

Four Sustainability Trends to Watch in 2012

The worldwide movement toward sustainability has made significant progress over the past half-dozen years as companies and cities have pursued strategies that balance future and current societal needs. Now, sustainable development is entering a new phase, characterized by greater alignment within and between the public and private sectors.

The road to sustainability has been plagued with roadblocks, including an unprecedented global financial crisis and attempts by entrenched business and political interests to deny climate science. Perhaps the greatest obstacle has been the lack of consistent and comparable standards for defining and measuring sustainability. Although these issues have yet to be fully resolved, many well-coordinated initiatives in recent years have pointed the way forward for companies and cities.

In 2012, major trends shaping the sustainable development movement include:

Transparency – Buildings, companies and cities are measuring and disclosing energy usage, carbon emissions and other information relating to sustainability. Commercial building owners don't always have a choice: Five major U.S. cities and two states have enacted energy performance measurement and disclosure policies to date, and nine more cities and states have bills under considerations, to help tenants and investors make better informed decisions. Buildings in Europe are required to display energy performance certificates, and Australia is implementing similar requirements.

Corporations don't require legal mandates to encourage disclosure. In 2011, more than 3,000 companies, including 404 Global 500 firms, voluntarily reported their carbon emissions, water management and climate change policies to Carbon Disclosure Project in 2011, perhaps swayed by CDP's 551 investor members, who use the information in deciding where to place more than \$71 trillion in investment capital.

Transparency is also on the rise at the city level. CDP invited 58 cities worldwide to report sustainability related data for the first time in 2011, and 42 responded, with 38 of them making their responses public. This

2012: Taking Sustainability to the Next Level

The common theme to all these trends is of an industry poised to break through to the next level. The industry has moved swiftly through initial phases of understanding the basic costs and benefits, implementing low-cost initiatives, exploring more sophisticated strategies, and navigating around roadblocks. Today, it is easier to see the opportunity for dynamic progress by cities, property owners and corporate tenants that have laid the groundwork for growth and success.

year, CDP Cities is expanding its request to 150 cities and continues to see a high response rate, as well as extraordinary awareness and commitment on climate change issues by city leaders. These leaders recognize that managing energy, water and waste not only helps attract residents and business growth but also enhances quality of life in a variety of ways.

Global Consistency – Deeper sustainability reporting by cities and multi-national corporations has intensified the need for consistent ways to measure the effectiveness of energy, water and other sustainability strategies on a worldwide basis. Given the wide regional variation in environmental priorities around the world, the end goal may not be a single global standard, but a way to translate local government and business practices into a common global vocabulary for measuring effectiveness and recognizing achievement.

LEED, the building sustainability rating system originated in the U.S., is now frequently pursued in many countries with their own systems, as owners seek to attract international tenants. ENERGY STAR, the U.S. EPA energy benchmarking standard, will soon be able to provide accurate ratings across North America, thanks to a new cooperative agreement with Canada. And in 2011 the International Organization for Standardization released the ISO 50001 standard for energy management systems, which includes specifications for measurement, documentation and reporting on energy consumption.

Consistent measurement is important to corporations as they focus on sustainability not only in their own operations but, increasingly, throughout their supply chain as well. And while CDP Cities is not attempting to rank the sustainability of cities, it is developing a globally cohesive framework for understanding the effectiveness of sustainability strategies pursued by different cities.

Public/Private Collaboration – 2011 stood out as a year when government and business organizations explored their shared green goals and realized that public-private partnerships and collaborative initiatives are often the best way to overcome obstacles to sustainability. Some of these joint efforts will start to bear fruit in 2012.

A clear example is the December announcement of a \$4 billion energy retrofit commitment by the U.S. federal government and 60 CEOs, mayors, university presidents, and labor leaders. Called the Better Buildings Challenge, the eight-year initiative includes \$2 billion in energy upgrades of federal buildings and another \$2 billion of private capital to improve energy by 20 percent in buildings totaling 1.5 billion square feet. (Jones Lang LaSalle joined the Challenge with a commitment to work with owners on improvements at buildings totaling 98 million square feet.)

The Better Buildings Challenge illustrates the alignment between business and government goals in seeking energy and carbon reduction. Achieving those goals also requires cooperation; for example, groups ranging from the World Economic Forum to Greenprint Foundation have called for changes to loan underwriting guidelines set by governmental bodies to facilitate financing of energy retrofits. More directly, U.S. states have found they can increase renewable energy installations at buildings by offering incentives that would make solar power cost-effective for owners within a relatively short period.

As a firm that serves government and business entities, Jones Lang LaSalle sees tremendous untapped synergy between the two groups in achieving energy and sustainability goals, particularly in the area of public-private partnerships. As just one of many examples, airports and other government entities often have surplus land that's unsuitable for commercial property development but could be leased to private companies for development as large solar energy installations.

Focus on Solar Energy – Speaking of solar power, 2011 was a breakthrough year for new installations in the U.S., and continued growth is seen for 2012, albeit at a slower pace. More than 1 gigawatt

of photovoltaic solar energy capacity was installed across the U.S. in the first three quarters of 2011, according to the Solar Energy Industries Association (SEIA). By comparison, 887 megawatts came online in all of 2010, which represented a doubling of the total installed base at the time.

Solar energy installations at commercial properties drove much of the market growth in 2011, but the pace of new installations dropped significantly in the third quarter, SEIA reported. The big story going into 2012 is the unprecedented rise in utility-based installations, which jumped by 325 percent from the second to the third quarter.

The strength of the solar market in 2012 and beyond will be affected by several variables, including basic supply and demand economics, technological improvements, and the amount and type of available incentives. It is clear, however, that interest in solar energy continues to grow as payback periods grow shorter and fossil fuel costs continue to rise.

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