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Developers Face Green Building Certification

By Lena Smirnova

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Real estate consultants predict healthy growth in the number of Russian properties that earn internationally recognized green-building certificates, but the challenges that developers face to get this status leave many hesitant to take the plunge.

The steps to bring green-building standards, such as BREEAM or LEED, to Russia are not different from the ones used years ago in the U.S., said Allan Skodovski, chairman of the board of directors at the U.S. Green Building Council, at the PROEstate real estate investment forum. All it takes is a couple of leaders who start using green-building standards and others will follow.

But Yelena Chuklina, director of Tyumen-based management company Nobel, doubted that implementing ecological standards on the Russian market would be this simple.

Market players in Moscow and St. Petersburg may have some level of eco-consciousness, but

in the regions properties tend to be evaluated solely based on price, and buyers are not ready to pay the extra costs of eco-friendly construction — ultimately, the cheapest project plan wins, she said.

"Russians look at energy-efficient technology with irony because we want everything here, now and right away. That's the time we live in," Chuklina said. "I think it's my fate to live in a time when these standards are just forming. I've come to terms with this and told myself to be patient."

Viktor Lychits, manager at O1 Properties, said his company has applied international green-building standards to three of its properties.

Some of the conditions the developer had to meet to get BREEAM certificates, such as setting up separate recycling containers and waste collection mechanisms, were difficult. Others, like finding alternative energy sources, were almost impossible.

"Russia has no shortage of oil and gas resources, so nobody is really looking for alternative energy sources," Lychits said.

However, he also noted a positive trend that increasing numbers of office renters — up to 40 percent on the Moscow market — ask to see green certificates when looking at properties.

Moscow and St. Petersburg developers said they were starting to feel the market demand for such certification, yet were not convinced they always needed to put in the additional effort the certification process requires.

The St. Petersburg-based firm Scavery now puts a strong emphasis on green construction, but they initially subscribed to this mentality only because an ongoing project already fit some of the green standards and just a few more steps were required to get a LEED certificate, said Alexander Sirotin, the firm's executive.

The cost for Scavery to make its building fit green standards was 1,000 rubles ($30) per square meter or 25 million rubles overall.

Green certification is most useful in commercial real estate, even though some renters still need to be persuaded of its value, Sirotin added. Residential property poses an even bigger challenge because the buyers tend to regard greenness merely as an added cost.

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