

## Green Investment for Office Buildings

Under the coronavirus pandemic, there has been no significant change in the demand for high class office space in London yet, and no change in office rents. At the moment, in the London office leasing market, "Green Premium"[1] has been gaining attention, where offices with a certain level of environmental performance are rented at a higher rate than others. Properties with a green premium have objective indicators of office sustainability. For example, EPCs (Energy Performance Certificates) are used to certify and evaluate whether buildings meet energy efficiency and conservation standards as a measure against climate change. It rates energy efficiency on a seven-point scale from A to G ("A" being the most efficient). This EPC rating is required to be presented to buyers and lessees, and after 2023, offices with rating lower than "E" will not be able to be leased. According to media reports [2], this is expected to result in a decrease in supply as roughly 10% of offices (estimated by area) do not comply with the energy efficiency rules at the current rate. As a result, existing office buildings are in urgent need of "green" refurbishment. In addition, the United Kingdom has introduced BREEAM (Building Research Establishment Environmental Assessment Method) as a method of evaluating the overall environmental performance of buildings. This is not mandatory, but it is an international standard that evaluates the sustainability of buildings and the surrounding environment. Currently, it is used in more than 70 countries around the world, and more than 2.2 million buildings have been certified and registered. Due to this growing importance of ESG investment, tenants are getting more sensitive to environmental issues than ever before. Office building owners are becoming more proactive in obtaining EPC ratings, BREEAM certification, and other certifications to appeal to tenants. The above "green" investments to reduce vacancy rates will provide a good opportunity to set higher rents.

**【reference sources】**

<sup>[1]</sup> [https://www.savills.com/research\\_articles/255800/313147-0](https://www.savills.com/research_articles/255800/313147-0)

<sup>[2]</sup> <https://www.cnbc.com/2021/08/16/10percent-london-offices-at-risk-of-becoming-obsolete-under-new-energy-rules.html>