A green reality - We will improve it?

The facts

There are many statistics to show the impact that buildings have upon the environment, for instance:

- Buildings are the fastest growing source of energy consumption outside of aviation
- Buildings are responsible for nearly half of the carbon emissions – 44% to be exact
- Residential and commercial buildings constructed in 2006 are 40% more energy-efficient than those built just four years earlier

Developers are in the know

Developers have recognised this and taken the 'green agenda' and turned it in to one of the key drivers in marketing. Their reason for doing this, aside from the obvious environmental benefits is one of profit.

In saying this we do not seek to tarnish the good work carried out, but to show that there is sound business sense behind adopting a green philosophy. Developers realised that an environmentally efficient building would offer benefits to them and their consumers, and that the occupier would benefit from a corporate halo given by occupying space which was less environmentally damaging than its competition. They hope to recoup the costs of construction through increased rents and decreased voids.

So new build is on the right track but unfortunately for the environment, new buildings account for no more than 1.5% of the total building stock in any one year. So it's easier and cheaper to incorporate energy-efficient lighting, heating and ventilation systems into new buildings than existing ones but they are in the majority doing most of the environmental damage.

The problem of existing buildings

So how do we deal with the larger problem, how do we improve the existing buildings? In simple terms we do so over time. Developers typically build with a life span in excess of 50 years in mind and would consider refurbishment being required after 25, allowing for wear and tear on parts like cladding and roofing plus the changes in fashion which mark out older estates. So the key to improving the overall environmental impact of industrial premises is to improve the green credentials upon refurbishment.
Unfortunately there is no quick fix; a combination of factors will influence the cost-effectiveness of 'Green Refurbs' over time. Corporate responsibility is continuing to gain momentum, occupiers whether they be SMEs or global giants are aware of the problems and ever more of them are willing to help out with the solution. Secondly and perhaps more importantly, legislation will force change by penalising the environmental offenders and rewarding those doing most to protect the environment.

Legislation

The introduction of Energy Performance Certificates (EPCs) will set a standard for comparison across buildings which will have to be provided when marketing properties. Environmental lobbyists such as 'The UK Green Buildings Council' are pushing for penalties for those occupiers whose buildings exceed the emissions as stated in the EPC. The London Borough of Merton introduced 'The Merton Rule' in 2004/05 whereby 10% of all energy required on developments must come from a renewable source. This type of policy has already been adopted by 49 other Boroughs with Kirkness seeking a 30% input of energy from renewable sources by 2011. Chancerygate was the first developer in the UK to develop a scheme under the Merton rule in 2005. Their Willow Lane scheme in Mitcham used solar panels and wind turbines to provide 10% of the schemes power.

Legislation in action

Chancerygate also completed construction of their Business Centre in Streatham in January this year. NB Real Estate are marketing the units which benefit from wind turbines to satisfy the 'rule'. Richard Dawtrey, Land Director of Chancerygate commented "The Merton Rule does, of course, have a financial implication on developers but we are increasingly becoming aware of the severity of global climate change

and are therefore proud to be able to develop schemes with renewable energy. The technology surrounding renewable energy production is undoubtedly improving and it is hoped that the increased use will lead to more economical, effective systems".

Chancerygate is not championing the scheme as an environmentalist's ideal, rather as good quality, modern industrial buildings.
As an agent marketing the scheme however it is something of a bonus to tell potential occupiers that some units benefit from a wind turbine which will work to reduce their energy costs, a saving however small is always welcomed.

The current rules only apply to new build development but it may be the case that refurbishment of an estate could also fall under the remit of the rule and therefore require steps to be taken to reduce CO2 emissions. It would certainly be possible to expand the scope of the policy to encompass refurbishments, particularly as solutions such as wind turbines and solar panels can be retro fitted without major disruption to the building.

What is in it for the occupier?

So why should the occupier or investor consider the environment when refitting a building? It must be made financially viable or else it will be unlikely to be adopted on a large scale. The two points raised above are beginning to tip the balance.

It's not just big business that has a conscience, local and regional business people understand the global situation and on a like for like comparison would be unlikely to opt for the less efficient building, after all the key to efficiency is minimising the use of energy, which costs money. With the introduction of EPC' it will be clear to an occupier which building is likely to be more costly giving a market advantage to the green product. This benefit will be transferred to the investor in the form of minimised void periods and possible increases in rental.

Rising energy costs

Of key importance is the fact that energy costs are rising. Major suppliers such as EDF Energy and Power have announced increases this year of 12.9% and 17.2% on gas and 7.9% and 12.7% on electricity respectively. With costs rising the ability to recoup the additional expense of environmentally friendly construction or refurbishment will be reduced and over the lifecycle of a building could offer tangible financial benefits.

The future

Legislation isn't part of a carrot and stick approach (yet) but it would be foolish to think that the situation will not change. As previously mentioned The UK Green Buildings Council are lobbying for such an approach which will go a long way to ensure those buildings benefiting from grade A EPCs will be the most popular in the market. It will be telling to see how prominent a position the EPC rating receives on marketing particulars once introduced.

Once the benefits to occupation of environmentally friendly buildings are widely known and easily quantified (by EPCs) the market will react and improve the competitive advantage offered by such buildings. With legislation likely to enhance the cost benefits over time (and with ever increasing energy costs) there will come a time when measures such as the use of additional insulation and grey water recycling will become the norm. The sooner the Government appreciate the benefits of such legislation to the environment the sooner we will see the reduction in costs on these emerging technologies through economies of scale.

The question remains when will the Government enact suitable legislation and what can be done in the interim to ensure investors maximise returns whilst occupiers minimise outgoings?

For further information, please contact

Noel Stevens
Associate, Industrial Agency & Development
T: +44 (0)20 7832 4217
nstevens@nbrealestate.co.uk
industrialrelocation.co.uk

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