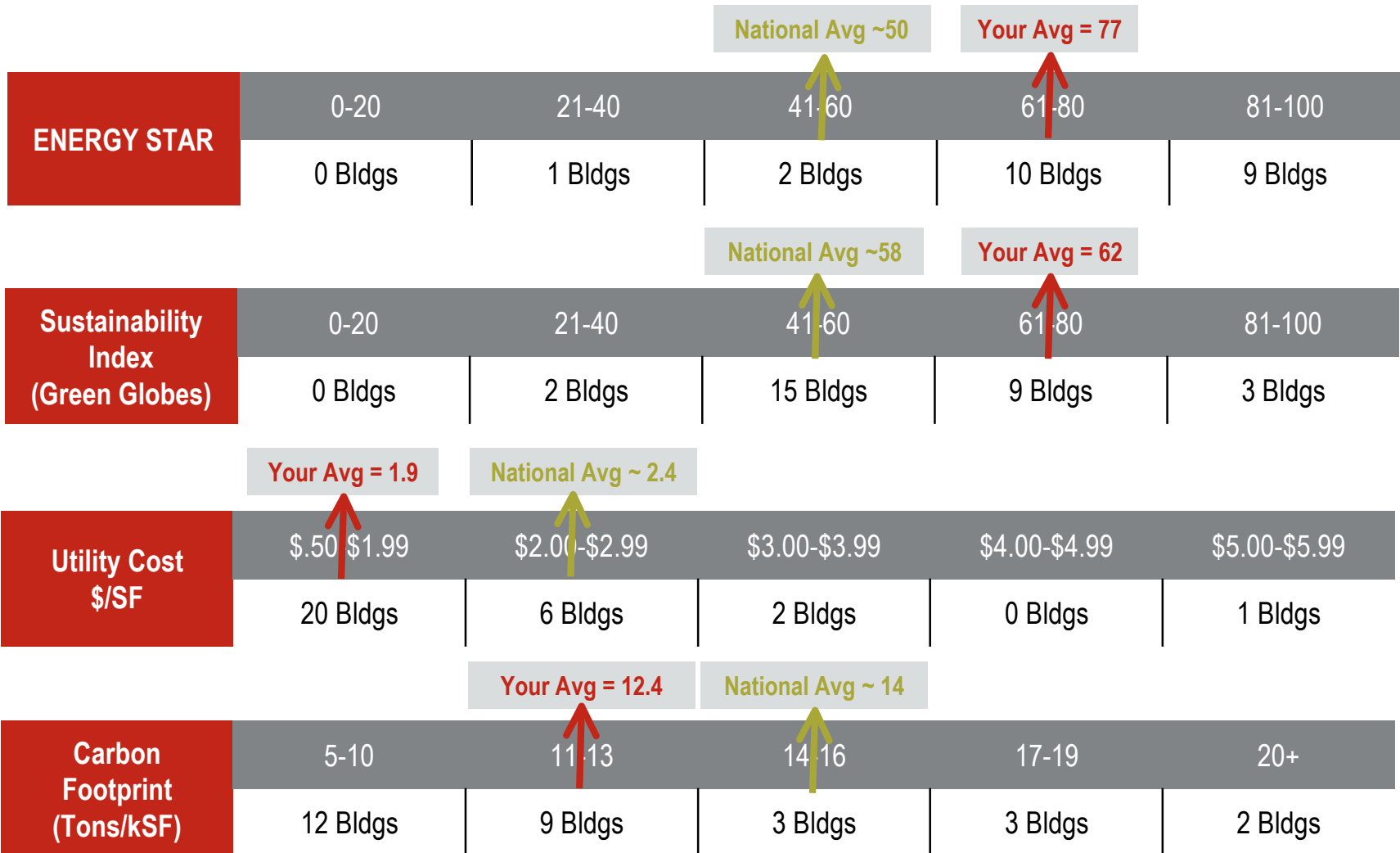
# Property owner strategies

Sample client pilot program—ENERGY STAR/LEED status

Category	Green Globes Score	ENERGY STAR enrolled (100%)	ENERGY STAR labeled (50%)	LEED AP on-site (75%)	LEED GAP assessments (40%)	LEED site registered	LEED certified
Facility 1	78	■	■	◇	■	■	◇ Silver
Facility 2	57	■	■		●		
Facility 3	75	■	■	◇	●		● Gold
Facility 4	60	◇		■	●		
Facility 5	56	■	◇	◇			
Facility 6	59	■					
Facility 7	57	■					
Facility 8	55	■					
Facility 9	35	n/a		■			
Facility 10	34	n/a					

■ Yes   ◇ 2008   ● 2009

# Sample client portfolio benchmarking: primary metrics





# Property owner strategies

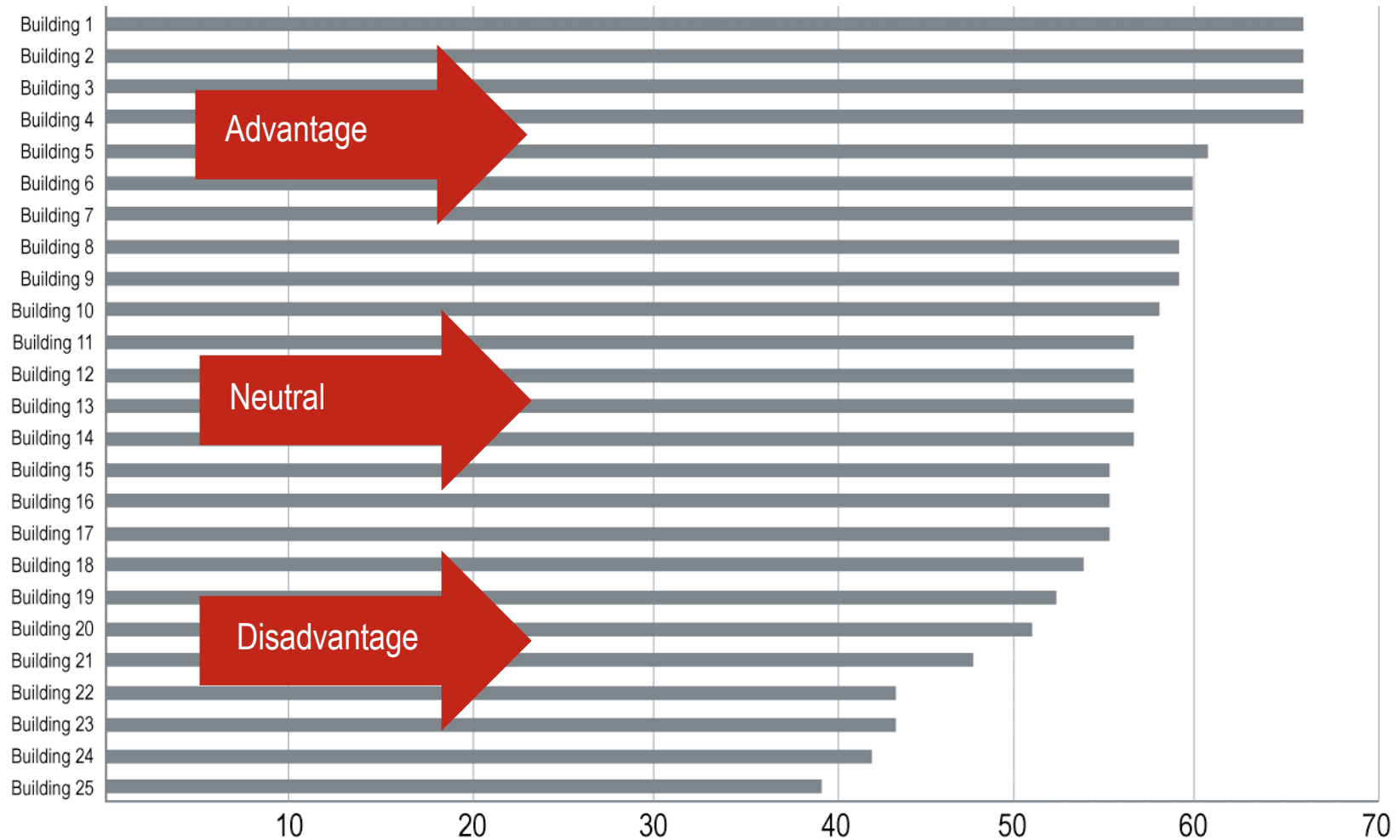
## Building actions to improve--example

Energy action item	Completed	Identified	Grand Total
Controls: Install full or partial building automation system	1	1	2
Energy audit: Perform an energy audit	1	13	14
Energy management: Monitor monthly and peak energy usage in 15-30 min increments		2	2
Energy management: Monitor monthly energy use		1	1
Green energy: Harness a renewable energy source on site	1		1
Water action item	Completed	Identified	Grand Total
Water conserving features: Install low flow fixtures	6	9	15
Water management: Establish water-reduction targets		6	6
Water management: Perform a water audit	3	3	6
Transportation action item	Completed	Identified	Grand Total
Cycling: Install bike racks	5	1	6
Other measures: Implement programs to reduce car dependency		1	1
Resources action item	Completed	Identified	Grand Total
Recycling facilities: Implement a recycling program	3		3
Waste reduction: Conduct regular waste monitoring	4		4
Recycling facilities: Provide composting	2		2

# Baselining your portfolio

How green are your buildings?

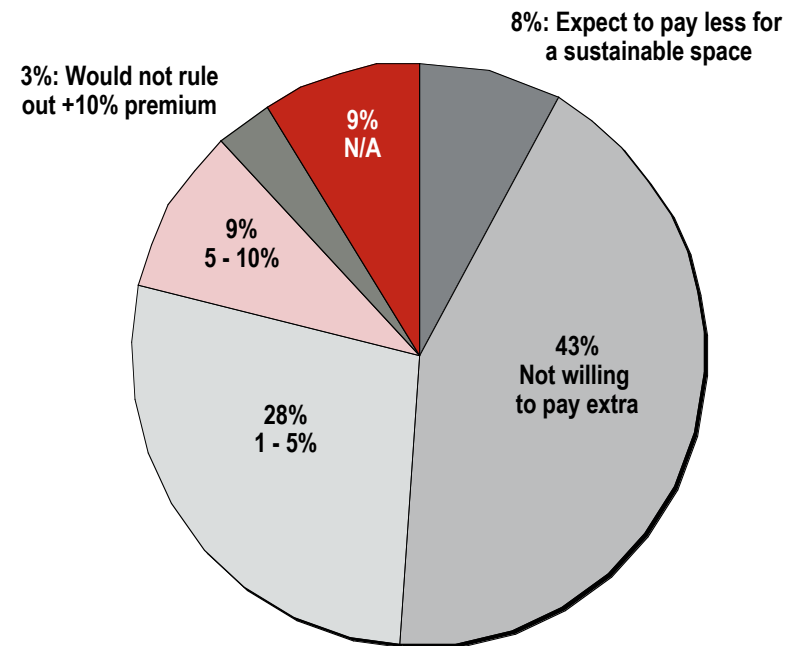
## Green Globes Sustainability Score



# Fewer are less willing to pay premiums

- Fewer tenants for the most part are willing to pay a premium for environmentally-friendly space.
  - Of those tenants surveyed, just 37% said they would be willing to pay between 1-10% premium for green space. 8% of total respondents felt they should pay less.
- This is likely due to the fact that CRE executives in the past year have become more educated about sustainability costs and benefits, such that many have concluded that green space need not cost more.

Q: What premium in rent are you willing to pay for sustainable space?



# Baselining your portfolio

How green is your building?

## Green Globes Sustainability Score



# Mitigating risk—the impact of pending regulation

## President-Elect Obama's energy plan:

- Reduce carbon emissions 80% by 2050
- Implement cap-and-trade system
- 25% of electricity to come from renewable sources by 2025
- All new buildings carbon neutral by 2030
- Increase existing buildings' efficiency by 25% over the next decade
- Flip incentives to energy utilities
- **Expand federal grant programs to build more efficient public buildings and adopt aggressive provisions (i.e. those provided in Green Globes and LEED)**



# A look to the future

- The focus on green buildings continues to increase at a rapid pace and sustainability initiatives will continue to hold a growing level of prominence within corporate business goals
- Energy conservation is a national priority, and will continue to be under the Obama administration, providing additional motivation for companies to follow suit
- The financial downturn that has touched most countries worldwide has not dispelled the corporate commitment to sustainability.

