

# The benefits of green leases

 By [Peter Townshend](#)

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"Going green" is a term that we can't escape from: not as innocent consumers of media constantly bombarded by "green" sales pitches from companies, nor as business owners and corporate workers where we're judged on our green credentials.

There's no doubt that the more sustainably run an organisation is, the better it is for all concerned. But despite this massive move towards sustainability, companies are being prevented from "doing the right thing" because of restrictive business practices.

One of these is the standard building lease that exists between landlord and tenant. The vast majority of companies in South Africa rent their premises and it's the relationship between tenant and owner that is slowing down the greening revolution.

## Who's responsibility is it?

The reason people can't make their commercial property green is simple. Tenants feel that energy reduction initiatives and building sustainability are the responsibility of the landlord, and landlords feel they are the responsibility of the tenant - because the tenant will enjoy the benefits.

For example, retrofitting an existing building is a cost incurred by the landlord but the tenant enjoys the benefits. This "split incentive" therefore makes landlords hesitant to retrofit, because their recovery of invested capital is diminished.

There is, however, a solution: a green lease. A green lease compliments a conventional property lease and aims to ensure that the ongoing use of a building minimises environmental impact by lowering energy consumption, reducing waste and lowering emissions.

The biggest difference between a green lease and a traditional lease is that a green lease is based on sustainable development principles. A green lease also assigns responsibilities to each party and provides a structure for them to achieve sustainability goals. Brian Wilkinson, CEO of the Green Building Council of South Africa says, "The primary purpose of a green lease is to improve the operational performance of green buildings and to deliver to landlords and tenants a fair share of the value provided".

## An effective green lease should

- instil cooperation between a landlord and tenant to achieve mutually beneficial outcomes
- include detailed information on issues such as sustainable resource use and indoor environment quality
- be flexible, to take into account changing tenant and landlord needs and technology and legal requirements
- include measurable targets
- promote transparency and reporting

## Benefits

The benefits of green leases are substantial. Both parties will enjoy enhanced reputations, while tenants will have improved staff retention rates, increased productivity and a higher level of staff engagement.

Landlords will have happier tenants, leading to longer-term leases, fewer disputes, reduced vacancies and higher gross rentals.

Although the idea of a green lease is fairly new in South Africa, Wilkinson says, "We're seeing a more consistent adoption of green building principles by leaders in the local property industry." Despite the overall lack of knowledge in this area, there are fortunately experts who can help organisations draft green leases and ensure their effective implementation, making it easier for all of us to go green.

## ABOUT PETER TOWNSHEND

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