

Keeping Ahead of Tenant Demand with LEED

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One month ago Hines recertified 717 Texas, a Class A office building in downtown Houston. It had originally been certified to the Silver level in 2009, but after two years, we ratcheted its performance up to Platinum, even as the LEED rating system grew more stringent.

Looking at the LEED history of this particular building is an interesting way to measure tenant interest in sustainability over the same period of time. When Hines and Prime Asset Management delivered the building in 2003, it was a part of the LEED for Core & Shell pilot rating system. We had designed the building to be the greenest building in the city, with features like electronically filtered outside air, carbon filtered drinking water and superior daylighting. In the end, we did not pursue certification because the building had already leased up, and the label would not alter the design or the way we planned to operate the building.

After a few years, one of the anchor tenants experienced a major downsizing, which caused us to take a fresh look at our competitive positioning in the market. More prospective tenants were asking about sustainability, even though there were no LEED certified commercial buildings downtown. Anticipating tenant interest and seeking to attract progressive, credit-worthy companies, we registered for LEED and hit the Silver threshold. The building reached 100 percent leased.

Now in 2011, almost every tenant asks about sustainability, and we have found that staying slightly ahead of tenant demand keeps us at the competitive edge; hence the upgrade to Platinum. The perennial challenge for building owners, however, is to balance environmental progressivism with returns paid through higher rents. In order to remain economically viable, we cannot plaster our facades with solar laminates or sew our building crowns with rows of micro-turbines. Most tenants won't pay for those, which means we can't afford them.

Among other things, LEED has become an effective communication and point of differentiation for landlords and tenants; it conveys more transparently what the building actually offers tenants and what the true value of those features is. Looking across our portfolio and into the future, it is clear that LEED has become a tool we will not do without.

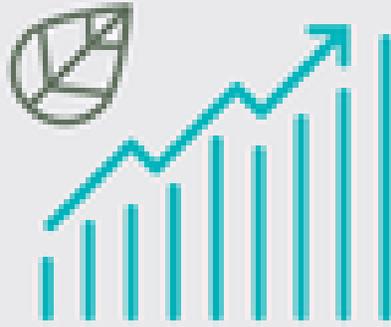
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