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# When Green Isn't What It Seems

Help your clients steer clear of sellers' 'greenwashing' tactics on commercial buildings

As people become more environmentally conscious and make buying choices based on products' environmental benefits, more companies are trying to capitalize on the green movement. One method some companies are using when promoting their products or services is "greenwashing."

Greenwashing occurs when a company attempts to mislead consumers about its environmental practices or about its products' or services' environmental benefits. This can apply to commercial buildings, as well; although greenwashing generally refers to green products, building-owners or developers also can be guilty of this practice.

Therefore, commercial mortgage brokers must know how to protect themselves and their clients — especially when clients are seeking to purchase a building certified by the U.S. Green Building Council's (USGBC's) Leadership in Energy and Environmental Design (LEED) program.

To be confident that a building meets LEED standards, brokers must know how and when it attained the certification, as well as whether it maintains its energy efficiency. With this understanding, brokers can help their clients be confident about the building's sales price.

## Caveat emptor

Greenwashing essentially takes advantage of the growing surge of environmental awareness. Consumers are deluged with terms that are new, vague or at worst, meaningless. It is up to them to know the difference.

Phrases such as "chemical-free," "nontoxic," "LEED-certified," "all natural," "green," "environmentally friendly," "ENERGY STAR" and "ecoconscious" appear



Illustration: Dennis Wunsch

regularly. But how can we be sure that we know which ones are meaningless and which follow strict regulations?

Until everyone's knowledge base can catch up with the rapid changes in the market, we all remain vulnerable to greenwashing. As real estate experts, mortgage brokers must educate themselves about what really constitutes green.

An example of consumer vulnerability was brought to light in a 2007 study of big-box stores. The study ([sctsm.in/terra2007](http://sctsm.in/terra2007)) by TerraChoice Environmental Marketing Inc. identified 1,018 consumer products that had 1,753 environmental claims. All but one of these products had claims that were demonstrably false or that risked misleading consumers, according to the study.

This disinformation has consequences. First, as the dishonesty surfaces, consumers risk developing cynicism for all things green — even legitimate claims. Ultimately, this is bad for the environment, and it slows our progress toward true sustainability.

Additionally, greenwashing is bad for consumers who are lured into spending more with the belief that they are supporting the green movement. Actually, they are supporting a nonreputable company.

Businesses also suffer as pressure from illegitimate environmental claims takes its toll on the market share of the environmentally friendly businesses and products.

## LEED leads the way

In an attempt to standardize the description of green buildings, the USGBC developed the LEED green-building certification system. The program's standards assign points for certain levels of achievement in: sustainable sites, water efficiency, energy and atmosphere, materials and resources, indoor environmental quality, and regional priority.

LEED standards are continuously evolving, and the program has gone through three revisions since it began in 1998 — the latest this past June. The most recent revision places more emphasis on energy performance, an important evolution. Many buildings that were certified prior to the latest revision do not save as much energy as expected, and earlier versions did not have a requirement for energy performance, only energy design. This point has drawn attention and criticism directed toward those who achieved a LEED

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certification without making a genuine effort to reduce their energy needs.

Without the USGBC's increased focus on energy consumption, LEED could have gone the way of other greenwashing terms. It is likely that future changes in LEED certification will become even stricter and more energy-focused.

The LEED new-construction rating system, for example, recognizes buildings' environmental, economic and occupant-oriented performance and health advantages. LEED-certified projects have been found to:

- **Cost less** to operate and maintain;
- **Be energy-** and water-efficient;
- **Have greater lease-up** rates than conventional buildings in their markets; and
- **Contribute** to overall occupant health and productivity.

All these factors contribute to larger property values as compared to non-LEED-certified counterparts. When presented with a deal for LEED-certified buildings, mortgage brokers should be comfortable with the differences in value — even to the degree of challenging an appraisal if the appraiser is uninformed about LEED certification.

To be confident about a building's sales price, brokers also must know how a building their client is planning to purchase attained its LEED certification. Regardless of the LEED version used, brokers must understand a few critical items.

For example, will energy goals translate into reduced operating costs? Does the building reuse stormwater or graywater, a practice that could decrease the water bills? Does the building offer a place to shower and change if tenants' employees ride bikes to work? Does the building meet strict air-quality standards?

To answer these questions, examine a copy of the building's LEED worksheet, which outlines the LEED points attained and how they were achieved. You can verify a building's LEED status and justify the resulting sales price. All existing LEED buildings should be monitoring their energy usage, and brokers should be proactive in asking for verification.

### Get in the know

Some property-owners and developers will try to explain that their building is “as

good as LEED” and that it incorporates green-building techniques without being certified. This could be true. But without the certification and third-party verification that comes with LEED status, you must tread carefully with these claims.

Although they do not have a mandated fiduciary duty, most commercial mortgage brokers believe that they have some level of responsibility to act in their clients' best interests.

Does that include becoming educated about the benefits of LEED? Likely. Does it mean that brokers should know when a building is truly green and therefore worth a higher price? Probably.

Does it mean that brokers should be ready to recognize greenwashing? Without a doubt.

With this knowledge, you not only can gain clients' trust but also can ensure that environmentally friendly claims are what they appear. ●