

CoStar finds higher value in LEED certified apartment buildings

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Eco Modern Flats, a multi-family project, in Fayetteville, AR - Photo by Timothy Hursley

Location, location, location... and LEED.

Apartment developers spend countless hours attempting to determine the features and attributes that will contribute the most to the value of their buildings, or the premium they can charge for rents. Decisions about the design, features or location of an apartment building are many times dictated by the attribute that will result in the highest returns.

A recent [study](#) by Property and Portfolio Research (PPR), a subsidiary of CoStar, tackled this issue and determined what attributes renters are willing to pay a premium for. After analyzing nearly half a million data points PPR concluded that LEED certification was the second most important feature to the apartment renter, second only to a central business district location. This puts the importance of LEED certification above other attributes like Transit Oriented Developments, Fitness Centers, Finishes and even if the building is new or not.

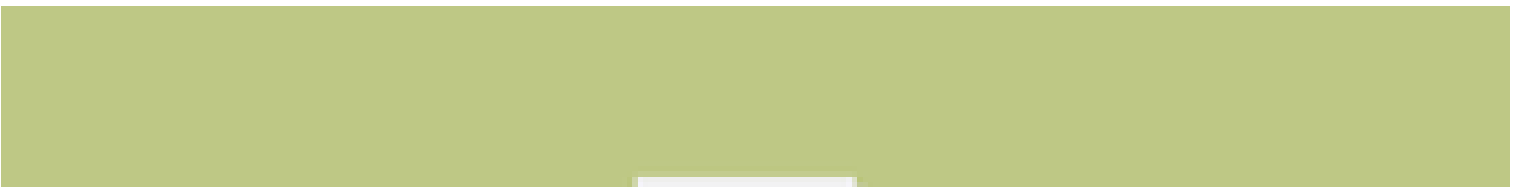
At 24%, the premium for LEED should make the apartment developer pause and consider what LEED certification might mean for their projects, especially considering the LEED multifamily trend that is already underway. The past few years have seen a dramatic surge in LEED adoption among multifamily developers.

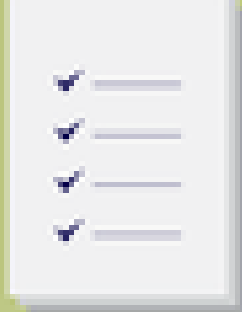
Starting with the LEED NC program, multifamily adoption of LEED really took off when the LEED for Homes and LEED Midrise programs were launched in 2008. With only 4,000 units participating as of 2009, the LEED for Homes (and LEED Midrise) programs have grown to include over 111,000 units pursuing certification today. Much of this adoption has been in the multifamily market. Nearly 90% of the units in the residential LEED programs are from multifamily buildings and as far as market share goes, during 2012 over 10% of all new US multifamily units chose LEED certification. Many of these projects are successfully completing certification with developers making LEED part of their everyday practice resulting in portfolio-wide LEED adoption.

Part of USGBC's mission is to transform the way buildings are built. After seeing multiple companies incorporate the LEED standards into their everyday practice and standardizing LEED certification across their entire portfolio of multifamily projects (and future projects) it's becoming clear how this transformation can happen. PPR's study stands as further confirmation of the work these market leaders are doing. LEED buildings are truly better buildings, and this should be reflected in values.

Confirmation of this commitment comes through the users (those who are willing to pay to use and live in these buildings) saying that they will pay a price premium for a LEED building. So, it isn't entirely about location. The renters have spoken, and what they really want is LEED.

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