

The Green Quotient

Q&A with Ché Wall



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Ché Wall, chair of the World Green Building Council, cofounder and director of the Green Building Council of Australia, and a joint managing director of the Asia/Australia-based Lincolne Scott engineering consulting group, discusses his global perspectives on the current state of green development.

Has green reached the brink of becoming part of the mainstream built environment?

Yes. At least it has in Australia, and it is coming close in several European countries and the United States. It is a very brave investor today who doesn’t think that sustainability will be in much greater demand ten years from now. With the market essentially asking for LEED [Leadership in Energy and Environmental Design] Silver buildings now, it will certainly be asking for LEED Gold in the next decade.

Why has green reached the tipping point?

The nature of a building is decided by the people who finance, develop, occupy, and own it—not by the architects, or engineers, or environmentalists. That’s one reason why we are going green now. The financiers, developers, tenants, and building owners are finally getting the message of green’s multiple benefits, a green measuring system, and reasonable construction budgets.

Market transformation in the commercial sector has been successful. Corporations understand that green is good news for employees, their shareholders, and their image. When a company wants a new building, three things are paramount: the CFO

[chief financial officer] is concerned about the rent and the occupancy cost over ten years; the HR [human resources] manager cares about keeping the staff; the CEO needs to make the shareholders happy. In comparing a green building to a standard building, the green building will have the greater desirability and greater value because it gives all three executives—and the company—what they need at market rates with lower overhead, greater productivity, and stronger employee attraction and retention compared to a standard building.

Green also increases a company’s standing. Tenants in Australia, for example, are paying a 15 percent premium for rents in green buildings to fulfill their corporate social responsibility, be good corporate citizens, look after their workers, and improve their productivity. Those are fundamental business drivers. If I am a developer, can I afford *not* to build green anymore?

What is driving the growth of the green building movement in countries like China and India?

Their motivation is very different from ours. We are basically motivated by guilt because of the environmental damage done by past generations. We feel we have a duty to look after and remediate what we have left in a state of disrepair, like our air quality and fouled rivers. But China and India don’t have a sense of guilt because they didn’t go through the large-scale 19th-century industrialization or the massive development in the 1950s and onward. They are only now reaching that point of rapid development.

China and India have a sense of obligation toward the future, not the past. They are also confronting a resource-constrained environment. They understand that if they don’t get the environmental part right, they cannot develop successfully. Their economic future is intrinsically linked to their ability to tackle sustainable development. They cannot delaminate their economic agenda from the

environmental agenda. They say quite openly that they are facing a challenge that has never been faced in human history.

What are the remaining challenges to green going mainstream?

First is the continuing notion that we must pay more for a green building. That just isn’t true. But the notion remains.

Second, we are struggling with light industrial going green, because light-industrial delivery is based almost entirely on a really low price, rather than on criteria like worker attraction, retention, and productivity.

Third, systems such as the USGBC’s [U.S. Green Building Council’s] LEED and the U.K.’s BREEAM [Building Research Establishment Environmental Assessment Methodology] rating programs, while both valuable and successful, are being imported into other countries. Unfortunately, LEED is a compendium of U.S.-based regulations, which is totally appropriate for U.S. markets but won’t work well in other countries. LEED, for example, gives points for sustainable carpeting, but offices in India don’t have carpets, so their credit lacks reference to their market.

We cannot roll out the same buildings from the United States, the United Kingdom, and Australia into other countries; we cannot judge their sustainability efforts by our standards. We must judge them against their own standards. Every building must be a response to the local market, culture, products, and skills.

The best thing we can do is export the *discipline* of sustainable design decision making—is it green, how do we quantify that, how do we communicate that to help inform the market of the value of green buildings—and let the local market develop the appropriate technical solutions. Green building rating systems such as LEED must become flexible enough and evolve enough to encompass the differences of place and culture.

Fourth, a major challenge to pushing green fully into the mainstream is the existing building stock. New buildings represent

just 2 percent of the footprint per annum in the United States. So, if you reduce the environmental impact of new buildings by 50 percent, that only makes a 1 percent dent in the overall negative impact of our buildings on the environment.

Finally, I honestly think that the main remaining challenge is getting individuals—people, homeowners, not businesses—to see the value in their purchasing decisions.

People don't see a direct correlation between how buildings are constructed, their emission of greenhouse gases, and climate change, let alone how climate change affects *them*. We are all very adept at denying things that we don't want to confront. The impact of greenhouse gases is not as in your face as petrol prices when you're filling the tank—you cannot avoid putting petrol in the tank and seeing the price point—so your opportunity to deny the environmental impact is less.

Green has become common sense for corporations. But our society does not value environmental responsibility on an individual level. If I survey people on the street, they will say that environmental issues are the third most important thing to them behind family and jobs. However, again and again in elections, people vote for immediate dollar impacts. Nobody wins an election on environmental issues in most nations. In Australia and other nations like the United States, we have lost leadership at the government planning level because the environment is not where the votes are won.

Has residential development fallen behind the green curve?

We continue to build mass housing for the cheapest price possible on unembellished lots without trees, even though trees are one of the most cost-effective green strategies because they shield dwellings from the hot sun and therefore reduce air-conditioning use. Some good green housing is being done, but the numbers are modest, and it's had very little impact on the mass market where the real changes must occur to make a difference.

What is the solution? How do we turn the mass residential market green?

The motivational forces for commercial and residential development are quite different. To get mass green housing, you must have absolute legislation and regulation, not incentives. You take the investment decision away from the individual, and you make green the only new residential product available. Australia's state of New South Wales, for example, introduced a statewide uniform building sustainability planning tool called BASIX in early 2005. Each new house that is constructed must be 25 percent more energy efficient and reduce water consumption by 40 percent compared to the current statewide average. New South Wales's state government owns the majority of "new-release" residential greenfield land. People can only afford so much. So, to offset any extra green housing costs, the price of the land is lowered. The price point for housing stays the same. This legislation hasn't harmed the real estate industry. The state agencies that hold land banks have taken a hit upfront, but they have less long-term costs because of lower energy and water infrastructure investment requirements.

The impact of such legislation would be different in the United States because the states don't hold the land. Land prices will take a hit and land investors will take a hit. So, it's a real political issue that's been holding back the landowners but not the developers.

Can rising oil and gasoline prices help the green movement?

Unlike countries such as France and Australia, America gets a significant amount of its electricity from imported fossil fuels, so I think you will experience the most extreme impact. You could really start to see some advances in renewable energy, like wind turbines, which are probably the most economically feasible way of generating renewable energy. They do better than solar power.

As green fully enters the mainstream, standard commercial and residential buildings

will become obsolete practically overnight. What should the owners do?

Certainly, nongreen buildings will be devalued and possibly become a liability. The ability to lease space will be affected by a building's environmental credentials.

So, a lot of profiling is already going on behind the scenes, starting in Europe. We are seeing the first signs of building owners doing green reviews of their portfolios to see how green their buildings are and what needs to be done to eliminate the gap between where they are today and what they need to do to meet market demand.

The wave of obsolescence will lead to a wave of revitalization, and that provides a great opportunity for development and property holders who are willing and able to do the right thing. Smart property trusts are already buying undervalued assets—buildings that need to be upgraded—and they are turning that necessity into an opportunity to increase the properties' value *and* green profile at the same time.

A key part of green renovations is coming up with a valuation methodology that incorporates green values, assesses the impact of green design on a property's long-term value, and profiles the investment that must be made in a building to make it a robust green asset for the future. Are you buying something with a future life, or something that is becoming obsolete? These new methodologies are already being created in Australia, the U.K., and the United States.

When you apply the same philosophy of evaluation and value used for new construction to existing buildings, you are harnessing the same drivers that are pushing new green buildings into the mainstream. So, when a building passes from REIT [real estate investment trust] to REIT, it will get a green appraisal. When a building gets refurbished, it will become green. That will become the norm. **U**

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