

Almost half of real estate executives give nod to green leases; high compliance cost the top barrier: survey

By Samuel Oh
samueloh@sph.com.sg

CLOSE to half, or 43 per cent, of respondents who are senior executives in the real estate industry said they have plans to implement and incorporate green clauses in their commercial leases.

That's according to the findings of the Real Estate Sentiment Index survey in Q3.

About 22 per cent replied negatively, while 35 per cent of the respondents were unsure, said Sing Tien Foo, provost's chair professor of real estate at the National University of Singapore (NUS).

The quarterly survey was conducted by the Department of Real Estate and the Institute of Real Estate and Urban Studies at NUS.

Green leases are defined as "an agreement between landlord and tenant which sets out environmental objectives on how the building is to be improved, managed and/or occupied in a sustainable manner", according to the Building and Construction Authority (BCA).

Since BCA launched the guidelines in June this year, the movement is "still in its nascent stage" with some landlords having started incorporating sustainability clauses into their tenancy contract, said Ireus.



A greater use of clean and renewable energy in commercial buildings is preferred by respondents in an NUS survey.

PHOTO: YEN MENG JIN, BT

High compliance cost is the top reason not to have green terms and conditions in commercial leases, said the respondents.

"There is still a lack of understanding and objectives," they added.

Other barriers include a lack of government incentives and paucity of rental premiums, two other monetary incentives often cited by respondents to help drum up wider adoption of green commercial leases.

Prof Sing said that with the standardisation of environmental, social and governance requirements ongoing for

many companies, landlords and tenants are still trying to get a better understanding of issues – which sustainability metrics to use, what counts as going green, what is truly sustainable, how to measure social responsibility and empowerment.

This may cause tenants in some buildings to end up with "more onerous green obligations than others, and market dynamics may work against landlords who are serious about making a difference rather than mere greenwashing", he added.

Prof Sing suggested working "to-

wards uniformity of sustainability criteria, coupled with regulatory support, (which) will lead to more widespread acceptance and adoption".

Based on the survey findings, the most often-cited feature in a green lease is the use of energy-efficient installations and systems. Other highly ranked features include clean and renewable energy, eco-friendly sustainable materials and environmental compliance.

The poll results also showed that companies associate green leases most with energy efficiency and sustainability materials, as these will directly benefit them in the day-to-day use of the space, said Prof Sing.

In addition, tenants would also want landlords to meet environmental compliance requirements in green leases, he added.

The findings also highlighted "soft features" that promote awareness and well-being of occupants, such as organising regular sustainability events, campaigns, talks, sharing lease information, reducing embodied carbon and creating more indoor green space. These are generally given less attention among the features of a green lease.

Also, as the use of clean and renewable energy is still not prevalent in commercial buildings, respondents would like to see more of this feature being added to green leases, said Ireus.

On the timeline for the commercial real estate sector to accept green leases, the survey respondents gave an estimation of another four to five years before seeing any widespread adoption, the report said.