Corporate Real Estate and Sustainability Survey

Commercial Properties and Sustainability in Switzerland

CBRE  
CCRS | Center for Corporate Responsibility and Sustainability  
at the University of Zurich
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Preamble

A survey of commercial properties and sustainability is taking place in Switzerland for the third time now. In this way, the Corporate Real Estate and Sustainability Survey (CRESS) is making a valuable contribution to understanding commercial property in Switzerland.

In this report, two aspects are particularly significant:

- As there have been three surveys, it is possible, for the first time, to make predictions about trends.
- At its core, the report raises questions for the first time about the influence of sustainability criteria on productivity, and, in doing so, a further aspect of sustainable building emerges.

The current year has also confirmed that there is demand for sustainable commercial properties; that there is an insufficient supply of such properties, and that, accordingly, there is an annual investment potential for additional sustainable buildings in the order of 2 billion francs. A large proportion of the potential is not being exploited.

This report was prepared within the framework of a partnership between CBRE (CB Richard Ellis), the world-wide leading service provider for property, and CCRS (Center for Corporate Responsibility and Sustainability at the University of Zurich).

It forms part of the CCRS research programme on the economic aspects of sustainable property. It should be borne in mind while reading the report that the survey was carried out before the strength of the Swiss Franc peaked in the summer of 2011. Consequently, the current uncertainties in the market and the gloomy economic forecast appear not to be sufficiently reflected in the survey results. It is likely that the volume of demand will diminish. By contrast, as a result of current developments, sustainability criteria in the use of floor space are coming even more strongly to the fore.

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CCRS University of Zurich
Management Summary

Around 240 km² of Commercial Property Surface Area in Switzerland
The basis for this survey is the survey of large and medium-sized businesses in German-speaking and French-speaking Switzerland (full census of the approximately 1100 businesses with 250 or more employees and random sampling of the approximately 5500 medium-sized businesses with 50–249 employees). In 2011, 207 businesses took part in the survey. Together, they cover some 25 km² of commercial surface area. On this basis, it was possible to make a statistical projection of the total surface area of commercial properties in Switzerland. The result is a surface area of just on 240 km².

Ongoing Increase in Demand
More than half the businesses are continuing to assume that their need for space will increase over the next two years. It is anticipated that this increase will be above average for service companies and companies with a high proportion of tenancies. A good quarter of those surveyed is of the opinion that the demand for space will not be covered by the commercial premises currently available. Additional demand over the next two years is estimated at around 5.4 km². By comparison with 2010, however, a slowing down in the growth trend is looming.

Increasing Willingness to Pay for Sustainability Significantly Greater for Purchases than for Tenancies
Willingness to pay has increased over the years 2009 to 2011. Whereas in 2009, 41% of the companies surveyed were prepared to pay a premium price for sustainable commercial premises, that proportion increased over the next two years to 47% and 51% for 2011. Overall, purchasers were more willing to pay than prospective tenants. The highest premiums are paid for sustainable office premises, and they are higher than average by comparison with sales, commercial or warehouse premises.

Demand for Sustainable Surface Area of 2.3 Million m², Annual Investment Potential of around CHF 2 Billion
Projected demand for additional sustainable surface area is estimated at around 2.3 million m² over the next two years, corresponding to an annual investment potential of around CHF 2 billion for additional surface area. Demand emanates principally from the large service companies.

Positive Influence of Sustainable Commercial Properties on Performance
Initially, the companies were asked about the effects of sustainable building on productivity. 43% of the companies surveyed make a positive connection between sustainable commercial premises and the performance of their employees, 20% do not make any such positive connection. Essential criteria for increased performance are qualified as areas with sufficient daylight, quality of air-conditioning and layout. Principally, increased performance is put down to an increased feeling of wellbeing, increased motivation and reduced sickness.
Demand for commercial premises is strongly dependent on the economic development of the company as well as its future expectations. Over the last two years, the Swiss economy has once again been achieving a relatively high rate of growth. This development is also leading to a strong and undiminished demand for space.

**Demand for space remains high**

According to the survey, the increasing demand for commercial premises will continue virtually unaltered by comparison with previous years. As in 2009 and 2010, the majority of the companies surveyed (59%) anticipate a rising need for commercial premises in Switzerland over the next two years. 29% assume that demand will remain unchanged, and 11% expect demand to reduce (Illustration 1). Even if, in the meantime, the economic forecast is significantly more pessimistic because of the strength of the Franc, demand is expected to remain high.

**Additional premises required**

The additional demand for space can be covered, in part, by available space. This is confirmed by 31% of the companies. The additional demand can be met by the restructuring or reorganisation of existing premises. Almost the same number of companies (28%), however, are unable to cover their needs from existing commercial properties. Following projections of the existing stock of properties for large, small and medium-sized business, and taking into account the assumed increase in surface area, the demand for Switzerland is estimated at around 5.4 million m² (see projections p.12).

**Illustration 1: Development of demand for space**

<table>
<thead>
<tr>
<th>Year</th>
<th>Demand for space increasing, but can be covered by available</th>
<th>Demand for space increasing, cannot be covered by available</th>
<th>Remains the same</th>
<th>Reducing demand for space</th>
<th>Don’t know demand for space</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>31%</td>
<td>28%</td>
<td>25%</td>
<td>29%</td>
<td>10%</td>
</tr>
<tr>
<td>2010</td>
<td>33%</td>
<td>29%</td>
<td>25%</td>
<td>29%</td>
<td>8%</td>
</tr>
<tr>
<td>2011</td>
<td>31%</td>
<td>29%</td>
<td>28%</td>
<td>29%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Question: “In your opinion, will the demand for space in your company over the next 24 months ...?”

Source: CBRE/CCRS – CRESS 2011/2012
Above average increase for large and international companies

Detailed analyses show that the increase is not the same for all businesses. The expansion of surface areas to be anticipated is taking place, above all, in the large companies, that is, those with more than ten buildings and more than 250 employees, and businesses with international activities. Businesses in the second sector have an above-average requirement for space (Illustration 2). In particular, companies in the manufacturing and industrial sectors show a significantly above average requirement for space by comparison to the financial and insurance sectors. This result is not surprising, given the economic dynamic of those sectors. The growth rates of added value in the industrial and construction branches in 2010, 3.1% and 4.9% respectively, are significantly higher than those of the financial or insurance branches (1.3%), and it is likely that this trend will continue throughout the year 2011. At the time of the survey, the above average demand for space in the industrial sector, which is strongly export-orientated, has clearly not been diminished by the strength of the Swiss Franc. It remains to be seen whether this situation will continue over the coming year.

Illustration 2: Development of demand for space by type of business

<table>
<thead>
<tr>
<th>Category</th>
<th>Likely to increase</th>
<th>Reducing/remaining the same</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>All companies</td>
<td>58%</td>
<td>40%</td>
<td>2%</td>
</tr>
<tr>
<td>More than 250 employees</td>
<td>65%</td>
<td>34%</td>
<td>1%</td>
</tr>
<tr>
<td>Up to 250 employees</td>
<td>45%</td>
<td>51%</td>
<td>4%</td>
</tr>
<tr>
<td>No foreign branches</td>
<td>55%</td>
<td>43%</td>
<td>2%</td>
</tr>
<tr>
<td>With foreign branches</td>
<td>62%</td>
<td>37%</td>
<td>1%</td>
</tr>
<tr>
<td>2nd sector</td>
<td>62%</td>
<td>38%</td>
<td>0%</td>
</tr>
<tr>
<td>3rd sector</td>
<td>54%</td>
<td>43%</td>
<td>3%</td>
</tr>
<tr>
<td>Manufacturing sector/ Industry</td>
<td>70%</td>
<td>30%</td>
<td>0%</td>
</tr>
<tr>
<td>Commerce/Transport/Warehousing</td>
<td>58%</td>
<td>42%</td>
<td>0%</td>
</tr>
<tr>
<td>Financial / Insurance services</td>
<td>52%</td>
<td>43%</td>
<td>5%</td>
</tr>
<tr>
<td>More than 10 buildings</td>
<td>66%</td>
<td>33%</td>
<td>1%</td>
</tr>
<tr>
<td>Up to 10 buildings</td>
<td>53%</td>
<td>44%</td>
<td>3%</td>
</tr>
<tr>
<td>90–100% tenants</td>
<td>50%</td>
<td>45%</td>
<td>5%</td>
</tr>
<tr>
<td>90–100% owned</td>
<td>65%</td>
<td>33%</td>
<td>2%</td>
</tr>
<tr>
<td>75–100% office space</td>
<td>60%</td>
<td>37%</td>
<td>4%</td>
</tr>
<tr>
<td>75–100% sales space</td>
<td>40%</td>
<td>60%</td>
<td>0%</td>
</tr>
<tr>
<td>75–100% commercial space</td>
<td>57%</td>
<td>43%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Question: “In your opinion, will the demand for space in your company over the next 24 months ...?”

Proportion of Companies in % Source: CBRE/CCRS – CRESS 2011/2012
**Demand for additional sales space**

Branches, which require additional space and are unable to cover their requirements using existing space, are shown in detail in Illustration 3. Here too, it can be seen that primarily large companies with more than 10 buildings and more than 250 employees have the greatest need for additional space. The uncovered demand for space for branches in the secondary sector, particularly commercial, transport and warehousing companies is above average. If the distinction is made between individual usages of space, it can be seen that of the companies with a high proportion of sales space (75-100%), 40% require additional space. The proportion for office and commercial space usage is 21% and 29% respectively. Consequently, the demand comes principally from companies which predominantly occupy sales space.

**Illustration 3: Requirement for additional space (demand for space not covered) by type of business**

<table>
<thead>
<tr>
<th>Category</th>
<th>Proportion of Companies in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>All companies</td>
<td>28%</td>
</tr>
<tr>
<td>More than 250 employees</td>
<td>33%</td>
</tr>
<tr>
<td>Up to 250 employees</td>
<td>19%</td>
</tr>
<tr>
<td>No foreign branches</td>
<td>28%</td>
</tr>
<tr>
<td>With foreign branches</td>
<td>28%</td>
</tr>
<tr>
<td>2nd sector</td>
<td>32%</td>
</tr>
<tr>
<td>3rd sector</td>
<td>22%</td>
</tr>
<tr>
<td>Manufacturing sector/ Industry</td>
<td>28%</td>
</tr>
<tr>
<td>Commerce/Transport/Warehousing</td>
<td>38%</td>
</tr>
<tr>
<td>Financial / Insurance services</td>
<td>18%</td>
</tr>
<tr>
<td>More than 10 buildings</td>
<td>38%</td>
</tr>
<tr>
<td>Up to 10 buildings</td>
<td>16%</td>
</tr>
<tr>
<td>90–100% tenants</td>
<td>24%</td>
</tr>
<tr>
<td>90–100% owned</td>
<td>29%</td>
</tr>
<tr>
<td>75–100% office space</td>
<td>21%</td>
</tr>
<tr>
<td>75–100% sales space</td>
<td>40%</td>
</tr>
<tr>
<td>75–100% commercial space</td>
<td>29%</td>
</tr>
</tbody>
</table>

*Question:* “In your opinion, will the demand for space in your company over the next 24 months…?”

*Evaluation of the Response* “Increased requirement for space, cannot be covered by existing space.”

*Proportion of Companies in %*  
*Source: CBRE/CCRS – CRESS 2011/2012*
Business Property in Switzerland: Projections for Space and Demand

Around 240 km² of commercial property space in Switzerland

The projections for all of the available commercial space is shown in Table 1. For the 1154 large companies, together with the small and medium-sized businesses in Switzerland, the result is a stock of commercial space of around 240 km². According to the survey, the median of space for large companies is approximately 48 500 m². A surface area per employee of around 80 m² is assumed for smaller and medium-sized businesses.

Table 1: Projections for existing stock of surface area in commercial premises throughout Switzerland

<table>
<thead>
<tr>
<th>Large companies</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of large companies in Switzerland</td>
<td>1 154</td>
</tr>
<tr>
<td>Estimated surface area for large companies</td>
<td>56 million m²</td>
</tr>
<tr>
<td>Median surface area according to CRESS survey 2011</td>
<td>48 500 m²</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Small and medium-sized companies</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees in small/medium-sized companies</td>
<td>2 327 802</td>
</tr>
<tr>
<td>Estimated surface area for small/medium-sized companies</td>
<td>186 million m²</td>
</tr>
<tr>
<td>Assumed demand for space per employee</td>
<td>80 m²</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total for all companies</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated total surface area</td>
<td>242 million m²</td>
</tr>
</tbody>
</table>

Source: CBRE/CCRS – CRESS 2011/2012


Estimated Additional Demand for Space of around 5.4 Million m²

With the aid of the calculated demand for space not covered by existing space and the differentiation between large and small companies, the requirement for additional commercial premises can be projected. Depending on the assumption of growth in surface area (5%, 10%, 15%), the result is a total additional demand for space of 2.7 million m² to 8.0 million m² over the next two years (Illustration 4/Table 2).

Illustration 4: Projected demand for sustainable commercial premises (for 2 years)

Table 2: Projected demand for additional commercial space in Switzerland for the next two years

<table>
<thead>
<tr>
<th>Demand for space not covered</th>
<th>Large companies</th>
<th>Small and medium sized companies</th>
<th>All companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated surface area</td>
<td>33%</td>
<td>19%</td>
<td>28%</td>
</tr>
<tr>
<td>Assumption</td>
<td>18.5 million m²</td>
<td>35.1 million m²</td>
<td>53.6 million m²</td>
</tr>
<tr>
<td>5% growth in surface area</td>
<td>0.9 million m²</td>
<td>1.8 million m²</td>
<td>2.7 million m²</td>
</tr>
<tr>
<td>10% growth in surface area</td>
<td>1.8 million m²</td>
<td>3.5 million m²</td>
<td>5.4 million m²</td>
</tr>
<tr>
<td>15% growth in surface area</td>
<td>2.8 million m²</td>
<td>5.3 million m²</td>
<td>8.0 million m²</td>
</tr>
</tbody>
</table>

Source: CBRE/CCRS – CRESS 2011/2012
Sale and Lease Back amongst companies surveyed remains an attractive alternative

The sale and immediate lease back of property can be a profitable strategy for companies, within the framework of their property portfolio, to increase their liquidity. Sale and lease back transactions increase the liquidity of funds which are otherwise tied up and reduce depreciations which affect the balance sheet. Sale and lease back transactions are comparatively complex and require intensive consultation, which might be a reason that they are not very widespread despite their financial incentives.

Amongst the companies surveyed, approximately 86% state that they currently do not use sale and lease back, whereas 14% do benefit from its advantages. 3% of the companies hold 100% of their commercial properties on a sale and lease back basis (Illustration 5). It remains to be seen how the demand for sale and lease back develops over the next few years, particularly following the introduction of new accounting regulations within the framework of the IAS and US GAAP Guidelines for leasing. Under the new rules, lease agreements will, in future, generally be activated in the balance sheet. The consequences will be an extension of the balance sheet and changes to key balance sheet figures. In addition, the debt ratio will rise, which will make access to capital and refinancing for tenants fundamentally more difficult. The changes will also entail additional reporting, IT systems and internal processing costs. As well as shorter durations for sale and lease back contracts, the new regulations could also affect the volume of transactions.² However, the original advantages are not likely to be cancelled out by the new regulations. On the contrary, the commercial framework conditions rather lead one to expect a greater influence on demand for sale and lease back transactions.
The issue of sustainability for properties is becoming increasingly significant.

By comparison with the first survey, the proportion of companies surveyed for whom sustainability “always” or “most often” has a role to play is continually increasing. Whereas, in 2009, some two thirds of the companies surveyed always or most often took sustainability into account in making property-related decisions, this proportion has already increased to 80% for the 2011 year.

Illustration 6 shows that, in 2009, some 10% of the companies which took part in the survey indicated that sustainability was absolutely not an issue in their decisions on property. However, this number is diminishing and has reduced to 2%. The trend is confirmed if one compares the companies’ assessments with the demand in Switzerland for certified properties with a “label”: the number of MINERGIE certified buildings has been continually increasing for a number of years, for both new and renovated buildings.

Illustration 6: Relative importance of sustainability in property-related decisions

Question: “Does the issue of sustainability, as you understand the term, play a role in your property decisions?”

Source: CBRE/CCRS – CRESS 2011/2012
Sustainability among the top criteria
By comparison with other property criteria, sustainability has a high relative importance, as is made clear in Illustration 7. When the companies were asked about the relative importance of various property criteria, as anticipated, the price of the property was a determining factor. Layout and flexibility were mentioned as often as the price, but 96% selected sustainability amongst the top three criteria, on the same level as provision for public transport and even before provision for motor vehicles and a central location. If, in addition, layout and flexibility together with provision for public transport are also interpreted as aspects of sustainability, then, after the price, sustainability-related categories make up three of the top four property criteria. By contrast, of significantly less importance are the fitting-out of the building, the tax base in the local community and vicinity to an airport.

Illustration 7: Relative importance of property criteria

If the distinction is made between the relative importance of individual criteria of sustainability, the following picture emerges: in the financial sector, the top three criteria are layout/flexibility, price and sustainability. A central location and access by public transport is more important to the financial and insurance industries than to commercial or trading companies. According to the results of the investigation, specific fitting-out criteria are a determining factor, above all, for manufacturing businesses.
Supply of Sustainable Commercial Properties

Insufficient supply
Alongside the demand-related perspective, the question arises as to how the supply of sustainable commercial space is evaluated. In the estimation of the companies surveyed, the available supply of sustainable space is severely inadequate. 59% of the companies expressed this view, and the proportion of them has increased by 10% by comparison with the previous year. The lack of sustainable commercial space provides significant opportunity for investment. For Switzerland, investment potential of around 2 billion CHF has been calculated on the basis of the current supply and assumptions of growth in the availability of space (see projection: Table 4/page 24).

Illustration 8: Adequate supply of sustainable space in Switzerland?

Proportion of companies in %
Question: “Irrespective of whether you have searched for sustainable space in the past, do you think that there is an adequate supply of sustainable business properties in Switzerland?”
Source: CBRE/CCRS – CRESS 2011/2012
The Search for Sustainable Commercial Properties

The search remains difficult
The view that the supply of sustainable commercial property is insufficient leads to the expectation that the search will be a difficult one. Accordingly, the results are not surprising. Around three quarters of companies who have searched in the past, or are currently searching for sustainable commercial properties, say that the search process has been problematic (Illustration 9). From their point of view, essentially, the situation has not improved.

In 2010, approximately the same number of companies (77%) stated that it was difficult to find appropriate offers. Illustration 10 makes the reasons for their difficulties clear, whereby location, size of properties or their use are often stated to be determining causes. A further reason for the difficulty of the search process is that properties were judged to be too expensive.
Illustration 9: The search for sustainable commercial property

Proportion of companies in %
Question: “How easy was the search for sustainable commercial property?”
Source: CBRE/CCRS – CRESS 2011/2012

Illustration 10: Reasons for the difficulty of searches

Proportion of companies in %
Question: “Why was the search so difficult?”
Source: CBRE/CCRS – CRESS 2011/2012
Willingness to Pay for Sustainability

**Increasing willingness to pay**

In light of the supply of sustainable commercial properties assessed to be insufficient, specific willingness to pay is of particular interest. The results show a clear increase in willingness to pay for Swiss commercial property in the years 2009 to 2011 (Illustration 11). Whereas in 2009, 41% of the companies surveyed were prepared to pay a premium price for sustainable commercial premises, in the following years this proportion rose to 47% and 51% respectively for the 2011 year.

**Willingness to pay is greater for purchases than for rentals**

Analysis of the differences between decisions on purchase and rental shows a greater willingness to pay for sustainability on the part of purchasers. Whereas in 2009 only 43% of companies indicated a willingness to pay, this figure rises to 65% in 2011. By contrast, a greater willingness to pay is shown in decisions to rent and is consistent at around 40% over the three years. This difference in the willingness of purchasers and tenants to pay is readily comprehensible: with the purchase of property, the assumption is that such decisions are of a more long-term nature.

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**Illustration 11: Development of willingness to pay**

<table>
<thead>
<tr>
<th>Year</th>
<th>Overall</th>
<th>Purchase</th>
<th>Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>38%</td>
<td>43%</td>
<td>41%</td>
</tr>
<tr>
<td>2010</td>
<td>41%</td>
<td>47%</td>
<td>41%</td>
</tr>
<tr>
<td>2011</td>
<td>51%</td>
<td>65%</td>
<td>38%</td>
</tr>
</tbody>
</table>

**Question:** “Assuming that you are facing the decision whether to purchase (or renovate)/rent a property, very generally, of what relative importance is sustainability in your decision?”

**Evaluation of Reply:** company considers sustainability important and is prepared to pay more for it.

**Source:** CBRE/CCRS – CRESS 2011/2012
whereas decisions to rent tend to be for the shorter term. Accordingly, as anticipated, criteria of sustainability associated with the future capacity of a building tend to play a more important role for purchasers of commercial properties than for tenants.

**Willingness to pay is greatest for office space**

There is an intuitive expectation that willingness to pay is greatest for representative space such as office or sales premises, and this expectation is confirmed. Irrespective of whether the decision is to buy or rent, companies seeking office premises are most prepared to take sustainability into account and to pay a premium price. For sales premises also, willingness to pay is still fairly widespread (38% of companies) and clearly exceeds any willingness to pay for warehousing and industrial premises.

**Average willingness to pay 7.1%**

Within the framework of this study, initially, willingness to pay can be indicated quantitatively. According to the survey, the companies surveyed are prepared to pay on average more than 7.1% above the price of an ordinary property for a sustainable property. These are companies which value sustainability and are prepared to pay a premium price to achieve it. For those companies which are not prepared to pay more, the average value is around 3.7%. International empirical studies show comparable values for commercial properties of similar amounts, lying between 3% and 11%. These studies also show differences between purchase or rental decisions. Overall, they confirm that more premiums are paid on the basis of decisions to purchase than rent. The average premium which purchasers are willing to pay is 7.4%, whereas it is around 6.9% for tenants.

**Illustration 12: Willingness to pay for sustainability according to type of use**

<table>
<thead>
<tr>
<th>Type of Use</th>
<th>Proportion of Companies in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>52%</td>
</tr>
<tr>
<td>Sales</td>
<td>38%</td>
</tr>
<tr>
<td>Industrial</td>
<td>28%</td>
</tr>
<tr>
<td>Warehousing</td>
<td>17%</td>
</tr>
<tr>
<td>Other</td>
<td>15%</td>
</tr>
</tbody>
</table>

*Question: “Of what relative importance is sustainability in your decision on whether to rent or purchase for the following types of use?”*

*Evaluation of Reply: company considers sustainability important and is prepared to pay more for it.*

*Source: CBRE/CCRS – CRESS 2011/2012*
Large industrial companies are the most willing to pay

Large companies with more than 10 buildings and more than 250 employees show a higher average willingness to pay than smaller companies. As shown clearly in Illustration 13, at 7.7%, companies in the manufacturing or industrial sectors show a greater than average willingness to pay. These results in respect to willingness to pay show a close connection with the costs of re-building or construction which are incurred for sustainable properties in any event. Moreover, development risks and land value aspects also have to be taken into account.

Overall, it can be expected that the costs of sustainable commercial properties which represent “sunk costs” after completion, will justify higher prices. From this perspective, the value of the property will increase in the long term, and the investment in sustainability will pay dividends.

Illustration 13: Average willingness to pay according to type of business

<table>
<thead>
<tr>
<th>Category</th>
<th>Proportion of companies in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>All companies</td>
<td>7.1%</td>
</tr>
<tr>
<td>More than 250 employees</td>
<td>7.4%</td>
</tr>
<tr>
<td>Up to 250 employees</td>
<td>6.4%</td>
</tr>
<tr>
<td>No foreign branches</td>
<td>7.2%</td>
</tr>
<tr>
<td>With foreign branches</td>
<td>7.0%</td>
</tr>
<tr>
<td>2nd sector</td>
<td>7.2%</td>
</tr>
<tr>
<td>3rd sector</td>
<td>7.0%</td>
</tr>
<tr>
<td>Manufacturing sector/Industry</td>
<td>7.7%</td>
</tr>
<tr>
<td>Commerce/Transport/Warehousing</td>
<td>6.7%</td>
</tr>
<tr>
<td>Financial/Insurance services</td>
<td>7.1%</td>
</tr>
<tr>
<td>More than 10 buildings</td>
<td>7.3%</td>
</tr>
<tr>
<td>Up to 10 buildings</td>
<td>7.1%</td>
</tr>
<tr>
<td>90–100% tenants</td>
<td>7.0%</td>
</tr>
<tr>
<td>90–100% owned</td>
<td>7.6%</td>
</tr>
<tr>
<td>75–100% office space</td>
<td>6.8%</td>
</tr>
<tr>
<td>75–100% sales space</td>
<td>5.6%</td>
</tr>
<tr>
<td>75–100% commercial space</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

Question: “How much more would you be prepared to pay for sustainable office premises?”

Proportion of companies in %  Source: CBRE/CCRS – CRESS 2011/2012
CRESS 2011/2012

Willingness to Pay more widespread in Companies with a Property “Label”/Sustainability Certificate

Of the companies surveyed, 43% stated that they hold a “label”/sustainability certificate. This can be held to mean that the issue of sustainability is of above average importance to these companies. Consequently, the connection between companies which already have a “label” or sustainability certificate and their willingness to pay for sustainability is examined next, and it is indeed shown that companies which already have “labels”/sustainability certificates are significantly more willing to pay (63%) than companies which do not have such “labels” (42%). This connection applies to both rental and purchase decisions (Illustration 14).

Illustration 14: Spread of willingness to pay where a “label”/sustainability certificate is available

Question: “Do your commercial properties include premises with a “label”/sustainability certificate?”
(Representation includes both decisions to rent and purchase)
Proportion of companies in % Source: CBRE/CCRS – CRESS 2011/2012

<table>
<thead>
<tr>
<th></th>
<th>With “label”</th>
<th>Without “label”</th>
</tr>
</thead>
<tbody>
<tr>
<td>We would pay attention to this and pay more for it</td>
<td>63%</td>
<td>42%</td>
</tr>
<tr>
<td>We would pay attention to this, but we would not pay more for it</td>
<td>32%</td>
<td>54%</td>
</tr>
<tr>
<td>This would not be of any importance to us</td>
<td>5%</td>
<td>3%</td>
</tr>
</tbody>
</table>

We would pay attention to this and pay more for it
We would pay attention to this, but we would not pay more for it
This would not be of any importance to us

22
Sustainable Commercial Properties: Projected Additional Demand

Additional demand for sustainable space is around 2.3 million m²

The survey shows an uninterrupted high additional demand for commercial space (Box 1). If the willingness to pay for sustainable space is calculated in, then depending on the growth scenarios (5%, 10%, 15%), demand in Switzerland for sustainable commercial space over the next two years will be between 1.2 and 3.5 million m² (Illustration 15).

Illustration 15: Projected demand for sustainable commercial properties (for 2 years)

The projection makes the distinction between large, small and medium-sized businesses. Whereas 70% of the large companies (more than 250 employees) stated that they were willing to pay for sustainability, the proportion of smaller companies is 30%. Using the previously estimated surface areas for large and small/medium-sized business together with the assumed growth in surface area, it is possible to calculate the additional space for sustainable office buildings shown in Illustration 15.

Table 3: Estimated demand by businesses willing to pay for sustainable space

<table>
<thead>
<tr>
<th>Willingness to pay for sustainability</th>
<th>Large companies</th>
<th>Small and medium sized companies</th>
<th>All companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assumption</td>
<td>70%</td>
<td>30%</td>
<td>1.2 million m²</td>
</tr>
<tr>
<td>5% growth in surface area</td>
<td>0.6 million m²</td>
<td>0.5 million m²</td>
<td>1.2 million m²</td>
</tr>
<tr>
<td>10% growth in surface area</td>
<td>1.3 million m²</td>
<td>1.0 million m²</td>
<td>2.3 million m²</td>
</tr>
<tr>
<td>15% growth in surface area</td>
<td>1.9 million m²</td>
<td>1.6 million m²</td>
<td>3.5 million m²</td>
</tr>
</tbody>
</table>

Source: CBRE/CCRS – CRESS 2011/2012
Sustainable Commercial Properties: Projected Investment Potential

Investment potential of around 2 billion CHF

Assuming an average m² price of 1700 CHF/m² and the estimated demand for sustainable space, the potential investment is just on 2 billion CHF (Illustration 16). Whereas the set up costs for office properties are around 2000 CHF/m², the costs for industrial and commercial space is around 1600 CHF/m². Weighted, the result is an average of 1700 CHF/m². The investment potential then arises out of the space demanded for sustainable properties and the average price calculated of around 1.0 to 3.1 billion CHF per year (Table 4).

Illustration 16: Investment potential for sustainable space (for 1 year)

Table 4: Projected Investment Potential

<table>
<thead>
<tr>
<th>Scenarios</th>
<th>Investment Potential in billion CHF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario 1: 15% growth in surface area</td>
<td>3.1</td>
</tr>
<tr>
<td>Scenario 2: 10% growth in surface area</td>
<td>2.0</td>
</tr>
<tr>
<td>Scenario 3: 5% growth in surface area</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Source: CBRE/CCRS - CRESS 2011

| Assumed set-up costs per m² for commercial properties office | 2000 CHF/m² |
| Assumed set-up costs per m² for commercial properties industrial/commercial | 1600 CHF/m² |
| Average costs of commercial properties CHF/m² assuming ⅓ all space office, ⅔ industrial | 1 733 CHF/m² |
| Estimated demand for sustainable space assuming 5% growth | 1.2 million m² |
| Estimated demand for sustainable space assuming 10% growth | 2.3 million m² |
| Estimated demand for sustainable space assuming 15% growth | 3.5 million m² |
| Estimated investment potential assuming 5% growth | 1.0 billion CHF |
| Estimated investment potential assuming 10% growth | 2.0 billion CHF |
| Estimated investment potential assuming 15% growth | 3.1 billion CHF |

Source: CBRE/CCRS - CRESS 2011
Positive link between sustainable business premises and performance

The motivation for companies to invest in sustainable business premises has many facets. Overall, however, the principal facet is the specific use, whether in connection with its reputation (positive image) or because it is financially beneficial. The direct financial effects, e.g. improved energy efficiency and the resulting costs savings lead to greater willingness to pay for sustainability. Sustainable business premises can also bring indirect financial benefits. A number of studies show a positive link between sustainable commercial premises and employee performance, so that, for example, sickness-related absence, additional health costs and unproductive work interruptions can be avoided or reduced.

Illustration 17: Does sustainable office space have a positive effect on employee performance?

Question: Does sustainable office space have a positive effect on employee performance (productivity)?

Proportion of companies in %

- Yes: 43%
- Don’t know: 37%
- No: 20%

Source: CBRE/CCRS – CRESS 2011/2012
Companies confirm positive link

43% of the companies surveyed see a positive link between sustainable business space and the performance of their employees. Having said that, the uncertainty associated with this question appears to be relatively high. 37% are uncertain as to whether sustainable business space has a positive effect on performance, 20% do not see any connection. The results of the survey show, as anticipated, that it is those companies which, in the past, have paid a premium for sustainable space or already have a sustainability “label”, which agree with the proposal.

Daylight and air quality among the most important criteria

Daylight and air quality and layout (Illustration 18) are amongst the most important sustainability criteria which, in the opinion of the companies surveyed, exercise a positive influence on the performance or productivity of their employees. These results coincide with a number of international studies which demonstrate, using controlled experiments, the effects of room temperature and air quality on employee performance. So, for example, an uncomfortable room temperature can reduce employee performance by between 5% and 15%. Equally, regular ventilation leads to less pollution, reduces headaches and concentration problems, all of which affect performance positively. Decent air quality reduces everything from sensory irritation and distractions through lack of concentration right through to allergic reactions, which significantly reduces absence through sickness. The influence of noise and light quality in the workplace have a similar effect. A similar investigation by the University of Lucerne on the Swiss market for office premises came to the conclusion that performance could be improved by avoiding open-plan offices. Smaller, individual workstations allow employees to concentrate better.

Illustration 18: Effect of sustainability criteria of buildings on employee performance

Question: “In your opinion, what are the three most important criteria to have a positive effect on employee performance?”

Proportion of companies in % 

Source: CBRE/CCRS – CRESS 2011/2012
Switzerland is dominated by the tertiary or labour-intensive service sector. For these companies in particular, staffing costs far outweigh direct costs relating to property. According to studies, the operating costs of buildings are estimated at around 3% of establishment costs.\textsuperscript{10} It is therefore often argued that improvements in the working environment are the most cost-effective way of improving the performance of the establishment and thereby increase productivity within a company.\textsuperscript{11} Furthermore, it is shown that the layout of the workplace and/or the general physical working environment both have a significant influence on employee satisfaction.

**Wellbeing and motivation of employees are the strongest influences on employee productivity**

In response to the question of which criteria are determining for an increase in employee performance, 86% of the companies surveyed stated that general wellbeing was the most important. For around half of the companies, increased productivity can be ascribed to increased motivation of employees (53%) and reduced sick days (49%). Additional work on the basis of sustainable office premises, however, plays only a subordinate role.

**Illustration 19: Criteria for increasing employee productivity in sustainable office premises**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Proportion of Companies in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wellbeing</td>
<td>86%</td>
</tr>
<tr>
<td>Motivation</td>
<td>53%</td>
</tr>
<tr>
<td>Sick days</td>
<td>49%</td>
</tr>
<tr>
<td>Efficient working methods</td>
<td>40%</td>
</tr>
<tr>
<td>Additional Work</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
</tr>
</tbody>
</table>

*Question: “To what do you ascribe increased employee productivity in sustainable office premises?”*

*Proportion of companies in % Source: CBRE/CCRS – CRESS 2011/2012*
Appendix

Survey method
The study surveyed medium-sized (50–249 employees) and large (more than 250 employees) businesses in the second and tertiary sectors in Switzerland. A comprehensive survey was carried out for the large companies, and the medium-sized businesses were randomly sampled, taking into account the best possible representative distribution of regions and sectors. A comparison with the business census taken in 2008 by the Swiss Federal Statistical Office shows that, of the companies who responded, those with over 250 employees are over-represented as are businesses in German-speaking Switzerland. The survey was carried out by telephone and on-line by the research institute Demoscope between April and June 2011. A total of 207 companies took part in the survey, representing a surface area of just on 25 million m² and 14,367 business premises.

<table>
<thead>
<tr>
<th>CRESS Profile 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Participants in the survey</strong></td>
</tr>
<tr>
<td>Companies (total)</td>
</tr>
<tr>
<td>Proportion of German-Speaking Swiss companies</td>
</tr>
<tr>
<td>Proportion of Romandy Swiss companies</td>
</tr>
<tr>
<td><strong>Size/Internationality</strong></td>
</tr>
<tr>
<td>Up to 249 employees</td>
</tr>
<tr>
<td>More than 250 employees</td>
</tr>
<tr>
<td><strong>Surface area of commercial premises (in thousand m²)</strong></td>
</tr>
<tr>
<td>Total sample</td>
</tr>
<tr>
<td>Median of surface area</td>
</tr>
<tr>
<td><strong>Number of Buildings</strong></td>
</tr>
<tr>
<td>Total sample</td>
</tr>
<tr>
<td>Average per company</td>
</tr>
<tr>
<td>Median of number of buildings</td>
</tr>
<tr>
<td><strong>Distribution by Type of Use</strong></td>
</tr>
<tr>
<td>Office</td>
</tr>
<tr>
<td>Industrial</td>
</tr>
<tr>
<td>Sales</td>
</tr>
<tr>
<td>Warehousing</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

Source: CBRE/CCRS – CRESS 2011/2012
Projections

CRESS covers around 10% of companies in Switzerland with more than 250 employees. Coverage for companies with 1–249 employees is less than 1%. For this reason, projections for surface areas of business premises in Switzerland were carried out using different methods for large and medium-sized businesses: For the calculation of the overall surface area of commercial properties, it was assumed – for companies with 1–249 employees – that the average surface area per employee in such companies is around 80 m² (the space requirement per employee can vary widely, depending on company and sector, and 80 m² – based on experience – represents a general average across all companies). This size was extrapolated using the established number of employees (2,327,802 in 2008\(^1\)). For companies with more than 250 employees, the median surface area of the overall surface area of commercial properties ascertained by CRESS (48,500 m\(^2\)) was projected onto the actual number of companies in this size category (1,154 companies\(^2\)).

The result of both these estimates shows the projected surface area of commercial properties in Switzerland. They include all office, sales, industrial and warehousing premises in the 2\(^{nd}\) and 3\(^{rd}\) sectors in Switzerland – irrespective of whether they are owned or rented by the company. Not included are surface areas used by agricultural businesses (see Table 1). For projected demand for commercial properties in Switzerland over the next two years (see Table 2) the demand for additional space was calculated depending on the size of the company. The resulting values take into account the projected surface area as well as the assumed percentage surface area growth rates. For projections on sustainable commercial properties (see Table 3) the willingness to pay of large, small and medium-sized businesses was used and projected with the assumed percentage of surface area growth rate.

---

\(^1\) Source: Swiss Federal Statistical Office, Business Census 2008
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Bibliography

4. Cf. CRESS 2009, Motivation for Commitment to Sustainability, page 26