



# GREEN LEASE LEADERS

## Lessons Learned from a Returning Green Lease Leader and a New Green Lease Leader

Where do you start with green leasing and how do you ensure that your leases continue to be an impactful tool over time? In this case study, we hear from Lori Hipwell about landlord **Pure Industrial's** lessons learned as a new 2023 Green Lease Leader and from Ame Igharo about **Ulta Beauty's** continued green leasing legacy as a retail tenant.

### PURE INDUSTRIAL COMPANY OVERVIEW

- Property type: Industrial
- Most Recent GLL Recognition: 2023 Gold Landlord
- GLL since 2023

### ULTA BEAUTY COMPANY OVERVIEW

- Property type: Retail
- Most Recent GLL Recognition: 2023 Gold Tenant
- GLL since 2018

### *How has green leasing helped your organization meet ESG goals?*

**Ulta:** As the nation's largest beauty retailer, we have a responsibility to minimize our environmental footprint in an effort to leave a positive legacy for our planet. Green leasing has helped Ulta Beauty make progress towards our environmental goals.

**Pure Industrial:** In the industrial real estate space, it can often be a challenge to implement sustainability measures. Without standardized lease language, it is also difficult to identify which of our leases allow us to implement measures or collect information.

By moving to a standardized green lease template, we're able to gather utility data to establish our baseline performance and implement efficiency projects across our portfolio in a much more efficient manner.

**Ulta:** We have had great success working with our energy and leasing teams to request minimum energy efficiency standards in leased spaced fit-outs, partnering with our legal and construction teams, and advising our landlords on specifications including setting our own utility meters and submetering. All of these actions help us to maintain visibility and control of energy consumption and account for our annual greenhouse gas emissions.

### *How has your green lease evolved over time and what types of challenges have you had along the way? How did you address these challenges?*

**Ulta:** In February 2018, Ulta Beauty implemented impactful changes to its form lease and leasing policies, which included the following three provisions:

1. Tenant must provide Landlord with a point of contact for sustainability matters.
2. Tenant must request the whole building ENERGY STAR scores from Landlord each year.

*"As more landlords and tenants set environmental goals, green leasing is an opportunity to work collaboratively and align to solutions that meet environmental goals of all involved parties. For tenants, green leasing is an important first step to manage resource consumption and reduce environmental impact."*

ULTA

Anthony Armato, Vice President, Construction, Facilities, Energy & Sustainability

3. Tenant must permit Landlord to pass-through costs for energy efficiency improvements that benefit Tenant.

This last revision played a major role in improving energy efficiency. Our original position was to reject any pass-through of capital expenditures as it would potentially expose Ulta Beauty to higher costs. After analyzing the change further, we determined that the company would ultimately benefit from energy efficiency and related cost reduction. Ulta Beauty has not modified such provisions in its form lease or leasing policies since implementing in 2018, and our landlords have been very receptive.

When implementing a green lease, we encountered two other challenges: incremental workload based on select landlords requesting energy usage data, and reluctance from landlords to provide entire building(s) with ENERGY STAR scores annually. In each case, we revised lease language to require the landlord to use best efforts to implement a program that would help track full building ENERGY STAR scores, and we are hopeful this provision will encourage landlords to adopt the program and leverage it as a best practice across building portfolios.

### *What challenges did you face in implementing your first green lease and how did you move forward?*

**Pure Industrial:** One of the greater challenges we faced was operationalizing the requirements of the new lease. When selecting which green lease clauses to include, we strived to ensure that we could administer it without significant impact to our daily operations or overburdening our property managers or tenants, while still allowing for meaningful change.

From the onset, we involved all stakeholders, bringing our property management, legal, leasing and sustainability teams together. Based on the feedback, we selected the clauses that would best support our sustainability goals. Within this same working group, we developed the processes and tools to support the requirements of the new lease.

Once our green lease was finalized, we provided training for our leasing team to ensure that they could communicate the benefits and potential impacts of a green lease to our tenants.

As a result of our collaborative approach, green leasing was well received through the company, and we were able to effectively launch our standardized green lease for all new leases moving forward.

*“Our biggest concerns were making sure that we don't create extra burden for our property managers, and we don't potentially turn away good tenants because of a clause that is misaligned to their goals.”*

PURE INDUSTRIAL

Lori Hipwell, Director of Energy and Sustainability

### *What do you hope to do next for your green lease strategy?*

**Pure Industrial:** As our sustainability program evolves, our green leasing strategy will continue to include improved data sharing with our tenants. This could include adding submeters to pull utility information automatically, requiring less work for our property managers and tenants. The data we collect allows for improved reporting and benchmarking across our portfolio, as well as greater insights into opportunities for energy efficiency measures.

Eventually, we may look to include renewable energy into our leases. With projected grid constraints and increasing building electrification, it will become increasingly important to consider renewable energy, especially in industrial settings where there is significant roof space

**Ulta:** We're heavily focused on increasing accessibility and driving inclusivity across the Ulta Beauty business, and we look forward to further integrating our social impact goals into our leases, corporate policies, and procurement guidelines.

### *What advice would you give to an organization starting out in green leasing?*

**Ulta:** Take it one step at a time! Start by engaging with your landlords to understand where there might be quick wins and alignment for green lease provisions.

**Pure Industrial:** To set up green leasing for success, everyone needs to be at the table to outline what the company's priorities are, what the tenant's priorities are, and then work from there to understand how you can include material green lease clauses in a way that will be welcomed by the tenants.

**Ulta:** Join organizations like the Landlord-Tenant Energy Partnership, Retail Industry Leaders Association and National Retail Federation to engage with landlords and learn from other retailers and tenants. Stay the course—it takes all of us to make a difference in our world.