Green Leasing: A Tool to Drive Down Energy Use in Buildings

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IMT’s Mission

IMT catalyzes widespread and sustained demand for high-performing buildings to drive toward a world in which buildings are efficiently and positively transforming our physical, social, and economic well-being.
Why Building Performance Matters

40% energy consumed by U.S. buildings

28% higher net operating income (NOI) in green buildings

17% reduction in operating expenses per sq./ft. compared to non-green properties
State Policies: Track and Reduce Energy

- Track and report annual energy use
  - Delaware
  - Hawaii
  - Michigan
  - New Jersey
  - Texas

- Track, report and reduce energy use by a specified %
  - California
  - Connecticut
  - New York
  - Oklahoma
  - Oregon
  - Washington
Setting the Stage for Efficiency Starts with the Real Estate and Leasing Team

• Why do buildings matter to different audiences?

• Does lease language trace back to reporting requirements and government goals?

• How does all this information affect the leasing transaction?
Making the Deal

Real Estate Team
Typically not fully aware or aligned with environmental goals
Energy efficiency is typically low on their negotiation priority list

Legal Counsel
Not familiar with “green” or high-performance lease terms
Counsel often strikes unfamiliar efficiency clauses
Transforming Conventional Leases

- Renewables
- Energy & Water Efficiency
- Broker & Asset Manager Training
- Tenant Engagement
- Building-Grid Integration
- Health & Wellness
What is a Green Lease?

Green leases, also known as “high-performance” or “energy-aligned” leases, improve the rental negotiation process by creating win-win agreements for building owners and tenants.

Green leases equitably align the costs and benefits of energy and water efficiency investments for both parties.
Goals

• Eliminate “split incentive” problem
• Increase value and productivity of leased space

Savings

• Potential to reduce energy consumption in an office building by 11%–22%
• Can reduce utility bills by up to $0.51 per square foot
In 2019, inducted 25 individual organizations that own or manage more than

495 million square feet

10 Gold recognition
14 Silver recognition
1 team transaction recognition

Since 2014, Green Lease Leaders has recognized tenants, property owners, and real estate teams that represent more than 2 billion square feet of commercial, industrial, and retail space for meeting the Green Lease Leaders standard.
GREEN LEASE LEADERS
CREATING SUSTAINABLE LANDLORD-TENANT RELATIONSHIPS
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✓ AEW Capital
✓ Akridge
✓ Allen Matkins
✓ Bentall Kennedy
✓ Boston Properties
✓ Brandywine Realty Trust
✓ Brixmor Property Group
✓ Bullitt Foundation
✓ Cadillac Fairview
✓ CommonWealth Partners
✓ California Department of General Services
✓ County of Cuyahoga, Ohio
✓ Capital One
✓ Deutsche Asset & Wealth Management
✓ Digital Realty
✓ Dropbox
✓ DTX
✓ Empire Realty Trust
✓ Federal Realty Investment Trust
✓ Forest City
✓ Government Properties Income Trust
✓ GNP Realty Partners
✓ Green Coast Enterprises
✓ IREM
✓ Ivanhoe Cambridge
✓ Jamestown
✓ JGB Smith
✓ Kilroy Realty Corporation
✓ Kimco Realty
✓ LaSalle Investment Trust
✓ Liberty Property Trust
✓ Manulife | John Hancock
✓ Morgan Stanley Investment Management
✓ Morgan Creek Ventures
✓ Natural Resources Defense Council
✓ NEO Realty Group LLC
✓ NIKA
✓ NGKF
✓ Nuveen
✓ OPTrust
✓ Oxford Properties
✓ Prologis
✓ PGIM
✓ Principal
✓ PwC
✓ Regency Centers
✓ Rocky Mountain Institute
✓ Shorenstein Properties
✓ Sabey Data Center
✓ Salesforce
✓ Sprint
✓ Stags Industries
✓ TD Bank
✓ TH Real Estate
✓ The Tower Companies
✓ Triovest
✓ Ulta Beauty
✓ Unico
✓ USAA Real Estate Company
✓ Washington REIT
✓ Weingarten Realty
✓ Welltower
✓ WeWork
✓ YuMe
Step 1
Complete the free Green Lease Leaders Audit at greenleaseleaders.com to see where you stand.

Step 2
Contact IMT for one-on-one assistance.

Step 3
Get recognized. Deadline for 2020 recognition is March 31. Application guidance is online at greenleaseleaders.com

Start Transforming Traditional Leases
Building Performance Standards: A Tool for Energy-Optimized Buildings
The most powerful tool to reduce the energy and emission impacts of existing buildings.

Mandate improving energy and carbon performance levels over the life of buildings.

This is happening now.
DC, NYC, and Washington State Adopted Standards in 2019

CleanEnergy DC Omnibus Amendment Act of 2018

Local Law 97

Clean Buildings for Washington Act
Future versions of building performance standards can optimize not only for energy and carbon, but for affordability, inclusiveness, equity, grid flexibility and reliability, and resiliency.

Designing standards will require unified vision and cross-sector collaboration.

Let’s work together to achieve this vision.
U.S. City, County, and State Policies for Existing Buildings:
Benchmarking, Transparency, and Beyond

- Requirements of achieving performance targets or completing additional actions
- Benchmarking policy for public, commercial, and multifamily buildings adopted
- Benchmarking policy for public and commercial buildings adopted

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Existing EBPS in the U.S.

**New York City**
Per square foot (PSF) CO$_2$e emissions limits by building type
Commercial + MF: 25,000 SF or larger

**Washington, DC**
At least median ENERGY STAR score (or EUI) by peer building group
Commercial + MF: 10,000 SF or larger

**Washington State**
Site-EUI limits PSF by occupancy type
Commercial: 50,000 SF or larger
Thank you

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