

Workplace Wellness

How Healthy Work Environments Can Benefit Tenants and Brokers

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Focusing on healthy buildings can make sense for commercial real estate brokers. Providing workers with office space that provides an optimal indoor environment could be one piece of the return-to-office puzzle as well as an economic opportunity.

The office asset class has been resilient for decades. Workers need an indoor environment to collaborate, think, and create. Business leaders, competing for top-tier talent, often view office space as a perk. Investors seek stable, long-term returns. However, these stalwart assumptions have been tested over the past three years, posing a threat to the office asset class. Office use hovers just above 50 percent of pre-pandemic levels according to research by CoStar, with national occupancy levels still near historic lows. As a result, these trends are negatively impacting brokerage commissions.

According to a survey funded by the Environmental Protection Agency (EPA), office workers spend up to 90 percent

Key Takeaways

- Healthy buildings support physical, psychological, and social well-being, which can enhance productivity and employee engagement.
- Investments in healthy building strategies can lead to higher rent premiums and property values.
- There is growing demand from tenants for office spaces that prioritize health and well-being.
- Brokers who understand and promote healthy building features can gain a competitive edge.

of their time indoors. The experience can significantly impact physical, emotional, and even spiritual well-being. Studies have shown that health-related changes implemented during a building's construction, renovation, or operation can have disproportionately positive effects on

workers. Could the science of healthy buildings be a knight in shining armor for real estate professionals? The research seems to show that it can be.

What is a Healthy Building?

A healthy building is a space that supports the physical, psychological, and social health and well-being of workers—a space where they can be safe, comfortable, and productive. Worker well-being can be significantly improved, facilitating more and better engagement, community, and interaction. When healthy building factors are not optimally aligned, the result can be Sick Building Syndrome (SBS), a term that began appearing in research in the early 1980s.

The EPA defines SBS as a situation where building occupants experience adverse acute health and comfort effects that appear to be linked to time spent indoors. Such underperforming environments can negatively impact a person's health and a company's bottom line. Poor environmental conditions in the workplace have been found to reduce employee productivity, with losses of up to 10 percent reported. Harvard researchers have discovered that enhanced indoor air quality can increase cognitive function by 61 to 101 percent, depending on the level of enhancement.

A 2022 study by the International WELL Building Institute (WBI) found that the U.S. loses more than 175 million workdays and \$150 billion every year from sickness-related absenteeism. A 20 to 50 percent reduction in SBS symptoms for office workers would produce an annual productivity gain of \$20 billion to \$200 billion in the U.S. according to the *Indoor Air Quality Handbook*.

How Can Buildings Be Healthy?

Nine foundations of a healthy building have been defined by the Healthy Buildings Program at the Harvard T.H. Chan School of Public Health, led by Dr. Joseph Allen. Each of these elements can contribute to employees' well-being and productivity as well as a company's bottom line. The nine foundations are: 1) ventilation, 2) air quality, 3) lighting and views, 4) thermal heat, 5) noise, 6) moisture, 7) water quality, 8) dust and pests, and 9) safety and security (see sidebar for further reading).

Biophilic design has also emerged as a component of healthy buildings since 2015,

when research by Yale Professor Stephen Kellert found that integrating natural elements such as indoor plants, outdoor gardens, natural light, water features, wood, and stone into built environments can enhance worker well-being. Biophilia is defined as the human tendency to interact or be closely associated with other forms of life in nature.

Kellert found that participants in biophilic indoor environments had consistently better recovery responses than those in the non-biophilic environment in terms of reducing stress and anxiety. Specifically, Kellert found that participants recovered from reactions to stress such as heart rate variability and increases in blood pressure almost immediately after exposure to biophilic environments. The research can be a tool for architects, interior designers, and developers to increase well-being in office workers.

Benefit to Brokers

Brokers may want to become proactive and promote air quality and other healthy building factors upfront as a selling point to create a competitive advantage. Analysis by JLL indicates that demand for newer, high-quality properties continues to generate better economics, but supply is thinning due to a lack of new office development. Opportunities exist for brokers in the current market to identify office buildings in superior locations where healthy building factors can be used to attract high-quality tenants. Companies have become more willing to invest in high-quality space to make office destinations worthy of a commute.

Properties proactively designed and built to support the holistic health of their occupants are expected to reach \$913 billion in the next four years, up from \$438 billion in 2023, according to the Global Wellness Institute. A 2020 study by MIT's Real Estate Innovation Lab found that effective rents for healthy buildings were 4.4 to 7.7 percent higher per square foot than those for buildings not classified as healthy in major U.S. cities.

Reference Material for Further Learning



[The 9 Foundations of a Healthy Building](#)



[How Do We Make Healthy Buildings the Next Public Health Revolution?](#)



[Investing in Health Pays Back](#)

When polled by JLL, 71 percent of the workforce reported that they would like to work in office space that promotes a healthy lifestyle, safety, and well-being. However, only 21 percent stated that their employer is providing them with acceptable health and well-being solutions in their office environment.

Brokers should be aware that the impact of technology on healthy office environments will only escalate. More workers have begun to bring their own sensors to the office to measure indoor environments. Websites like Glassdoor, a job search and career community platform, are also offering potential tenants and investors more detailed information about individual office properties. As a result, healthy buildings are becoming a risk-management tool for companies.

Benefit to Tenants

Why does employee engagement matter to tenants? According to analytics and advisory firm Gallup, which specializes in understanding and analyzing human behavior, engaged employees have higher well-being, better

retention, lower absenteeism, and higher productivity. Their ongoing employee engagement survey has reported that highly engaged teams outperform others in business outcomes critical to the success of an organization. Annual employment engagement in the U.S. overall was estimated at 33 percent while engagement at best-practice organizations registered 70 percent.

According to Gartner, a leading research and advisory company that provides insights, advice, and tools for business leaders, 96 percent of human resource leaders are more concerned about employees' well-being today than before the pandemic. The global pandemic has forced corporate leaders to reassess every aspect of why, where, and how people work. Hybrid work is here to stay, and employees can select their work modality more than ever before. Positioning a healthy building at the center of a company's workplace strategy can be another method employers use to lure workers back to the office.

According to the WBI, healthy building solutions can yield significant, economy-wide financial gains. These include an annual productivity gain of up to \$200 billion, corresponding



425 Park Avenue, New York City

A recent, real-world example of a healthy office space is the 47-story, 667,000-square-foot trophy building at 425 Park Avenue in New York City. Completed in October 2022, this crown jewel in the Midtown Manhattan Plaza District has attracted world-class tenants not only because of its superior location and architecture, but also because of its status as New York's first WELL-certified building. The building's design optimizes natural light, air circulation, and other health-related factors that contributed to the designation.

The *New York Post* reported in 2020 that the building is the first in the city to have a WELL designation, which relates to the health of the occupants, whereas LEED is focused on the environmentally friendliness of the structure. Depending on the floor and square footage, annual asking rents posted on Metro Manhattan Office Space range from \$225 to \$245 per square foot for the remaining available lease spaces between 6,000 and 14,000 square feet. This represents a significant premium over average Class A office space in that market. Statista reported that the average annual asking rent for Class A office space in the Plaza District of Midtown Manhattan on Park Avenue for lease space between 6,000 and 14,000 square feet was \$95.13 per square foot in April 2024.

to a 20 to 50 percent reduction in SBS symptoms for office workers in the U.S. The same study estimated \$38 billion in annual economic benefits by just increasing minimum ventilation rates in U.S. office buildings from 8 to 15 liters per second. Thus, corporations that occupy healthy buildings can improve employee performance along with their bottom line while contributing to their community's overall well-being.

Benefit to Office Landlords/Investors/Owners

Why should healthy buildings matter to office building owners and investors? Older office buildings are experiencing much more severe occupancy losses than newer properties. Since the beginning of 2020, buildings older than ten years have lost nearly 420 million square feet of occupancy nationally, according to CoStar. This suggests that office tenants today prefer new office buildings more than they have in the past. Tenants have become focused on landlords who are able to put additional capital into the buildings to help draw employees back.

Research has indicated a strong relationship between healthy building strategies and enhanced rent premiums and property values. MIT researchers examined this relationship in the Boston office market and found sizable rent premiums. Their results showed that buildings pursuing a healthy building standard such as WELL captured higher effective rents of 4.4 to 7.7 percent more per square foot when compared to nearby properties without healthy building standards.

Furthermore, the WBI found that more biophilia in office properties created a 5.6 to 7.8 percent rent premium for

offices in New York City. A 5 to 6 percent rent premium was reported for office spaces with high levels of natural light as well.

What The Future Holds

Multiple sources believe the U.S. office market will have more than 300 million square feet of vacant or obsolete office space by 2030. Brokers who understand the dynamics of a healthy building will have a competitive advantage, resulting in more commissions. Landlords and employers assumed that increased amenities would draw workers back to the office. However, it hasn't been that simple.

More and more, workers are demanding a healthy office environment. Recent data also indicate an uptick in workers returning to the office. As more workers return, healthy buildings will become increasingly important. Landlords, investors, and developers can invest targeted CapEx in the nine foundations of healthy buildings as another tool to make coming to the office attractive again. They should plan for a world where buyers and tenants know all about the performance of their office space. Thus, health and human performance should be factored into the cost/benefit analysis and decisions impacting today's office space. 📌

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