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Green Lease Resources: A Primer

In cities around the globe, green organizations and governments are hard at work, backed by statistics and marketing dollars, to convince landlords, brokers and business owners why new buildings and building retrofits should be environmentally friendly and sustainable. The time has come where green initiatives and practices have moved beyond cocktail conversations and are firmly entrenched in the mainstream. Green initiatives can and should be part of real estate strategies and will benefit business by reducing a company's environmental footprint, enhancing its brand image, and reducing operating costs.

Regardless of motivation, whether you implement items that will garner more efficient energy and water usage, incorporate sustainable ideas from Leadership in Energy and Environmental Design ([LEED](#)) (there are six point ranking sections to satisfy including: site development, water and energy efficiency, material selection, indoor air quality and innovation of design), or apply the [BOMA Best Go Green Best Practices](#), a green decision in real estate is taking a step in the right direction.

When it comes to commercial buildings, making an investment in green is only half the battle. The other half is adopting a green lease. To give some context, what is the point of making a significant capital expenditure for a retrofit, green design-build or emissions cut and then fail to hold all parties accountable in a lease? It is like working out for three hours and then going home and eating pizza and wings. It defeats the purpose.

The negotiations leading up to leasing space is where the landlord or tenant's vision for implementing sustainable practices can be realized or be lost. Tenants and landlords whose companies are driven by green mission statements, green targets and socially responsible goals, will look to members of the brokerage community for advice and consultation on how to translate, decode and negotiate documents binding both parties in the transaction. While the term, "green lease" may not be new to readers, understanding its flexibility, its incentives and its nuances may require further study which is the purpose of this article.

The best definition of a green lease on the market comes from the Real Property Association of Canada (REALpac). This definition maintains "a green lease seeks to remove disincentives in a commercial lease to reduce energy, water and raw material consumption, increased recycling, as well as, the use of sustainable materials in tenant improvements to encourage sustainable practices by both the landlord and the tenant." In other words, a green lease works to ensure that tenants and landlords are required to work together towards adopting environmentally friendly practices and are held accountable by terms set in a lease for the purpose of integrating financial, social and environmental goals.

Green leases surfaced around the year 2008 in response to research conducted on the high cost and usage of energy, water and waste in the real estate industry. In countries such as the UK ([Better Building Partnership](#)), Australia ([Green Lease Schedule](#)), and Canada ([REALpac](#)), variations of green leases have been circulating with the ultimate goal of engaging landlords and tenants with a formal legal document to

make both parties environmentally accountable over and above a standard lease. Canada is reputed to have one of the most cohesive green lease documents in the world, thanks to REALpac. A copy of the REALpac *National Standard "Green" Office Lease* document can be downloaded from their website [here](#). As a complement to the green lease document, REALpac also published a guide written for tenants who are seeking more information on what elements to include in a green lease, help in defining environmental objectives, as well as resources on environmental ideas and practices when leasing office space. The link to access the *REALpac Green Lease Guide for Commercial Office Tenants* document can be downloaded [here](#).

In general, there are two basic scenarios that would prompt adopting and having knowledge of a green lease. The first is tenant driven where the tenant has a mission statement and brand identity motivated by corporate social responsibility and green tenets. This type of tenant would value housing their operations in a green unit or building a natural extension of their credo. The other scenario is where a landlord has a building or portfolio of buildings and wishes to adopt green initiatives to reduce aggregate occupancy costs or be perceived from a marketing standpoint, to be environmentally friendly. While green leases can be a tremendous asset with respect to getting tenants and landlords on the same page, when it comes to sustainable initiatives, there are still barriers to adoption that are important to note. Some barriers include a longer payback period on green upgrades, lack of knowledge or experience on how to tackle a green project, no one to champion a green project and failure to agree on green targets. For an in depth analysis on the strengths, weaknesses, opportunities and threats of adopting green leases, please refer to the *Green Leases and Green Buildings* article found [here](#).

Digesting, distributing and sharing the information in this article will enable tenants, landlords and brokers to move forward together towards a shared commitment on green initiatives, environmental objectives and thereby increase the chance of execution and needs being met on both sides. Servicing client needs in real estate is fundamental to business. Staying current on industry trends, best practices and laws are equally important in order to establish long term relationships and trust. More and more, clients are looking for solutions on how align and communicate their sustainable brand image, corporate social responsibility policies and green goals in their real estate holdings or office space. Being up to date on best practices on green leases may make the difference on a pitch, retaining a tenant, commanding a higher net rent or giving you first mover advantage over the competition.

Sarah Lambersky, IMBA
Research Manager
sarah.lambersky@dtzbarnicke.com
Tel: (416) 865-5104

DTZ Barnicke Limited
2500-401 Bay Street
Toronto, Ontario M5H 2Y4
Tel: (416) 863-1215
www.dtzbarnicke.com