



Legal update — April 2017

# Commercial property Well buildings

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## In the first of a series of articles, we consider future trends in commercial development and how you can prepare your business for the challenges ahead.

Winston Churchill said "we shape our buildings, and afterwards they shape us". Standing back and seeing how far we have developed our buildings relationship with the environment and energy saving technologies (think LEED and BREEAM) now the focus is on human health – the interplay between man and building. To put it more accurately how buildings best interact with us to enhance our wellbeing and wellness. The World Green Building Council produced a report in September 2014 (updated in 2016) which concluded that the design of buildings have a material impact on the wellbeing and productivity of its occupants. So is it really time for the property industry to stand up and take note of all this?

### Working with both new and existing metrics

In October 2014 the International World Building Institute (the IWBI) launched its Well Building Standard (the Well Standard) to certify the impact of buildings on human health. This encompasses over 100 measures and is the first rating property system about people. Its key areas are air, light, water, nutrition, comfort, mind and fitness. Launched out of America it has begun to make serious waves in its application by working closely with LEED ( the US rating system for sustainability). So it is perhaps therefore not surprising that BREEAM last month published a paper confirming how they will be working together with the IWBI and demonstrating that a BREEAM assessment can already count towards 30% of the Well Standard.

It is in the UK planning system that we will probably see an even more meaningful endorsement and application of this new metric. Planning policy framework has already set out that good design is the key aspect of sustainable development and that planning should "concentrate positively on making places better for people". We have already seen BREEAM standards being required in planning conditions and certain planning authorities have specific policies requiring

development to achieve a "very good" or "BREEAM rating".

### Health is the new Wealth

If we are undergoing a wellness revolution then when you apply this to buildings and to the productivity of companies this area becomes particularly interesting. We spend 90% of our time in buildings and then 82% of our time sitting down inside them. The 2011 Work and Health Review independently commissioned by the Government showed that the most common causes of illness were musculoskeletal and mental health - which were both linked with the workplace. Sick days cost the UK economy £16bn a year. From a negative starting point, this debate then takes a unique turn into the question of how buildings can actually enable and activate people. There is real emphasis now in office buildings on quirky spaces, dedicated social areas and encouragement of the use of staircases. Could we soon be in a world where buildings are fit for body and mind - coming back to what architecture was about in the first place rather than just "real estate?"



Source: Fotolia

### The question of cost

The costs of complying with the various levels of the Well Standard are stated to be modest and incremental. However in a world where corporate real estate is rewarded for reducing costs per sq.ft this may not be high on the agenda for developers and occupiers. Yet, we do know that on average businesses spend 9% of their cost on rent, 1% on energy and 90% on staff costs.

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There have been some very interesting examples so far of increased productivity as a result of the adoption of various Well Standard measures. The construction of a Doncaster office building that achieved BREEAM outstanding rating has been publicised as leading to 3.5 x fewer sick days taken in 2015 compared to other UK offices. British Land, Land Securities and Stanhope all publicly say they are embracing and working with the Well Standard.

What we talk of as an "embedded cost" may come back to bite in the future. Who could have predicted the journey of energy performance certificates and ratings? What started out as a largely discretionary exercise has transformed now into the mandatory "minimum energy efficiency standards". Subject to various exemptions from 1 October 2018, a landlord cannot grant a lease of a substandard property (showing an F or G energy rating) and then from 1 April 2023 a landlord cannot continue to let out a substandard property. Could the Well Standard acquire such statutory teeth in the future?

### Value proposition

The burning question is will the Well Standard add value to a building? There is anecdotal evidence that Chiswick Park achieved high lettings by being the first business park to embrace a more health orientated approach to occupation with its own innovative Enjoy Work initiative. The Canada Green Building Council commissioned a report in 2016 that found 38% of owners reported an increased building value of 7% or more as a result of the adoption of the Well Standard. In addition, 46% of healthy building owners said that they could lease their space more quickly and 28% said they could charge a premium on the rent. According to Lend Lease, the cost of upgrading health and wellness is already taken into account in revaluation of their portfolio. The question of how you measure the effect on occupants of buildings is harder but there are surveys available.

### Future proofing

As well as retaining and attracting talent, healthy buildings may have a more important role to play in the future. As we all work harder and longer hours it is not inconceivable that a Well Standard could help an organisation in dealing with claims from employees. In fact the Well Standard involves over 50 policies and so direct engagement with human resources of any organisation is a necessity here. Then there are the growing dangers of indoor air pollution. The Global Wellness Institute recently reported that more deaths now result from poor indoor air quality rather than outside air pollution.

The speed of take up for the Well Standard is staggering with 50 million square feet of building space worldwide already having been registered to be Well certified. Is it any coincidence then that the global HQ of CBRE in Los Angeles was the first Well certified building in the world?

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