Green Leases in the Australian Office Property Market:

Current Trends and Issues

Abstract

This paper examines the significant trends and issues regarding green leases in the Australian office property market. In its drive for sustainability, the government is leading by example by mandatorily using green leases as either landlord or tenant. Corporate reporting requirements and environmental sustainability regulations will also encourage adoption of green leases by the private office sector. The growing application of tools for rating building environmental design and performance will necessitate the use of green leases as the mechanism for ensuring the establishment and maintenance of building environmental performance. Green office buildings with environmental ratings are now known to provide an asset value and return advantage over non-rated office buildings, and green leases will therefore be a means to protect/enhance asset values and returns for property investors. The study therefore identifies the central importance of the green lease in the Australian office property market as stemming from its backward link to green building environmental rating tools and its forward links to environmental performance/sustainability and the protection of investors’ returns. Issues include the accuracy and consistency of rating tools, the match between rating tools and lease targets, and the drivers influencing the private sector landlord-tenant relationship regarding environmental matters.

**Keywords**: green leases, office property market, environmental performance, government, Australia