



**BUILDING TOMORROW**

**THE GREENING OF COMMERCIAL  
PROPERTY IN NEW ZEALAND**





# INTRODUCTION

With New Zealand committed to halving net emissions by 2030<sup>1</sup>, our built environment must transform if it is to play its part.

And transforming it is. Building owners, developers, investors, and tenants are starting to realise the opportunities that energy-efficient buildings present – and the potential risks of not being prepared.

If you own, develop, occupy, or invest in commercial property in New Zealand, this paper is designed to get you thinking about plotting a path to green.

The building and construction sector is a major force in the New Zealand economy. As our fifth largest industry, it produces 6.7% of GDP; and as our third largest employer, it represents 12.6% of businesses and 10.5% of our workforce – nearly 300,000 people<sup>2</sup>.

All this productivity comes at a cost. Our built environment accounts for as much as 20% of New Zealand's carbon emissions<sup>3</sup> - but crucially, this number is within the industry's power to change.

Constructing low-emission and energy-efficient buildings is the most powerful way we can shift the dial; but we must also make our existing stock greener, too.

And there are plenty of reasons to do so. Internationally, there's a growing body of evidence that suggests green buildings have the potential to deliver a range of economic, environmental, and social benefits<sup>4</sup> – from lower operating costs and emissions as a result of using energy more efficiently, to attracting long-term tenants who seek buildings that align with their ESG (Environmental, Social, Governance) strategies. For those who adapt, there's a growing range of finance options that could help them achieve their goals.

Sounds good on paper – but building green (or 'greening' what's already built) isn't simple. Sustainability initiatives of any scale take time, money, effort, and collaboration with a diverse range of stakeholders. And while there's international research into the benefits and costs of green buildings, New Zealand is still relatively new to this. That can make it harder to assess whether the numbers stack up.

In the following pages, we lay out the key drivers behind the greening of commercial property in New Zealand. We suggest some basic steps you can take if you'd like to start making your property more energy efficient. And we show how some building owners and experts are embracing the shift to green – and why they aren't looking back.

**“WE CANNOT TACKLE CLIMATE CHANGE WITHOUT ADDRESSING BUILDINGS.”**

World Green Building Council, *Beyond the Business Case 2021* (p13)

## CONTENTS

Introduction	01
Anatomy of a green building	02
The rise of the rating	04
Understanding the different types of emissions	06
The case for greening	09
ANZ New Zealand's approach	17
Green finance	21
Getting started	22
Last words	26

Cover and inside cover images courtesy of Mansons TCLM

<sup>1</sup> All parties to the Paris Agreement must set a **Nationally Determined Contribution** (NDC). New Zealand's NDC is a target of 50% reduction of net emissions below our gross 2005 level by 2030.

<sup>2</sup> MBIE, 2022: *Building and Construction Sector Trends Annual Report* (p10 & 16)

<sup>3</sup> MBIE, 2020: *Whole-of-Life Embodied Carbon Emissions Reduction Framework* (p2)

<sup>4</sup> We cover some of this evidence, and the case for green buildings, from page 9



# ANATOMY OF A GREEN BUILDING

What sets a green building apart from its peers? Alas, there's no universal definition or single list of criteria – but there is a general consensus. At their core, green buildings are designed to be better for not only the planet, but people, too<sup>5</sup>.



“AS A SOCIETY, WE FACE A MASSIVE CHALLENGE IN DECARBONISING. FORTUNATELY, BUILDINGS AND PROPERTY ARE IN A UNIQUE POSITION - WE KNOW HOW TO DESIGN AND BUILD INCREDIBLE SUSTAINABLE BUILDINGS. WE ALSO HAVE THE TECHNOLOGY AND KNOW-HOW TO ENSURE WE USE THEM IN THE MOST SUSTAINABLE WAY THROUGHOUT THEIR 50+ YEAR LIFE.

WHILE OTHER SECTORS STRUGGLE TO TRANSFORM, WE CAN GET AHEAD. AND WHY WOULDN'T WE? WE KNOW BETTER BUILDINGS DELIVER NOT JUST FOR THE CLIMATE, BUT FOR PEOPLE AND BUSINESS TOO”.

Andrew Eagles, CEO, New Zealand Green Building Council

<sup>5</sup> To compile this list of characteristics, we looked to a range of local and international sources – including the New Zealand Green Building Council, sustainability consultancy thinkstep anz; international construction consultancy Dodge Construction Network; the Green Building Council of Australia (GBCA); and the Building Research Association of New Zealand. However, this is by no means an exhaustive list.



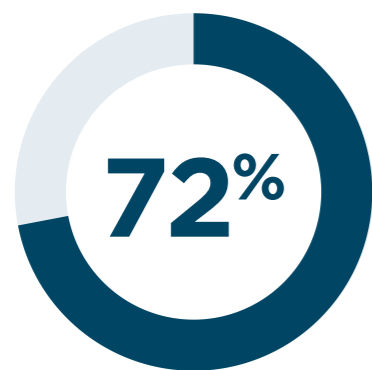
# THE RISE OF THE RATING

A building doesn't need a certification to be green. However, meeting the requirements of an independent rating system is one way to verify its performance – and it's a must for some tenants.

In 1990, the world's first green building rating system, BREEAM® was established. Since then, third-party rating systems have been created around the world to verify buildings that walk the (green) talk.

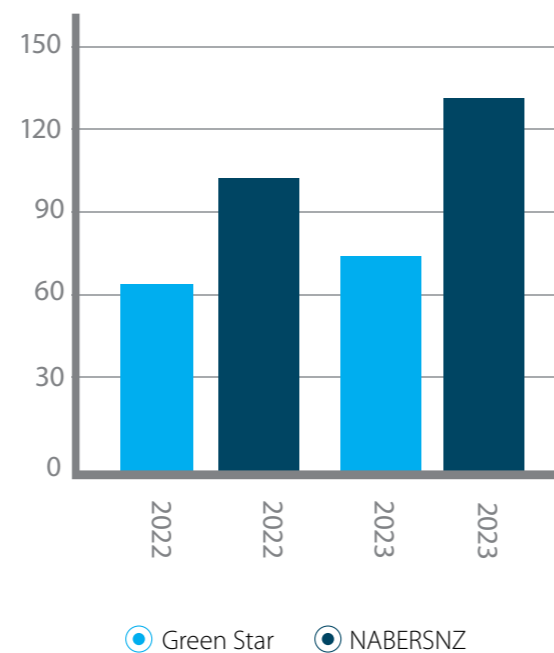
Here, we've outlined some of the most common rating systems in New Zealand. They might be voluntary, but that hasn't stopped them from being embraced by the building sector. In fact, their rising uptake is one indication the industry is starting to take a greener approach.

Certification isn't just a means to an end, either. Since it involves measuring and collecting data, and making improvements based on that data, it's an important process in itself – helping to improve a building's positive impact on wellbeing, community, and emissions reduction.



**OF GLOBAL INVESTORS BELIEVE GREEN CERTIFICATIONS DRIVE HIGHER OCCUPANCY, HIGHER RENTS, HIGHER TENANT RETENTION, AND OVERALL HIGHER VALUE FOR ASSETS<sup>7</sup>.**

## GREEN BUILDING CERTIFICATION REGISTRATIONS IN NEW ZEALAND



Source: New Zealand Green Building Council, November 2023.



### NABERSNZ

NABERSNZ measures and rates the energy use of commercial office buildings. Its parent, NABERS (National Australian Built Environment Rating System) launched in 1998 and is mandatory in Australia; as a result, 77% of the country's office space is now rated with a NABERS certificate<sup>8</sup>.

### CARBON ZERO

For building owners keen to go further, programmes like **Toitū net carbonzero** and **Net Zero™ Buildings** focus specifically on measuring, reducing, and (where necessary) offsetting greenhouse gas emissions.

### GREEN STAR

**Green Star** (new buildings) and **Green Star Performance** (existing buildings) are more holistic than NABERSNZ. They look beyond energy efficiency at a wide range of factors in different types of buildings, from warehouses to offices and beyond.

**“RATINGS SUCH AS GREEN STAR PROVIDE INDEPENDENT VERIFICATION, SO WHEN PROPERTY OWNERS AND DEVELOPERS CLAIM THEY’VE BUILT A WORLD-CLASS SUSTAINABLE BUILDING, THEY CAN BACK IT UP. EVERYONE IS WARY OF GREENWASHING; THESE STANDARDS HELP MITIGATE THOSE CLAIMS.”**

Andrew Eagles, CEO, New Zealand Green Building Council

# UNDERSTANDING

## THE DIFFERENT TYPES OF EMISSIONS

Our built environment is responsible for two main types of carbon emissions. Getting to grips with the difference between them is important, because they present different challenges – and require different solutions.

New Zealand has committed to domestic and international targets to reduce greenhouse gas emissions across our economy. May 2022 saw the introduction of the Government's first **Emissions Reduction Plan**. It sets out five focus areas for the building and construction sector, targeting both embodied and operational carbon emissions.

### MAKING THE BIGGEST IMPACT

As designers, architects, and sustainability consultants who've been designing green-rated buildings since 2000, **Warren and Mahoney** are clear on where the focus should be. Graeme Finlay, Principal Architect, explains:

"New Zealand's electricity network has a lower relative carbon footprint when compared internationally, because most of our energy is already renewable – which means our buildings, while using the same amount of energy, emit less operational carbon. While you can invest in energy efficiency and reduce your building's operational carbon over its lifespan, you only get one chance to reduce its embodied carbon – and the impact is immediate, responding to the urgent need to reduce our carbon and stop our climate tipping past a 1.5 degree rise in temperature."

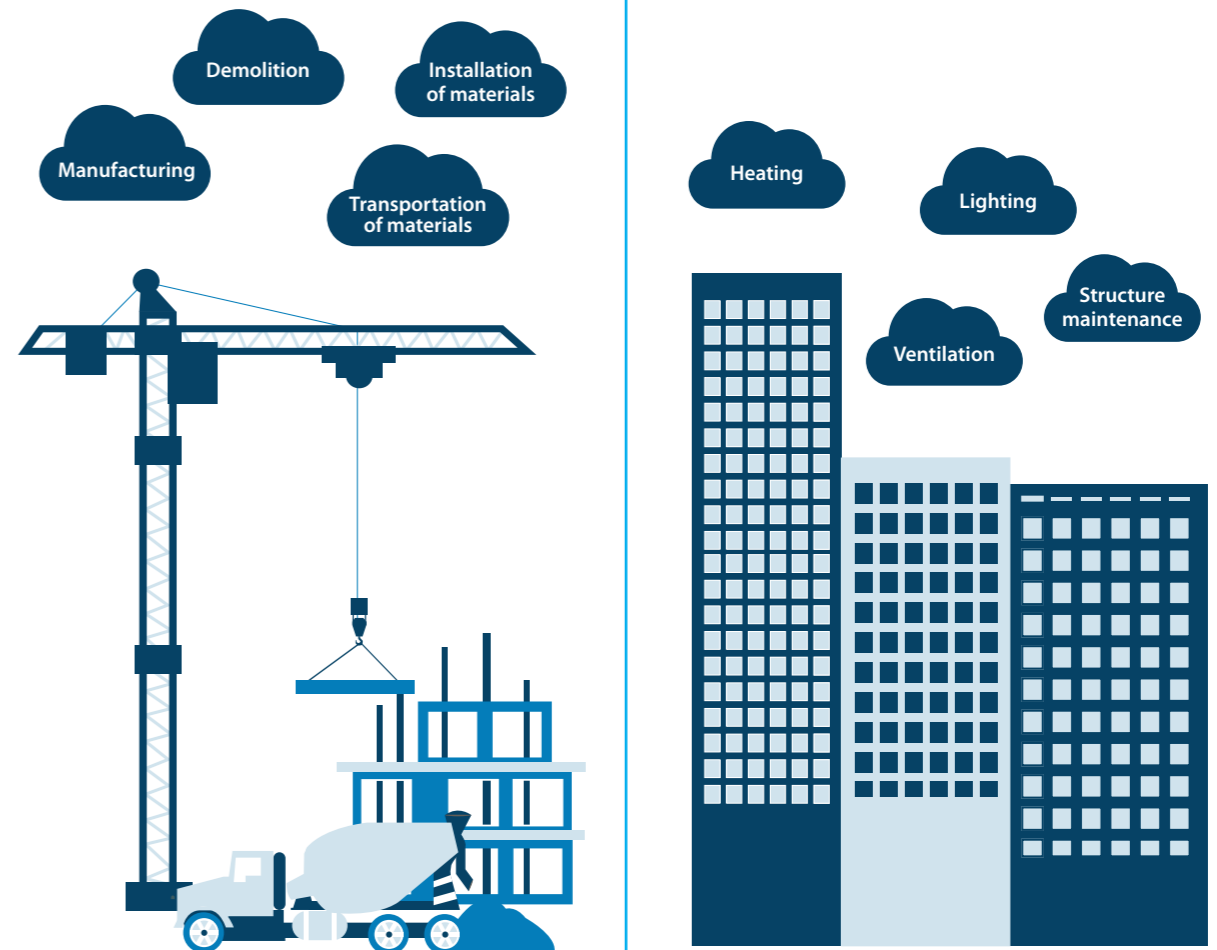
Emily Newmarch, Carbon Specialist, echoes that sentiment. "The huge majority of emissions are emitted from materials before the keys are even handed over. Warren and Mahoney has been certified carbon neutral since 2007, but this decade our focus has shifted away from our operations to the bigger impact we can have through the design of low carbon buildings, precisely because of their huge contribution to global emissions."

The call to action for developers is to rise to the challenge of reducing emissions in their projects. The first step is a carbon brief, which sets out project-specific emissions reduction targets, as well as reporting requirements to meet their needs – whether it be a Green Star rating, green finance, or ESG requirements. Says Graeme: "The process for reducing upfront embodied carbon emissions starts with being smarter about how we can achieve more for less."

To get there, Warren and Mahoney follow a data-informed process that looks beyond New Zealand. "Because we have access to the biggest high-quality global data set (including the largest New Zealand material data set), we can internationally benchmark the products used in our designs," explains Emily. The goal: to help clients make decisions about using efficient design systems and lower carbon materials – keeping embodied carbon emissions in check.

### TIP Measuring emissions

To understand more about emissions and how to measure them, read our Insights Paper '**Measuring Your Emissions**'.



## EMBODIED CARBON

Emissions associated with the production of materials and the maintenance, construction, and demolition processes throughout a building's life cycle.

## OPERATIONAL CARBON

Emissions both directly and indirectly attributable to the use of a building (for example, the likes of heating, ventilation, waste, and water).

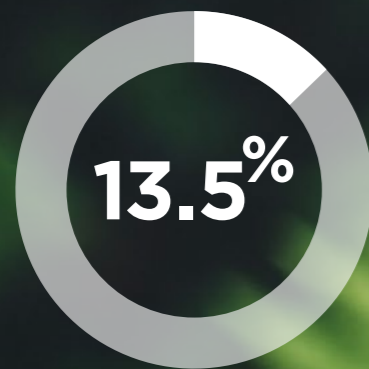
Source: MBIE

**"IN NEW ZEALAND, EMBODIED CARBON MIGHT ACCOUNT FOR AS MUCH AS 60% OF THE LIFETIME CARBON EMISSIONS OF A BUILDING - SO FOCUSING ON REDUCING EMBODIED CARBON IS A PRIORITY AND CAN HAVE A SIGNIFICANT IMPACT."**

Graeme Finlay, Principal Architect, Warren and Mahoney



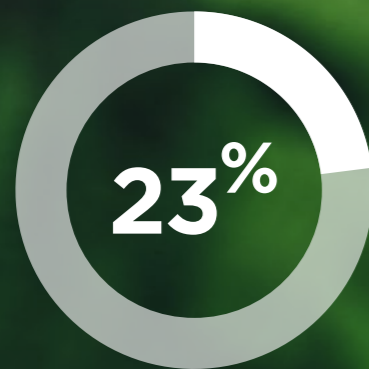
RESEARCH IN 2022 FOUND THAT COMPARED TO  
NON-RATED BUILDINGS, GREEN STAR-CERTIFIED BUILDINGS  
IN AUSTRALIA DELIVERED UP TO:



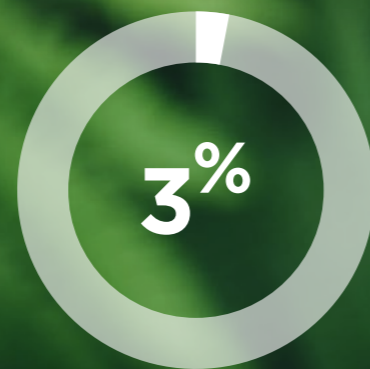
HIGHER TOTAL ANNUAL RETURN



HIGHER MARKET VALUE



LONGER LEASES



HIGHER OCCUPANCY RATE

## THE CASE FOR GREENING

Beyond their environmental impact, green buildings may provide some key benefits for those who own, occupy, and invest in them, and the companies who build them.

### OPERATING COSTS

The more energy efficient a building is, the cheaper it can be to run – which is one reason why green buildings may have lower operating costs across their lifetime. Explains New Zealand Green Building Council (NZGBC) chief executive Andrew Eagles: “Green buildings use less water and electricity, driving down running costs which is a huge win. Often what’s good for the environment is great for our people and our businesses.”

In Australia, a **NABERS survey** of over 3500 offices showed a dramatic decrease in energy use between 2011 and 2023 – saving an estimated **\$400 million in energy bills** since 2010, and **\$1.7b since the scheme was introduced** in 1998.

### WHEN OPPORTUNITY KNOCKS

A new tenancy prompted Rob Braun to make green changes to his Auckland investment property. Rob’s company, Automotive Investments Ltd, owns a building in Mount Wellington, and recently gave it a minor makeover to get it ready for new occupants.

“The building needed some maintenance, so when I engaged the new tenant, we made some obligations to spruce the place up.”

Rob set out on a (small-scale) green odyssey – turning his attention to the walls, windows, heating, lighting, and air-conditioning. “We weren’t going to gain any environmental benefits from painting, so we decided to spend more money and invest in making the building not only nicer for our tenants, but more energy efficient, too.”

The biggest decision was to clad the building in recyclable aluminium. “The aluminium reflects heat from the building’s inner walls, which should mean our tenants save on air conditioning and heating.” With a 20-year warranty, it’s also reduced the need for maintenance. “Usually we’d be repainting the building every 7-8 years, which produces waste and inefficiencies. Rather than painting it three times over 20 years, we’ve only had to (clad it) once.”

An **ANZ Business Green Loan**<sup>9</sup> gave Rob the opportunity to make the changes. “I’d been talking to my ANZ relationship manager about making improvements; she suggested the ANZ Business Green Loan. The rate was really attractive – it made the extra cost a lot more digestible.”

Rob used the funds to provide his tenant with energy-saving options by changing to LED lights (an “easy win”), upgrading to heat pumps, insulating the walls, and double glazing the windows. He also invested in an air reticulation system, so there’s less need for air conditioning. The combined effect of the changes is a building that uses energy more efficiently, costs less to heat and cool, and is more comfortable for its occupants.

Rob’s advice: look beyond the immediate cost and get the full story. “Do some research when you’ve got maintenance coming up. There are green options which initially might seem more expensive – but over the long run, they can actually save you money.”

<sup>9</sup> Eligibility and lending criteria, terms, and fees apply to ANZ Business Green Loan – see the **ANZ Business Green Loan** section on our website for more information.



## ASSET VALUE

Internationally, evidence suggests buildings with sustainability credentials may be able to command higher sales prices. Research by Dodge Construction Network, a U.S.-based global analytics consultancy, found that building owners and investors saw an average of 9% growth in building asset value when renovating to green standards<sup>10</sup>.

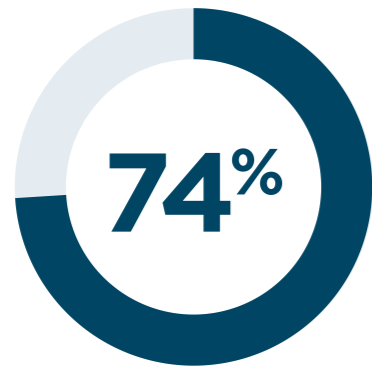
## COMPETITIVE ADVANTAGE

Tenants are increasingly looking for workspaces that reflect their commitment to sustainability and have a positive impact on wellbeing – which is one reason why going green can mean a competitive advantage. In New Zealand, the country's largest tenant has played a key role in driving demand – the Government now **mandates a minimum 4-star NABERSNZ rating** for the properties it occupies.

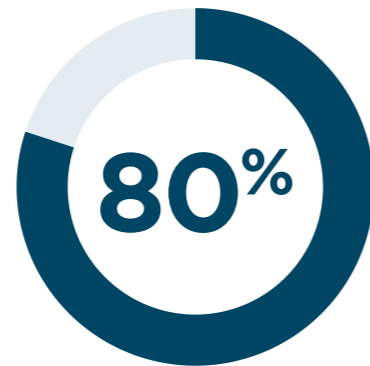
“Green commercial buildings are largely being driven by tenants who seek high quality and low impact space,” explains Ben Masters, Principal – Sustainable Buildings at professional services and engineering consultancy **Beca**. “Developers and owners are looking at what an occupant wants to achieve in their development and lease agreements, and building – or adjusting their building – to suit.”

He adds: “Tenants are in the driver’s seat.”

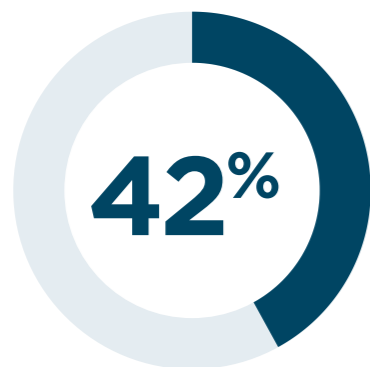
For building owners, considering the values and comfort of their occupants, and anticipating what they’ll look for in future, is becoming paramount. Automotive Investments’ Rob Braun agrees. “With a lot of our changes, we’re thinking about future tenancies as well.”



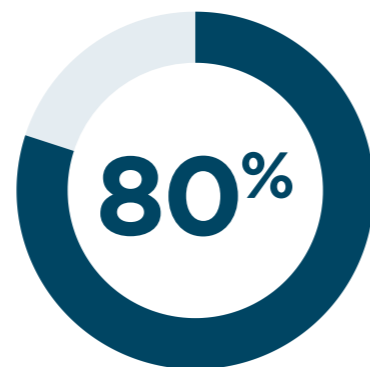
OF GLOBAL COMMERCIAL REAL ESTATE LEADERS WOULD PAY A PREMIUM TO LEASE A GREEN BUILDING<sup>11</sup>.



OF GLOBAL INDUSTRY PROFESSIONALS RANK 'OCCUPANT HEALTH AND WELLBEING' AS THE MOST IMPORTANT REASON TO BUILD GREEN<sup>12</sup>.



OF OCCUPIERS BELIEVE THAT THEIR EMPLOYEES WILL INCREASINGLY DEMAND GREEN AND HEALTHY SPACES<sup>13</sup>.



OF INVESTORS SAY THEY CONSIDER CLIMATE RISK AND RESILIENCE WHEN ACQUIRING NEW REAL ESTATE<sup>14</sup>.

<sup>10</sup> Dodge Construction, 2021: World Green Building Trends (p5)

<sup>11</sup> JLL, 2022: Top 10 Global CRE Trends 2023 (p10)

<sup>12</sup> Dodge Construction, 2021 (p12)

<sup>13</sup> JLL, 2022: Return on Sustainability (p6)

<sup>14</sup> JLL, 2021, Decarbonizing the Built Environment Ambitions (p21)



“PLACES THAT HAVE GREAT AIR QUALITY, ARE ACOUSTICALLY COMFORTABLE, HAVE FANTASTIC NATURAL LIGHT, ARE WELL HEATED AND VENTILATED, AND SUPPORT PEOPLE TO LIVE ACTIVE, HEALTHY LIVES CAN MAKE A REAL DIFFERENCE TO PEOPLE’S PHYSICAL AND MENTAL WELLBEING.”

Andrew Eagles, CEO, New Zealand Green Building Council



## STAYING ON THE BALL

Through its role as regulator, procurer, and tenant, the New Zealand Government is a major driver behind the greening of our built environment. For example:

- The **Carbon Neutral Government Programme** requires mandated agencies to have a NABERSNZ rating for their office space, and an appropriate Green Star rating for new buildings over \$9 million.
- The **Building for Climate Change programme** (BfCC) and **National Adaptation Plan** are both looking at updates to the Building Code. Amendments will support the decarbonisation of buildings, as well as ensure buildings are better equipped to weather the impact of climate change.
- The Government's **procurement** rules require agencies to support low-emissions and low-waste goods, services, and works.

Proactively reducing your building's reliance on fossil fuels and improving energy efficiency could help make it easier to manage regulatory changes that may lie ahead. Says Kelly Bunyan, Head of Property of New Zealand/Pacific at ANZ: "Whilst New Zealand is lacking a specific green property legislative framework now, it's reasonable to assume it could be on the horizon and give teeth to current voluntary green building standards, as well as central and local government guidelines."

Beca's Ben Masters agrees: "The market is changing. If you install a new gas boiler, there's a risk that in a few years' time you'll be replacing it with an energy efficient heat pump. So why not invest in energy efficiency now?"

## INSURABILITY

Owners of green buildings might enjoy lower insurance premiums or be able to take advantage of new types of insurance. For example, **Gallagher Bassett** predicts plans could offer premium discounts for using clean energy; and the U.S.-based **Insurance Information Institute** says green insurance policies may allow for rebuilding to green standards or cover eco-friendly replacements for building systems and materials.

## A ROOF TO FUTUREPROOF

Nathan and Andrea Reeve know a little something about resilience – their 7,500sqm Paeroa property was built pre-World War II, and is still going strong. It's one of four commercial properties owned by the pair's company, Life of Reilly Ltd, and houses a broad variety of tenants – from pet food to posties.

Since early 2023, the sizeable building has harnessed the sun's power to power its operations, and much more. Nathan explains:

"We wanted to increase our energy efficiency and reduce our reliance on the grid, so we approached ANZ for finance to install solar panels across the north roof. Normally, energy gets lost as it travels through high tension wires; with solar panels, you consume energy at the point of generation, so you don't lose as much. It's one way we can improve the resilience of a property that's been around far longer than we have."

The excess energy generated by the solar panels is sold back to the grid.

"The panels generate revenue every month – it's pretty much set and forget," Nathan says. "We really liked the notion that we could do something relatively simple that's better for the environment, better for our tenants, and has a financial benefit for us and the community as well."



## WELLBEING AND PRODUCTIVITY

Can buildings make us feel (and work) better? It's hard to quantify, but research has found positive links between green building features – such as better ventilation control, temperature control, and daylighting – and improved health, wellbeing, and productivity.

In its report **Doing Right by Planet and People**, the World Green Building Council surveyed 11 key projects, which reported a range of positive results – from 44% reduction in sick days, to 27% reduction in staff turnover. The **UK Green Building Council** says better air quality could lead to productivity improvements of 8-11%.

Overall, we know that green spaces are becoming important to people's sense of wellbeing. In a global **JLL survey** in 2022, 42% of occupiers believed their employees will increasingly demand green and healthy spaces.

## "IT'S A MUCH NICER ENVIRONMENT TO WORK IN."

For Donald Horton, General Manager of Provincial Coldstores Ltd, improving the environmental sustainability of their site has had some unexpected benefits. The Blenheim business, which provides blast freezing, frozen, chilled, warm, and ambient storage facilities to New Zealand's export sector, recently undertook a major upgrade of its premises that saw the replacement of its refrigeration system. "When we started in 1990, we were using Freon. It was supposed to be one of the better refrigerants, but over the years things have changed and the industry has realised it's terrible for the environment – the emissions are massive."

With Freon being phased out around the world, and costs skyrocketing as a result ("A jug used to be \$150 – now it's \$9,000"), the opportunity was there to make a change and improve the business' environmental impact in the process. Donald's refrigeration experts suggested a less harmful alternative that will be familiar to most households: ammonia. "Obviously not a new invention, but it's much better for the environment. In a way, we're looking back to go forward."

Donald approached ANZ to help finance the project, and his relationship manager suggested the **ANZ Business Green Loan**<sup>15</sup>. "ANZ could see the environmental benefits and they were keen to help us." Fellow southerners Active Refrigeration came on board for the installation and helped provide data for the loan application.

The change brought dramatic results. "Not only are our operations better for the environment, but we're using less electricity as well. Some months we're saving 40-50,000 units compared to the same time the previous year".

Donald credits the efficiency of ammonia and better-quality equipment to the improvement. Evaporator fans are all EC fans with built-in speed drives, so if there's no demand in the room, they'll slow down. Switching to commercial-sized compressors means one compressor can run multiple rooms – resulting in fewer oil changes and less maintenance.

The switch has brought some pleasant surprises, too – most noticeably for Donald's staff. "It was a really noisy environment for them because we had all these compressors upstairs vibrating away. Now the compressors are in a separate room – you can hardly hear the fans running. It's a much nicer environment to work in."



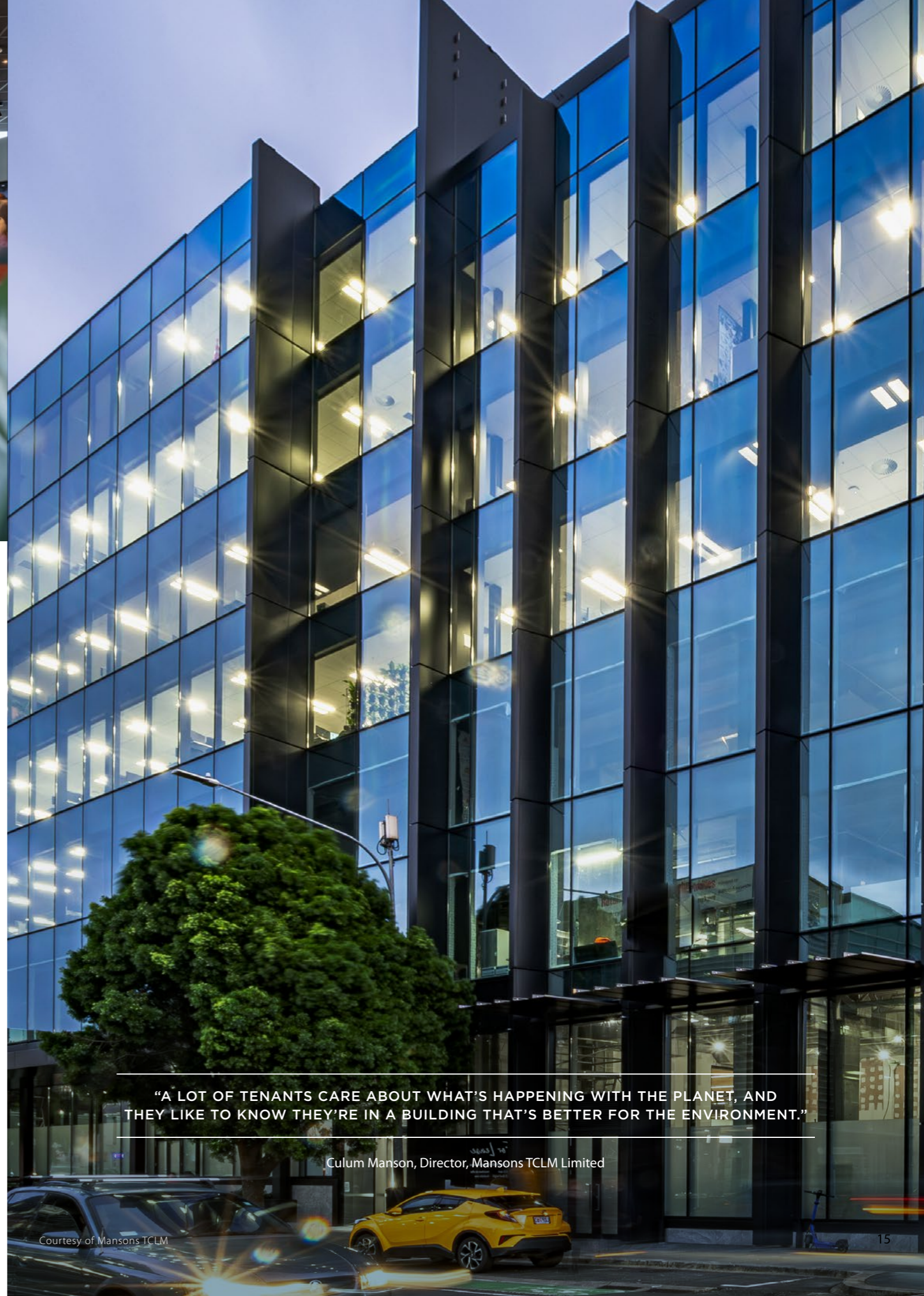
**"IF YOU'RE DEVELOPING A NEW BUILDING WITHOUT A CREDIBLE MEANS OF DEMONSTRATING SUSTAINABILITY PERFORMANCE, YOU'RE FAST BECOMING THE ODD ONE OUT – AND THAT'S RISKY IF YOU WANT TO MEET THE MARKET."**

Ben Masters, Principal – Sustainable Buildings, Beca

**"WE'VE DECIDED TO DO THIS WELL BEFORE THE TIME WE NEEDED TO, BECAUSE WE KNOW CHANGE IS COMING. WE WANTED TO GET IT DONE AS SOON AS POSSIBLE AND START MAKING A DIFFERENCE."**

Donald Horton, General Manager, Provincial Coldstores Ltd.





Courtesy of Mansons TCLM

Courtesy of Mansons TCLM

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**“TENANTS LOVE IT”**

40-plus years of executing building projects, and Culum Manson says standards for green buildings are higher than they’ve ever been. Yet the director of **Mansons TCLM**, one of New Zealand’s leading green construction firms, is embracing the challenge. Since 2008, every building Mansons has developed has achieved a 4, 5, or 6 Green Star rating; right now, they exclusively build to a 6-Green Star certification – the highest available at time of writing.

That’s no easy feat. Culum is clear that green buildings cost his business more – as much as 10-15% more (though he’s careful to point out this cost isn’t passed onto his clients). “The higher you get in the ratings system, the more criteria you have to meet, and the more thorough you need to be with your specification and delivery. From solar panels and energy-efficient glazing through to recycled materials and choice of product, it takes a lot more administrative effort to make sure you’re doing it right.”

What, then, makes the numbers stack up? That’s easy, says Culum. “The tenants love it.”

He explains: “Companies are looking to provide an office environment that’s conducive to good health and meets the concerns of staff about the planet.

It’s all about creating a place that a tenant wants to be in.”

Culum and his company have also committed to a Platinum Wellness Certification, and a 120% carbon offset for the lifetime of their buildings. For every square metre of office space, they plant a native tree. “That’s us delivering the best product we can to our customer. No one’s asking us to do it. But everyone loves it”.

To manage costs, Culum says it’s critical to think ‘green’ from the get-go. “If you can build it into the drawings before you start, you can lock in many of the benefits. It’s far more efficient and a lot less expensive, too.”

Should building owners and developers bother going green if the highest specifications and ratings are out of reach? Absolutely yes, says Culum. “Green standards are a fantastic lifter of a product’s quality. But even if you’re doing your best and you can’t quite get there, you’ve still made the building better. That’s a good thing.”

**“A LOT OF TENANTS CARE ABOUT WHAT’S HAPPENING WITH THE PLANET, AND THEY LIKE TO KNOW THEY’RE IN A BUILDING THAT’S BETTER FOR THE ENVIRONMENT.”**

Culum Manson, Director, Mansons TCLM Limited





# ANZ NEW ZEALAND'S

## APPROACH TO SUSTAINABILITY IN ITS PROPERTY PORTFOLIO

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As one of New Zealand's largest employers, ANZ is working to understand the impact of its own built environment.

Kelly Bunyan, ANZ's Head of Property New Zealand/Pacific, has seen the green conversation flourish during her time as a property lawyer and in industry-related roles. "It's heartening to see awareness growing across the property and construction sectors about the critical role these industries play in reducing carbon emissions," she says. "The increased focus may, in part, be brought about by a deeper understanding that the benefits extend beyond the balance sheet, helping dispel the myth that investment to go green outweighs any potential gain".

"While the momentum is positive," Kelly says, "in the absence of a hard-wired legislative framework in New Zealand, greening of property will continue to rely on volunteers. Without regulatory requirements, and because the savings are not immediate and span the term of a lease or building lifecycle, green initiatives remain vulnerable to being descope from a project if there is capital or programme overrun".

Although there are challenges, Kelly believes landlords, tenants, and developers are giving deeper thought to their particular shade of green. "While there is often ambiguity around what a 'green building' is, it's clear the property and construction industries have a part to play in enabling more sustainable built environments. Whether you're a large, medium, or small enterprise, landlord or tenant, sustainable choices add up and can help move New Zealand toward a greener future".

The likes of financial, regulatory, or market considerations may help amplify the conversation around greening built environments, but a strong internal drive to do better cannot be overlooked.

Says Kelly: "I'm an eternal optimist and would like to believe that the case for green buildings and operations will accelerate on its own, fuelled by the consideration of generations to come.

Building for the future can be more expensive – but the cost will likely be greater if we do not."

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"WHETHER YOU'RE A LARGE, MEDIUM, OR SMALL ENTERPRISE, LANDLORD OR TENANT, SUSTAINABLE CHOICES ADD UP AND CAN HELP MOVE NEW ZEALAND TOWARD A GREENER FUTURE".

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Kelly Bunyan, Head of Property of New Zealand/Pacific, ANZ







With corporate offices, retail branches and hubs, and infrastructure like ATMs and data centres, ANZ's property portfolio spans the length and breadth of New Zealand.

"With a large and diverse property portfolio like ANZ's, unfortunately there is no 'big bang' to immediately achieve a greener built environment," says Kelly. "With varying tenure and operational commitments across our existing asset base, it's important to take a pragmatic approach to portfolio planning, particularly as business needs continue to take shape."

"Positioning portfolios well for the future while identifying current opportunities can help move the dial. For example, during 2023 we divested and leased back ANZ's Auckland data centres, creating a pathway to new Toitū net carbon zero-certified datacentres in the future. Our South Auckland HQ, Raranga, achieved a NABERSNZ uplift from 5 to 5.5, too."

In Kelly's view, greener built environments can also be linked to broader business strategies. She explains: "We have started to align some aspects of our property strategy to Tākiri-ā-Rangi, ANZ's Te Ao Māori Strategy, which references ANZ's symbolic whare, Tākiri-ā-Nuku. This means we consider our future property through an intergenerational lens with our people, customers, and communities in mind – this approach goes to the heart of 'the bank we are building.'"

An iconic project capturing some of these aspects was delivered during 2023, with ANZ opening its first Aotearoa-centric branch in Gisborne/Tūranganui-a-Kiwa, an adaptive reuse<sup>16</sup> project incorporating seismic strengthening works in a building with a long local heritage – most notably as horse stables.

Says Kelly: "The new Tūranganui-a-Kiwa | Gisborne branch is a great representation of how 'property' can breathe life into Tākiri-ā-Rangi in a history-rich built environment, forming a deeper connection with our staff and the community".

Greening built environments may be gradual for businesses, big or small, but Kelly thinks incremental changes build momentum while bigger opportunities start to evolve. "Kickstarting the journey can be daunting if you are only assessing a portfolio against green building certifications. Of course, achieving these would likely be the ideal state, but targeting current building improvements and operational efficiencies is just as important. The 'now' conversations prompt a challenge to innovate and help move forward to a more sustainable future."



"BUILDING FOR THE FUTURE CAN BE MORE EXPENSIVE – BUT THE COST WILL LIKELY BE GREATER IF WE DO NOT."

Kelly Bunyan, Head of Property of New Zealand/Pacific, ANZ





# GREEN FINANCE

As an enabler of sustainable initiatives, green finance plays a key role in the transformation to a low emissions world.

## GREEN LOANS AND GREEN BONDS

Green loans are a form of financing that enables borrowers to use the loan to fund eligible projects that support environmentally sustainable activity.

Green loans need to align with the **Green Loan Principles**, an internationally recognised framework. Eligible projects under the Green Loan Principles include green buildings that meet regional, national, or internationally recognised standards or certifications for environmental performance.

Green bonds are used by larger borrowers to raise money from the debt capital market to invest in sustainable projects. The first green bond in the New Zealand market was issued in 2017.

Green bonds also align to international frameworks, the **Green Bond Principles** and/or the **Climate Bonds Standard**. In the context of the property sector, a number of property companies listed on the New Zealand share market have utilised the green loan and bond markets.

## ANZ BUSINESS GREEN LOAN

Launched in September 2022, **ANZ's Business Green Loan**<sup>17</sup> aims to reduce the cost barrier for small to medium businesses needing capital to reduce emissions and improve environmental sustainability. To qualify, customers must show the assets or the projects they aim to fund will deliver clear environmental benefits.

Eligible customers may borrow up to \$3 million at a special floating interest rate, for eligible initiatives including renewable energy, energy efficiency, and building, renovating, or purchasing an independently certified green building.

The ANZ Business Green Loan has been independently reviewed for alignment with the Asia Pacific Loan Market Association Green Loan Principles<sup>18</sup>. Importantly, if customers don't meet the sustainability terms, the pricing benefit may be removed.

“INCREASINGLY, INVESTORS AND STAKEHOLDERS ARE DEMANDING SUSTAINABLE REPORTING. GREEN BUILDING CERTIFICATIONS PROVIDE A TRUSTED REPORTING MECHANISM AND ARE INCREASINGLY BEING USED AS A PILLAR OF GREEN FINANCE REQUIREMENTS.”

Andrew Eagles, CEO, New Zealand Green Building Council

<sup>17</sup> Eligibility and lending criteria, terms, and fees apply to ANZ Business Green Loan – see the ANZ Business Green Loan section on our [website](#) for more information.

<sup>18</sup> ANZ's Business Green Loan is linked to the Green Loan Principles. EY provided limited assurance of this product framework against the requirements of the Loan Market Association's Green Loan Principles (February 2023).



# GETTING STARTED

Both new and existing buildings have pathways to green. Wherever you're at, and whatever your aspirations, here are five ways you could get the ball rolling.

## 1: AIM TO POLISH, NOT DEMOLISH

Consider the possibility of a retrofit before calling in the demolition crew. According to the **American Institute of Architects**, 50-75% of embodied carbon emissions of a building can be saved by making changes rather than constructing new.

Says Beca's Ben Masters: "Knocking your building down and starting from scratch should be an absolute last resort, because it causes a huge amount of waste and embodied carbon emissions – and will generally cost more than a well-considered refurbishment. Every building is unique, and retrofitting can be challenging, but a sustainable retrofit is a win-win if it means securing an 'anchor' tenant who wants to stay long-term because they love the building. We're seeing many tenants now consider the better 'optics' that a revitalised existing building represents – aligning with their own ESG objectives."

## 2: OPTIMISE YOUR BUILDING MANAGEMENT SYSTEM (BMS)

For Kelly Bunyan, ANZ's Head of Property New Zealand/Pacific, data is king. "Technology is centre stage, and a good data set is critical to charting a new course." An intelligent BMS will help measure the likes of energy, gas, and water use, but it's key to ensure these systems are performing at their best and go back-to-back with monitoring end-to-end usability and occupancy. Consider installing a submetering system to help you see exactly how much energy you're using and where the demand is coming from.

## 3: TARGET EASY WINS

You don't need to wait until you can go all-in on a major refurbishment to start making a difference. To Donald Horton, General Manager of Provincial Coldstores Ltd, climbing a mountain begins with small steps. "Start with what's easiest to complete and move forward from there."

Beca's Ben Masters highlights air conditioning, heating, and ventilation, as well as a building's thermal envelope performance, as areas to focus on. "Adjustments to an air-conditioning system can provide modest savings and a quick return on investment; whereas going electric and replacing your gas boiler with an electric heat pump will generally deliver the biggest carbon reductions." The key, he says, is to "first understand the target you are trying to achieve and what the options are to get these outcomes."

An example of Beca's work on sustainable retrofits includes the recent upgrade of a Wellington office building to a 5-Green Star rating, which resulted in a nearly 70% reduction in operational carbon – in large part due to replacing the gas boiler with energy-efficient heating plant. Ask an expert to assess your HVAC plant – HVAC systems are one of the biggest contributors to the embodied carbon of services in office buildings<sup>19</sup>.

"THE GREENEST BUILDING IS...ONE THAT IS ALREADY BUILT."

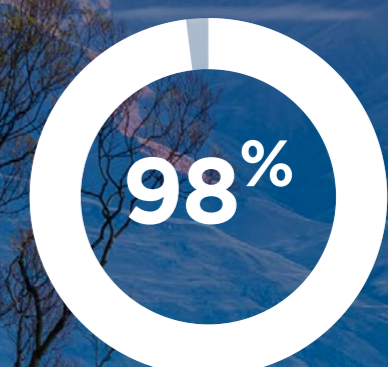
Former American Institute of Architects president Carl Elefante, 'The Greenest Building Is... One That Is Already Built', Forum Journal (2012)

"DO SOME RESEARCH WHEN YOU'VE GOT MAINTENANCE COMING UP. THERE ARE GREEN OPTIONS WHICH INITIALLY MIGHT SEEM MORE EXPENSIVE – BUT OVER THE LONG RUN, THEY CAN ACTUALLY SAVE YOU MONEY."

Rob Braun, owner, Automotive Investments Ltd.



AVERAGE REDUCTION IN FIVE-YEAR OPERATING COSTS FOR GREEN RENOVATIONS AND RETROFITS<sup>20</sup>.



OF GLOBAL OWNERS/INVESTORS WHO HAVE CONDUCTED A GREEN RENOVATION OR RETROFIT EXPECT IT TO INCREASE THE VALUE OF THEIR BUILDING<sup>21</sup>.



OF OCCUPIERS IN NEW ZEALAND INTEND TO UPGRADE OR RETROFIT THEIR OFFICE TO IMPROVE THEIR ENVIRONMENTAL IMPACT WITHIN THE NEXT 12 MONTHS<sup>22</sup>.

<sup>20</sup> Dodge Construction, 2021: World Green Building Trends (p28)

<sup>21</sup> Dodge Construction, 2021 (p29)

<sup>22</sup> JLL, 2023: Office Sentiment Survey (NZ) (p28)





#### 4: CONSIDER GETTING CERTIFIED

Green building ratings are voluntary in New Zealand, but can bring a host of benefits. In a global survey of 1,207 industry professionals, those using a rating said it delivered better-performing buildings, independent verification of a building's 'green' status, and a competitive advantage compared to non-certified buildings<sup>23</sup>.

If you'd like to pursue a rating:

- Spend some time on the **Green Star** and **NABERSNZ** websites to understand what might make sense for your building.
- Engage an assessor – such as a **Green Star Accredited Professional (GSAP)** or **NABERSNZ assessor** – as early as possible to work with you on your submission.

#### 5: BRING YOUR TENANTS ON BOARD

Talking to your tenants (or your landlord, if you're a tenant yourself) is wise if you're setting out to improve the efficiency of your building. That's been an important part of the process for Automotive Investments' Rob Braun: "Some of these changes can be inconvenient in the short term, but it's a lot easier when you have a tenant who understands what you're doing, wants to help, and can see the benefit."

A 'green lease' can be a way for both parties to work together on mutually agreed targets like reducing waste. Kelly Bunyan, ANZ Head of Property of New Zealand/Pacific, explains: "When entering into agreements or leases, parties might consider including terms that enable the ongoing optimisation of the building, and a partnership approach to addressing obligations that may arise due to regulatory change." **International research by JLL** found that globally, most corporates are already including, or planning to include, ways to drive sustainability priorities in lease agreements.

#### ADDITIONAL RESOURCES

While we'd like to cover all the dimensions of green buildings (pun intended), it's simply not possible within one paper. Here are some resources you can explore to learn more.

##### **Decarbonising buildings**

New Zealand's Energy Efficiency & Conservation Authority (EECA) has designed a five-step **decarbonisation pathway** with tools and resources to help the commercial building sector lower their emissions. Access is free.

##### **Design & construction**

The website of the Building Research Association of New Zealand (BRANZ) has a wealth of resources, research, and tools on building sustainably in New Zealand. These sections are a useful starting point:

- **Environment & zero carbon research**
- **Climate change tools and resources**

##### **Green buildings**

The **NZGBC** website is where you can learn more about some of the most common building ratings available in New Zealand. It's also a treasure trove of information about green buildings generally.



# LAST WORDS

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If there's one message to take away from this paper, it's that the journey to green is just that: a journey. There are challenges along the way, but real opportunities, too – regardless of whether you're a building owner, occupier, investor, or developer.

The task ahead can be daunting, so getting the right advice and the right people involved early on will make the journey much easier. When you're ready to talk about the next step towards greening your commercial property, we're here to help.

Contact your Relationship Manager or contact us here



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## IMPORTANT INFORMATION

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