THE TIME FOR GREEN IS NOW

CEE is finally waking up to sustainability
Green makes financial sense

What do you think are the drivers pushing developers to get involved in green building?

Agnes Vorbrodt-Schurma: There are numerous benefits of green buildings, one of the major ones is the improved indoor air quality. It translates into more productive and healthier employees. It also decreases employer's risk, due to the reduced number of potential lawsuits related to the sick building syndrome or the building-related illnesses. This reduced liability allows the companies to obtain preferential insurance rates, which saves them money.

Also, employees in green buildings are 2 to 16 percent more productive – they take less sick time, are more loyal and motivated. There is also significant reduction in the employee turnover.

Many of the investment companies worldwide only purchase buildings with a green building certificate (LEED, BREEAM, Green Star, DGNB). In office buildings, an important reason may also be the perception that green buildings are of higher quality and more prestigious. Companies which are interested in either building or leasing a certified building, often use it in their PR efforts.

Finally, green buildings make financial sense. There are constant operational cost savings, so the building owner often can charge more for rent. According to the studies published by the U.S. Green Building Council (USGBC), there is a 3-percent rent increase, 3.5-percent increase in occupancy, 6.6-percent improvement in ROI and 7.5-percent increase in the building value.

Are the owners of existing buildings willing to upgrade them in terms of energy efficiency and other important aspects of environmental performance? Or are the costs too high?

Rafal Schurma: The wave of environmentalism is seriously delayed in Poland, but you can see it coming. The big international companies are very positively estimating possibilities of its rapid progress in Poland. They see a market niche and by employee training, educational campaign, marketing and the first certified buildings in their portfolio show their leadership in this matter. Currently, we have a few world-class building examples and overall average is not very different than other countries in the CEE region. Usually the green building, however, is viewed as an energy-efficient building, with a complete disregard of issues like, for example, green and healthy materials, water efficiency, sustainable site selection and planning, improved indoor air quality, occupant comfort, or embodied energy, not mentioning the social aspects. We see that the interest in this topic is growing geometrically, and the PLGBC is proud to be a part of this transformation.

The owners are starting to notice the real differences, but just by observation of the UK, Germany or the USA, we can estimate that this trend will literally explode in the upcoming two years. Mandatory energy-performance certificates are taking away some attention of other environmental issues, but with a proper execution, it could be an important step forward.

The cost of a real green building is usually depending on several issues. There are studies, for example by Davis Langdon or Greg Katz, proving that there is no real connection between price per square meter for typical buildings and green buildings with certificates. The key issue is to set the goal at the very beginning of the process and consequently execute it till the end. The early involvement of an experienced consultant leading design "charrettes" and integrated design from the early design stage has a dramatic positive impact on the final price of green building.

On the other hand, perhaps it doesn't matter if landlords are willing to do that or not — maybe they must do that?

Rafal Schurma: I don't know if they must. There is always a "market tail" which will follow the basic code requirement level and balancing at the border of barely legal regulation compliance. The key element is to find this 2 percent of the market which is able to take the financial risk and to go one step further and encourage the market. These companies are taking the most risk, but they
will be of course the biggest beneficiaries of this transformation curve. The other group is the so-called followers. They are joining when they see great financial and marketing benefits coming from green buildings. This is everything between 25 to 55 percent of the market. So even with 25 percent of the market voluntarily following higher sustainable standards, we are also influencing a progress of minimum code requirement levels. At the end, “the tail” must follow it anyway, and the profit belongs to the market leaders and followers, while the others just lose the market.

In the US, big companies claimed four to five years ago that they would never have an interest in sustainability. They’re using it today as their major marketing strategy. The only comment I hear is that they lost so much by not being involved sooner. I hope this will be a lesson for Polish firms to be more sensitive about international trends in this matter. Otherwise, the major profits will belong exclusively to the big international companies. We’ve been hearing a lot about the costs of green building not being so high anymore. What has caused those costs to go down?

Vorbrodt-Schurma: Similar to any other industry, the first pioneering projects are always a little more expensive, mostly due to the significant time consumed to develop new solutions and learn about new products. Also, those new technologies being introduced to the market usually are priced at premium, to offset the expense of related R&D. The critical element of the equation is experience. Luckily, the investors and developers can take advantage of the already proven solutions developed in other countries.

The key to success is to start early and work with an experienced team. Developers planning to pursue LEED or BREEAM certification should already think about it in the project-planning stage. There are a number of factors that can affect future score like the site selection, building orientation or conceptual design. Also, it is key to engage a sustainability consultant with experience and deep knowledge of the topic to guide the design team and manage the entire certification process.

Has financial benefits of developing green buildings, or leasing space in them, improved in any way in recent years? By how much, if at all?

Vorbrodt-Schurma: With the continuous advancement and increased availability, the cost of technology is going down, allowing us to build zero-net energy building at a relatively affordable cost. Also, more and more companies are incorporating life-cycle costing in their practices, which allows them to see the future benefits of current actions. You may also want to add the constantly growing utility costs. The marketing and intangible benefit is dramatically improving with constantly growing general awareness and related client sophistication.

**Residential digest**

Hines began construction on the Arboretum, a 12-story, 315-unit residential building located on Łukasinskiego Street in Łódź. Completion is expected in the second quarter of 2012. The developer plans to sell the flats. The project, designed by the Łódź-based studio Staszwesky Ziolkowsky, is going up on the site of the former Aleksander Schicht textile factory. Two of the factory’s Art Nouveau brick walls will be reconstructed and incorporated into the project’s design. Parking for 381 cars will be provided in a two-level underground garage. Budimex S.A. Is the general contractor. PKO Bank Polski S.A. Is financing the project for the Hines International Real Estate Fund.

Elsewhere in Łódź, Karol Scheibler’s largely intact 19th-century textile factory is now home to 421 lofts delivered by the Australian developer Opal Property Developments. The developer obtained an occupancy permit in late April, following more than three years of construction. The units vary from 40 sqm to 200 sqm. Prices are set between PLN 5,500 and PLN 7,500 (€1,345 to €1,835) per sqm.

In Międzyzdroje, a popular Polish seaside resort town, Szczecin-based development company SGI Baltis delivered what it describes as an “exclusive apartment building,” located just 50 meters from the coast. Named Playa Baltis, the project is made up of 66 apartments.

First quarter results continue to roll in. Among the more interesting figures posted by developers, Ronson’s turnover increased by 60 percent against the first quarter of 2009, while its net profit remained at almost the same level. Ronson noted a “considerable increase in liquidity” as customers brought in four times more cash when buying flats than over the same three-month period last year. The gross margin in Q1 2010 was 34.4 percent. Residential giant JW Construction Holding posted a net profit that was 50 percent lower than what it reported in the first quarter of 2009. The developer said it was going to start five residential projects this year in Warsaw, Łódź, Katowice and Poznań, totaling 1,166 flats. It also has plans for two office projects in Wrocław, Szczecin or Warsaw.

Dom Development started another one of its Derby projects in Warsaw’s fast-growing Białołęka district. The Derby 20 project will comprise 90 flats, scheduled for completion in the last quarter of 2011. The Derby 20 flats will range from 40.6 to 38.4 sqm, which the developer believes to be the most sought-after flat sizes in Warsaw.

In Kraków, French developer Yareal revealed its latest project, Avantgarde, a six-story high-end residential building offering 31 sqm to 148 sqm units. Avantgarde was designed by the Kraków studio Ludomir Książek Architekkt and will be built by Grupa Bryksy.