Smart Leasing Market Survey

Results – June 2019
Provides tools, training, and resources to better align the interests of tenants and landlords to achieve healthy, high-performance, energy-efficient buildings.

**Stakeholder Groups**

- **TENANTS**
  Better health, comfort, productivity, and employee retention.

- **LANDLORDS / PROPERTY MANAGERS**
  Increase tenant retention and NOI by lowering energy costs.

- **BROKERS**
  Help clients lease healthy, high performance, energy efficient spaces.

- **ATTORNEYS**
  Help clients meet their smart leasing goals in leasing documents.

- **ARCHITECTS, DESIGNERS, AND SPACE PLANNERS**
  Demonstrate added value to clients by helping them find energy and cost-efficient options.

**Leasing Process**

1. Pre-lease and site selection
2. Lease negotiation and build out
3. Occupancy and operation

**Denver’s Impact**

57% Greenhouse gas emissions from commercial and multifamily buildings

20% of this from leased space
Survey Goals

- Establish a baseline
- Target interventions
- Measure success
• Administered via SurveyMonkey
• Completed in less than 5-10 minutes
• Distributed 3 times (2019, 2020, 2021,)

Survey Implementation
What are we measuring?

Demographics

Leasing Activity

Behavior
What are we measuring?

**Demographics**
- Leasing Activity

**Behavior**
- Contact Information
- Contact Type
- Leasing Footprint
What are we measuring?

Demographics

Leasing Activity

- Leases signed in the last 12-18 months
- Anticipated leases in the next 12-36 months

Behavior
What are we measuring?

Demographics

Leasing Activity

Behavior

Are you implementing smart leasing?
Measuring Behavior

Do you know what smart leasing is?

Do you understand the benefits of smart leasing?

Are you implementing smart leasing best practices?

Are you convincing others to utilize smart leasing?
Survey Results
170 RESPONSES

Space Type
- Office: 59%
- Other: 25%
- Industrial / Warehouse: 15%
- Retail: 1%

~30 million square feet

Stakeholder Type
- Owner / Landlord: 31%
- Property Manager: 31%
- Tenant / Occupant: 27%
- Other: 3%
- Service Provider: 3%
- Attorney: 3%
- Broker: 2%
- Space Planner / Designer: 1%
Smart Leasing Awareness

- 70% of respondents did not know about smart leasing before the survey
- Key takeaway: Outreach and education are important!
I was not aware of this practice before taking this survey.

I am aware of this practice, but am not yet sure it is beneficial.

I recognize that this practice could be beneficial, but am not yet ready to implement it.

I plan to include this practice in a leasing process in the next 12 months.

I included this practice in a leasing process in the past, and plan to do so again.

I promote this practice of mine to others.

Smart Leasing Practices: Measuring Behavior

(respondents who had heard of Smart Leasing prior to the survey – 30% of total)
What did we learn?

• Smart leasing concepts and practices are fairly niche in this market
• Opportunity for education and awareness on smart leasing best practices
• Even where respondents were aware of smart leasing practices, many were unsure of benefits.
• *Demonstrating the benefits will be key to driving adoption*
What would motivate and encourage more smart leasing?
Case studies and best practices are needed to drive adoption!

What would best enable you to implement Smart Leasing Practices?

- Case studies from peers who have implemented Smart Leasing: 66%
- Best practices documents (e.g. one-pagers or fact sheets): 63%
- Educational events such as webinars/lunch and learn: 44%
- More information about the business case: 44%
- Recognition (certificate, plaque, awards for implementing best practices): 22%
- Continuing education credits for professional designations: 22%
- Designation as a “Smart Leasing” professional or provider: 22%
- Other (please specify): 16%
What Motivates Landlords?

- Improved NOI through lower operating expenses
- Increased tenant retention, attraction, and/or satisfaction
- It is the right thing to do and I personally value working for a company that promotes green best practices
- Improved ability to achieve sustainability designation/certification (e.g. LEED, ENERGY STAR®)
- Improved ability to comply with the Green Building Ordinance
- GRESB or other sustainability reporting
What Motivates Tenants?

- Increased productivity through improved thermal comfort, natural daylight, and being in a healthy building
- Lower energy costs and lower operating costs.
- I personally value working for a company with a strong green reputation
- Better health through improved thermal comfort, natural daylight, and being in a healthy building
- Retaining and attracting talent to a company with a strong green reputation
What Motivates Service Providers?

- A competitive advantage/increased ability to win more work
- Ability to better represent my client’s interest/align with client goals
- The ability to charge a price premium for this service
- Develop a more comprehensive service offering to respond to market demands
- It is the right thing to do and I personally value working for a company that promotes green best practices
What did we learn?

• Landlords need the business case. Smart leasing resources should enable improved NOI or increased tenant attraction and retention
• Tenants are motivated by comfort. The lease can be a tool to drive better lighting, increased thermal comfort, etc.
• Service providers are always looking for an edge – can Smart Leasing lead to more work?
• The value proposition varies by stakeholder type. Smart leasing resources, education, and engagement need to reflect that
Where should we focus?
Landlords and property managers don’t anticipate a lot of turnover...

Total Number of Respondents:
Do you anticipate significant tenant turnover in the next 24 months?
- No: 84%
- Yes: 16%

Total Number of Respondents:
Have you experienced significant tenant turnover in the last 18 months?
- No: 84%
- Yes: 16%
But tenants are looking for space!
What did we learn?

Develop case studies and best practices focused on *site selection* and *occupancy and operations*
What’s Next?
Next Steps

- Take the pledge!
- Targeted resources
  - Smart Leasing benefits by stakeholder group
  - Sample lease clauses
  - Site selection criteria
  - Sustainable operations
- Share Success Stories
  - Have a story? Get in touch: smartleasing@Denvergov.org