

## Green buildings provide many happy returns

**Recent results an Australian green property investment index show that, in the financial year to June 2012, capital growth drove stronger investment returns in Green Star-rated and high-rated NABERS (4–6 star) commercial buildings compared to unrated or low-rated ones.**



Credit: Grocon

The index is prepared by IPD, a provider of real estate performance analysis for funds, investors, managers and occupiers, and covers property assets from 32 participants with a combined asset value of A\$53 billion.

According to the index, Green Star-rated buildings outperformed the broader office market in the central business districts (CBDs) of Sydney and Melbourne.

In fact, high-rated NABERS Energy buildings (4–6 star) consistently outperformed low-rated (0–3.5 star) buildings in Sydney, Melbourne, Brisbane and Canberra in the year to June 2012.

The report also found that tenants are preferring buildings with Green Star and high NABERS energy ratings. This is providing upward pressure on effective rents and asset values, which is translating into the higher performance in investment returns.

Peter McGuinness, Research Manager of IPD in Australia and New Zealand said, ‘The results indicate that if owners improve the sustainability attributes of their buildings they are more likely to mitigate downside risk in office asset values.’

‘The connection between sustainable building characteristics and investment returns is in a state of evolution.

‘In the current market, assets with high sustainability ratings are being favoured by tenants and show stronger capital growth as they are de-risked and priced in.

‘However, stronger capital growth cannot continue into perpetuity. For this reason in the future we expect to see a lower absolute return but higher risk-adjusted returns for office assets with strong sustainability attributes.’

First launched in early 2011, the IPD Green Property Investment Index provides the property industry with a tool to benchmark the environmental performance rated and non-rated buildings.

Source: IPD

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