

RESEARCH

WINTER 2004/05

Survey of
Property Trends
Corporate Property Issues
'Green' Issues

Corporate property issues

Introduction

In addition to our regular survey of property trends, we questioned respondents on their attitudes to a number of property-related environmental issues facing corporates. This topic was chosen because we believe that this will be an increasingly important area over the next few years, particularly in view of recent and proposed legislation.

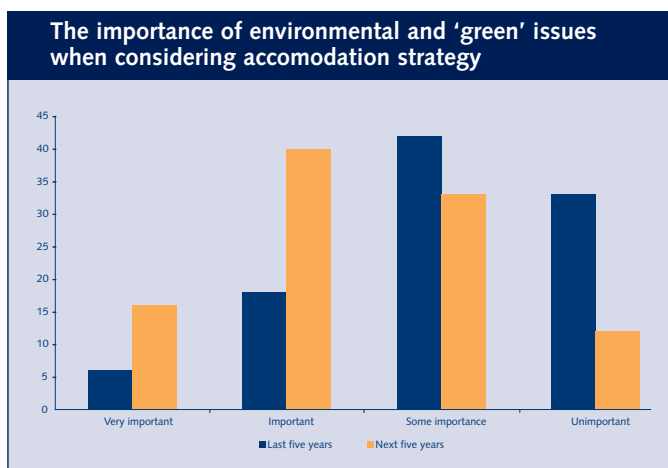
The survey was carried out in November 2004, and covered 180 private sector firms of all sizes, in all sectors and from all regions.

How important are environmental issues to corporate accommodation strategy?

Respondents were asked to rate the importance of 'green' issues to their accommodation strategy over the last five years and the expected importance over the next five. They were asked to give a rating of either 'very important', 'important', 'some importance' or 'unimportant'.

Overall, there is a clear expectation that environmental issues will become of increasing importance over the next five years compared with the last five. Whilst only 24% of respondents thought that environmental issues had been 'very important' or 'important' over the last five years, this rose considerably when asked about the next five years, to 56% of respondents. 16% of respondents thought that environmental issues would be 'very important' over the next five years. Correspondingly, the number who thought 'green' issues to have been unimportant over the last five years (33% of respondents) is far greater than over the next five years (only 12%).

This is a significant finding, as it indicates that over the next five years, the vast majority of corporates are likely to give at least some consideration to green issues in relation to their accommodation strategy.



Are such issues discussed at Board level?

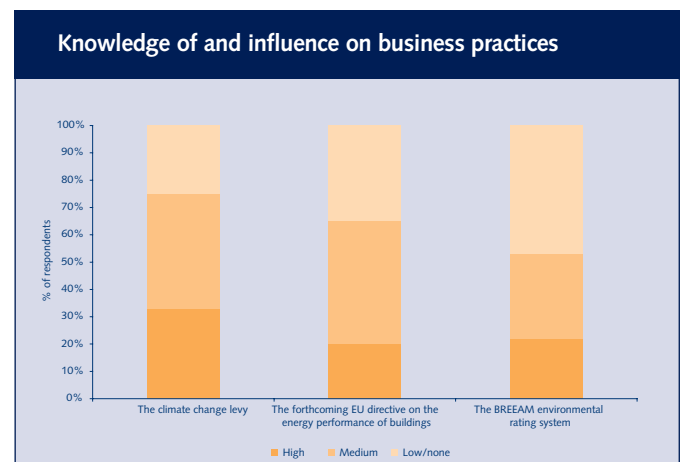
Respondents were asked whether environmental issues related to the property they occupy were ever discussed at board level. The results were very encouraging, with 85% of respondents stating that such issues were discussed at board level on at least an occasional basis. Furthermore, 30% of respondents stated that such issues were discussed on a regular basis. This is a further indication that property-related environmental issues are being taken seriously by corporates.



Are corporates aware of and reacting to various measures designed to encourage environmental change?

Respondents were asked about their general level of knowledge on three specific drivers of environmental change, and their influence on business practices. Possible responses were 'high', 'medium' or 'low/none'. The drivers were:

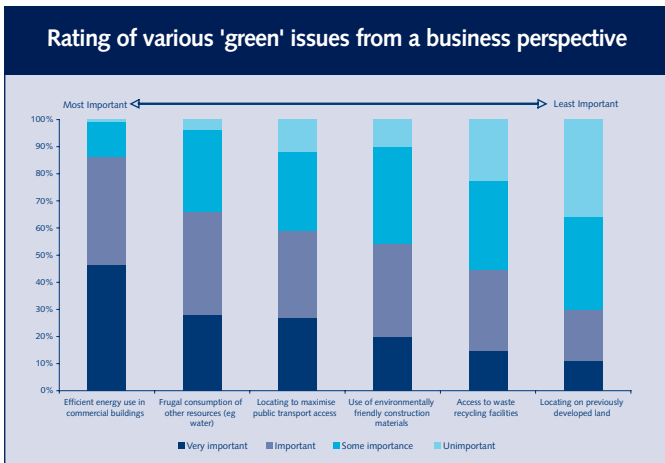
- **The climate change levy** – since April 2001, this tax has been payable on the non-domestic use of gas and electricity, as a deterrent against energy wastage. This was viewed by respondents as the most relevant factor, with a third of respondents giving a 'high' rating, 42% giving a 'medium' rating and only a quarter giving a 'low/none' rating.
- **The forthcoming EU directive on the energy performance of buildings** – this will set minimum energy performance requirements for commercial property. Amongst these requirements will be that an energy performance certificate is made available whenever the building is constructed, sold, or rented out. This factor was given a 'high' rating by 20% of respondents, a 'medium' rating by 45% and a 'low/none' rating by 35%.
- **The BRE Environmental Assessment Method** – this provides an environmental assessment for buildings over a range of commercial property types, for both new and existing buildings. This was given the lowest rating by respondents with 47% giving a 'low/none' rating, and only 22% giving a 'high' rating. This is perhaps surprising, as the rating system has been in existence for over ten years.



Which 'green' issues do corporates regard as the most important from a business perspective?

Respondents were asked to rate six property-related 'green' issues according to their importance from a business perspective. They were asked to give a rating of either 'very important', 'important', 'some importance' or 'unimportant'. The selected issues were:

- **Efficient energy use in commercial buildings** – this was rated the most important, with 87% of respondents rating this as important or very important. Indeed, only 1% thought this unimportant. This is probably a reflection of the current general high costs of energy, and the introduction of the climate change levy.
- **Frugal consumption of other resources (eg water)** – this was also rated highly, with nearly two thirds of respondents rating this as important or very important.
- **Locating to maximise public transport access** – 59% rated this as important or very important. 12% gave a rating of 'unimportant'.
- **Use of environmentally friendly construction materials** – this received a similar overall rating to public transport access, with 54% rating it as important or very important, and 10% as unimportant.
- **Access to waste recycling facilities** – this received a relatively low score, with 23% of respondents rating this as unimportant, and only 45% as important or very important.
- **Locating on previously developed land** – this was considered to be the least important factor, with 36% of respondents rating this as unimportant, compared with only 11% rating this as very important. This is unsurprising, as occupiers are unlikely to be concerned about the previous land use, unless they are purpose-building their own premises.



Would occupiers pay higher rents for 'greener' offices?

Respondents were asked whether they would consider paying a higher rent and other occupancy costs such as rates, in order to occupy a more environmentally friendly building. Overwhelmingly, respondents stated that they would consider paying a higher rent if running costs were considerably lower. This was the view of 70% of respondents, whilst 22% would consider paying a higher rent if running costs were only slightly lower. Only 8% of respondents stated that they would consider paying a higher rent even if running costs were no different. Unsurprisingly, no respondents would be prepared to pay a higher rent, if running costs were also higher.

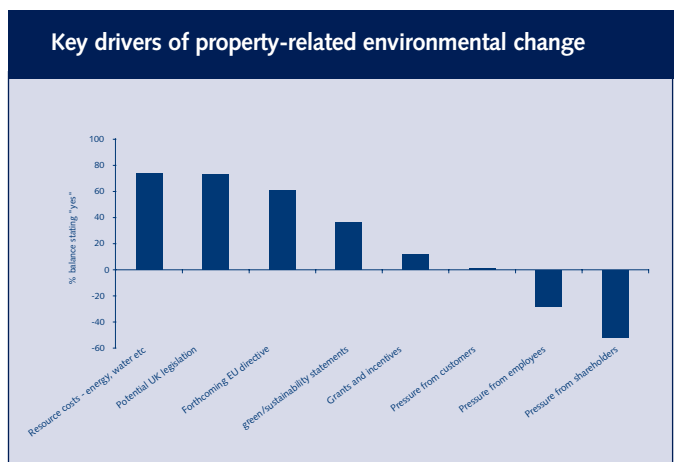
What will be the key drivers of 'greener' property strategies?

Respondents were asked to state which factors they thought would be the key drivers of property-related environmental change over the next five years ('yes', 'no' or 'don't know'), from a list of eight possible factors. These factors can be categorised as:

- Legislative (the EU directive on energy performance of buildings, potential UK legislation, and the need to provide green / sustainability statements)
- Financial (grants & incentives and energy resource costs)
- External influence (shareholders, employees and customers)

We have analysed the results in terms of the balance between those respondents stating 'yes and 'no'. Three factors - the cost of resources, potential UK legislation, and the forthcoming EU directive on the energy performance of buildings, stood out as being particularly important.

- The cost of resources such as energy and water was rated the most important driver of 'greener' property strategies, with a balance of +74%. Only 9% of respondents stated 'don't know'.
- Potential UK legislation was cited as the second-most important, with a balance of +73%, although a larger 17% of respondents stated 'don't know'.
- The forthcoming EU directive on the energy performance of buildings was also considered to be a likely driver of change, with a balance of +61%.
- Other issues were considered less important, but still had a positive balance. A balance of +36% thought that the need to include green / sustainability statements in financial operating reviews would be a key driver of change.
- There was a more divided opinion on the effect of grants and incentives, although a positive balance of +12% thought that this area would be a key driver.
- Opinion on whether pressure from customers would be a factor was very much split, with balance of just +1%.
- Employees are not expected to exert any pressure for change, cited by a negative balance of -28% of respondents.
- Neither are shareholders expected to exert any pressure on companies to be more 'green' in their property strategies, with a balance of -52%. Indeed, only 15% of respondents gave a 'yes' response.



Conclusions

Property-related environmental issues are clearly moving up the corporate agenda, are being discussed at board level and are likely to be much more important over the next five years than the last five. Indeed, the vast majority of corporates are likely to give at least some consideration to green issues in relation to their accommodation strategy over the next five years.

Corporates clearly believe that a combination of increasing energy costs and legislation will lead to change in this area, rather than any 'carrot and stick' approaches. Efficient energy use is the key area perceived to be important to respondents' businesses, and the climate change levy appears to have had a significant impact on corporate thinking in this area. This has clear implications for the future design of buildings, and design rather than locational issues (such as previously developed land or close to public transport) appears to be key.

'Greener' buildings come at a price, and corporates appear happy to pay a marginally higher rent in order to gain from the lower running costs that can result.

UK offices

London West End

10 Stratton Street
London
W1J 8JR

Belfast

55/59 Adelaide Street
Belfast
BT2 8FE

Bristol

University Gate
Park Row
Bristol
BS1 5UB

Edinburgh

34 Melville Street
Edinburgh
EH3 7HA

Leeds

5-7 St. Paul's Street
Leeds
LS1 2JG

Newcastle

30 Grey Street
Newcastle upon Tyne
NE1 6AE

London City

25 Bucklersbury
London
EC4N 8DA

Birmingham

3 Brindleyplace
Birmingham
B1 2JB

Cardiff

27 Windsor Place
Cardiff
CF10 3BZ

Glasgow

Sutherland House
149 St. Vincent Street
Glasgow
G2 5NW

Manchester

81 Fountain Street
Manchester
M2 2EE

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