


**2020**  
VISION

## Forecasting the Future



### A Long Term Look at Green Building & Sustainability Practices in the Seattle Market

*January 2008*



**COLLIERS**  
INTERNATIONAL

*Our Knowledge is your Property*

## Message from the CEO



▶ **DOUG FRYE**  
President & CEO  
CMN Inc.

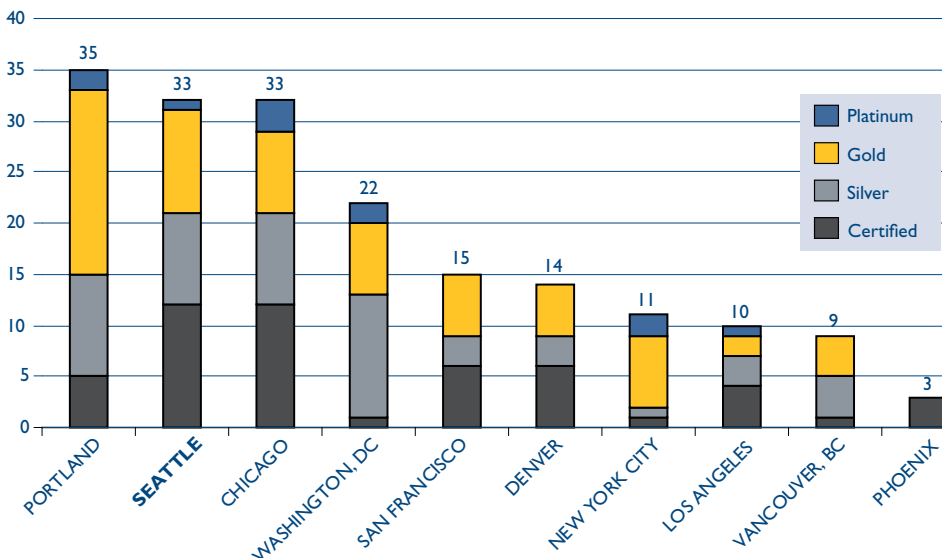
There is no doubt that sustainability is playing an increasingly important role in the commercial real estate industry. I would like to take it a step further and say that “going green” is not just good for the environment, it is good for business. The fact is, sustainability, or green building, makes economic sense. A recent survey by J.P. Morgan said that assets of funds that were designed to invest in socially responsible companies have gone from \$12 billion in 1995 to \$178 billion in 2005. CMN

is committed to being a change agent for green building and sustainable practices. Through knowledge and discipline, we can have both sustainability and economic prosperity. ■

*“We believe that five to 10 years from now if the buildings in your portfolio are not LEED qualified or in some form or fashion identified as not having major elements of sustainability, then you’ll be at a competitive disadvantage and, frankly, your buildings will sell for less.”*

- John Parker, Principal, President & CEO  
Kennedy Associates Real Estate Counsel LP  
(Daily Journal of Commerce, Dec. 7, 2007)

## GREEN CITIES Number of LEED-Certified Buildings (Nov. 2007)



## SURVEYS SAY: TENANT, LANDLORD OR INVESTOR— GREEN IS A GO

Investors, owners and managers are making green a priority for their existing building stock, according to *The 2007 Green Survey* conducted by BOMA, the USGBC, and Real Estate Media.

- ▶ 81.5% of respondents said that greening their portfolio is a priority for their company
- ▶ 60.8% said they receive a positive ROI for going green
- ▶ 83% said they will allocate the same or more dollars for Green Measures/Programs in 2008



A survey published by Colliers International in 2007 polled nearly 200 office leasing decision makers and found that tenants are willing to pay a premium when it comes to environmentally friendly space.

- ▶ Three out of five said they would pay a premium to occupy a more environmentally friendly workplace
- ▶ 62% anticipated that they would be willing to pay a higher net rent if their utility consumption was reduced by 30%
- ▶ Tenants rated location close to public transportation, excellent indoor environmental air quality and thermal comfort, and a high level of natural light as being the most important building features in terms of attracting and retaining staff

(Colliers Canadian Office Tenant Survey, 2007)



## FAST FACTS: SEATTLE SETS THE STANDARD FOR GREEN BUILDING

- ▶ First city in the US to formally adopt a Sustainable Building Policy (2000)
- ▶ In December 2007, became one of the first cities to pass legislation that requires proposed projects to account for greenhouse gas emissions
- ▶ Highest concentration of LEED Accredited Professionals in the nation—over 1,100
- ▶ One of the largest LEED-certified building portfolios in the world—33 buildings representing 9.5 million square feet and over \$3 billion in capital investments
- ▶ #1 sustainable community according to San Diego Economic Development Council's January 2005 Report
- ▶ Most desirable US market to own office property according to PricewaterhouseCoopers and the Urban Land Institute (November 2007)

## BEYOND THE TIPPING POINT

by John Powers, Senior Managing Director - State of Washington

That point at which the unexpected becomes common, and collective behavior dramatically accelerates the process of change, is a trend's "tipping point," according Malcolm Gladwell, author of the national best seller by the same name.

One such tipping point has occurred in the Seattle real estate market. Where high performance "green buildings" used to be a catchphrase, **now the demand for sustainable design, development, maintenance, and operation is commanding.**

As a recognized global pioneer in the pursuit of sustainability practices via Leadership in Energy and Environmental Design (LEED) Certified buildings, the Pacific Northwest, with Seattle at its epicenter, is now home to one of the world's largest portfolios of green buildings: public, private, and NGO. Starting from scratch in 2000, and driven by the public sector, the Seattle area currently boasts over 9.5 million square feet of LEED-certified buildings. These represent all types of properties: educational, medical, research facilities, institutional, industrial, multifamily, and office, with office product comprising the largest and fastest growing segment.

As is often the case in pursuing proof of concept, the public sector initiated the region's sustainability movement, developing several LEED-certified facilities, including Seattle City Hall, Central Public Library, and King Street Center. All attained LEED Core & Shell

(CS) Gold Certification. The private sector was close to follow with projects such as 9th & Stewart, Alley 24, Westlake Terry, Vance Building, 307 Westlake, and WAMU's 970,000 square foot World Headquarters at 2nd and Union in the heart of Seattle's CBD.

Today – with ever-rising energy prices, increased focus on employee health and performance – and progressive corporate cultures executing strategies to reduce their carbon footprint, going "green" is no longer simply a trend, it makes clear economic sense. In fact, when the return on investment is measured in terms of months, not decades, when large corporate tenants demand green buildings, and when Fortune 500 companies appoint "Chief Sustainability Officers," you know **the market is clearly operating in the post "green" tipping point period.**

The Seattle area will continue to lead the design of new technologies and systems for high performance green buildings. Colliers International anticipates an additional 15 million square feet of office space coming onto the Seattle market by 2020, and that over seventy five percent of this new product will target and achieve LEED certification. When combined with a burgeoning opportunity to re-commission and subsequently certify existing buildings, Colliers projects that Seattle's LEED-certified green building stock will grow from nearly 10 million square feet today to over 30 million square feet by 2020. ■

## PIONEERING PARTNERSHIP: NITZE-STAGEN & STARBUCKS TRANSFORM A CHALLENGED WAREHOUSE

In 2001, local developer and landowner Nitze-Stagen faced massive repairs on their 1.5 million square foot Starbucks Center, which had suffered significant damage in the Nisqually earthquake. Recognizing an opportunity to not only restore the historic site, but to revitalize the dilapidated SODO neighborhood, Nitze-Stagen sought LEED EB (existing building) certification in the renovations. Over \$50 million later, the building—home to Starbucks' worldwide headquarters—is now the oldest and largest building in the United States to achieve the Gold level and has successfully helped restore the area. Nitze-Stagen continues to lead the green charge, with plans to develop a 770,000 square foot office highrise in downtown Seattle that will seek LEED Gold certification.



Starbucks Center  
Source: Steve Dubinsky Photography

# benefits of going green

“The benefits will make green ubiquitous over the next two years.” - George Caraghiaur, Vice President for Energy Services, Simon Property Group, owner of 300 shopping malls across the US (*Progressive Investor*, June 2007)

## for tenants & users

- Lower CAM charges and utility costs
- Healthier work environment, proven increase in productivity, recruitment and retention of employees
- Promote company's corporate sustainable policies

## for landlords & owners

- Lower utility rates and consumption - 40% plus savings
- Promote corporate responsibility
- Tenants attracted to proven increase in employee productivity, recruitment, and retention

## for developers & investors

- Lower operating, maintenance, and utility costs
- Rapid and high yield returns on extra investment and increased NOI
- Positions building to attract clients with clear preference in sustainability practices and green buildings
- Enhance overall building performance and market value
- Tax incentives, streamlined permitting, density bonus

*“Studies show that owners, landlords, and developers who make an initial investment of approximately 2 percent of construction costs provides savings of more than ten times that original investment over the life cycle of a building.”*

*- Brian Lennon, General Manager, Colliers Real Estate Management Services (REMS) Group*

## first cost savings

- Tax incentives
- Reduced infrastructure costs and decreased waste disposal
- Savings from downsizing mechanical equipment
- Streamlined approvals, permitting and density bonus
- Lower insurance costs, reduced energy rates and consumption

## BIG BUSINESS BUY-IN

Fortune 500 and other multi-national companies committed to sustainability practices and clear preference for green facilities:

IBM  
Toyota  
Wal-Mart  
Bank of America\*  
Ford Motor Company  
General Electric  
JP Morgan Chase  
Simon Property Group  
Tishman Speyer  
Hearst Corporation  
Citibank  
Siemens  
KPMG International  
Colliers International (CMN Inc.)

\* Recently announced \$1.5B commitment to green facilities

## A VISIONARY COMPANY: VULCAN, INC.

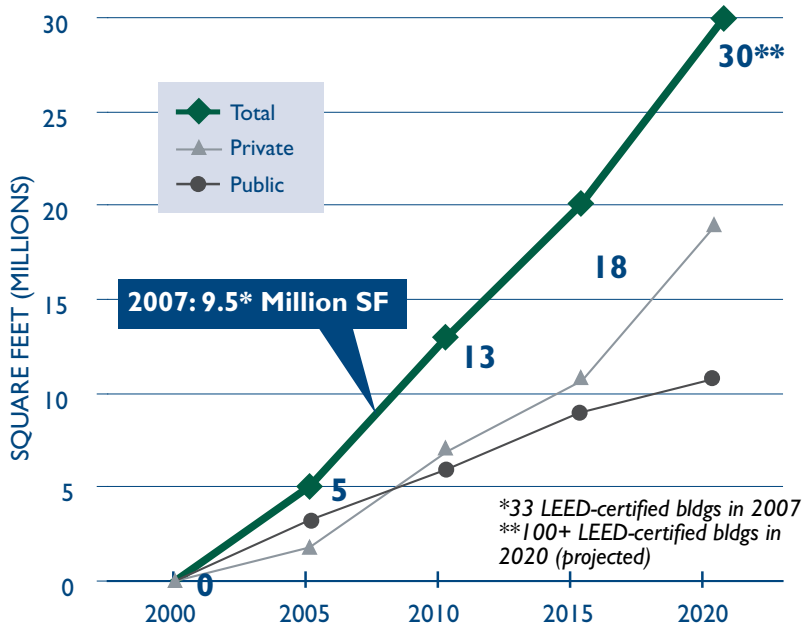


2201 Westlake  
Source: Vulcan, Inc.

Vulcan, Inc., a regional leader in sustainable development, has delivered 8 new projects in the South Lake Union neighborhood worth nearly \$500 million and totaling approximately 1.4 million square feet. With an additional 2.5 million square feet in the pipeline, their total investment in SLU will likely exceed \$2 billion in the near future. Ada Healy, the company's Vice President of Real Estate has said, “I see ‘green’ development or sustainable development as a significant trend, and in the Northwest, we are certainly a leader in this area.” (*Knowledge Leader*, Summer 2007)

# LEED'S FUTURE IN SEATTLE

Number of LEED-Certified Square Feet by Year (2000-2020)

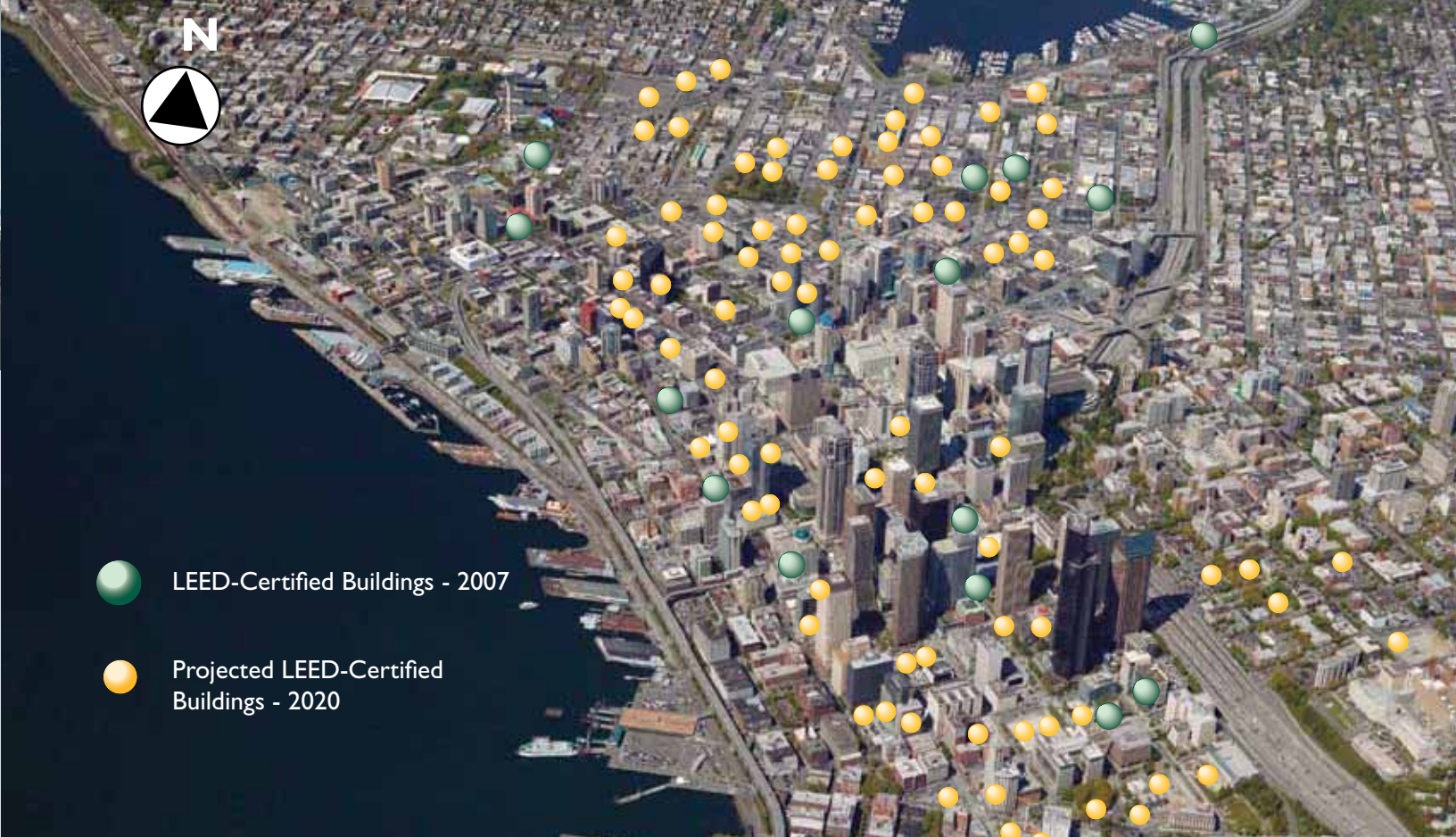


“Nationally, six percent of commercial developments are LEED-certified, projected to grow to ten percent by 2010. In the Seattle market today, we see over 30 percent of new developments seeking LEED certification and we project that by 2010 well over 50 percent of all new commercial development will be built green. We also predict rapid advancement in LEED registration of our existing building stock over the next five years.”

- David Allen, Executive Vice President, McKinstry Company  
 Board Chairman, enterpriseSeattle

## THE EXPANDING SEATTLE GREEN BUILDING PORTFOLIO

Map of Current & Projected LEED-Certified Office Buildings in the Seattle Business District



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CMN Inc. is a proud member of the US & Canadian Green Building Councils

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