

GOING GREEN CERTIFICATION: VALUE CREATION & MARKETING



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Today, everyone is talking about green buildings. The green movement has grown globally, spawning with new catchwords and phrases such as sustainability, 4-Rs, Sustainable Development Goals (SDG).

Most countries have one green building tool and Malaysia has several but the most established is still Green Building Index (GBI) Tool.

As a professional architect with 14 years of experience and a qualified GBI facilitator, I must say many people are still confused when it comes to green buildings. Many professionals and stakeholders in the construction industry feel and assume that it's too expensive to go for green certification, without realising that this will add value to their property, wellbeing, etc.

A green certification is a smart way to open the door to the international platform for sustainable building design and construction, which GBI already does. Attaining GBI certification demonstrates environmentally responsible building practices. This gives a big boost to the image of both building owners and project teams, which consist of consultants and contractors involved in the design and construction of the GBI certified building. A track record of GBI certified projects creates impact and helps professionals, stakeholders and builders become recognised as leaders in the construction industry.

A green certification carries significant tangible incentives in daily lifestyles. Generally, green buildings are more popular, retain higher property values and attract more commercial construction companies to the industry field. They also definitely qualify for incentives such as these listed below:

1. Capital Expenditures - Tax incentives

- Federal government grant ITA
- Local government grant extra or increasing in GFA

2. Operating Expenditures - Non-tax incentives

- Reduction in council rates
- Reduction in maintenance
- Rental...etc

A green certification is not about squeezing all the latest green building technologies into a development. When it comes to operating a green building, the savings

generated involves more than an integrated design system. It also covers energy usage, water usage, site context, maintenance, operations, healthcare etc. which can either offer short-term or long-term investment returns.

The economic/environmental performance of a project can be maximised with proper advice and guidelines for the monitoring of reduced wastes and redundancy wherever possible during and after construction, and by observing the Triple Bottom Line (TBL) and Life Cycle Costing (LCC) through an accounting framework which consists of three main parts: Social, environmental/ecology and economics.

The green cost can be categorised into 2 main streams:

1. Cost of going for green certification

- Registration fees with GBI (a one-time cost).
- Consultancy fees (appointing GBI facilitator and/or Commissioning & Testing Specialist, but not compulsory).

2. Capital expenditure costs

- Saving in M&E systems (more efficient and flexible equipment).
- Reducing maintenance.
- Result in less space required for plantrooms.

While green buildings do cost more initially, the real savings are in lower operating costs (20%-50%) for the life cycle of the buildings, through the following physical improvements:

- Environmentally integrated planning
- Site Orientation
- Energy saving technologies
- On-site renewable energy technologies
- Natural daylight and ventilation
- Improved building envelope design
- Downsized HVAC and other equipment

The most straightforward value proposition of owning a green building is the reduction of utility bills; this can be observed through the steadily improving energy codes, green certification requirements like GBI and well-executed retrofits. The energy savings realised reduces operating

expenses and increases Net Operating Income (NOI), with high chances for positive effects on values to be obtained. However, value attributed to these savings is dependent on the lease structure; owners can only directly recoup these savings if they are responsible for utility payments. Every single small amount of energy savings is magnified for these owners, especially in building valuation operational savings on maintenance and reserves which may convey value as well. Building owners tend to lower maintenance costs by installing long-life or more durable components such as LED lights, harvesting rainwater for re-use etc. Other technologies and maintenance needs may require to be accounted for explicitly in owners' documentation to justify positive value adjustments.

Years of track record studies show that, according to advocates of green buildings, efficient green buildings have not only lowered the overall energy usage bills but the design and features also improve the occupants' experience and workers' productivity. Indirectly, these increase the value of a building, especially in the real estate market industry. Some recent empirical studies show that energy efficient commercial buildings with green attributes do create these values:

- Increased resale value
- Increased rental rates
- Higher occupancy rates
- Lower operating expenses
- Higher net operating income
- Lower capitalisation rates
- Productivity gains.

Rental premiums are emerging in green buildings and today's best tenants are increasingly willing to pay a premium rate for green spaces and properties. From their point of view, leasing green space is an opportunity to demonstrate their commitment to sustainability, attracts the best employees and improves productivity through good indoor air quality. A commitment to health and wellness in the built environment supports a simple yet impactful equation: *A better environment + healthy and productive environments for tenants and their employees = growing sound & sustainable value for investors.*

Moving beyond the value accrued from rent, operational savings and market recognition at sale will help building owners and developers understand the appraisal process and how green, high performance characteristics and data can be used by appraisers to help fully maximise valuation. Each of these elements can have an impact on value; more information readily obtained and available will ease the appraiser's job and smoothen the process for all parties involved. Do not leave the appraisal of property to chance in the old conventional way. A pro-active step is a must to monitor and report the operations in a more meaningful way and to highlight the impact of the green features which add value to buildings and properties.

Another way to justify value for green certification is to compare buildings. Owners have to change not only the way they approach the design, the way they build and construct as well as market the properties, but also their approach in financing the development and the efficiency of the entire construction processes. Otherwise, the owner may end up paying for green certifications, capital improvements and marketing without fully realising the expected market benefits in return.

All of the above prove that going green will definitely benefit the building and construction industry and its stakeholders in both the short and long run. ■

Author's Biodata

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