



nerej

Benefits of Solar Investment for Mass. Commercial Real Estate Owners

March 24, 2011 - Green Buildings

The solar industry in Mass. has taken significant steps in technology and policy and is poised for continued growth for the foreseeable future. With rapidly dropping costs and strong incentives, there has never been a more attractive time for commercial property owners to consider a solar investment for their buildings. Solar investment is currently presenting building owners with consistent high-teen to low-20% 10 year Internal Rates of Return (IRR). Aside from the significant savings in utility bills every month, the reasons for such attractive investment scenarios include:

- * **Solar Renewable Energy Certificate Values:** Mass. is a national leader in statewide incentive programs for solar, and has created a market where property owners can sell Solar Renewable Energy Certificates, or SRECs, to utilities so they can meet current compliance obligations. These SRECs are currently valued above \$500, and a price floor has also been instituted to help ensure projects can be financed. First movers with SREC prices at these levels will realize the best returns on their investment.
- * **Federal Treasury Grant:** For the calendar year 2011, the Federal Government has extended the option to receive 30% of the system cost back in cash, as opposed to a tax credit. After 2011, unless extended, that 30% will only be available as a tax credit.
- * **Depreciation Benefits:** For the calendar year 2011, Federal incentives allow for 100% depreciation of the solar asset in the first year of its useful life.
- * **Net Metering:** Net metering reduces risk by allowing building owners to assign net metering credits to multiple tenants, offset their own onsite power usage, or allocate credits to other buildings or users within the same utility area. Net metering insures that system owners are guaranteed full credit of all energy produced.
- * **Declining installation costs:** The flurry of worldwide solar development over the course of the last 5-10 years has reduced the cost of many of the materials that are used in solar projects and driven efficiencies in installation practices. The result is an approximate 35-40% reduction in installed project costs which has a direct result on the investment statistics cited above.

There are also many other benefits of solar for commercial property owners including qualification for LEED points, increased attractiveness for potential tenants, and increased property values. There is no question that the next 12-24 months will be an excellent time to develop solar projects on commercial properties in Mass.

Jared Connell is a senior energy consultant with Borrego Solar Systems, Inc., Lowell, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540