



**NAESCO**  
*Federal Market Workshop*  
*March 22, 2006*



# **Making the Financial Case for Going Green**

**Karen W. Penafiel, CAE**

**AVP, Advocacy**

**Building Owners and Managers Association  
(BOMA) International**

# Who Is BOMA?

- One of the largest, oldest, most successful real estate trade associations
- 90+ local associations
- 19,000 individuals - overall membership up 15% since 1997
- Over 9 billion square feet of office
- Represent roughly 80% of commercial office market in the United States

# Making the Financial Case

- Understanding Real Estate Ownership – Corporate vs. Commercial Dichotomy
  - Corporate/Owner-Occupied Buildings
    - Corporate owners have expectation of occupying a building for 10+ years
    - A 3-5 year payback period makes sense
    - Investor recoups capital expenditure
    - Knowledge of tenant values
    - Corporate image

# Making the Financial Case

## – Commercial Investors

- Not uncommon to buy a property to “flip” one year later
- 3-5 year payback is a tougher sell
- Tenant, not investor, recoups savings
- Aesthetics vs. Sustainability
- Buyers not yet recognizing full “value” of green buildings

# Making the Financial Case

- ❖ Market is Starting to Shift in Favor of Green Buildings
  - Market is slowing – hold periods are increasing
  - Tenants are starting to care
  - Energy costs are on the rise with no end in sight

# BOMA Is Leader in Market Transformation

- Lead Advocates
  - Energy Efficient Buildings Tax Incentives
  - Energy Policy
  - BOMA Green Buildings/Sustainability Policy

# BOMA Is Leader in Market Transformation

- Industry Leaders
  - Accepted EPA's 10% Energy Challenge
  - Annual Earth Award
  - Green Buildings Pavilion

# BOMA Is Leader in Market Transformation

- Educators
  - Energy focus at North American Real Estate Congress in Dallas, June 2006
  - BOMA Energy Efficiency Program (BEEP)

# BOMA + EPA = BEEP

- The capital expenditure myth for energy efficiency
- BEEP: BOMA Energy Efficiency Program

# BEEP: A New Approach

- Low & no cost operational adjustments
- Why energy efficiency is important as a means to add value
- Showing the industry how to think of energy differently

# BEEP: A New Approach

- ENERGY STAR benchmarking tool
  - More objective performance measurement
  - Track financial and environmental accomplishments
- BEEP tells the energy efficiency story
  - through financial benefits
  - through improved tenant comfort
  - through environmental benefits
  - illustrated via BOMA member success stories

# BEEP Objectives

- Educate CRE industry about reducing energy use and expenses with no & low cost solutions
- Develop industry standard for operational excellence that leverages a strategic approach, optimizes financial performance, and provides recognition for achievements
- Improve tenant comfort and satisfaction through reduced operating expenses, increased NOI and enhanced asset value
- Position real estate practitioners as solution providers to owners and tenants seeking financial performance & environmental stewardship

# Intended Outcomes

- BEEP is about ***change***:
  - ✓ Identify and implement ways to improve energy performance
  - ✓ Present compelling financial returns
  - ✓ Benchmark financial & environmental benefits
  - ✓ Understand opportunities to reduce utility costs by up to 30 percent
  - ✓ Improve tenant comfort and satisfaction, extend life cycle of equipment, and increase operational control

# BOMA & ENERGY STAR Partnership is for Market Transformation

- BEEP is based on proven, well established ENERGY STAR tools applied by real estate professionals/BOMA members
  - Presented in real estate and business vernacular
  - Focusing on the tremendous benefits of energy efficiency to tenants, owners and operators
- BEEP is whole building, low & no cost strategies
  - Includes benchmarking as key to better measurement of performance
  - Starts with low & no cost, but shows benefits and how to properly value capital retrofits

# Final Thoughts ...

We have an opportunity to demonstrate financial and environmental leadership to owners, tenants and other stakeholders through improved energy efficiency in the buildings they operate and own.

We can show the real estate industry how to improve property performance, demonstrate better operational control and tenant comfort, and reduce energy costs while conserving natural resources and reducing atmospheric pollution.

# Questions?

[www.boma.org](http://www.boma.org)

**Kpenafiel@boma.org**

