

Selecting High-Performance Tenant Space: A Pre-Lease Guide

High-performing and energy -efficient commercial office space begins before tenants even set foot in the building: choosing the right building is the critical first step. Real estate brokers can provide additional value to tenants by helping them make smart leasing choices with energy performance in mind, starting with site selection and continuing through lease negotiation, consultant selection, and space planning. Building owners can better attract and retain high quality tenants by including energy performance measures in a building's capital improvements and collaborating with tenants during the design of leased space to ongoing energy management during a tenant's occupancy.

The *Project Initiation Guide: Pre Lease* is part of NRDC Center for Market Innovation's High Performance Tenant Demonstration Project, and advises tenants and real estate brokers on how to select energy-efficient spaces to reduce the operational cost of office space while improving the work environment.



Key steps for choosing a high-performing space include:

- Select a leasing broker informed on energy efficiency
- Convene a workplace strategy and energy performance optimization workshop
- Outline space utilization and inventory
- Discuss general market conditions, location options, and space availability in standard and high-performance buildings presented by leasing broker
- Collect detailed data on buildings and potential spaces
- Perform financial analysis
- Assess high-performance space feasibility
- Meet with the building owner to discuss collaboration to improve energy performance
- Renegotiate financial terms from site comparison analysis
- Gather final stakeholders to review, discuss, and make a decision
- Review and finalize the lease



For more information,
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CASE STUDY:

NYSERDA at 1359 Broadway, New York, NY



NRDC's Center for Market Innovation worked with the New York State Energy Research and Development Authority (NYSERDA) on the selection of a space for its New York City office, which will also include the NY Green Bank, at 1359 Broadway.

The space is located on the pre-war building's 19th floor, totaling more than 21,000 square feet. It was selected primarily for its potential to become an energy-efficient, high-performance space with a target energy and cost savings of 30 to 50 percent compared to a standard tenant space, with a 3-5 year payback period.

The owner, Empire State Realty Trust, is well known for its deep energy retrofit of the Empire State Building, which will save 38 percent of the building's energy and \$4.4 million annually.

NRDC worked with CB Richard Ellis, the leasing broker and leading real estate services firm, to compare prospective properties for analysis by NYSERDA, by asking the following questions:

What is the building's Energy Star score?

The EPA awards top-performing buildings that meet or exceed a score of 75.

Is the space sub-metered, and is the utility billing structure based on actual use? What is the utility rate and average energy cost per square foot?

A recent study found that sub-metered spaces save 21 percent energy compared to spaces without energy-use information.

What has the building done to improve and maintain energy efficiency and conservation, and when were the improvements installed?

Buildings with excellent natural daylight, energy-efficient windows, envelope walls, and heat, cooling, and ventilation (HVAC) equipment reduce tenant equipment and energy costs.

Does the building have resources or programs to help with design, construction, and ongoing management of energy-efficient spaces, including:

- Design and energy-efficiency criteria?
- A set of recommended cost-effective energy measures with financial value analysis?
- An energy model for reference?

Experts can help identify cost-saving lighting, outlet plug load, and HVAC opportunities throughout the lease term. Resources provide a starting point for sensible energy strategies and promote a collaborative relationship between building owner and tenant.

ENERGY EFFICIENT TENANT SPACES SAVE MONEY AND INCREASE ASSET VALUE

The U.S. commercial office sector spends more than \$20 billion annually on energy, with typically half of a building's total energy use consumed in tenant spaces. As tenants and investors are placing higher values on energy-efficient buildings through rent premiums and enhanced real estate asset valuation, a powerful opportunity exists for real estate owners to capture benefits from improving the performance of individual buildings and across portfolios.

Tenants can use a set of energy performance measures—including natural day lighting, efficient lighting, optimized HVAC and outlet plug load reduction, and multi-system controls—to see an annual return of more than 25 percent.

A RESOURCE GUIDE FOR OPTIMIZING HIGH-PERFORMANCE TENANT SPACE

CMI's step-by-step guide of the Lease Cycle Energy Optimization Process is introduced in *Energy Performance Opportunities in Commercial Office Buildings*, and detailed in a three part How-to-Guide:

1. **Project Initiation Guide:** Pre Lease (October 2013)
2. **Energy Performance Optimization Guide:** Value Analysis/ Design/Construction (November 2012)
3. **Measurement and Verification Guide:** Post Occupancy (releasing summer 2014)

The process includes proven steps developed from CMI's engagement on a portfolio of demonstration projects, as guidance for building owners and tenants looking to capture the economic, environmental, and competitive advantages of energy-efficient space, and for real estate brokers and project teams (architects, engineers, contractors and project managers) looking to provide the expertise to help clients reach these goals.

The resource guides and accompanying tools are available online at: <http://www.nrdc.org/business/cgi/resources.asp>