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Office building without an environmental strategy are becoming obsolete, one leader says

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Byron Small

Hines' T3 West Midtown building, which is one of 26 sustainable mass timber projects from the firm underway or already completed across the globe.

Incorporating sustainable features is now key to filling up and selling off an office building.

Around 84% of the buildings attracting the highest rents in 127 office markets across the world have a sustainability certification like LEED, which stands for Leadership in Energy and Environmental Design, according to a Jones Lang LaSalle survey.

Plus, major real estate investment companies have begun to adopt ESG — environmental, social, and governance — standards into their corporate strategies, and developers are now pivoting toward green-forward and energy efficient buildings.

ESG strategies are an ethical response as much as a financial one: several cities and states have begun to set regulations on emissions, like New York. For building owners, this means pivoting to efficiency or facing hefty fines. And major core funds, insurance firms or real estate investment trusts (REITS) won't buy buildings if they are not sustainable, according to research from Pricewaterhousecoopers.

The real estate sector accounts for 40% of global carbon emissions, according to research from the International Energy Agency. More than half of this comes from the energy generated to power buildings, while around 11% comes from the manufacturing materials used in buildings, like steel and cement.

It's not just landlords who are pushing for environmental strategies. Companies want sustainable features, too, particularly for those viewing office space as synonymous with their brand, according to PwC.

“Tenants no longer want to occupy buildings that don't have an environmental reduction outlook because their employees don't want it,” said Steve Luthman, the newly named CEO of the Southeast, Midwest and Canada regions for Hines, a global real estate firm. “If you can't attract and retain the best employees, you're not going to succeed.”

Last year, Hines, which houses its Southeast headquarters in Atlanta, set a target of net-zero operational carbon by 2040. Electrifying fossil fuel-based systems within its buildings, using circular systems to increase system efficiency and pursuing onsite

and off-site renewables are all strategies Hines is pursuing to accomplish this goal.

Another sustainability effort is Hines' T3 mass timber initiative, which Luthman spearheads. Hines has built, is building or currently planning timber buildings across 26 locations throughout the world, including Atlanta. Near Atlantic Station, Hines' T3 West Midtown building is counts Meta Platforms Inc. as a tenant.

Mass timber is often viewed as a sustainable alternative to emissions-intensive steel or concrete construction. It's cheaper and faster to produce, and it can sequester carbon from the atmosphere. However the extent of the climate benefits of mass timber are still largely unknown, as is its life cycle, according to research from the Yale School of the Environment.

Europe first developed mass timber construction, which now accounts for more than half of the global market for cross-laminated timber. But the model is beginning to take off in the U.S.

"We've already seen in Europe, which has typically been ahead of North America in terms of environmental regulation and environmental focus, that buildings without an environmental strategy become obsolete," Luthman said.



Savannah Sicurella

Staff Reporter - *Atlanta Business Chronicle*

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