



Healthy tenants, healthy bottom line

How wellness can drive investment value

by Anna Murray

On a daily basis, commercial property investors are asking wellness-focused questions that would have seemed unorthodox even five years ago. What do tenants see when they look out the window — greenery or concrete? Is the air free of toxins? How much daylighting is there? Are there healthy food options nearby? Is the building bicycle-friendly?

One thing we know about investors — they wouldn't ask these questions if the answers didn't impact the bottom line. And those answers

indicate how the property solves a larger, overarching issue: Does the building promote the health and well-being of its occupants? For many tenants — and, in turn, property owners — the answer to that question needs to be, “Yes.”

Wellness has emerged as an increasingly important component of responsible property investing, a natural extension of green-building initiatives. It's all related: Many of the features that reduce a building's carbon footprint, such as efficient HVAC systems and daylighting, also are good for the people who work inside.

Green and healthy go hand in hand

A growing body of research demonstrates how programs that improve well-being keep employees happier and more productive, driving corporations to invest in programs that help their people stay healthy. That starts with the office environment.

Research from the World Green Building Council shows a workplace with natural light, thermal comfort and minimal contaminants in cleaning agents will help to reduce absenteeism and enhance job satisfaction, which in turn support higher productivity. In addition, green buildings boast many features that can help companies advance health and well-being goals, from amenities such as fitness centers and indoor bicycle storage, to rooftop gardens and views of nature. Corporations value these features as a way to attract and retain talent, and are flocking to buildings that provide a workplace environment that enables those employees to do their best work. Green buildings, in turn, are where forward-looking companies want to be.

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Property investors are catering to tenants' demands with building improvements that provide a suitable framework for advancing health and wellness goals. For example, when Bentall Kennedy bought Latham Square, a boutique office building in an emerging, transit-oriented neighborhood in Oakland, Calif., a key element of the acquisition strategy was to invest in new lifestyle amenities and sustainability improvements. With features such as abundant natural light, fresh air, a composting program and a bike-storage facility with showers, the building is on track this year to achieve LEED Platinum certification for Existing Buildings: Operations & Maintenance.

Green building certifications, such as LEED, Energy Star and BOMA BEST provide validation building owners and managers are committed to energy and sustainability initiatives. Ground-breaking research commissioned by Bentall Kennedy in 2015 confirmed what we already knew anecdotally: Green-certified buildings can benefit from lower operating costs, higher tenant

satisfaction and renewal rates, and better financial performance than their uncertified peers.

At Bentall Kennedy, we believe in investing soundly and sustainably, and green certification is key to success in that arena. But today we see certification as a baseline strategy. These days, tenants can choose among multiple LEED buildings in most submarkets. Increasingly, what makes a building stand out are the amenities and features that encourage good health and well-being.

As many corporations realize the benefits of incorporating wellness goals into building design, they are pursuing the new WELL Building Standard certification, from the International WELL Building Institute, to validate their efforts. Based on six years of research and development, WELL is the premier standard for buildings with features that support and advance human health and wellness.

The virtuous cycle of sustainability and wellness strategies

Property owners are finding a combined focus on sustainability and wellness strategies generates the potential for higher value and more-satisfied tenants. The financial value of these strategies is demonstrated at Via6, a Seattle apartment property developed as a "vertical neighborhood" in what would eventually become a thriving sustainable community.

The on-site services, dining and social spaces at Via6 are a big draw for tenants, but sustainability and wellness features also are core to the property's appeal. From its high walkability and transit scores, to its ViaBike cycling club, plentiful natural light and fitness center, Via6 is full of amenities and features that promote a sustainable, active lifestyle.

It's no coincidence the property gained a LEED Gold certification and was a finalist in the Global Awards for Excellence by Urban Land Institute, which noted its "resource-saving initiatives new to the region." The bottom line benefits, too — the property beat its initial pro forma and continues to perform well.

This story is playing out in many properties across the globe. A survey of 200 Canadian commercial building owners, commissioned by the Canada Green Building Council, revealed the top three business benefits of healthy buildings — green buildings with features that promote the health and wellbeing of occupants: (1) increased building value, (2) the ability to lease space more quickly and (3) the ability to charge premium rents. In fact, 46 percent of healthy-building owners reported being able to lease space more quickly.

Green buildings plus active-lifestyle neighborhoods: a formula for success

The active lifestyle tenants seek to promote in the buildings they occupy extends to the surrounding neighborhoods. It is no coincidence real estate investors look for transit-oriented properties and live-work-play neighborhoods. Job-growth prospects are strong in these communities, in part because they support sustainability and wellness goals that residents and employers share. These areas are magnets for

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millennials and the companies that want to employ them, partly owing to the ability for residents and workers to walk to stores and restaurants instead of having to drive everywhere.

It is a debatable question whether tenants are willing to specifically pay a higher rental rate for buildings with green amenities. It is clear, however, a well-thought-out program that includes sustainability and wellness can result in a higher

return on investment and enhanced long-term value, in most cases. When all other factors are equal, amenities such as bike storage, efficient appliances, recycling and composting can be the deciding factor in pushing an apartment seeker to choose the greener building. The fact that these elements support sustainability may be incidental to their appeal. An employee in an office building who likes the convenience of an on-site workout space might not think of it as a green feature, but if the amenity has value, it hardly matters whether the green label is affixed to it.

As wellness initiatives start to play a larger role in workplace design and features, owners will be inspired to continue asking wellness-focused questions and to continue seeking out new ways to attract tenants via amenities and practices that support good health and well-being. This trend is still developing, but its roots are in sustainability. Owners and asset managers that have taken the lead in green certification may have a head start in the race for tomorrow's top tenants — and their happy, healthy employees. ❖

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