

# Green Buildings Reported at 40% of the Market



**Fireman's Fund**  
Insurance Company®

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A missing ingredient in the green building value proposition has been the active engagement of the capital markets. As a number of real estate investors saw recently in New York, that's beginning to change.

On September 28, 2012, at a forum sponsored by Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) in New York, leaders in the real estate capital market launched a new approach to national green building financing and discussed the positive financial ramifications of green buildings.

The TIAA-CREF event provided the backdrop for a number of encouraging steps in the continuing evolution of green buildings. For instance:

- Citigroup's investment bank, state governments, and the Capital Markets Partnership announced the first national green building bonds.
- Deutsche Bank said it is appraising added green building value for commercial real estate investments.
- McGraw-Hill announced that its recent SmartMarket Report shows green building represents over 40% of all new construction and retrofits.
- Wells Fargo and Deutsche Bank stated that conventional real estate is becoming obsolete and riskier due to rapid green building growth over the last 10 years.

## Green buildings command top rents, occupancy, and valuation

Many large investors, including TIAA-CREF and Prologis, said that their tenants prefer green buildings and do not want to move. Statistics back up those claims. National data show green buildings command top-of-the-market rents, occupancy and valuation. Jones Lang LaSalle reported similar results for the Empire State Building retrofit and substantial cost savings from energy efficiency.

New York and other cities enacted energy use disclosure laws giving tenants an easy means to find office space with lowest energy costs. The Capital Markets Partnership said use of green building practices such as commissioning and the Integrative Process can reduce construction and operating costs and risk, and it is conducting national education on these best practices with the Urban Land Institute, National Wildlife Federation, Environmental Bankers Association and Fireman's Fund Insurance Company.

## Green building insurance available

Fireman's Fund®, the first insurer to develop insurance coverage specifically designed for certified green buildings, reported that the market had responded favorably to its coverages to upgrade traditional buildings to green following a covered loss. In addition:

- Growth of its green customer base has been positive.
- Green customers have comparatively favorable loss ratios resulting in insurance discounts.

## For more information:

### Steve Bushnell

Director, Product Development  
Fireman's Fund Insurance Company  
415.899.4308  
[Stephen.bushnell@ffic.com](mailto:Stephen.bushnell@ffic.com)

### Mike Italiano

Chief Executive Officer  
Capital Markets Partnership  
202.338.3131  
[mike@sustainableproducts.com](mailto:mike@sustainableproducts.com)