

Sustainability now firmly on the agenda

Despite increased global attention on the need to reduce our carbon footprint, I have often heard that sustainability is not currently regarded as a pressing issue in the real estate markets of the energy-rich Middle East countries.

However, there is increasing evidence that this view is now beginning to change among more forward-thinking developers, investors and occupiers who are recognising that more sustainable buildings represent a great business opportunity.

The increased number of new projects that are adopting leading edge environmental practices is the clearest evidence of this trend. For example, the new Standard Chartered headquarters building in Dubai is seeking a Silver Leed rating, and all 70 or so of the towers within the massive King Abdullah Financial District in Riyadh are being designed to Leed specifications. Leed (Leadership in Energy and Environmental Design) is the leading global real estate sustainability rating system.

These projects will join the 49 existing buildings in the UAE that have already achieved Leed recognition. Examples of these include Majid Al Futtaim's Mirdif City Centre, Pacific Control's headquarters, the One & Only Royal Mirage hotel and Prime Residency in International City.



Sustainability

Developers are choosing to invest in these sustainability measures because they recognise the opportunities of doing so and the risks of not doing so. They see that:

- Energy savings offer great potential to reduce carbon emissions, reduce water consumption and save money;

- Buildings that perform at a more sustainable level will attract stronger tenants and have better occupancy levels, translating into higher building values and;

- Ignoring sustainability issues presents a variety of risks, including premature obsolescence, and lack of market demand.

The case for long-term owners is equally compelling. Leading edge sustainability design and operations can be seen as a way of future proofing their building, enhancing the value, improving saleability, and retaining attractiveness to potential occupiers.

Reducing operating costs generates higher net returns, with every dirham saved being potentially an extra dirham available in rent. Combined with potentially higher occupancy rates and rental levels, more sustainable buildings are becoming an increasingly attractive prospect to landlords.

Energy savings

And it is not just in new buildings — sustainability measures can also be incorporated into existing ones. Many, but by no means all, measures to reduce energy and water demand will involve some capital expenditure outlay, but if introduced at the right time in the asset lifecycle, the incremental expenditure need not be overly costly.

Jones Lang LaSalle's property management team recently helped the owners achieve energy savings of over 40 per cent from a range of measures introduced during a refit of New York's iconic Empire State Building. For the occupiers, there are just as many arguments in favour of sustainable buildings. They fit with their corporate social responsibility (CSR) agendas and sustainability measures built into their own day-to-day operations.

A significant drive for environmental improvements is coming from occupiers, and there is firm evidence they are becoming more willing to pay a higher rent for sustainable space. A recent global corporate survey showed up to 48 per cent of occupiers are now willing to pay rental premiums, significantly higher than the 37 per cent recorded in the 2008 and 2009 surveys.

In summary, the sustainability phenomenon is not a passing fad. It is here to stay and it is directly relevant to the way in which new buildings are designed and existing ones are managed.

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