

Addressing the "Green Building Premium"

As LEED celebrates its 10th anniversary this year, one of the most common questions you hear among those unfamiliar with the rating systems is whether it costs more to build/renovate to LEED certification. What they may not realize, however, is that after 10 years and more than 5,000 certified projects, there has been enough research and observation to dispel the notion of a "green premium."

While it is true that in some extreme cases (especially so-called "trophy buildings"), there may be an associated premium with constructing a green building, generally green buildings need not cost anything more than a conventional building. This has to do with the maturity of green buildings in a given market as opposed to some endemic characteristic of green building construction. Like any new entrant to a market, time and experience lead to a reduction in cost until the process/product has become streamlined and a suitable infrastructure has been developed to support it. It makes sense that, at LEED's inception, a green building premium existed, but as LEED APs have become prevalent, project owners and consultants have gained more project experience, sustainable products have become more available, and construction/renovation processes have evolved, the premium has all but disappeared. A [2008 survey by Turner Construction](#) found that 50% of respondents believed there was no premium associated with green building construction, while just one year later; a [study by RREEF Research \(PDF\)](#) had this to say:

"[C]ost premiums for green construction are now generally thought to be minimal, at least for the less extreme levels of sustainability, and any putative cost premiums can be more than offset by a variety of incentives for which green buildings are eligible. These factors add up to premium returns on new green construction."

Moreover, in the instances where an upfront cost for green building construction or renovation is incurred, that expenditure is often recouped in the first two years the building is operational as a result of increased efficiency of the building and/or benefits garnered by increased rental premiums, leasing velocity, and higher average occupancy levels. Several papers published on the subject have found that green buildings can capture rental premiums anywhere from 3-6 percent above similar non-certified buildings and typically average 8-10 percent higher occupancy levels. [Find green building related research](#) »

As LEED continues its steady growth, it stands to reason that entry into the green building marketplace will continue to become easier while the benefits will continue to grow.

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