Energy Insights for Real Estate

How's Your Bucket?

by Priscilla Koeckeritz

Have you ever been working in the yard and carried a bucket of water from the faucet only to realize that your bucket has sprung a leak (or two or three), and your bucket is now half empty? Where did the water go? How much time and effort will it take to water your plants if you lose half your water on each trip?

That's what is happening with energy in existing buildings. According to the EPA's estimates, we are spending about 30% too much on energy in commercial office buildings. And the bigger issue is, no one knows which buildings are the leaky buckets. This problem is costing building owners billions of dollars each year.

The energy gurus and sustainability experts talk about energy reduction -- and its importance on our environment and climate. Building solution providers pitch efficiency projects daily, all with the purpose of reducing energy consumption (and saving money). Through government funded

Koeckeritz

programs and utility rebates, there are massive amounts of money available for making building improvements. With all the opportunities to improve, why are the majority of commercial buildings still using nearly half our nation's energy and experiencing energy cost increases annually?

Last year alone energy costs increased more than 5% for commercial buildings – while property management fees, security costs, janitorial expenses and other property related fees either decreased or remained almost flat. Why is energy the one item we cannot seem to get our arms around?

And why are we satisfied to have our accounting departments manage energy with a "get the bill, pay the bill" type of attitude. Even if we have regulated energy costs – as we do in Minnesota – our energy bills are not totally out of our control. We can make decisions to impact rising energy costs … but only if we can see what's happening and know which buildings have the greatest opportunity to improve. How do we identify which buildings require our attention?

Visibility. You cannot manage what you do not measure … and you cannot measure what you cannot see. You would probably not consider buying a car if the sticker said it got only 10 MPG, but you might lease space, or purchase a building that has the equivalent energy performance. How would you know?

If you're working with a leaky bucket, you would probably take the time to figure out why it's leaking and fix it so that your work is more productive – right? Why don't building owners and managers look at their buildings in the same simple fashion? Because it's not simple to gather, standardize, validate and report energy in a way that business people understand. We need a translator.

Years ago, it seemed okay to leave the "green" stuff to the experts – the engineers, architects and facility managers – but things have changed and the managers responsible for building expense are having to justify energy budgets, efficiency improvements and capital projects that are expected to reduce energy expense.

And now there are government mandates adding yet another layer of compliance to an already full plate. In New York City, commercial buildings over

Energy *to next page*

Energy *from previous page*

50,000 square feet are now being required to report energy consumption using the ENERGY STAR Portfolio Manager. Similar mandates exist in Washington D.C., San Francisco, and other cities. The state of California requires an energy report be provided before a building can be sold, disclosing to the new owner whether they are getting an efficient building or a poor performer. It seems that government mandates are often required to get real estate owners to pay attention. And with New York City set to charge penalties for non-compliance, the number of owners and managers paying attention is increasing.

What's in it for real estate owners? Better property values and increased net operating income. Property values have suffered as a result of the economic recession, and the only way to increase property values today is by having an impact on NOI. To make money off a building, you have to have occupants – the more the better. Tenants today are getting smarter about energy costs, and not paying attention to rising energy consumption in your building will cost your tenants … and may cost you. Not only are tenants looking at the operating expenses more closely, but losing tenants over climbing costs means the burden of the energy bill falls back on the owner. It's a double hit to lose a tenant and pick up the unoccupied space's energy costs.

The old 80/20 rule of business would lead us to believe that 20% of our buildings are causing 80% of our energy overages. For the average commercial building that is monitored and benchmarked, ENERGY STAR says there are savings of 5-15% simply from low cost/no cost changes in operations and maintenance. Based on IFMA's studies of the average office property's annual energy cost, we're talking about nearly $4 Billion of savings opportunity nationally that could be achieved in office properties with little investment, purely by having an accurate and consistent report of energy and using that intelligence to manage buildings better.

What about those forward-thinking owners who are already proactively working to get a handle on energy? Are they benefitting from their efforts? Are they tracking and proving results, or simply trusting that they received the savings promised by their building solutions contractor? Though the business climate is improving, consultants and contractors are competing for the limited projects and dollars being spent on building improvement. What differentiates one vendor from another is their ability to provide objective, 3rd party verified results. The best vendors are confident in putting their results to the test, so choose partners who have your best interests at heart.

Here are some tips to benefit from an owner-driven focus on energy reduction and cost savings:

- Gain visibility to energy cost, consumption and carbon for your entire organization – not just for the engineers and facility managers. Your property managers, finance team and vendors will all help to find savings if they have access to the data.
- Choose vendors and partners who have an energy-minded focus. Ask them how they will accurately track and verify the results of the projects they perform.
- Set realistic goals for energy reduction across your portfolio and communicate those goals to everyone who has a stake in better building performance. Share information with your tenants and engage them in being part of the solution.
- Find a reporting tool that provides cost, consumption and carbon metrics needed to make smart business decisions. If it doesn't make sense – you won't use it.

It is possible to identify your leaky buckets, prioritize the ones you need to fix first, choose the best partners and solutions, and ultimately prove that your efforts matter. It's good to be green … and even better to $ave green.

Priscilla Koeckeritz, President & CEO of Twin Cities-based EnergyPrint, Inc (www.EnergyPrint.com), invites comments and questions about this column. She can be reached via phone at 651-357-9100, or via email: Priscilla.Koeckeritz@EnergyPrint.com.