



# CUSHMAN & WAKEFIELD SUSTAINABILITY BRIEFING

BUSINESS APPETITE FOR SUSTAINABLE  
PROPERTY IS ON THE RISE



**CUSHMAN &  
WAKEFIELD**®  
Global Real Estate Solutions

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## BUSINESS APPETITE FOR SUSTAINABLE PROPERTY IS ON THE RISE

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Before the downturn, sustainability was an emergent trend for occupiers when making their real estate decisions. In a short space of time, sustainability has developed to become a fundamental commercial issue for all operators within the property sector. The recent recession has caused a reassessment of what occupiers regard as the most important factors when choosing a new building. However, the impact of sustainability has not waned at all, in fact sustainability continues to affect all aspects of business operations.

Recent surveys have shown that there is growing evidence that tenants view sustainability as an increasingly determining factor in their property decisions, with large international companies leading the way. These companies are looking to reduce their operating costs by lowering energy consumption or by increasing market attraction as a result of stronger sustainability credentials.

In response to concerns raised by the media, consumers, employees and shareholders, corporate social responsibility (CSR) agendas are driving the demand for sustainable property. Although, the global economic slowdown has been a challenge for delivering new green buildings, it is clear from the interviews we carried out across Europe that sustainability is increasingly driving business decisions today and the demand for green space is on the rise.

We interviewed senior executives from 500 European companies regarding their views on sustainability and more specifically 'green buildings'. The underlying data was researched independently for Cushman & Wakefield by TNS BMRB.

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## IMPORTANCE OF SUSTAINABILITY

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Sustainability is now recognised as a crucial part of a company's overall business strategy. Almost 70% of all respondents throughout Europe regarded sustainability as at least an 'important' consideration, with over 40% regarding it as very important or fundamental to their business.

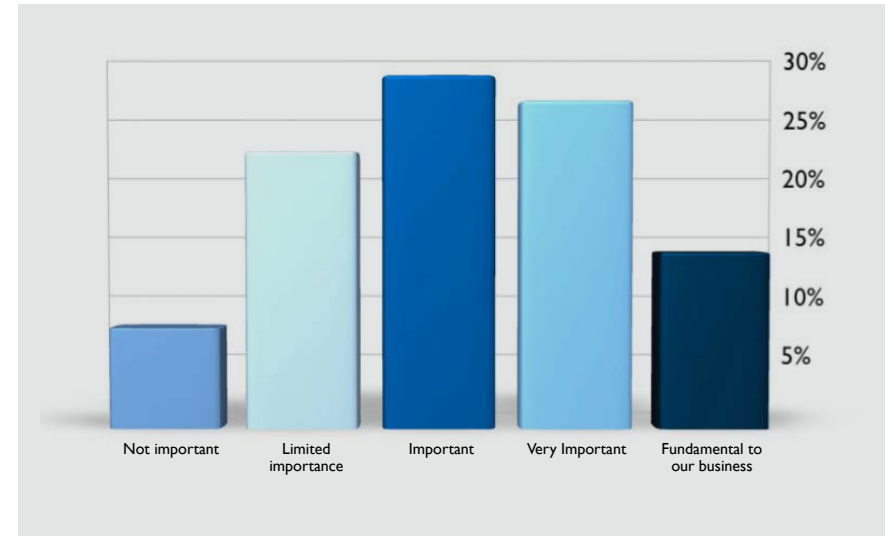


Table 1: All Respondents

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## ROLE OF GREEN CREDENTIALS WHEN BUYING/LEASING A NEW SPACE

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However, in terms of buying or leasing new space, there is more of a polarisation in responses. Across Europe, there is a virtual 50/50 split between those respondents that feel that green credentials have a significant/fundamental role or alternatively a limited or no role to play when considering new space.

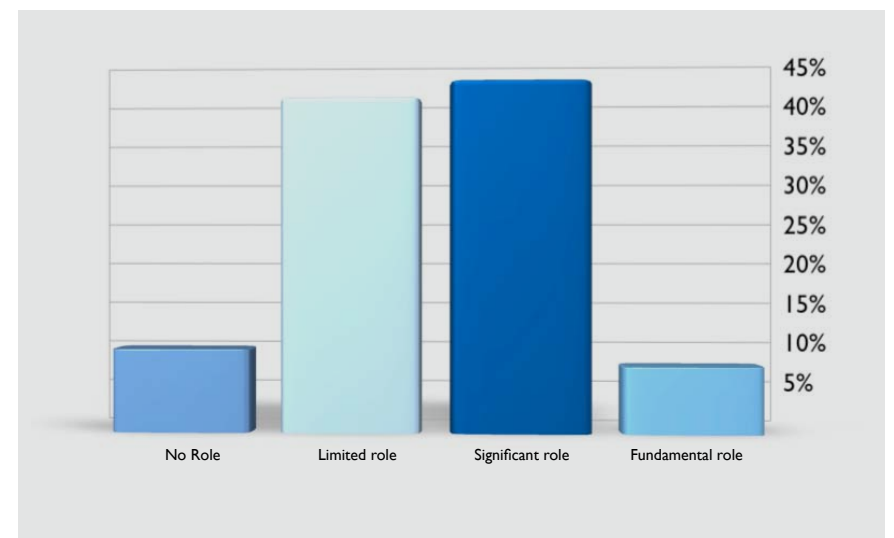


Table 2: All Respondents

## OCCUPATION OF 'GREEN BUILDINGS'

The respondents across Europe that now own or occupy a Green Building has risen from 15% to 21% from 2008 to 2010. Sweden, with over 50%, has the highest number of respondents currently occupying Green Buildings. In addition, of those respondents who do not yet occupy a Green Building, almost half would like to do so. Positively, the amount of respondents who do not occupy a Green Building and are not interested in doing so has fallen from 32% to 28%.

It is perceived that larger companies have tended to lead the way in terms of occupying green buildings. This pattern is highlighted with the fact that of the largest companies (5,000 employees and above), 80% of respondents either occupy or would like to occupy a green building. This proportion edges down in terms of medium sized companies (76%), with smaller companies seeing 62% of all respondents either occupying or looking to occupy green buildings in 2010.

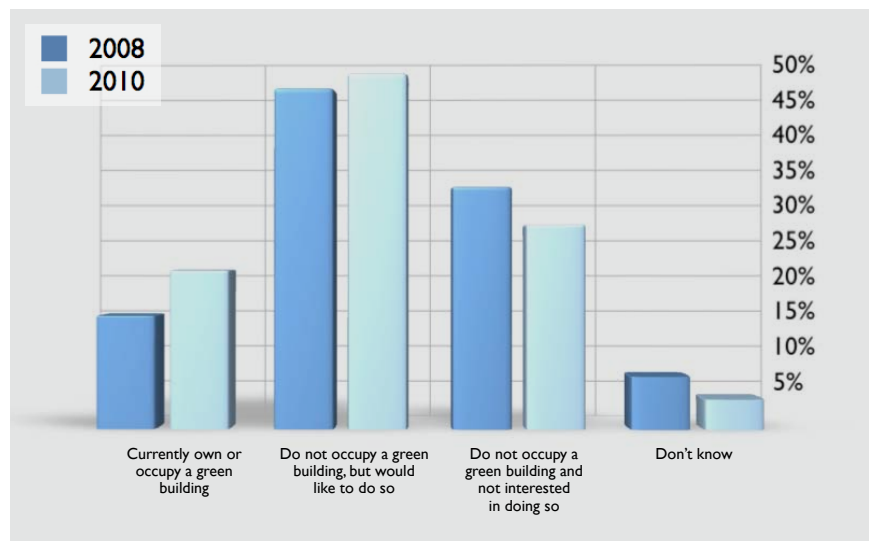


Table 3: All Respondents

Despite the recent recession, sustainability, environmental standards and most importantly 'Green Buildings' are continuing to move up the corporate agenda. This is highlighted by the recent results from the ECM where many respondents are now either occupying 'Green Buildings' or are contemplating moving to one.

Turning to the UK, the percentage of respondents that occupy 'Green Buildings' is just over 25%, which has risen from 20% in 2008. Just under half of the UK respondents in 2010 do not occupy a Green Building but would like to, while the number of respondents that do not occupy a Green Building and are not interested in doing so has fallen from 25% to 21% from 2008 to 2010.

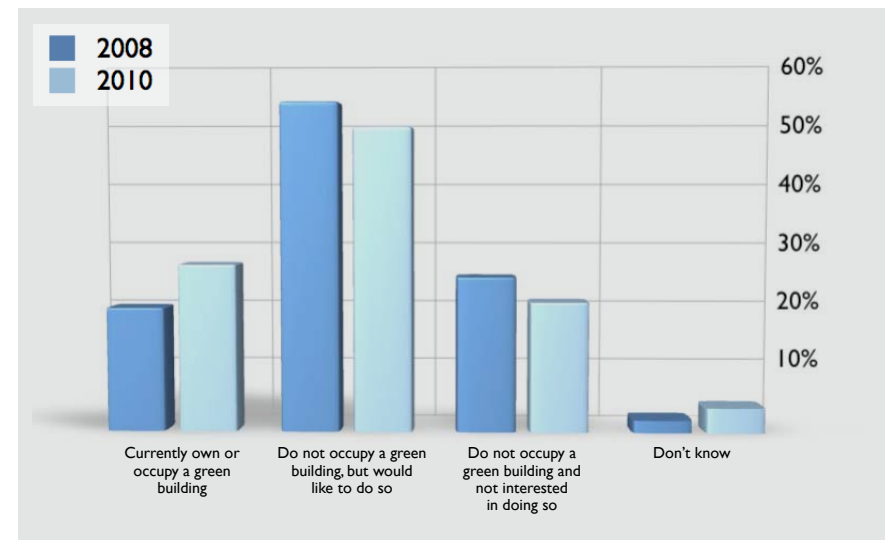


Table 4: All UK Respondents

## MOST IMPORTANT FACTOR WHEN CONSIDERING A GREEN BUILDING

Although economic conditions may be easing, occupiers continue to focus heavily on cost reduction. Maximising their office space and reducing operating costs remain important considerations. The reasons for occupying 'Green Buildings' have become more prominent in light of the recent recession. The two largest rises seen over the 2008 – 2010 period were regarding 'saving in costs of running the building' and 'overall reduction in CO<sub>2</sub> emissions', with both categories seeing 3% more respondents regard them as the most important factor.

However, by far the most important factor across all respondents within Europe remained 'reduction in energy and water consumption in use' with almost 30% of all respondents in 2010 regarding it as the most important factor when considering a Green Building.

This was also the most important factor for small (fewer than 1,000 employees) and medium sized companies (1,001 – 5,000 employees), with almost a third of all respondents in each size band mentioning 'reduction in energy and water consumption in use' as the most important factor. Larger companies (over 5,000 employees) saw three main factors as the most important, accounting for approximately 20% of responses. Marginally ahead was 'saving in costs of running the building', closely followed by 'reduction in energy and water consumption in use' and 'overall reduction in CO<sub>2</sub> emissions' respectively.

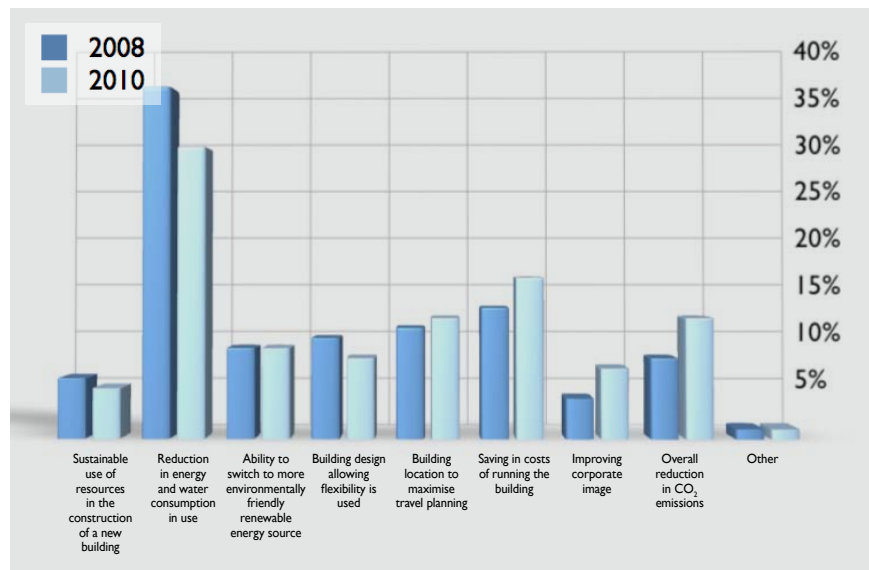


Table 5: All Respondents

All three sectors (Industrial, Retail & Distribution and Professional Services) indicated that the most important factor when considering a Green Building was 'reduction in energy and water consumption in use'. However, respondents from both Professional Services and Retail & Distribution saw 'savings in costs of running the building' grow noticeably from 2008 to 2010.

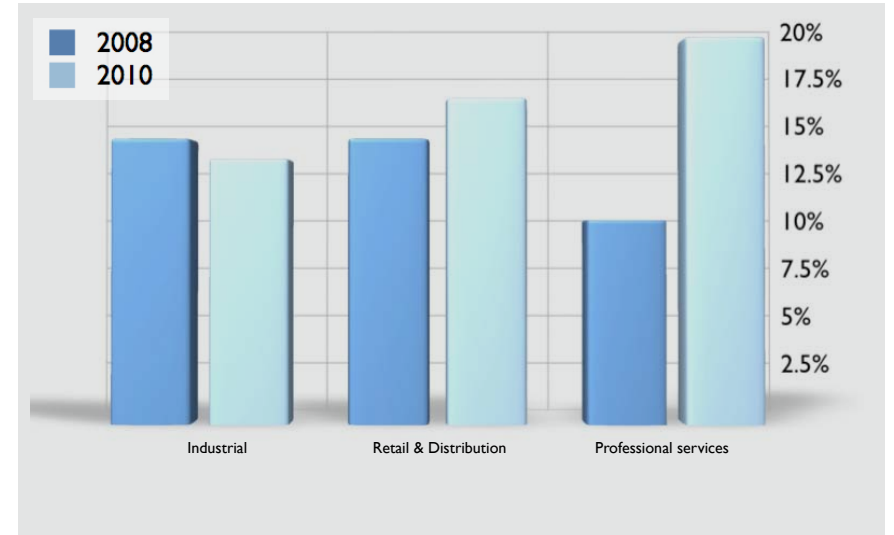


Table 6: All Respondents

## MAIN BARRIER TO BUSINESSES OCCUPYING 'GREEN BUILDINGS'

In 2008, there were a wide range of factors that all respondents across Europe felt were a notable barrier to occupying a 'Green building'. However, in 2010 and with the understanding of 'Green Buildings' becoming more apparent among respondents, the main barriers were three factors that were perceived to be the most important barrier for around 20% of respondents. 19% of respondents expressed the opinion that they were locked into an existing lease, this was particularly true for companies within the UK and Germany, where over 30% of respondents indicated that this was the most important factor.

Two, slightly more negative factors emerged over the 2008 – 2010 period, with more respondents expressing that there was either an insufficient choice of buildings, perceived mostly within companies operating in France or that the rent for a green building is more expensive than a standard office building. However, the main barrier for many respondents within the ECM was the lack of suitable buildings. This is a trend that is likely to continue for the next year or so as many of the prime office markets throughout Europe remain undersupplied. Although development pipelines are slowly increasing, the problem of undersupply will remain in the immediate future. However, in order to attract tenants, new buildings will have to be built to the highest environmental standard, therefore expanding the supply of 'Green Buildings' throughout Europe.

Furthermore, sustainability will continue to underpin all design and technology decisions within a building, and this will continue not only with the development of new buildings, but also the refurbishment of older properties. Therefore, these new or refurbished buildings will obviously incur a cost to bring them up the standards required. As highlighted in the ECM, the payback period is still a consideration for many occupiers across Europe. However, the perception that the payback period for green buildings has diminished over the past two years, a positive impact in terms of sustainability understanding throughout Europe.

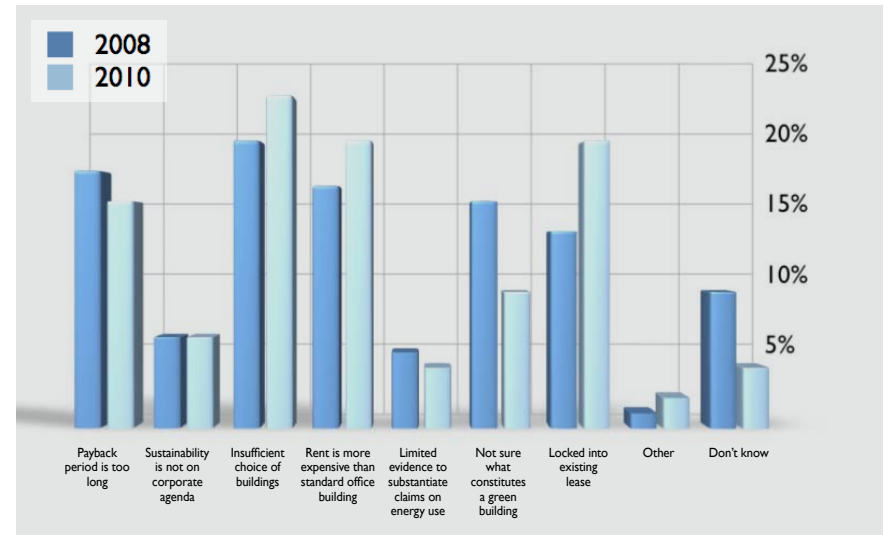


Table 7: All Respondents

Within the UK, almost 40% are currently locked into an existing lease. This is a significant rise from the 19% of all respondents figure as seen in 2008.

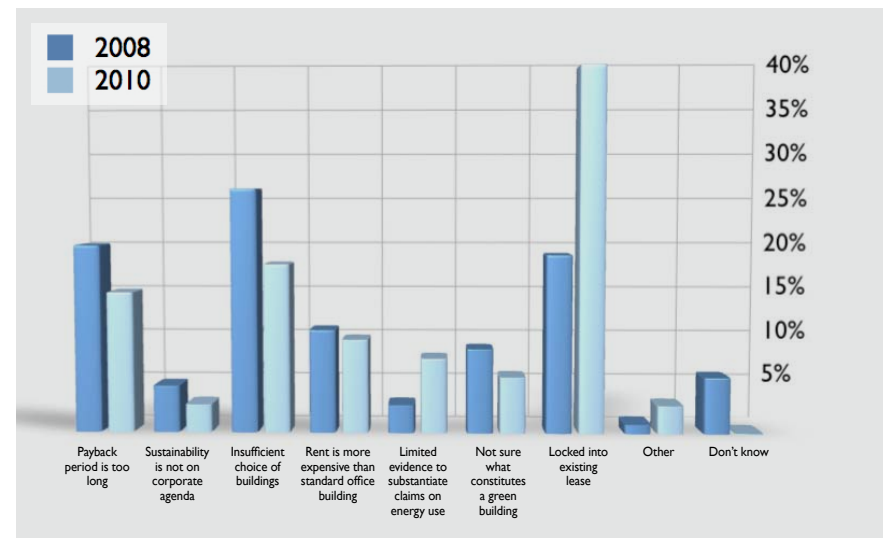


Table 8: All UK Respondents

However, in terms of responses from the three sectors, the most important barrier in all cases is 'an insufficient choice of buildings'. With over 20% of all respondents regarding this as the most important factor as to why they do not yet occupy a green building.

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## THE FUTURE?

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A recent study that appeared in the American Journal of Public Health mentioned that "'Green Buildings' positively affect public health. Workers who moved from conventional office buildings to 'Green Buildings' reported a lower absentee rate and were more productive." Clearly, it is relatively early within the development of 'Green Buildings', but if both occupiers and the workforce are satisfied within them, then it is a trend that will quickly develop.

Therefore, despite the recession we envisage that the number and the quality of specification of 'Green Buildings' across Europe will increase markedly. The importance of sustainability within the long term corporate outlook will continue to advance, from both an environmental and governance standpoint. Therefore, the consequential effect on the development strategies and sustainable business practices will result in sustainability becoming an important cornerstone of future commercial operations.

From a property perspective, there are still many occupiers who wish to locate in a Green Building but do not at the current time. Demand for Green Buildings across Europe is anticipated to rise as high specification space will become increasingly sought after by a growing number of occupiers. In addition, developers will have to respond with newer innovations within their buildings, both responding to occupier demand and in an attempt to keep their developments as market leading. This will have a two-fold effect of keeping Green Buildings as a fundamental criteria for both occupiers and developers in the future.

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## TECHNICAL SPECIFICATION

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A survey of 500 senior executives from leading companies around Europe were surveyed in June/July 2010 and were asked to give their opinions regarding sustainability and more specifically "Green Buildings". A similar survey was undertaken in 2008, which allows comparison to be made.

The underlying data was researched independently for Cushman & Wakefield by TNS BMRB.

## CONTACT DETAILS

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