

LOOKING BEYOND THE METER: CAPTURING THE FULL BENEFITS OF ENERGY EFFICIENCY

Q3 BETTERBRICKS TOOLKIT



For today's leaders in commercial real estate, energy efficiency is no longer an afterthought—it's a key factor of a building's holistic market value. Efficiency is central to owners' strategies to improve the competitive position of their buildings on the market and it's a key determinant of tenant satisfaction.

It's been demonstrated that improved energy performance can boost your net operating income (NOI) and [increase your property's asset value](#). However, efficiency improvements can also bring a host of [non-energy benefits](#)—those that are not part of the direct costs, or the avoided cost, of purchasing the energy from a utility. These benefits are enjoyed by tenants, property managers, and ownership, and over time, can extend to a building's overall value and competitive position in the market. This toolkit gives owners and property managers the background and actionable resources to recognize, track, and promote non-energy benefits, even those that are hard to quantify, to maximize the value of efficiency at their property

COMMON NON-ENERGY BENEFITS OF ENERGY EFFICIENCY FOR LEASED COMMERCIAL BUILDINGS:

Tenant Comfort

Energy efficient spaces boast better light quality, thermal comfort, and sensitivity controls—all factors which improve the look and feel of a commercial space. Read about how Henbart, LCC [improved tenant comfort](#) by installing efficient windows at the Lake Union Building in Seattle.

Occupancy and Reduced Turnover

Tenants are far more likely to renew and extend their leases if they are happy and comfortable in their space. Energy efficiency reduces the risk of vacancy at commercial properties and minimizes costly and disruptive tenant churn. One 2010 study found that [LEED buildings have 16-18% higher occupancy](#) than a non-rated building, while ENERGY STAR buildings have 10-11% higher occupancy.

Tenant Quality

High-performing buildings attract and retain tenants with higher credit ratings and higher likelihood of rental payment collection. A nationwide [study of 11,179 tenant organizations](#) found that certain industries, such as financial services, oil, mining, and government agencies, are more likely to seek out green office space.



Satisfaction

Property managers can prove best-in-class management to both tenants and ownership by implementing energy efficiency improvements at their properties and showing continuous efficiency savings. Efficient building systems are more reliable, require less maintenance disruptions, and lead to fewer complaints from occupants. Landlords and tenants can work together to establish a [green lease to align the financial and environmental goals](#) for improving energy performance at a property.

Competitive Repositioning

Building renewal is a real estate strategy to modernize a building and improve its competitive position by focusing on comprehensive energy efficiency upgrades. For example, American Assets Trust pursued building renewal to [successfully reposition the Lloyd 700 building](#) in Portland, OR from a Class B building to a Class A building. Get started by [using the Spark Tool](#) to see if your property has strong opportunity for a building renewal project that can save 35% or more of a building's energy use. Spark is a free, interactive online tool that creates a tailored building renewal strategy, provides a clear project plan, and estimates return on investment.

Market Demand

Owners can leverage efficiency improvements to increase asking rents at high-performing properties. Increases in net operating income improve the overall asset value of a property. [This paper by The Appraisal Institute](#) illustrates how rental premiums at green buildings can translate to favorable adjustments made during the property underwriting and valuation processes.

Health & Wellness

Efficiency improvements can also increase air quality and thermal comfort, add lighting systems designed to increase alertness and productivity, reduce noise pollution, and increase safety in commercial spaces. Tenants are increasingly seeking out spaces certified through [WELL](#) and [Fitwel](#), which promote health in commercial spaces.

START CAPTURING THE FULL RANGE OF ENERGY EFFICIENCY BENEFITS AT YOUR PROPERTY WITH THIS SIMPLE PROCESS.

1. Capture and quantify non-energy benefits of efficiency at your property

- [Begin by benchmarking](#) your building's energy performance to understand how efficiency efforts at your property impact energy use and spend
- Recognize and address uncertainty with regards to non-energy benefits with ownership and tenants by giving a range of expected savings and setting a realistic timeline for observing the impacts of efficiency projects.
- [Make a commitment](#) to energy efficiency, set goals, and assemble an internal team that could include a building engineer or [operator](#), property manager, facility manager, and [select tenants](#).
- [Approximate value of efficiency improvements](#), rather than assuming a value of zero, to encourage ownership and tenants to recognize benefits that may not be purely financial
- Assess readily measurable non-energy benefits, such as reduced operations and maintenance disruptions in tenant spaces.
- [Draw the direct connection](#) between efficiency improvements and observable non-energy benefits to obtain buy-in from ownership for future efficiency projects. Begin to forecast [future increases in asset value](#), opportunities for green building certifications, and market recognition.

2. Communicate and Promote non-energy benefits of successful energy efficiency projects

- Encourage communication with tenants to ensure they are aware of efficiency improvements in their spaces and know what types of improvements they can expect.
- Collect feedback from tenants regularly to understand how efficiency projects impact their comfort and satisfaction.
- Pass tenant feedback to ownership regularly and quantify successes whenever possible (e.g. 30% decrease in tenant calls regarding thermal comfort relative to the previous year).
- Work toward green building certifications and promote progress and achievements through your organization's marketing materials, case studies, and website
- Ensure non-energy benefits are fully [incorporated into a property's valuation](#) and appraisal processes