

# Energy Savings in Commercial Office Real Estate: Catalytic Program Approaches & Emerging Opportunities

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Working Together, Advancing Efficiency

# Session Objectives

To learn about and discuss:

- 1) Transformative commercial office real estate program approaches, strategies, successes to date
- 2) Current efficiency program challenges, emerging needs
- 3) New research efforts and demonstrations to drive system and building level savings, opportunities to support current and future program needs

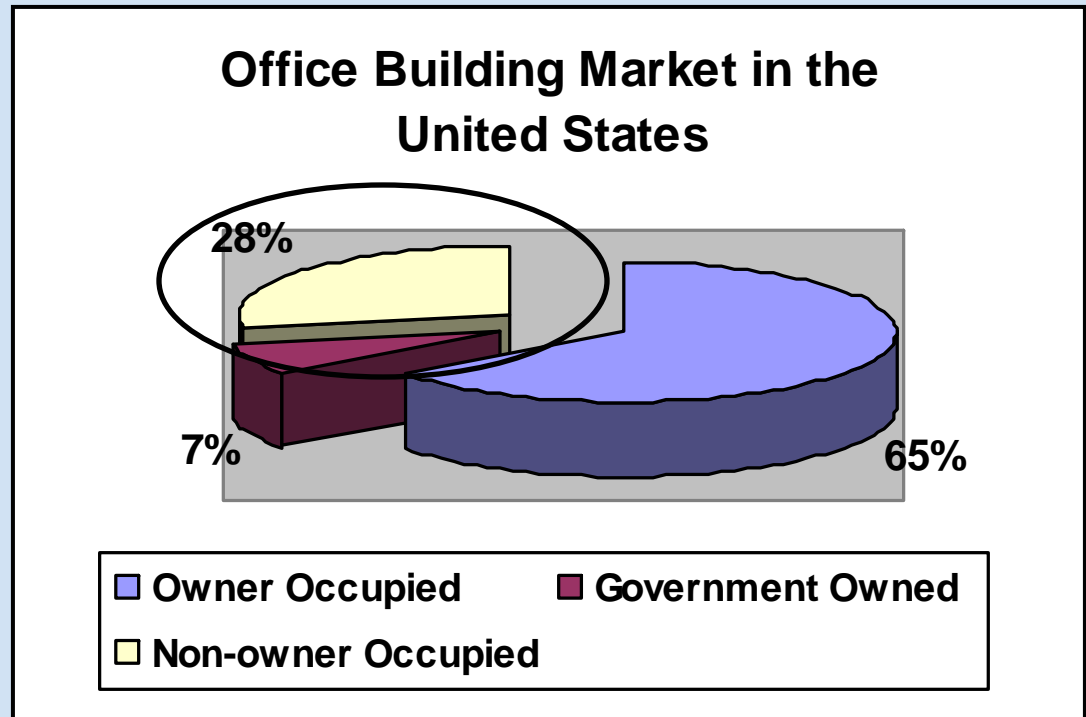
# Today's Agenda

- Short background
- Commercial office real estate program approaches
  - Kimberlie Lenihan, NYSERDA's Focus on CRE
- Emerging efficiency program needs, current research efforts and developments
  - Doug Avery, SCE, Office of the Future
- Discussion

# Context: Commercial Real Estate Market

## Definition:

Commercial office properties that are income-generating properties producing rental income for the owner. Not owner-occupied.



Source: U.S. DOE, EIA, CBECS Data, Table B-12, 1999

# Context: Commercial Real Estate Market

CRE Office Sector Attribute	Challenges to EE Program
Complex property management structures	Identifying party to engage. Challenge to reach financial decision-makers (CFO)
Owner/decision-maker feels that building is energy efficient	Proving otherwise
Owner feels energy costs do not affect bottom line. Tenants feel they will not benefit from EE projects	Capacity to perform lease-by-lease analysis to determine who pays, to whom EE project value accrues
Owner says capital is constrained for building improvements	Program may only promote capital upgrades
Owner wants projects that improve NOI, asset value, have greatest return (ROI, IRR)	Program speaks in simple payback terms
Building appraisers ignore or discount influence of energy costs on building value	Owner may not feel that value of building upgrades will equal higher appraised value

# Office Real Estate Focused Programs

- Emerging market focused programs
  - Establishing long-term business relationships
  - Encouraging ongoing benchmarking, performance tracking, portfolio improvements
  - E.g., NYSERDA, NEEA, Xcel Energy
  - <http://www.cee1.org/com/programsummary/index.php>
- New research, demonstrations on tenant improvement, systems level focus

# Discussion Questions

- What have been the keys to success for current programs in securing CRE owner, stakeholder engagement?
- What program strategies have been successful in driving ongoing improvement? What strategies are applicable to other areas of the country?
- Once customers are engaged, how do we drive system-level improvements?
- What are the necessary and sufficient conditions to bring about market transformation?
- How does the Office of the Future work meet some of the identified challenges? What are the gaps?
- What aspects should we collectively work on?