

Developing Green:

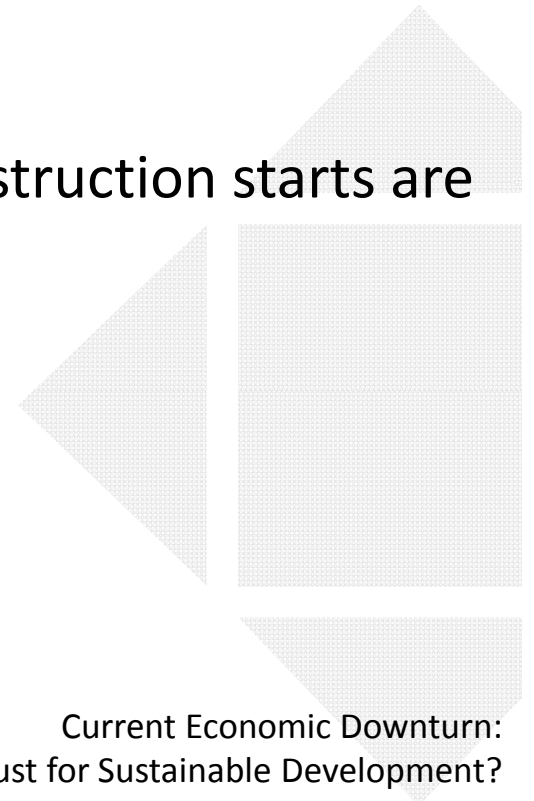
Does the Current Economic Downturn Mean
Boom or Bust for Sustainable Development?

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Green Market Baseline

- ◆ The value of green construction increased from **\$10** billion in 2005 to almost **\$50** billion in 2008
- ◆ **20%** annual increase of professionals getting LEED certification since 2001
- ◆ By 2010, approximately **10%** of commercial construction starts are expected to be green



Concord Group Interviews

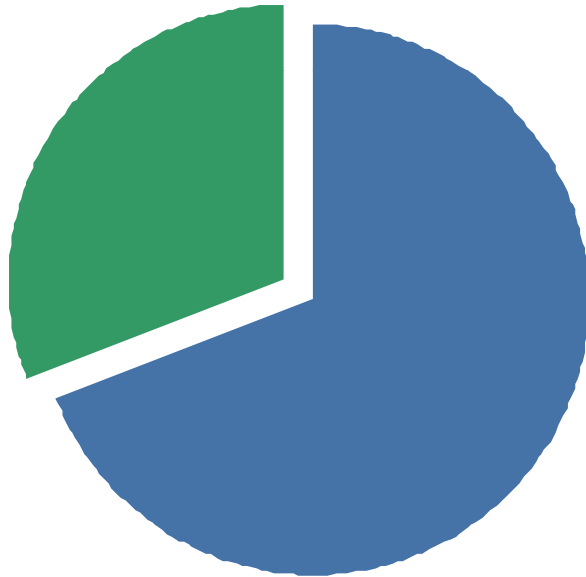
A qualitative survey was conducted to measure the impact of the market downturn on near- and long-term green development business plans

Sample Questions:

- ◆ Share of company's projects/investments involving green development practices?
- ◆ Given downturn, will green comprise increased, decreased, or unchanged share of company's projects/investments during : 1) Downturn; 2) Recovery; and 3) in the Long-term?
- ◆ Increased share of **Ground-up** or **retrofits** during: 1) Downturn; 2) Recovery; and 3) in the Long-term?
- ◆ Current green **premiums**?
- ◆ How have premiums changed over the **past two years**? How will they change **through the downturn**?
- ◆ Rank, in order of importance, the **benefits of green buildings** in company decision making.
- ◆ Are the benefits more or less important **today** than they were **two years ago**?

Interview Respondents

■ Developer (69%) ■ Investor/Lender (31%)



◆ 35% of respondents at C-level or President/Principal level

◆ All respondents were screened for “decision makers” only

Changing Business Plans

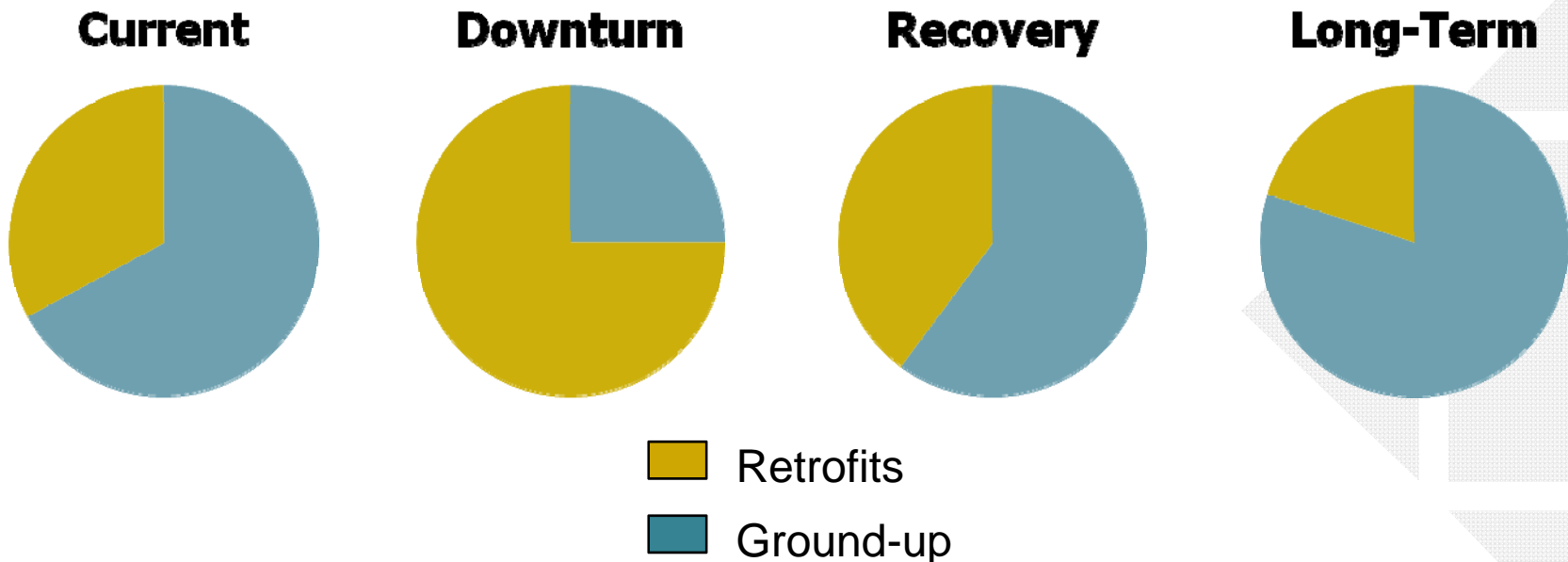
What share of your company's projects/investments involved (or will involve) green development practices during the following time periods?

<u>Green Share of Projects</u>	<u>Respondents</u>			
	<u>Current</u>	<u>Downturn</u>	<u>Recovery</u>	<u>Long-Term</u>
None	10%	30%	15%	5%
Less than ¼	40%	15%	15%	15%
¼ - ½	10%	20%	30%	35%
Approx. ½	10%	5%	5%	10%
Most	25%	20%	20%	15%
All	5%	10%	15%	20%
	<hr/> 100%	<hr/> 100%	<hr/> 100%	<hr/> 100%

Current Economic Downturn:
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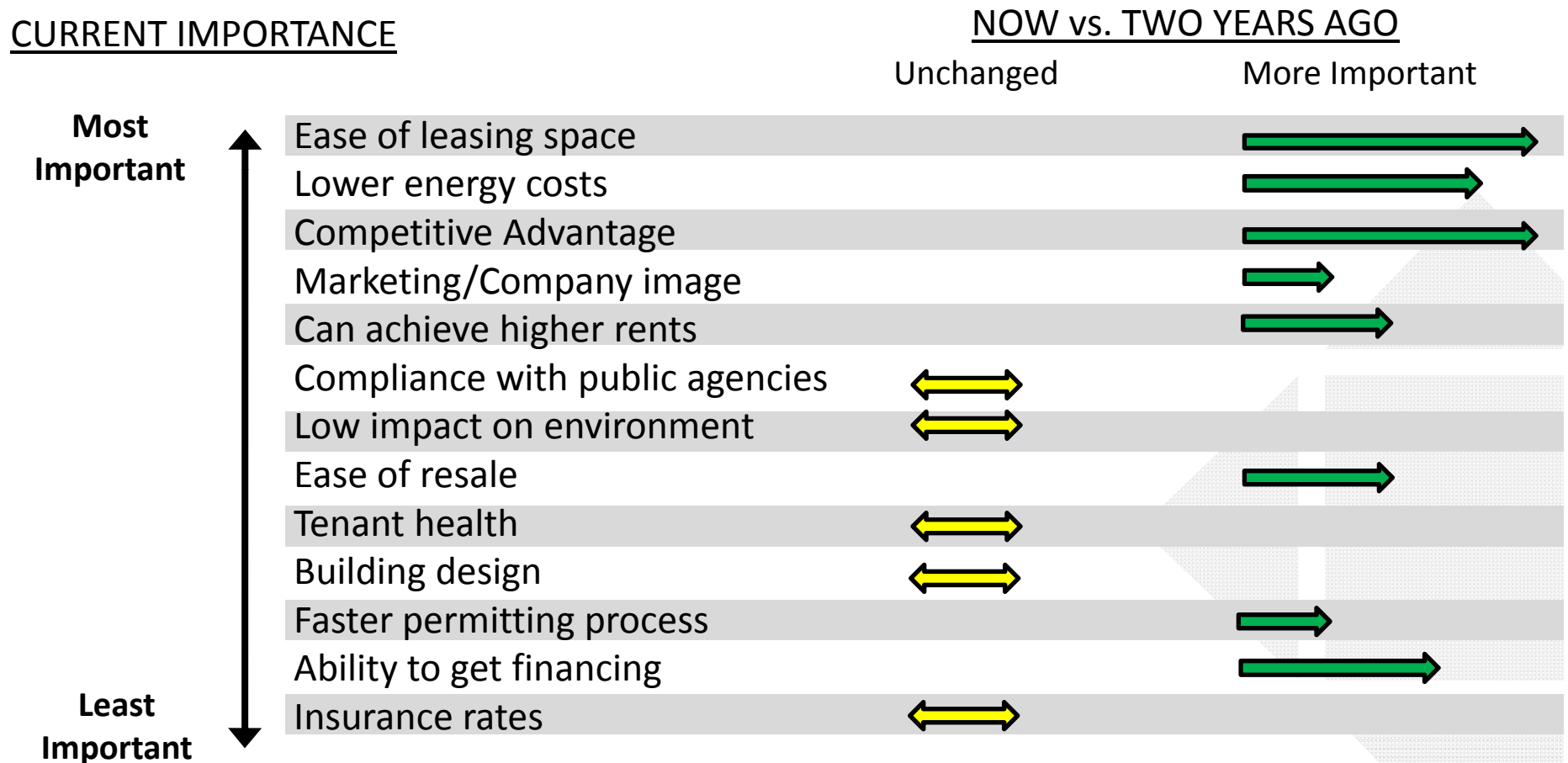
Ground-Up vs. Retrofit

- ◆ The majority of respondents see the share of retrofits increasing (as a % of all green projects) during the downturn and recovery
 - ◆ 50% of developers are looking to develop ground-up in the near-term
 - ◆ Only 10% of investors/lenders are looking to invest in ground-up in the near-term
- ◆ Ground-up construction will dominate in the long-term



Benefits of Going Green

◆ In today's environment, the importance has shifted from "feel-good" environmental benefits to bottom line financials



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Green Premiums

	Current premiums of Green Properties						Change: 2 years ago to current	Change: Current to End of Downturn
	-1% - - 5%	0%	1% - 5%	6% - 10%	11% - 15%	+15%		
Asset Sale Prices (Premium)								
Construction Costs (Premium)								
Lease Rates (Premium)								
Operating Expenses (Discount)								

Key Observations

- ◆ Green development becoming more about cost savings; no longer simply a label
- ◆ Developers looking to go green ASAP
 - ◆ Obtaining permitting
 - ◆ More lucrative than retrofits
 - ◆ Falling construction costs
- ◆ Investors will remain on the sidelines in near-term
 - ◆ Retrofits a safer investment than ground-up construction
 - ◆ End of downturn/beginning of recovery will see a sudden rise in green building sale price premiums as capital markets unfreeze for green building acquisition
- ◆ Public sector strong focus on green through downturn
 - ◆ New green legislation
 - ◆ Greening of municipal buildings

We are currently expanding this qualitative analysis to achieve quantitative results. If you would like to participate and receive a detailed summary of our major findings and conclusions, please visit our website at www.theconcordgroup.com

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