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Energy efficiency and renewable energy: A good investment for existing properties?

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Conventional wisdom that says you can't manage what you don't measure was never truer than in the world of energy consumption and energy costs. Energy expenditures for commercial and industrial properties are a major percentage of operating costs. Since a small percentage drop in use can add up to big annual savings, it pays to monitor the rate of consumption and the unit rate costs of the different forms of energy used by your businesses and properties. Historically, retail electricity prices have steadily increased an average of 3% to 3.5%, annually. According to the Energy Information Administration (<http://www.eia.gov>), average retail electricity prices in the commercial sector of New England have increased from 9.85 cents per kilowatt hour (kWh) in 2002, to 14.33 cents per kWh in 2011, representing a staggering 31% increase. Much of the energy used in the commercial sector goes toward lighting, heating and cooling of a building, so it makes sense to examine a buildings' energy profile.

State and local utility rebates and incentive programs, which are tracked and summarized on the Database of State Incentives for Renewables & Efficiency, (DSIRE) (<http://www.dsireusa.org>), can be used to pay up to 75% of the cost of an energy audit, and should be a priority for any property manager or business owner who pays a monthly electric bill. Figuring out your buildings' usage compared to that of similar buildings is a first step in benchmarking for potential improvements. Energy Star's Building Portfolio Manager tool (http://www.energystar.gov/index.cfm?c=evaluate_performance.bus_portfoliomanager) provides a continuously updated resource of all available programs and incentives for government, commercial and residential sectors. Determining how efficient your building is on a scale of 1-100 is the first step. You can establish this rating for your buildings for free at the Building Energy Ratings Portal (<http://www.buildingratingsportal.com/>), a great tool for obtaining ratings for 14 common commercial and institutional building types. A building "score" under 75 represents opportunity for marked improvements that are likely to provide a good return on investment.

The improvements often carry additional incentives and rebates, as well. Investments in renewable energy projects, such as solar and wind, which should be considered after efficiency measures are examined, provide another source of tax deductions and incentives. On-site generation of renewable energy not only avoids purchase from the grid, but creates certificates for each megawatt-hour (MWh) of electricity produced. The certificates can then be sold, providing additional cash flow for many years. Renewable energy equipment that produces electricity used on site increases property values. As an added benefit, that increased property value is exempt from property taxes in many states. In a down real estate market, energy efficiency and renewable energy projects can be good long-term investments and could make a difference in getting the most out of your portfolio of properties.

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