

## Global growth in use of the LEED system is creating international opportunities for Illinois small businesses in green building

Illinois boasts an active green building industry and recently made the US Green Building Council’s 2012 list of the top 10 states for implementation of the LEED (Leadership in Energy and Environmental Design) green building rating system. The Illinois chapter of the US Green Building Council counted 137 members who manufacture or distribute green building products as of early 2014, in addition to hundreds of consulting, architecture and engineering firms with green building expertise. Many of these companies are small businesses that are well placed to take advantage of growing export markets for their products and services.



Sustainable construction materials and interior furnishings, efficient HVAC systems and components, energy-efficient lighting and water conservation solutions are just a few of the green building products offered by Illinois companies. Demand for these products, in addition to Illinois-based design and engineering expertise, is increasing around the globe as US green building standards continue to spread. In this brief, the Illinois SBDC International Trade Center at the Industrial Council of Nearwest Chicago takes a look at the top international markets for US green building products and services.

### Emerging markets rank with Canada as leading users of US green building standards

The emerging markets of China, the United Arab Emirates, Brazil, India and Mexico rank alongside Canada as the world’s leading markets for usage of LEED green building standards outside the US. In addition, The highest growth in LEED certified projects in recent years has occurred in developing markets, with China, India and Brazil adding a total of 176 LEED certified projects in the first 11 months of 2013 alone.

Country	Total LEED Projects through 11/13	LEED Certified Projects	LEED Registered Projects	% of projects certified
China	1,344	362	982	27%
UAE	651	82	569	13%
Brazil	506	105	401	21%
Canada	422	271	151	<b>64%</b>
India	400	165	235	<b>41%</b>
Mexico	343	63	280	18%
Germany	265	68	197	26%
Chile	242	43	199	18%
Turkey	220	44	176	20%
South Korea	175	40	135	23%
Spain	156	54	102	<b>35%</b>
Italy	149	46	103	<b>31%</b>
Finland	125	48	77	<b>38%</b>
Colombia	117	25	92	21%

Source: US Green Building Council  
 LEED Project Directory

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## Drive toward certification highest in Asia

While markets with a high number of LEED projects naturally have demand for related green building products and services, markets in which official *certification* of these LEED projects is common may have even greater demand for them. In the LEED green building system, a building can be registered as a LEED project as soon as the design phase. However, official certification of a LEED rating comes later in the process and incurs additional costs, so a number of projects that are registered may never actually get certified, especially in foreign markets. Markets in which LEED certification is more common are therefore more likely to have greater demand for later-stage green building products and services such as sustainable interior finishes and furniture.

Next to Canada, Asian markets have the highest rate of certification of LEED registered projects. Singapore leads the region with 61% of all LEED projects in the market certified as of November 2013, followed by Japan at 55%, Taiwan at 52% and Hong Kong at 46% of all projects. China is a relative exception to this regional trend with just over one quarter of total projects certified.

The rate of certification of registered projects is lowest in the Middle East region, where LEED standard usage has nonetheless been growing since 2006. Despite having the third highest number of LEED projects in the world at the end of November 2013, the United Arab Emirates had a certification rate of just 13%. Similar rates prevail in Qatar (15%), Saudi Arabia (4%), Jordan (10%) and Bahrain (9%). In addition, none of the 25 registered LEED projects in Oman have been certified. This is largely due to the more recent nature of building growth in these markets: LEED projects in the UAE are overwhelmingly 'New Construction' (72%), indicating that many of the registered projects not yet certified there are still in the process of being built and don't qualify for certification yet. This may imply healthy future demand for later-stage US green building products in these markets.

The rate of certification in Latin American markets is also lower than in Asia or Europe. The lower overall certification rates in the region are not necessarily due to recent construction booms, however: the majority of projects in Mexico, for example, are 'Core and Shell', 'Existing Building' and 'Commercial Interiors'. This may be due to LEED standards being only more recently adopted by the industry in Latin America.

## India provides rich opportunity for LEED credit-driven products and services

Out of the top global markets for LEED system usage, India presents especially high potential for products and services that increase a project's LEED credits. This is due to the high rating levels targeted by LEED projects in the Indian market. 'Smaller' products and services that can contribute to a higher LEED rating include anything from water meters to green cleaning equipment to special shields for exterior light fixtures to reduce light pollution.

According to Green Building Council data, India boasts both the sixth highest number of registered but still uncertified LEED projects in the world (235) and a relatively high rate of certification at 41%, on par with developed markets such as the United Kingdom and Austria.

In addition, India has the highest percentage of LEED Platinum certified projects out of the top global LEED markets at 38%. LEED Gold certified projects – the second highest possible rating – make up another 50% of total certified projects in India. US Green Building Council data thus indicates that there is a clear push in the Indian green building industry toward achieving not just LEED certification, but the highest possible certification available.

## Domestic green building certification systems limit potential for LEED use in Europe

While Europe has experienced rapid overall growth in the usage of LEED green building standards, entrenched domestic green building certification systems in European countries present the most significant challenge to growth in implementation of LEED in the region. In particular, the UK’s BREEAM and Germany’s DGNB green building systems dominate two of the region’s largest markets. The potential demand in Europe for US green building products and services that are engineered to meet LEED-based standards is thus limited. On the other hand, products and services that can support a wide range of standards may have opportunity there.

The BREEAM system, originally launched in the UK in 1990, claims to be “the world’s leading design and assessment method for sustainable buildings”. There are 3,345 BREEAM certified projects in the United Kingdom compared to only 33 LEED certified projects (as of November 2013), indicating that LEED commands just 1% of the British green building certification market.

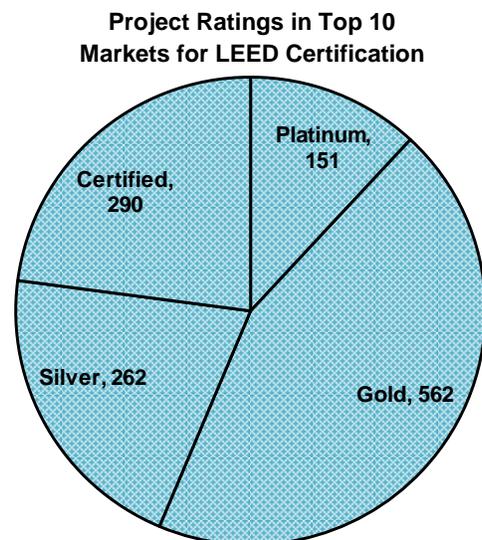
In Germany, the German Sustainable Building Council launched its DGNB certification system in 2007. According to CONJECT, a Munich-based real estate consulting firm, the DGNB system commanded 80% of the German market for green building certification by May 2013. The core of DGNB is based on existing European building standards, making it a more attractive and potentially easier certification for German and other European building projects to achieve. Due to these factors, the potential for LEED certification to spread further in Germany, similar to in the UK, is limited, along with the market potential for related US products and services.

## International LEED certified projects aim for higher standard levels

The majority of certified projects in the top 10 international markets for LEED certification are either Gold or Platinum certified, indicating an overall drive toward high rating levels outside the US. This trend suggests that smaller, later-stage US green building products such as sustainable interior furnishings, green cleaning equipment and other ancillary products are well suited for export.

Of the top 10 international markets (based on certified projects), India and Germany lead in terms of rating levels, with over 85% of certified projects in both markets at the Gold or Platinum level. Certified LEED projects in Spain, China, Hong Kong and Finland also tend to be at higher levels, with over 60% of certified projects at Gold or Platinum in those markets.

Certified projects in Canada had the lowest overall level of certification, with 69% of Canadian LEED projects at the ‘Certified’ level. This rate was largely influenced by the LEED rating of 40 Starbucks coffee chain locations in Canada in 2012 and 2013 only to the ‘Certified’ level, however, suggesting that US-based chains have a heavy influence on the market for LEED-related green building products and services in Canada.



Source: US Green Building Council  
 LEED Project Directory

## Multinational companies spearhead the spread of LEED standard usage globally

Both US and foreign multinational companies with multiple locations are increasingly implementing green building standards as part of their sustainability policies. This is good news for small business green building suppliers to these companies, since they can ‘piggyback’ on their customers to foreign markets.

Starbucks is the global leader in LEED projects outside the US, with 107 LEED registered foreign locations, almost half of which are in Canada. Citibank, Coca-Cola, Bloomberg and PepsiCo follow, all with at least 10 LEED registered foreign locations. Siemens tops the list of foreign-based companies pursuing LEED standards in their subsidiary facilities around the world, followed by fellow European multinationals HSBC, Nokia and Zara.

US green building products suppliers that are already serving these companies domestically thus have an opportunity to utilize their existing relationships to expand export sales.

### **Total International LEED Registered and Certified Projects - Multinational Companies** *(as of November 2013)*

<b>US-Based Companies</b>	<b>Foreign LEED Projects</b>
Starbucks	107
Citibank	36
Coca Cola	24
Bloomberg	21
Pepsico	11
HOK	9
Target	8
Google	8
Symantec	8
Caterpillar	7
Sheraton (Starwood Hotels and Resorts)	7
HP	6
KFC (Yum! Brands)	5
3M	5
Jones Lang LaSalle	5
Levi Strauss & Co.	5
Chevron	4
Kraft	4
Abbott	3
Wrigley	3
Marriott	3
Colgate Palmolive	3

Source: US Green Building Council  
 LEED Project Directory

Strategic conclusions for Illinois small businesses in the green building industry



## Sources:

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Bureau Veritas China – <http://www.en.bureauveritas.cn>

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BREEAM - <http://www.breeam.org/>

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*\*This brief is based on publicly available information and while every effort has been made to ensure accuracy, ICNC and the Illinois SBDC International Trade Center at ICNC cannot be held responsible for omissions or errors. Reader discretion is advised.*