

The Big GREEN Apple

by Jeffrey Jackson

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Without knowing exactly when it happens, a commodity becomes a necessity...think cell phones. I clearly remember a time when a cell phone weighed about a pound, cost in the thousands, and was generally utilized by the military. In the real estate world, 'green buildings', 'green conscious', and 'going green' are still just buzzwords to many real estate professionals and the clients that make up their market segments. But hold on, things are changing – fast.

All one has to do is take a look at the 6 o'clock news or Entertainment Tonight™ to see that green is gaining momentum. The Earth Day Network estimates that at least 1,000 groups and 500 million people were participating in Earth Day observances by the early 2000's. Celebrities like Morgan Freeman, Leonardo DiCaprio, and Johnny Depp all drive electric cars. In fact, Pierce Brosnan, Edward Norton, Brad Pitt, Bono, and Sting are all members of the Natural Resources Defense Council, which focuses heavily on 'green' building.

Clearly, going green is not going away and, like the cell phone, it won't be long before there is a green building on every corner. Any broker can tell you that green is already a hot selling point and before long will be considered mainstream to eco-friendly clients interested in sustainability and alternative energy.

To the real estate valuation professional, the question ultimately becomes "how will this affect the market?" If enough people believe something is important and real, the economics will show up in the cycle. It is beside the point if we are truly experiencing global warming or if going green will have any effect on the shrinking polar ice cap. What is important is that understanding the collective conscious is critical to evaluating the effect of going green on the price of real estate. Also on the minds of many real estate professionals is how the increase in demand for green buildings will impact the slightly bloated new construction segment of the New York City condominium market. Moreover, how will the motivations of buyers materialize in the market? Will these buildings enjoy higher absorption rates, increased marketability, or premium pricing?

What defines a green building? The nationally recognized benchmark is the LEED-certification. The Leadership in Energy and Environmental Design (LEED) Green Building Rating System is focused on five essential areas for sustainability: Water savings, energy efficiency, material selection, indoor environmental quality, and sustainable site development. Per the USGBC, to earn

certification, a project must meet certain criteria and performance benchmarks (credits) within each category. Projects are awarded Certified, Silver, Gold, and Platinum certification depending on the number of credits they earn. Projects are already being marketed as LEED-certified and LEED-Platinum, which adds a certain cache at the moment to the few properties in New York City already certified as well as bragging rights to buyers who consider themselves trendsetters and environmentally savvy. The added benefits of lowering operating costs over time, reducing waste sent to landfills, conserving energy and water, qualifying for tax rebates, certain zoning allowances, and other incentives increases the attractiveness of these properties.

In New York City, the new Lucida Condominium project at 151 East 85th Street is being marketed as the first Upper East Side LEED-certified green building and invites buyers to "live smarter." Designed by architects Cook + Fox, the project earned 26 points toward its LEED certification with innovations such as water-efficient landscaping, which is irrigated exclusively with rainwater. Downtown, Albanese Development Corp. has begun construction of its third green residential project in Battery Park City. Their original green building in BPC, The Solaire, was the first residential rental tower in the country to earn the LEED-Gold rating and was at 100% occupancy in under six months when it opened in 2003. Their current condominium project, The Visionaire, which is expected to be completed in 2008, anticipates earning the LEED-Platinum rating. While there are still only a handful of LEED-certified residential buildings in New York City as of yet, and many of them are rental properties, there are many more on the LEED-registered project list. Among those are the condominium developments at 100 Eleventh Avenue, The Brompton (205 East 85th Street), One Jackson Square (Greenwich Village), and Millenium Towers in Battery Park City.

While it may still be too early to forecast whether green buildings will outpace the rest of the market, it is fair to say that at some point in the near future, they will become the standard whereby all others are judged or adjusted. ■

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