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Half Of Non-Residential Buildings Will Be Green By 2015 -Study

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By Sari Krieger

Green buildings will make up about half of the non-residential building stock by 2015, up from about 15% currently, according to a new study from venture capital firm Good Energies Inc.

This projected rapid growth would represent a surprising change as green building was considered a small niche market only 10 years ago. Both new construction and renovation projects include green building practices, with many developers starting to realize the costs are not as high as they expected.



Reuters

MGM Mirage's new \$8.5 billion Aria Resort & Casino, one of the first Las Vegas hotels to achieve LEED Gold certification by the U.S. Green Building Council.

Greg Kats, senior director and director of climate change for New York-

based Good Energies, said he used the U.S. Green Building Council's Leadership in Energy Environmental Design standards - which include categories such as energy and water use, site location, landscaping and proximity to mass-transit and shopping centers - to define what qualified for a green building in the study. To be counted as a green building, LEED certification wasn't required, but the building had to adhere to LEED standards.

In November, Kats released the results of his two-year independently funded study in a book called "[Greening Our Built World.](#)"

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Produced by the editors of Dow Venture Capital Dispatch track developments at the intersection of innovation and venture capital lead editor Scott Austin and the reporting team in the Silicon Valley, Boston and Shanghai tech centers. Dispatch provides insight into the world of venture capital investing. For more information on Dow Venture Capital and other financial mar

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Kats and his partners interviewed 100 architects working on 170 green non-residential buildings, mostly located throughout the U.S. He also obtained information from the USGBC, the American Institute of Architects, the American Public Health Association, the National Association of Realtors, BOMA International, the Federation of American Scientists, the Real Estate Roundtable, the National Association of State Energy Officials, Enterprise Community Partners and the World Green Building Council.

Using the interviews, he estimated green building's pace of growth over the next five years, as well as other green building information, Kats said.

In October last year, McGraw-Hill Construction released a study saying that the share of green building in the retrofit market could grow to 20% to 30% in the next five years, with the market opportunity for major projects growing to \$10.1 billion to \$15.1 billion. Currently, green building practices are used in 5% to 9% of the building retrofits currently completed, with the market opportunity for major projects - those more than \$1 million in value - at \$2.1 billion to \$3.7 billion annually, it said.

Eric Glover, a green building market analyst for Canaccord Adams Inc., said in an interview that he sees Kats' 50% by 2015 estimate as reasonable.

"One key area of growth is the green retrofit market," Glover said. "I think it's possible that if green retrofits/renovations represent 20% to 25% of the market by value by 2015, new green building construction could represent the other 20% to 30%. I believe new non-residential green construction represents about 10% to 12% of the market now."

Kats also concluded that builders and building owners are starting to realize that green building isn't as expensive as they may have thought, which will boost green building numbers.

Based on his studies, Kats concluded that non-residential green building costs about 2% more than a traditional comparable building, although the public thinks on average that the premium is 17%, based on a 2007 survey by the World Business Council.

Kats said the payback time for a green building is about three to four years, and over a 20-year period, the payback is four to six times the investment cost.

"We now have a large enough, detailed enough body of data to say that the presumption is 'why wouldn't you do a green building?'" Kats said. "It's very cost-effective and it reduces risk in a number of areas including health, exposure to energy and water prices and obsolescence."

In addition to his work at Good Energies, Kats served as director of financing for energy efficiency and renewable energy in the Department of Energy under the Clinton Administration and in other senior positions for venture capital firms Capital E and Osmosis Capital LLP.

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