
Guest Editorial

Sustainable property: Building the research base

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This special edition of the journal is devoted to examining some of the ways in which the increasing significance of environmental performance may be transmitted to the development, management, marketing and appraisal of retail and leisure property. However, in the same way that sustainability runs across a wide range of social, political and economic activities, many of the issues raised are not specific to retail and leisure property but are common across all property sectors.

The socio-political salience of the climate change agenda will almost certainly be a central theme in political and economic discourse for a number of decades. There is also a strong case that sustainability will be the dominant driver of change in commercial property markets over the same time frame. However, closely aligned with Corporate Social Responsibility and Socially Responsible Investment, sustainability is a multi-dimensional and heavily contested concept that can incorporate environmental, social and governance issues. Increasingly, the policy agenda may become increasingly focussed on reductions in emissions that contribute to climate change.

Approaches to reducing greenhouse gas emissions can be analysed as a range of top-down, governmental policies and bottom-up, market-led change in socio-economic behaviour. Governments have been using a range of sticks and carrots. They set compulsory minimum standards, provide financial incentives (taxes, subsidies, guarantees), provide leadership by their actions, preferences and buying power and increase market transparency and information, for example, by introducing compulsory eco-labeling. Research is central to identifying the most effective policy interventions. It is also key to evaluating the effects and effectiveness of market-led initiatives and to separating genuine corporate commitments towards improving environmental performance from ‘green sheen’ or ‘green wash’.

In property, too much research in this area has been broad brush, forward-looking, policy orientated concluding with aspirations, recommendations and calls for action. Such studies can provide a sound analysis of the possible mechanisms for reducing emissions from society and/or the commercial property sector. However, it is limited by the number of ‘known unknowns’ and ‘unknown unknowns’ about the future. The costs and benefits to businesses of adopting practices that can achieve reductions in greenhouse gas emissions from commercial property assets are driven by the inter-relationship of reputation issues, energy costs, changes in social values and preferences, education and

so on. For both the existing stock and new buildings, future emissions will be determined by occupier/owner behaviour in the building, the physical structure of buildings, the services and utilities in buildings and the location of the buildings. All of the above will be affected by the effects and interaction of (still unknown) future regulations, tax regimes, subsidies, information, behavioural biases, climate change and societal attitudes.

As noted above, policies and initiatives need to be evaluated and improved. For instance, one of the goals of introducing compulsory environmental certification in the United Kingdom (Energy Performance Certificates and Display Energy Certificates) is to better inform tenants and buyers of the environmental and energy cost consequences of their property decisions. It is hoped that this policy will alter the behaviour of tenants and buyers, produce price effects and lead to improvements in energy efficiency. However, these certificates do not have to be provided to tenants at the marketing stage and anecdotal evidence suggests that Energy Performance Certificates tend to be given to tenants well *after* Heads of Terms have been agreed. This may be indicative of the importance that tenants place on this information rather than any attempt to obfuscate by owners.

Unlike some sectors of the economy, there seem to be few major technological barriers to reducing emissions from the commercial building stock. The key issue seems to be promoting the adoption and use of alternative practices, materials and technological solutions. There is a range of key issues that need to be addressed.

- What is the relative importance of behavioural barriers to the introduction of practices and technologies that reduce emissions from the commercial property stock? How can the effects of such barriers be mitigated?
- What are the economic and financial obstacles to the introduction of practices and technologies that reduce emissions from the commercial property stock? How can they be mitigated?
- What are the institutional barriers to the introduction of practices and technologies that reduce carbon emissions from the commercial property stock?
- What is the potential contribution of government leadership? What are its limits?
- What is the potential contribution of tax benefits and subsidies? What are their limitations?
- What is the potential contribution of voluntary, market-led actions to reduce emissions? What are its limits?

There is a huge research agenda. Each of these questions alone could generate a whole set of research projects.

Given the centrality of data to evidence-based policy making, there remain too many barriers to accessing it. For instance, to conduct research on whether compulsory energy performance certification has had effects on rental and capital values, researchers need access to large databases on property characteristics, rental



and sale prices information and certified energy performance. The data on Energy Performance Certificates are held by a company called Landmark on behalf of the government. They are, at the time of writing, confidential and not available to researchers. In contrast, researchers on eco-labelled buildings in the United States can find a rich source of data on the buildings, rents and prices in the CoStar database. The USGBC will provide data on LEED rated buildings to researchers. Researchers in the United Kingdom do not have the benefit of such transparency.

No single edition of any journal could provide a comprehensive examination of the interaction of sustainability and commercial property markets. It is hoped that the papers in this edition will make a contribution to an appreciation of the range of dimensions that can determine property decisions and environmental outcomes.

Within the academic community, the interaction between sustainability and the built environment is generating a growing body of empirical and analytical research. The tone can often be worthy and earnest. For some in the property research community, it has provided an opportunity to marry their political and social agenda with their academic research agenda. Indeed, sometimes it is difficult to avoid a suspicion that researchers veer towards advocacy away from objectivity in their interpretations of their empirical findings. Although this may be understandable, it could reduce rather than increase our understanding of the interaction of policy intervention, market change and environmental outcomes. If the research community is to help policy makers and market participants make decisions that are optimal in terms of achieving the most economically efficient improvements in environmental performance, a robust and objectively interpreted rigorous evidence base is a pre-requisite. In essence, this is a call for emphasis on proving rather than preaching.

Given that most research involves small increments to the existing body of knowledge and necessarily must be specialised to provide depth, the articles focus on particular aspects of quite specific topic areas. Rosi Fieldson (with Deepak Rai) extends her important work on carbon footprint analysis to retail fit-out. Graeme Newell builds on his work on the implementation of environmental benchmarking among major listed property investors. Sarah Sayce and colleagues add to their longstanding body of work on the interaction of environmentalism and commercial property markets. In this edition, they provide some early insights into the nascent adoption of 'green leases' in the United Kingdom. Identifying interesting concentrations of eco-certified buildings, Franz Fuerst also adds to his body of work on the performance of LEED and Energy Star labelled buildings in the United States. Joe Doak provides a sobering analysis of the sheer complexity of the 'system' of 'networks' and 'agents' that are involved in the production of retail and leisure developments and their environmental outcomes. My own article focuses on some of the valuation issues raised by the growing trend towards voluntary and compulsory environmental certification of commercial buildings. Although purely coincidental, the fact that the RICS have also just released a Valuation Information Paper on



Sustainability and Commercial Property Valuation reinforces the growing interest in this topic.

Finally, I thank all of the authors for their help in bringing this special edition together.

Pat McAllister
School of Real Estate and Planning,
University of Reading, Reading, UK
E-mail: p.m.mcallister@henley.reading.ac.uk