

June 2015

GREEN BUILDING CERTIFICATION UPDATE



Green Buildings are seen as more attractive to tenants, being cheaper to operate but also more secure against future effects of increasing sustainability legislation. The third party, independent certification of buildings on internationally well-established standards became a very important factor on the real estate market throughout Europe. According to the number of certified buildings, the BREEAM certification schemes are very popular in the CEE Region.

Green Building certifications are regularly updated and adapted to the continuously changing international environment and best practice standards regarding sustainability. The BREEAM certification scheme for new constructions was fully updated in 2014 and as a result the adaptability to national circumstances also became available. The Hungarian adaptation was conducted together with the BRE by the delegate of the HUGBC member Sentient Group in early 2015, thus the new international certification

scheme, adapted to local circumstances, is now available on the market.

Sustainability for the existing building sector became a highly important factor in the CEE Region as well. The brand new and also fully adaptable BREEAM In-Use International certification scheme for existing buildings was launched in early 2015 and is now ready to be used. The big advantage of the BREEAM In-Use scheme is that clients can certify separately the assets, the building management operations but also the tenanted areas.

Dear Reader,

We would like to bring to your attention a hot issue in the property sector which is related to the most recent developments in Green Buildings.

Noerr, and Sentient, which is a leading advisor in the real estate consultancy sector, have joined forces to summarize some important facts about the current changes to the BREEAM certification systems, a green building scheme which is becoming increasingly popular in the CEE region.

If you have any questions with regard to the content of this Newsletter, please feel free to contact either Zoltan Nadasdy, or Zsombor Barta.



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Thus this certification system is an interesting tool for a wide range of clients; owners, investors, facility management companies and tenants.

Further, BREEAM is launching a new system, the BREEAM International Refurbishment & Fit-out scheme, which will go live in June 2015. This new scheme provides a tailored version for assessing refurbishment and fit-out projects around the world.

With the BREEAM certification system, updates of new requirements were also implemented. The green leases became an optional part of the certification criteria as green leases underline the commitment towards sustainability in a very robust way.

The characteristics of the Green Leases

A 'green lease' is a lease which incorporates an agreement between the landlord and tenant as to how the building is to be fitted out, managed and occupied in a sustainable way. Green leases include a schedule containing specific provisions for monitoring and improving energy performance, achieving efficiency targets (e.g. energy, water, waste) and minimizing the environmental impacts of the building. The provisions represent an agreement between the landlord and the tenant to adopt procedures to ensure that a building operates at an agreed level through regular monitoring and addressing issues as they arise.

There is not only one possible unique content (sample) of a lease, the clauses of which would classify it as a green lease. The clauses of the green lease can vary, accordingly, green lease may contain (in addition to the customary provisions) clauses how the building is fitted out, managed and used in a sustainable way; how the efficiency targets are achieved and monitored. The Green Lease may contain stronger co-operation rules for the parties in order to achieve these targets, but also appropriate sanctions, if the tenants endanger to reach them.

Green Leases for new shell & core projects

BREEAM encourages and rewards the use of formal legally binding Green Leases between a developer/owner and its tenant/s. As such, Green Leases (or 'green' clauses/sections in a standard lease) can be used as evidence demonstrating compliance with the relevant BREEAM issue criteria. In this case, 100 % of the BREEAM credits are available if a green lease is concluded for more than 75% of the net lettable floor area.

Alternatively, *Green Building Guides* can also be used. These formal documents provide advice to the tenants how to minimize the environmental effects of the building. However, these guides have generally no binding effect and accordingly, they are only enough to reach 50% of the BREEAM credits.

It is, therefore, advisable to impose such requirements as operational rules and not as mere guidelines and attach them as a binding part to the lease, so that 100% of the credits can be achieved.

Green Leases for existing buildings and Refurbishment & Fit-out projects

Green Leases are also being implemented in the existing building and refurbishment & fit out certification schemes. Green Leases with qualitative targets award 50% and agreements with both, qualitative and quantitative targets on at least lighting and energy award 100% of the available credits under the 'Green Lease' criteria.

It is therefore also advisable for existing building and fit out projects to include binding agreements in the leases.



Note: The Sentient Group (www.sentient.re) operates throughout CEE with a network of 7 offices providing project and cost management services, feasibility and technical due diligence services and sustainability advice and certification.

Sentient's accredited and licensed sustainability team certified a number of assets throughout Europe and Asia and provides complex tailored and client oriented services. The international and regional expertise of our delegates and the collaboration with considerable partners such as Noerr ensures high quality services.

RICS is a global professional body which promotes and enforces the highest professional qualification and standards in the development and management of land, real estate, construction and infrastructure. RICS is committed to conserving natural capital, promoting social equity and supporting local economies, to create and maintain a healthy built and natural environment today and for future generations.

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The information in this newsletter does not replace advice in any particular case.