

OPENING THE DOOR TO GREEN BUILDING

Market and Communications Study
June 18, 2010



SUSTAINABLE RHYTHM
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INTRODUCTION

Over the last few years in an economy that has slowed the building industry and perhaps altered it for the foreseeable future, the implementation of green building principles has transformed from a specialty market sector to one that is being considered across every building market. The infusion of “green building” concepts and practices has become quite common in project discussions and delivery, conferences/meetings, service firm and product companies’ business plans and throughout the media.

Amidst the overall goal of market transformation by the United States Green Building Council (USGBC) and other green building advocacy groups, it can be difficult to discern the progress of this shift in the day-to-day world of building design and construction. How has the mainstream introduction of green building principles altered the approach, motivations and business development of the industry? Is adoption of these principles becoming more prevalent and how is it shaping the construction market?

In March and April 2010, the Northeast Ohio Chapter of the USGBC and the marketing consulting firm, Sustainable Rhythm conducted the *Opening the Door to Green Building Communication Study* to analyze the market transformation. This analysis, one of the first of its kind, engaged multiple perspectives in the building industry to examine issues of the overall market, the perception of the financial investment, the role of certifications and finally how the benefits of green building are being communicated among building design and construction professionals.

APPROACH AND METHODOLOGY

The study included 200 participants, 90% of which were based in Ohio, offering their insight across 20 to 25 questions. The survey was distributed through an on-line tool over a two-month period. This on-line data collection was augmented through paper copies of the survey to targeted audiences. The participants included the following categories of professionals:

- Owners/Facility Managers/Real Estate – 17% including Owners, Facility Managers, Corporate Real Estate Executives, Real Estate Developers, and Tenant Leasing Agents.
- Service Firms – 59% including Architects, Interior Designers, Landscape Architects, General Contractors and Trades, MEP Engineers, Civil Engineers, Structural Engineers, LEED Consultants, Commissioning Agents, Legal/Accounting Insurance Professionals and other Services.
- Products Companies – 17% including building materials and systems companies.
- Government/Advocacy – 7% including code officials, government agencies and non-profit advocacy groups.

The respondent group includes representation from a diverse market set representing the commercial, institutional, government, education, healthcare, housing, education and manufacturing building types. In analysis components where a pronounced difference between the market types was discovered, it has been included in the report. When this is indicated it refers to all participants (service, products, owners, developers, etc.) working within that given market.

ACKNOWLEDGEMENTS

Thank you to the following organizations for their assistance: Northeast Ohio Chapter of the United States Green Building Council, Builders Exchange Magazine of Ohio, the Ohio Chapter of the American Society of Landscape Architects, the Cleveland Chapter of Urban Land Institute, the Cleveland Chapter of the American Society of Heating Refrigerating and Air Conditioning Engineers, the Cleveland Chapter of the American Institute of Constructors and Constructor Certification Commission, Green City Blue Lake Institute, the Cleveland Engineering Society, USGBC Chapters of Western Michigan, St. Louis, Minnesota and Wisconsin, the Cleveland Chapter of NAIOP, Building Owners and Management Association Greater Cleveland, and CSI Cleveland.

EXECUTIVE SUMMARY

Across the many constituencies of the building industry, green building principles are being embraced at a moderate level. Organizations are embracing the concepts at a significantly higher level than their clients. While the market transformation is focused on numerous cases or arguments to build green, the most impactful and effective cases being made are that of energy efficiency and its effect on overhead cost. There exists sentiment among some in the market that the relationship of green building to “climate change” is having a negative effect on the acceptance of sustainable building principles.

The perception of cost implications remains a difficult one for the market to address. While new studies and data are becoming available that illustrate negligible or no premiums to build green, this message is not being communicated effectively. 62% of respondents indicated that there is a significant premium to build green with 46% of that group believing the premium is above 10%.

An additional impediment to market growth is the landscape of green building certifications and accreditations. Only 21% of all respondents indicated an understanding of the current certification and accreditation options in the market place. This is particularly pronounced with participants in Single Family Housing market, with 42% indicated “highly confusing or “rarely understandable”. Standards and certifications are impacting the product market; the study indicates that over 40% of respondents believe certifications are relevant to their product purchasing process.

Relative to communications, the market is demanding that service firms and product companies provide quantitative benefits such as actual performance data and requiring return-on-investment content. The ability for organizations to provide this data may be hindered due to the relative newness of green building projects and products resulting in a lag time in gathering and measuring performance data. The buyers within the market also indicated that they require less “greening” of the messages and marketing strategies and more emphasis on actual performance and cost implications – both immediate and long term.

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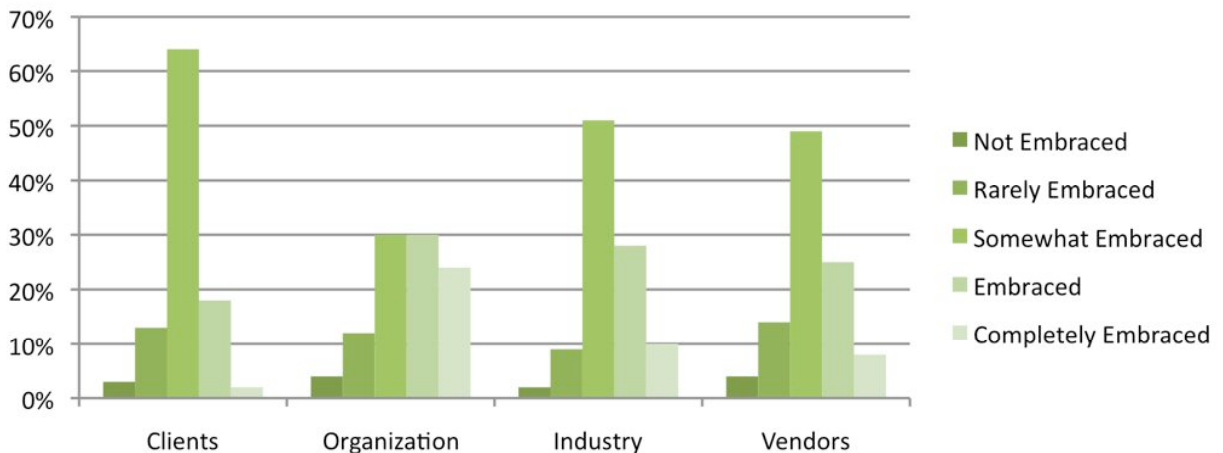
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Overall Market Transformation

Within any business sector, the successful introduction of new products or services can vary depending on the market's adaptability, supply/demand, financial implications, innovation, social and political factors, etc. Green building is a perfect case study of a market that faces tactical, financial, social, political, regulatory and innovation forces that both hinder and help transformation. While certain geographies in the United States have embraced green building principles on an accelerated timetable, our region appears to continue to sort through these forces amidst the down cycle in construction.

EMBRACE OF GREEN BUILDING MESSAGE

How well do you feel your Clients, Organization, Industry and Vendors have embraced the message of green building?



As indicated above, the messages of green building have some basic traction but limited momentum across all categories. **Though it has been “somewhat embraced” by 64% of the respondents’ clients, it falls to just 20% of those perceived to be “embracing” or “completely embracing”.** The strongest response is related to the respective organizations of the respondents with 54% having indicated “embracing” or “completely embracing” the message of green building.

One respondent discussed the effect of the economy on the progress of green building:

“I believe the organization supports green building but clients, suppliers/customers have been hampered in their support by the struggle imposed by the economy.”

In reviewing individual respondent categories, general contractors and the real estate community are most skeptical in their perception of their clients’ attitudes with General Contractor/Trades and Real Estate/Tenant Leasing/Finance registering 90% and 85% between “not embraced” to “somewhat embraced”. Within organizations, the Architect/Interior designer category embrace the concept at 80% while only 20% of facility managers and 37% of building owners feel the same.

Two comments focused on education and paperwork:

"There is a lot of educating to be done to encourage participation in the industry."

"Comments have not been received other than documentation/paperwork is too costly and time consuming."

Those respondents who participate in the Commercial –Retail market had the lowest score relative to other market types with 20% of respondents indicating their clients as “not embraced” or “rarely embraced”. The highest score was the Hospitality market that registered 32% “embraced or higher”. Participants in the Municipal, Institutional and Senior Living markets rated their organizations from 65% - 68% of “embraced or higher” which were at the higher end of the markets. Surprisingly, the Government and Education markets did not vary significantly from the overall responses despite being two of the early adopters of green building. This could be attributable to green building being viewed more as a mandate by Federal, State and Local governments than a selected process based on its value proposition.

THE CASE FOR GREEN BUILDING

The motivations and factors leading to the implementation of green building practices can be quite diverse relative to a client’s overall facility and organization objectives. In reviewing the responses to “How well do you think the case for green building is being made around the following concepts”, the strongest resonating arguments in the market seem to be related to energy efficiency by a wide margin. Over 50% of participants responded either “well” or “very well” to the case for green building being made to either reduce the overhead costs of energy or increase energy efficiency.

Interestingly though, this has not yet translated to a strength in the case for long-term return on investment (ROI). This could be due to the fact that too much emphasis is placed on upfront efficiencies during the design process and not enough data being made available to illustrate long-term benefits. Nearly 40% of all participants responded that they were “not sure” or “no” to “In your opinion is there a significant “return on investment” (“ROI”) difference between green building and standard building products and practices?” In response to the question, “What kind of information would you like to see more of on green building from your vendors”, 75% of respondents identified “return-on-investment” as the most desirable content information for enabling decision-making scored including 100% of Building Owners and 89% of Facility Managers.

One respondent described this concisely when referring to ROI and making the case:

"All of the above need to be presented and considered together in a manner that will promote corporate and developer acceptance to the level of "I got to do this" so that lenders and financiers will pay higher up-front cost necessary to do green right. This must happen in the near term so that costs can be brought to a competitive level relative to common, ordinary building products and systems designs."

Probably one of the more controversial cases for green building is the political and environmental hot button of “climate change”. The comment section of the survey indicated some regret that the green building movement is perceived as being too related to the core belief of “climate change”.

Two respondents described their frustrations with the connection:

"Stop promoting climate change and carbon footprint there are good reasons for sustainability those two are not good reasons."

"The green building sector needs to stop the selling job of "social responsibility" /GHG reduction/brand development and focus more on \$\$\$ and energy efficiency and cost reductions."

The environmental case is split fairly evenly from “not well” to “very well” throughout the responses while the regulatory requirements that either have been implemented or are being considered scored fairly weakly (19-20%) in how well the case is being made. This is an area that needs improvement as 44% of Building Owners and Facility Managers responded that it was “likely” to “highly likely” to the question “In your opinion, how likely is it that “green-building”-related regulatory/policy activities will affect your buildings/facilities?”

How well do you think the case for green building is being made around the following concepts	NOT WELL- RARELY WELL	SOMEWHAT WELL	WELL- VERY WELL
MARKET CASE			
To respond to growth in green building market	26%	55%	19%
To raise industry standards through specific standards or certifications	38%	40%	22%
COMPETITIVE CASE			
To increase brand competitiveness	32%	37%	31%
To demonstrate “Corporate Social Responsibility”	27%	45%	28%
To increase workplace health and productivity	44%	36%	20%
ENERGY/FINANCIAL CASE			
To reduce the overhead of energy costs	16%	33%	51%
To increase energy efficiency	20%	31%	59%
To realize long-term financial return-on-investment (“ROI”)	38%	37%	25%
ENVIRONMENTAL CASE			
To help reduce environmental or “Climate Change” impacts	31%	33%	36%
To reduce “Carbon Footprint”	36%	38%	27%
REGULATORY CASE			
To justify or respond to legislation or policy activities	37%	43%	20%
To anticipate response to regulatory activity	37%	52%	19%

Green building as a catalyst to increase workplace health and productivity is perceived as the weakest case with 45% responding that it not being made “not well” or “rarely well”. Though there are some studies available on this argument for green building (see *Occupant Satisfaction with Indoor Environmental Quality in Green Buildings*, 2006, Center for the Built Environment, University of California Berkeley and *Do Green Buildings Make Dollars and Sense?* 2009, University of San Diego and CB Richard Ellis Group, Inc (CBRE)), the recent surge in green building implementation will not be measured on a comprehensive scale for a few years. Perhaps, this has made access to this data and the strength of this case difficult to convincingly present.

Overall there were not great fluctuations between the market sectors considering the case for green building. Still a nascent market, green building is still viewed on a holistic level and not susceptible to individual market type motivations as of yet. A few areas of note:

- Those in the Education and Government market scored the case being made higher in the “not well” to “rarely well” than the other market types. Similar to the earlier explanation in Section A, this could be attributable to the fact that green building is mandated and therefore the value proposition arguments for green building are not as prevalent since it is a requirement.
- Single-Family market participants scored the argument for increased brand competitiveness 10% lower in “well” to “very well” than the any other market possible indicating that the single family housing market has been slower to utilize green building as selling advantage compared to other commercials properties.

INTERNAL CAPACITY

As businesses strive to capture market share, internal capacity is often a barrier. In responding to the question, “Has your organization added internal capacity to help meet the needs or respond to the opportunities of the green building market?” over 60% of participants responded “yes” or that they were “currently thinking about it.” This is most evident in the MEP/Heating/Refrig/AC Engineer participants with 75% of the responses indicating a “yes” answer perhaps in a reaction to the new emphasis on building systems and energy efficiency.

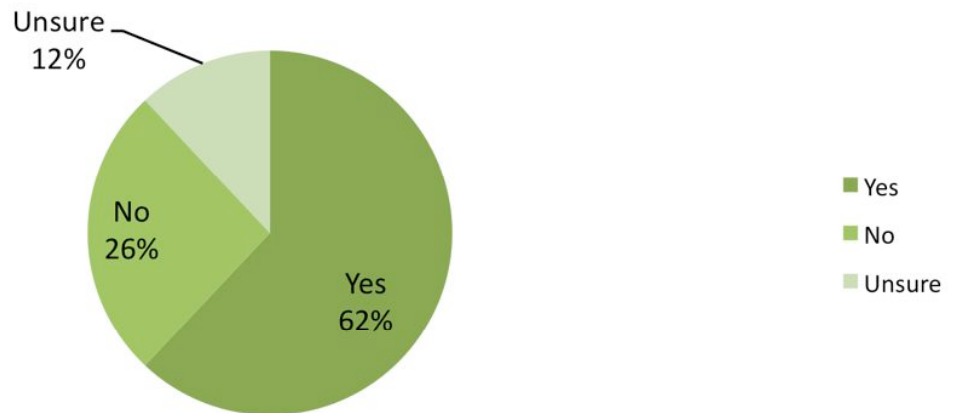
Participants serving the Infrastructure (67%) and Municipality (66%) markets were the strongest respondents to answer “yes” or “thinking about it” to the question of adding internal capacity. Even though the Senior Living (56%) market was the least likely to add capacity – it is still showing over half of respondents indicating that some increase is either taking place or is planned.

Perception of Financial Investment

Stakeholder groups still perceive the up-front costs for green building to be higher than standard building techniques. The discrepancy in the perception of the cost premium to design and build green remains quite wide. Economic and market theory would dictate that as an increase in mainstream adoption occurs there will be a drop in the premium. Those who have analyzed the market have found that in reality, there is a negligible premium or as low as 1-2% premium dependent on level of green building design solutions and/or the LEED certification level pursued (see *The Cost of Green Revisited*, 2007, Davis Langdon and *The Cost of Green*, 2009, Urban Green Council).

What remains though, is the perception currently in the market place. Similar to the return-on-investment and productivity areas, the actual cost data benchmarks should become more available as the market matures, particularly in Ohio.

Is there a significant cost difference between green building and standard building products and practices?



The majority of participants (62%) perceive a cost difference between green building and standard building products and practices. In examining the results by profession, the perception predominates at the highest level with Owners/Facility Managers/Corporate Real Estate (70%) and Real Estate Developers/Tenant Leasing/Finance (85%) professional categories. Relative to market type, 65% of Corporate Office and 64% of Hospitality market participating feel that a premium exists. The Multi-Family market is further along in deciphering the premium perception with only 48% responding that a premium exists.

Respondents commented:

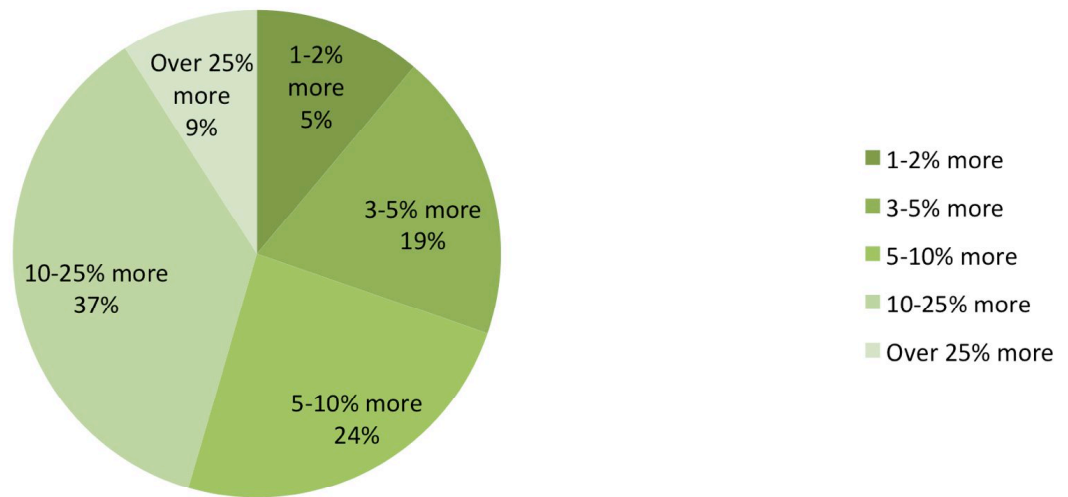
"Not significant from a construction cost - but the cost in time and investigation to produce the 'green' projects is fairly significant on larger projects - as you have to do more investigation on regionally available, green/sustainable products, availability, VOC levels, etc. only when you look at total cost of ownership does the green building make more sense. Initial capital is such a HUGE driver, that many sustainable/high performance features are eliminated. Our LEED-CI Platinum office cost us under \$27/ SF."

"People who say there is not a cost difference and that green building is actually cheaper are mistaken. The way to sell it to client/organization is not bottom line profit but rather long term great good impact."

"Certification adds a lot of cost without enough value yet for residential real estate buyers."

The follow-up question, "If there is a premium, what would you say is the cost premium for green building?" yielded the following results:

If yes, what would you say is the cost premium for green building?



One respondent focused on how difficult it can be to make the argument that the cost difference is negligible.

"In my opinion, the long term benefits of energy efficiency and high performance are beginning to be widely accepted. But there is still a long way to go in terms of making true energy efficiency 'the norm'. And while the cost benefits from a system wide basis can certainly be made for building efficiency overall to be less than 2% - the blunt reality is that many of the groups / associations / companies, etc. do not have the expertise or wherewithal to make a true analysis for an entire building or project. Hence, energy efficiency is still introduced on a piecemeal basis - at least from a consumer perspective. But that at least is a start. Given the fiscal constraints now being placed on municipalities and states, etc., 'true green' (i.e.: sustainable practices in the fullest sense) may ultimately be a paradigm that 'trickles up' via consumer response and 'trickles down' via necessity-driven policy and program changes coming from civic authorities."

RETURN ON INVESTMENT

As discussed earlier, only 25% of respondents indicated that the case for “long-term return on investment” is being made “well to very well”. Nearly 40% of all participants responded either “no” or “not sure” to “In your opinion is there a significant “return on investment” (“ROI”) difference between green building and standard building products and practices?” Respondents in the General Contractor/Trades (52%) and Accounting/Legal/Insurance (55%) professional categories indicated highest response to “no” or “not sure”.

The markets that seem to best understand “return-on-investment” were the Institutional (70%), Commercial (70%), Single Family (71%), Infrastructure (74%), Municipalities (75%) and Religious Facilities (75%) market participants.

In the comments section, respondents primarily noted the struggle in defining return-on-investment:

“I do not believe there is a significant difference between green vs. traditional ROI's, although the small increase in cost in green building will obviously decrease green ROI slightly. However, the most important factors in green vs. traditional are the qualitative, or intangible properties - environmental consciousness, exceeding current regulatory requirements, long-term energy efficiency, decrease dependency on a single mode of power, etc. that promote an overall higher “value” for green building.”

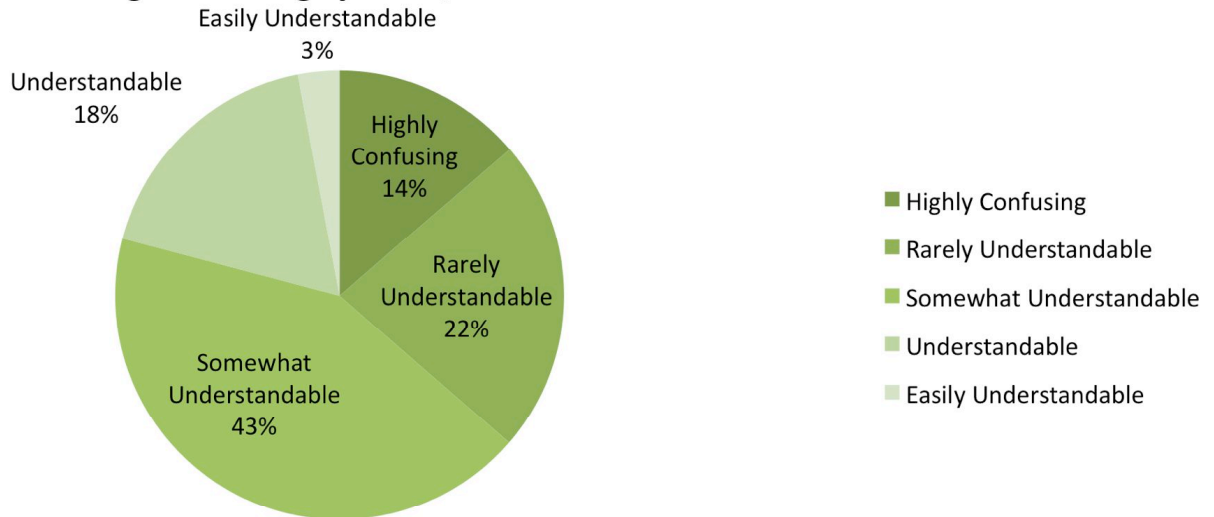
“It depends on whether you value environmental impact or if you are only looking at the traditional bottom line. Green buildings are supposed to be more energy efficient, but there hasn't been enough monitoring and verification to substantiate those claims scientifically and develop rules of thumb on how long it takes to recapture additional upfront cost with energy savings. If you more subjectively value green practices for more than just their effect on the traditional bottom line, then you have a better ROI.”

Understanding and Impact of Certifications and Accreditations

As any growth market evolves, so do movements around codifying and standardizing aspects of the market's services, products and solutions. The green building industry is experiencing a rapid evolution of product standards/certifications, professional accreditations and project certifications and in the building product sector, there seems to be an entire tangential industry creating product certifications (Green Seal, Energy Star, Green Guard, Green Label, etc.) While the LEED system and Energy Star seem to be the most prominent among professional accreditations and project certifications, countless certification programs are emerging by market type, profession service discipline and geographic region green building certification programs.

How understandable are these rating systems? Only 21% of respondents indicate, “the current landscape of green rating systems, standards and certifications is “understandable”. Expounding on the confusion is that two of the leading providers of services within the industry indicate their understanding to be equal to less than the 21% “understandable” score with Architects at 18% and General Contractor/Trades at 21%. While 44% of Facility Managers and 57% of Real Estate Developers/Tenant Leasing/Finance rated the current landscape from “highly confusing” to “rarely understandable”.

In your opinion, how easy is it to understand the current landscape of green rating systems, standards and certifications?



While a few of the respondents' comments described the standards as understandable, many highlighted how the confusion in the market place is slowing green building adoption:

"Point" systems tend to evolve over time - and with the sub-specialization of the LEED rating system - I believe it's causing more confusion in the marketplace - it would be nice if there was a method of establishing a system that rewarded sustainable solutions without making it a 'point grab'.

Current rating systems would be better understood by using platform levels of standards. Smaller levels to obtain for certification will be easier than just one main level at the end of a project.

Everyone is trying to "get into the game", and further exasperating the movement is (unnecessary) involvement by state and local governments.

Have a hard time just explaining how you rate a home. You start with the goal and then work backwards. If they want to save utility dollars then this is a solid metric. But the increased assessed value of a green home may not be very objective.

It is easy to understand, however, there are numerous green rating systems that encompass landscaping, cities, roads, infrastructure, buildings, etc. You cannot know them all!

The good news is that the ICC is writing code to accommodate sustainable design. While it's truly unfortunate they also use the term 'green' I do think that this step is crucial in setting a real sustainable standard that is reasonable, less politically motivated, and one that can be followed with confidence that a rating will be achieved at the end of the process.

Most market types were clustered around the overall averages, although the Single Family market participants indicated 42% “highly confusing” to “rarely understandable”, 14% higher than the other markets. Furthermore there was no indication by anyone in the Single Family market type that the current landscape was “easily understandable”. Certainly at the homeowner level, Energy Star is becoming more and more recognizable but the other single-family home rating systems clearly have not achieved the same level of understanding as the other market types.

Though lack of clarity around rating systems and certifications may be affecting the selection and specification process, the recognized value of the rating systems are beginning to make an impact on buying behavior. This is particularly salient when considering the brief time that these rating systems/certifications have been in the market place.

“What weight do green rating systems/certifications play for your company in the selection of”	“Relevant” to “Very Relevant”
Building Product – Materials	42%
Building Product – Systems	43%
Professional Service Firms	35%

With the variety of building products in the market place, it requires a bit more analysis to determine where the rating system are having the most significant impact on buying behavior. As indicated by the following comments, it is difficult to discern all of the individual benefits of the rating systems:

“When evaluating a product for implementation into a project, there are a multitude of factors that can easily skew the real environmental and energy savings that a green product can produce.”

“A easy to understand “no - nonsense” comparison of the various green building standards from the trade organizations and the direct impact of utilization of their program choices would be helpful for consumers and building owners.”

Role That Certifications Play in Selection of Building Materials Percentage of Responses Indicating "Relevant" to "Very Relevant"

Professional Category	Building Materials “Relevant” to “Very Relevant”	Building Systems “Relevant” to “Very Relevant”
Architects/Interior Designers	59%	60%
Landscape Architects/Civil Engineers	78%	66%
General Contractors/Trades	42%	34%
Engineering Firms	36%	66%

An additional area of rating systems significance: 56% of Materials and Systems Product companies indicated that it was “important” to “highly important” that their products achieve certifications while 38% of the product companies say that they are currently pursuing certification.

In your opinion, which of the following terms have the most impact on your organization's buying behavior?	Impactful – Highly Impactful
Green	33%
Sustainable	43%
High Performance	49%
Energy Efficient	76%
Smart	27%
Environmentally Responsible	37%
Resource Efficient	29%
Net Zero	16%

According to the Building Owner and Real Estate Developer/Tenant Leasing/Finance professionals **“Energy Efficient” is the most effective term to communicate the green-building value proposition for buyers with 100% of owners and 79% of real estate professionals ranking it from Impactful to Highly Impactful.**

One respondent commented:

“Green and Sustainable certainly “resonate” with the market, but it is less clear what they are actually representing for many in the building market beyond marketing.” It would seem that the challenge for buyers is to wade through the marketing vocabulary to identify what is going to be most beneficial for their project. It becomes incumbent on service providers and product firms to resist some of the easy “green” branding/ messaging opportunities and focus on the genuine benefit in communicating to the buyer. ”

MEASURING COMMUNICATION EFFECTIVENESS

Vocabulary however, is not enough. Communicating and demonstrating are important capabilities to express the benefits of services and products in the industry. The overall response to “How well do you feel the benefits of green building are being communicated to you as a buyer?” indicated **only 8% of buyers thought that the benefits of green building were being communicated “very well”**.

How well do you feel the benefits of green building are being communicated to you as a buyer?

Not Well 3%	Rarely Well 21%	Somewhat Well 44%	Well 22%	Very Well 8%
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Only 38% of the participants from Service Firms and General Contractor/Trades feel that they are effectively communicating their green building expertise to the market place.

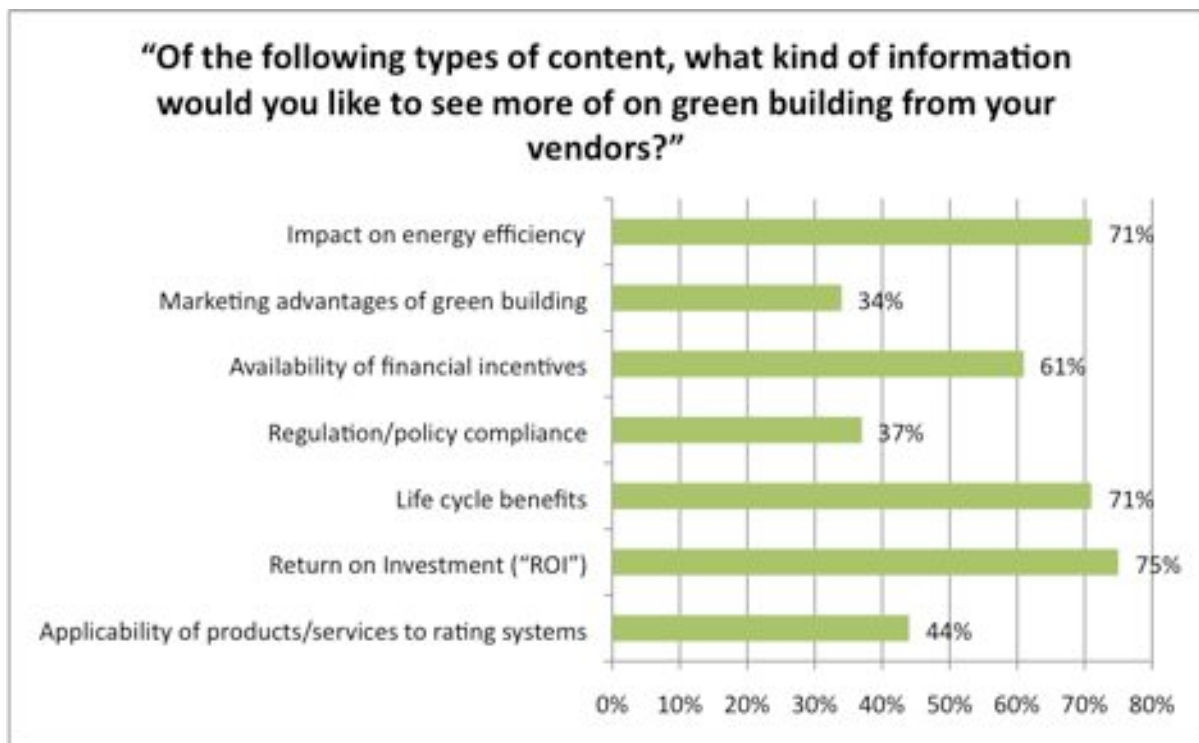
One participant wrote:

“Interesting question: the persistent exaggeration of vendors and salesmen regarding the ‘green’ attributes of their products is tiresome. It seems that every ad that comes across my desk is all about how ‘green’ this new widget is and how it will save the planet. I also consider that we’re ‘buyers’ of the USGBC product and they do a good job bragging about LEED, but an awful job of making the scoring process simple and objective.”

While exaggeration and hyperbole is not uncommon in the practice of selling any product or service, it seems to be more prevalent now due to the marketing of “green” and “sustainability” throughout aspects of our daily lives. The Federal Trade Commission recently announced that it would institute tougher enforcement and environmental guidelines as a major part of the commission's agenda because many currently used green claims, such as 'sustainable' and 'carbon neutral,' were not common when the Commission last revised its Green Guides.

COMMUNICATION IMPROVEMENTS

Perhaps recognizing some of these dynamics, 50% Product company respondents indicated that they have “changed” or “significantly changed” their approach to marketing due to the growth of the green building market. One of the paths to improving the effective communication of green building benefits lies in understanding the information and the value needs within the market.



Additionally, 82% of buyers identified Actual Performance Data as a key element to influence the green product buying process. 69% of buyers identified Actual Performance Data (relative to green building information) as an influence on their decision relative to the selection of professional service firms.

While Actual Performance Data has been fairly common element in marketing products, it is a newer area for service providers to integrate into their communication strategies. It would seem that performance function is leading form in how service firms must now differentiate themselves in the marketplace.

CHANNELS

Due to the educational component of this new market, individuals are relying heavily on professional organizations to support their knowledge of market information. The table below outlines responses to the question, “Which of the following channels are most effective for your business to receive information on green building?”

As Internet resources have evolved as an information staple for buyer decisions over the last ten years, more traditional means of marketing communication have become less effective. Web resources and blogs continue to play a growing role within the communication industry. Social media, an outgrowth of the web, while still in its development stages in terms of mainstream business application could develop into a more effective channel in the very near future.

In order of effectiveness	
Professional Organizations	69%
Web resources (i.e. blogs, e-news)	55%
Product Specification Data	49%
Conferences	48%
Case Studies	46%
Research Reports/White Papers	43%
Newsletters	38%
Traditional Printed Marketing Materials	34%
Traditional Media	31%
Social Media	20%
Mailers	14%

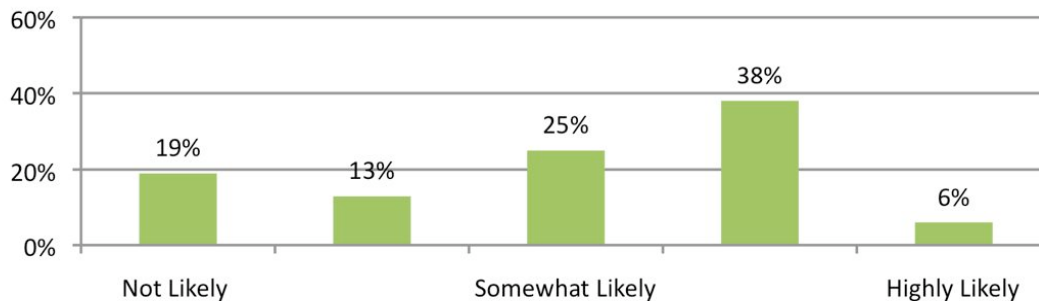
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Owners/Facility Managers/ Corporate Real Estate

REGULATORY/POLICY ACTIVITIES INFLUENCE

The implementation of green building legislation at the federal, state and municipal level continues to increase throughout the country. Numerous legislative bodies are tying funding and incentives both on public and private projects to achieving some level of either energy efficiency or certification level. This has been gaining momentum even without the passing of climate change or cap and trade legislation at the federal level. **Certainly, regulatory/policy activities are influencing the green building market transformation as less than 20% of the Building Owner/FM/Real Estate category responded “not likely” to “green building regulatory/policy activities” having an effect on their properties.**

In your opinion, how likely is it that “green-building”-related regulatory/policy activities will affect your buildings/facilities?



The following resources are available to track current and pending legislation

- The American Institute of Architects (AIA) offers a resource that details state-by-state legislation status: <http://www.trendtrack.com/texis/app/viewrpt?event=48989d52a2>
- The USGBC also offers a resource for legislative updates related to the LEED program: <http://www.usgbc.org/DisplayPage.aspx?CMSPageID=1852>

INTEGRATED PROJECT DELIVERY

The collaborative integrated project delivery approach is considered to be a critical component of the green building movement. With its emphasis on upfront and early participation of all project team members, the approach is positioned as a cost savings and smarter alternative to the traditional design methodology. It is a critical component of the LEED process and this approach is creating new contract and risk management tools.

Though deemed critical, this approach is definitely an area that needs improved outreach to the industry’s clients as 80% of the Building Owner/FM/Corporate Real Estate participants indicated that they were “not familiar at all” with integrated project delivery. It would seem that the opportunity for client education on integrated project delivery should be coupled with the earlier discussion regarding which cases for green building and vocabulary are resonating in the market. By tying this approach to efficiencies and cost savings through actual metrics and meaningful supporting data, the concept can become more tangible and impactful to the industry’s clients.

Owners/Facility Managers/ Corporate Real Estate (Cont'd)

IMPACTS ON PROJECTS/CONSULTANT/PRODUCT SELECTION

Relative to market transformation, the Owners/FM/Corporate Real Estate respondents indicate that the onset of green building has not affected building projects overall as much as it has the selection of products and some services. With only 24% indicating that it has had “effect or direct effect” on building projects overall, that percentage increases to 40% related to building systems, 32% for building materials and 31% for architects, engineers and other consultants.

How much has the onset of green building affected the way in which you select the following:	No Effect	Rare Effect	Somewhat of an effect	Effect	Direct Effect
Building projects overall	36%	11%	27%	16%	10%
Real Estate Consultants	77%	11%	6%	0%	6%
Architects, Engineers and other Consultants	26%	11%	31%	21%	11%
General Contractors/Trades	32%	16%	26%	21%	5%
Building Products -Materials	28%	11%	27%	17%	17%
Building Products - Systems	26%	11%	26%	16%	21%

PROJECT FACTORS

For those Building Owner/FM/Corporate Real Estate professionals that have completed or are undertaking a green building project (37% of all sampled), the two most important factors that motivated their decision were energy efficiency and reducing carbon footprint. The increase in reducing carbon footprint by those who have actually undertaken the project certification process (versus the case being made earlier in this study – 27%) could be attributable to making the commitment to invest in certification and the education that occurs during the project process.

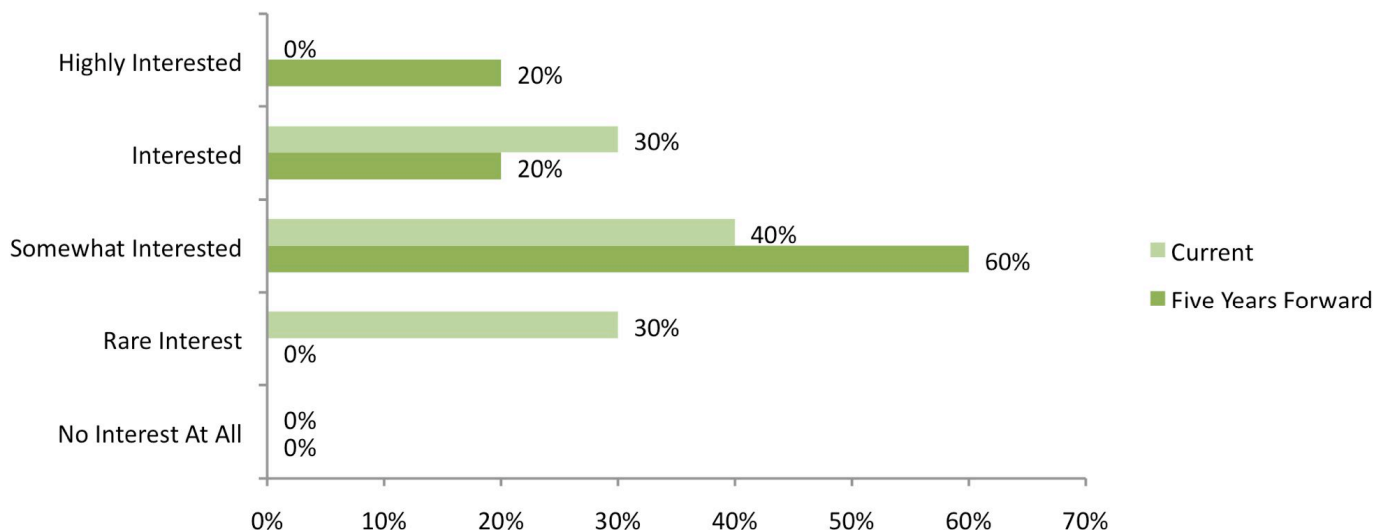
Please rate how important the following factors are to your decision:	IMPORTANT – HIGHLY IMPORTANT
To reduce “Carbon Footprint”	56%
To increase energy efficiency	55%
To demonstrate “Corporate Social Responsibility”	50%
To reduce the overhead of energy costs	50%
To increase workplace health and productivity	38%
To realize long-term financial return-on-investment (“ROI”)	33%
To respond to increased demand for green building features	25%
To anticipate response to regulatory activity	25%
To help reduce environmental or “Climate Change” impacts	22%
To raise industry standards through specific standards or certifications	13%
To increase brand competitiveness	13%
To justify or respond to legislation or policy activities	13%

Real Estate Development/Tenant Leasing/Financing

CURRENT AND FUTURE CLIENT INTEREST

Numerous market studies have indicated an increase for lease revenue and asset price for green and/or certified buildings. In this region, Real Estate Developers/Tenant Leasing Agents/ Financing category respondents identify interest from potential clients/tenants at 30%. There is an indication that this interest will trend upward over the next five years. Mitigating this interest may be the current economic conditions of the market coupled with the slower embrace of green building in the region.

What do you think is the current level of potential client/tenant interest in buying or leasing a green building?



IMPACT ON PROPERTY TRANSACTIONS

Recent studies on leased and purchased properties within the green building market have indicated net increases in rental premiums and decreases in property vacancies (See [Do Green Buildings Make Dollars and Sense?](#) by CB Richard Ellis and the University of San Diego, November 2009 and [Does Green Really Pay Off?](#) by Norm Miller of the University of San Diego's Burnham-Moores Center and Jay Spivey and Andy Florance of CoStar, July 2008). This potential effect has not altered the way in which properties are sold or leased as only 30% of the Real Estate Developers/Tenant Leasing Agents/ Financing category respondents indicated that the onset of green building has impacted the way in which they sell properties or projects.

IMPACT ON SERVICE PROVIDER SELECTION

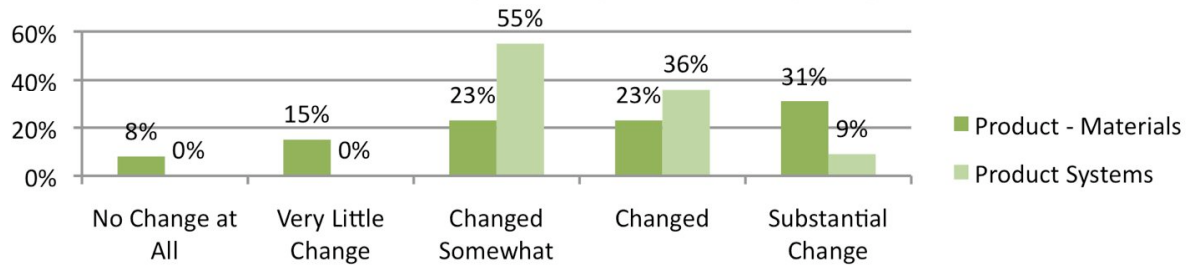
As an influence on the selection of service providers for the building process, the Real Estate Developers/Tenant Leasing Agents/ Financing professional category indicated that the onset of green building has only slightly impacted the way service providers are selected with only 30% of respondents indicating that green building has "impacted" its selection process.

Products

TYPES OF DATA/MARKETING

The way in which product companies approach marketing, both for materials and building systems, has been impacted by green building with 56% of product-materials and 45% of product-systems companies indicating that they have “changed” or “substantially changed” the way the organizations market their products.

How much has your company changed or enhanced the way that it markets the green capabilities of your products?



In Part One, Section D, it was identified that 82% of buyers indicated that actual performance data was a critical element in their decision-making. According to product respondents, this need is being addressed market, particularly by systems companies (91% including performance data in their marketing).

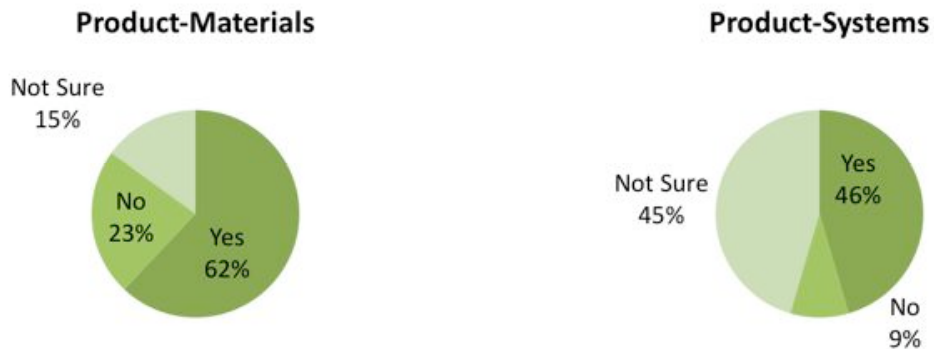
Which (if any) of the following types of green-building information is your company including in its product marketing?						
	Impact on Certification	Return on Investment	Green Attributes	Research Data	Actual Performance Data	Testimonials
Product-Materials	42%	42%	100%	58%	75%	33%
Product-Systems	36%	73%	64%	73%	91%	55%

Products (Cont'd)

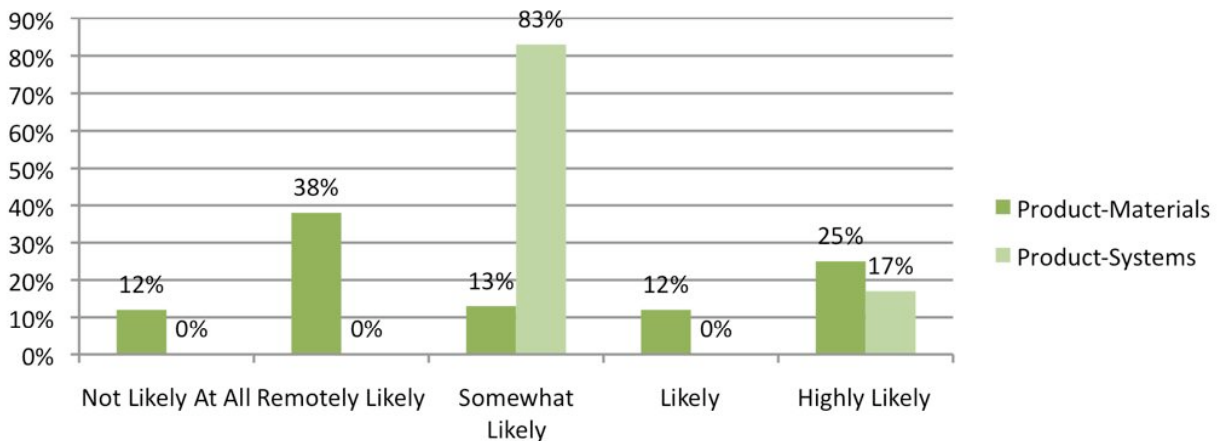
SUPPLY CHAIN MANAGEMENT

The examination of supply chain management has become a more common market practice. With significant market mandates from large retailers on the consumer side to the regional materials credits involved in LEED, the supply chain of materials is under greater scrutiny. As anticipated, product-materials companies are currently implementing more green practices in their supply chain than their counterparts in product systems. This is seems appropriate as the base materials are under much more analysis relative to chemical make-up and depletion of natural resources.

Has your company implemented green practices within its supply chain?



If no, how likely is your company to do this in the next five years?

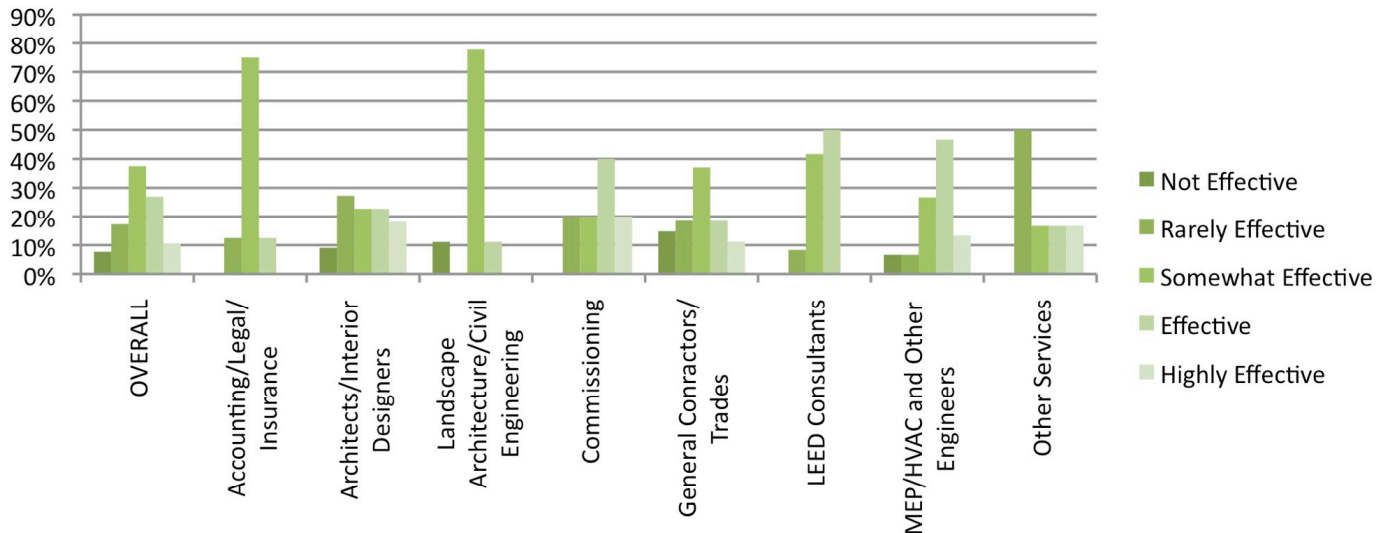


Part II – B. Services

MEASURING EFFECTIVENESS

The transformation of green building out of specialty services across project types has led to the need for firms to develop and communicate its expertise in the market place. In examining their own effectiveness, the Service Firm professionals indicated a self-ranking of 38% as “effective” to “highly effective”. The highest-ranking professional sectors included MEP Engineers at 60%, Commissioning Firms at 60% and LEED Consultants at 50%. Landscape Architects and Civil Engineers had the lowest self-ranking of “effective” to “highly effective” within only 11% of respondents.

How effective do you think your company has been in communicating your green building expertise?



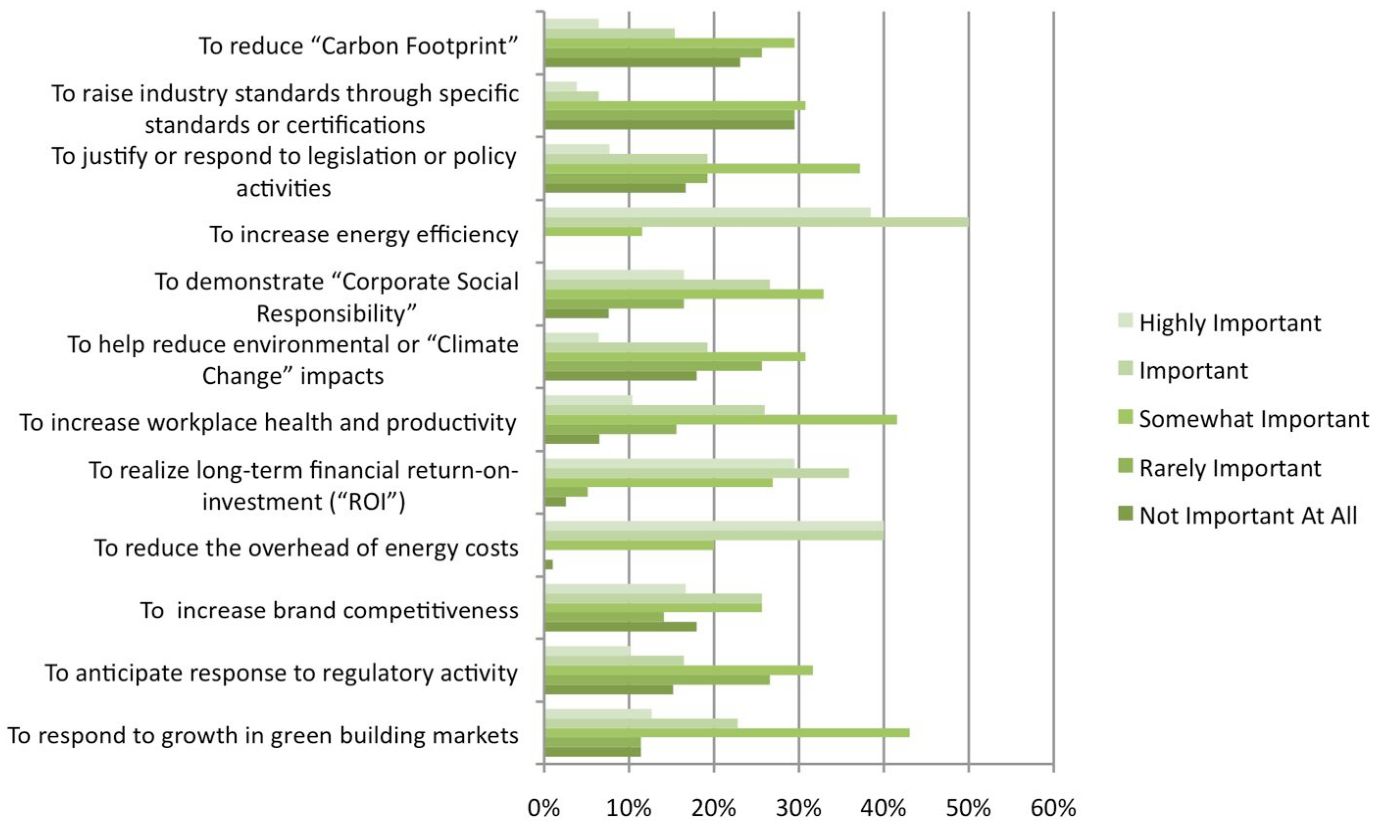
The lack of an abundant supply of green building project performance data can be affecting in particular the success of service firms communicating their green building expertise. Another factor that may be limiting the effectiveness could be the current highly competitive nature of bidding due to the slowdown in construction and design opportunities. Certainly, there have been a few organizations that are leading the market, some of which were ahead of the curve in early adoption of green building principles in their project processes. This lack of perceived effectiveness may also be attributable to the confusion in the marketplace regarding certifications and accreditations and exactly how the various service firms fit in to the industry.

PROJECT FACTORS

With 74% of all Service category respondents indicating that they are currently working on or previously completed a project that pursued green building certification, the level of experience in the region is increasing. While most profession service types clustered around 74%, 93% of MEP Engineers indicated they are working or have worked on a green building project.

In terms of the factors that motivated their client’s decision, energy efficiency (88%) and reducing the overhead of energy costs (80%) were “important” to “highly important” in making their decision. These were followed by “to realize long-term financial return-on-investment” at 65%.

If yes, please rate how important you think the following factors are to your client’s decision?



Background/Contact Information

SUSTAINABLE RHYTHM

With over 20 years of marketing experience in the architecture, design, engineering and construction industries, **SUSTAINABLE RHYTHM** applies green building market expertise to help assess, implement and develop client business opportunities for market entry, growth and capture of market share.

Working in collaboration with product companies and professional service firms, **SUSTAINABLE RHYTHM** applies market research, visioning, goals and metrics to identify realistic opportunities for aggressive opportunity development. Services include:

<p><u>Planning</u> Situation Analysis Perception Analysis Strategic Planning</p>	<p><u>Marketing</u> Marketing Plan Development Message Development Outreach Program Development Communication Initiatives and Collateral</p>
<p><u>Sales</u> Target-Market Analysis Business Development Structuring</p>	<p><u>Green-Building Market Education</u> THE RHYTHM REPORT – a biweekly e-news aggregate focused on the business of green building. Presentations and Training</p>

For more information contact Jeff Anderle, LEED Green Associate and founder at janderle@sustain-rhythm.com, 440-263-2472, www.sustain-rhythm.com.

NORTHEAST OHIO CHAPTER OF THE USGBC

The purpose of Northeast Ohio Chapter of the USGBC is to generate broad support for various individual efforts, build momentum, and advance the green building agenda in our region through education, consultation, and cooperation. The Chapter is an umbrella organization for various building industry interest groups, including those involved in residential, commercial, institutional, and industrial green building. We act as a clearinghouse for information on green building activities in the region as well as give individuals opportunities to network with others interested in green building. Additionally, the Chapter works to coordinate green building efforts within our area and to aid and promote specific sustainable projects. The Northeast Ohio Chapter is a member-based nonprofit organization. We invite your participation in our numerous educational and networking opportunities. We have meetings, speaker events, site tours, and workshops for area design professionals.

Membership is comprised of architects, engineers, interior designers, construction professionals, real estate professionals, building owners / operators, developers, built environment suppliers, municipalities, students pursuing related degrees, real estate / construction attorneys and sustainable advocates.

Michele Kilroy, LEED AP, is the Coordinator of the NEO Chapter of the USGBC. Michele can be reached at mkilroy@neogreenbuilding.org, 216-961-8850, or www.neogbc.com.