



THE FUTURE IS green



Artist's impression of the New Zealand Blood Service building at Goodman Property Trust's Highbrook Park, East Tamaki, Auckland.



“FROM A COMMERCIAL LEASING PERSPECTIVE, WE SEE SUSTAINABILITY AS AN INTEGRAL PART OF THE FLIGHT TO QUALITY FROM LOWER GRADE BUILDINGS TO NEW BUILDS AND REFURBISHMENTS. THE OLDER STYLE BUILDINGS ARE BEING LEFT BEHIND.”

PAULA BENNETT, BAYLEYS' DIRECTOR STRATEGIC ADVISORY

The built environment is estimated to be responsible for about 20 percent of New Zealand's carbon emissions. The Government's Nationally Determined Contribution (NDC) to fight climate change includes the October 2021 announcement to halve Aotearoa's carbon emissions by 2030, a call echoed by The New Zealand Green Building Council (NZGBC), of which Bayleys is a corporate sponsor.

Lloyd Budd, Bayleys' Auckland director of commercial and industrial, highlights a recent major transaction with the New Zealand Blood Service.

“We've recently been involved with assisting the New Zealand Blood Service into a new build at Highbrook Business Park.

“We believe the New Zealand Blood Service building is the first industrial

property to come under the government's new sustainability mandate.

Highbrook is developed and owned by NZX-listed Goodman Property Trust. Goodman is a leading warehouse and logistics space provider.

Budd says Goodman is an example of a New Zealand property developer and investor committed to carbon neutral and Green Star-rated projects.

“Goodman has been a pioneer in the field and they'll win more tenants because of it.”

Budd says any additional cost of achieving a Green Star rating will be paid back in the longer term.

“The cost associated with achieving Green Star rating during construction is perhaps 1.5 percent to two percent but these costs will be offset by the increased value over the lifetime of the asset – the lower operating costs also introduce a real competitive advantage,” Budd says.

His team is currently working with a major customer on another leasing deal, which has strong green credentials and will include a wide range of sustainable features such as solar panels.

“To remain competitive, landlords should start gaining sustainability ratings for their buildings. This will be critical in locations where government agencies are major occupiers, especially Wellington.”

Failure to obtain ratings may reduce long-term rental growth for properties and reduce the ability to attract key tenants in the market, and potentially result in softer yields due to higher risk of vacancies.

Chris Farhi, Bayleys' head of insights and data, says the growing awareness around energy efficiency, and different businesses putting in mandates around reduction in carbon footprints, is part of the wider movement to sustainability.

Farhi says the ratings mandates focus on two main tools – the NZGBC Green Star ratings and NABERS NZ.

THE NEXT BIG WAVE OF GREEN BUILDINGS IS UNDER WAY, LED BY THE CROWN'S CARBON NEUTRAL GOVERNMENT PROGRAMME (CNGP) AND COMMITMENT TO 100-PERCENT RENEWABLE ENERGY BY 2035. THE GOAL IS TO HALVE AOTEAROA'S GREENHOUSE GAS EMISSIONS BY 2030.

FOR THE GOVERNMENT'S OWN buildings, from April 2022, all new non-residential government buildings with a capital value above \$25 million will need a minimum 5 Green Star rating. The threshold will reduce to \$9m from April 2023.

Government agencies will be required to have National Australian Built Environment Rating System (NABERS NZ) ratings for existing buildings when entering a new lease or renewing an existing lease.

Agencies that own or lease accommodation at or above 2,000 square metres will need to get a NABERS NZ rating by December 2025 with a minimum rating of 4 stars and target of 5 stars.

These requirements have, in turn, seen mandates from leading developers, investors and tenants for sustainable buildings.

Bayleys' director strategic advisory Paula Bennett says sustainable buildings are an “absolute” government requirement, spelled out in policy

documents and directions.

Bennett's experience has included being a senior Government minister for nine years across 14 portfolios, including State Services, Social Housing and Associate Finance, as well as Deputy Prime Minister and Deputy Leader.

“From what we've seen among Bayleys' customers it's not just tokenism, they rate sustainability very highly. Alongside environmental benefits there are a whole lot of benefits for wellness and staff retention.”

Bennett says it is much cheaper to include sustainable features in new builds from the design stage rather than try to retrofit as an afterthought post-completion.

“For example, it makes sense to include electric vehicle charging at the design stage. The government has encouraged electrification with the aim of its fleet going all-electric by 2025.

“From a commercial leasing perspective, we see sustainability as an integral part of the flight to quality from lower grade buildings to new builds and refurbishments. The older style buildings are being left behind.

“While there are some costs to improve sustainability, in the medium-term landlords will struggle to lease their buildings to high quality tenants unless they do it. So there will be a long-term cost and risk in not doing it,” Bennett says.



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LLOYD BUDD, BAYLEYS’
AUCKLAND DIRECTOR COMMERCIAL
AND INDUSTRIAL

The NZGBC Green Star ratings assess the important elements of a project’s sustainability over several categories such as energy, transport, water and emissions.

By contrast, NABERS NZ measures how a building or tenancy uses energy over a 12-month period.

“Many companies have become well acquainted with both ratings. Sustainability roles are becoming a popular career choice with young people, and we need more people to do that work,” Farhi says.

“There was good momentum during 2021 with 58 offices benchmarked for energy use under NABERS NZ ratings and 21 buildings or developments certified under Green Star.

A large variety of government-occupied buildings are already certified.

“Green Star ratings are often undertaken alongside major projects like new builds, refurbishments or fitouts. NABERS NZ can also be undertaken on existing buildings and is a more straightforward task,” Farhi says.

“NABERS NZ is particularly useful for existing building owners because it is relatively fast and cheap to certify and does not necessarily require a project to be completed, which is usually the case with Green Star.”

Assessments typically cost between \$2,000 to \$6,000 depending on the type of rating, size and complexity of the building, and availability of data. Case studies and other information are available on the NABERS NZ website.

“Over the past few years we have seen the market overlay a clearer focus on reduction of carbon emissions alongside the certifications themselves.

“Buildings with Green Star and NABERS NZ ratings provide a clear signal as to carbon footprint. Moving forward we expect that major occupiers will have a growing focus on estimating their carbon footprint and adding this as a key criteria when making their premises decisions.

Farhi says local councils are also taking a similar approach to central government.

For example, Auckland Council has adopted a sustainable asset policy for community facilities which include achieving carbon neutrality for new assets, minimum 5 Green Star rating (or equivalent) for new assets costing more than \$10m, and incorporating these principles into asset renewals and smaller new assets.

Auckland Council’s property development arm, Eke Panuku Development Auckland, will require 5 Green Star ratings for new commercial buildings of more than 1,000sqm developed on its sites in town centres.

From a commercial leasing perspective, Auckland Council will be anchor tenant at 6-8 Munroe Lane, a major office building currently under construction in Albany, Auckland, by NZX-listed Asset Plus. They are committed to achieving both a 5 Green Star rating and a NABERS NZ 5 Star rating.

Government agencies can obtain support to reduce carbon emissions generated by construction of new buildings, via a practical guide to shape decisions on public projects.

The Minister for Building and Construction, Poto Williams and Minister for Economic Development, Stuart Nash, recently launched a new Procurement Guide to help government agencies, private sector suppliers, designers, and construction and industry representatives to make the right decisions.

The new Procurement Guide issued by the Ministry of Business, Innovation and Employment (MBIE), gives a practical understanding about the way to approach tenders for public projects,” Poto Williams says.



“OVER THE PAST FEW YEARS WE HAVE SEEN THE MARKET OVERLAY A CLEARER FOCUS ON REDUCTION OF CARBON EMISSIONS ALONGSIDE THE CERTIFICATIONS THEMSELVES.”

CHRIS FARHI, BAYLEYS’ HEAD OF
INSIGHTS AND DATA



A number of private sector and industry groups have contributed to the development of the Procurement Guide.

Sustainability and resilience of commercial buildings is also about location, especially for seismic resilience. For example, ACC recently relocated to Hamilton, and other agencies are in the process of setting up in Upper Hutt and Dunedin to mitigate the risk of future earthquakes in central Wellington.

NZGBC chief executive Andrew Eagles says it’s pleasing to see the huge uptake of Green Star ratings across all building types including industrial, educational, hotels and hospitals as well as offices. Most are featured on the NZGBC’s website.

Green Star ratings have even penetrated the wine industry with development of a 5 Green Star research winery, the Bragato Research Institute Rangahau Karepe, Wāina O Aotearoa, a wholly owned subsidiary of New Zealand Winegrowers Inc.

“Countdown is also doing it in all its stores. Never before have we seen such a fundamental shift in our buildings,” Eagles says.

Further enhancements to the ratings system are under way and due to be announced in April 2022, and taking effect on ratings compliance from September 2022, he says.

“We’re upgrading the existing version of Green Star so it has more focus on embodied carbon – the pollution spewed into the air when making and manufacturing building materials and products.

“It involves tighter performance of the types of materials used in building based on the measurement of embodied carbon

during the manufacture and transport of materials. We haven’t done much of that in New Zealand yet.”

About 20 percent of carbon emissions come from the built environment in New Zealand, half from operational running, and the balance from the materials in buildings, Eagles says.

“We’re looking at the amount of carbon in concrete and steel and requiring a measure of total carbon emissions from those sources. That means more procurement of green concrete, which uses different binding materials, and potential use of more timber. In the case of metals it means designers might select aluminium windows made in New Zealand rather than importing.



“WE HAVE HAD HUGE INPUT FROM THE SECTOR ON GREEN STAR. IT’S EXCITING TO BE WORKING WITH SO MANY OTHERS TO DELIVER HEALTHIER LOW CARBON BUILDINGS.”

ANDREW EAGLES,
NEW ZEALAND GREEN
BUILDING COUNCIL CEO

“We’ve had one-to-one meetings with manufacturers of timber, steel and concrete, as well as engineers and architectural firms. It is similar to what will come into the Building Code in 2024 so use of Green Star will help developers to prepare for the coming regulations that everyone will need to follow.

“We’ve spoken with officials from the Ministry of Business, Innovation and Employment and it’s similar to what they envisage.

“We have had huge input from the sector on Green Star. It’s exciting to be working with so many others to deliver healthier low carbon buildings. Achievements like this happen when we work together collaboratively for better buildings and a better Aotearoa,” Eagles says.

EXAMPLES OF GOVERNMENT-OCCUPIED CERTIFIED BUILDINGS

Property	Location	Green Star	NABERS NZ	Owner	Occupier
Munroe Lane, Albany (under development)	Auckland	5 target	5 target	Asset Plus	Auckland Council
82 Wyndham Street	Auckland	5	5.5 (base build)	Argosy Property	Eke Panuku Development Auckland
Kapiti Coast District Council Civic Building	Kapiti Coast	N/A	4.5	Kapiti Coast District Council	Kapiti Coast District Council
22 The Terrace	Wellington	5	4+ target	Stride Property	Ministry for Women’s Affairs
Aurora Centre	Wellington	N/A	5.5	Kiwi Property	Ministry of Social Development
Bowen State Building	Wellington	4	4+ target	Precinct Properties	NZ Defence Force
Charles Fergusson	Wellington	4	4.5	Precinct Properties	Ministry for Primary Industries
22 Boulcott Street	Wellington	5	5	Cheops Holdings	Transpower
Tūranga Christchurch Central Library	Christchurch	5		Christchurch City Council	Christchurch City Council