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Solar's increasing allure in the suburban office market?

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As has been noted in previous issues of the New England Real Estate Journal, Massachusetts has one of the more robust solar markets and is consistently rated among the most energy efficient states in the country. This should not come as a surprise to anyone around here given greater Boston's focus on innovation and technology, which includes solar. But the growing technology sector also happens to be what's driving the local commercial real estate market, and it's the interplay among the tech, real estate and solar markets that is creating a new and increasingly significant dynamic in our local economy.

In recent months, my firm's business development team has met with several of the area's more recognizable commercial real estate investment and development firms, and one common theme from these meetings has emerged: everyone wants to know about their solar options. This is particularly evident among those who own and manage office product along the Rte. 128 and 495 corridors. When it comes to solar, it is clear this interest stretches beyond mere cost savings; this current uptick in curiosity has as much to do with product differentiation and appeal than anything.

To understand what's behind the rise in interest, let's consider the tenant makeup of Boston's suburban office market. While still diverse, the majority of its recent significant lease transactions have been inked by members of the technology sector, including: Bit9 at Bay Colony in Waltham, Care.com at 77 Fourth Ave. in Waltham, Sophos at 3 Van de Graaff Dr. in Burlington, and Osram Sylvania at 200 Ballardvale St. in Wilmington. Many see the implementation of a solar project as an effective way to help attract one of a number of growing innovation companies in the region.

So what is solar's big appeal? With class A suburban office cap rates compressed to between 5%-7%, it's not so much about the income a rooftop or parking lot lease can generate. Rather, it's about understanding the needs, wants and culture of today's office market. Innovative firms compete fiercely for talent, customers and investors, and brand perception matters to them a lot. Adopting smarter energy solutions bolsters a firm's reputation in the marketplace as forward-looking and progressive. And the great cost savings on electricity that these projects provide make striving for zero carbon emissions a goal that isn't just reserved for behemoths like Google. Innovation attracts innovation.

In Waltham, with the installation of solar canopy systems atop existing parking structures at Bay Colony and Hobbs Brook Office Park, industry leaders such as Boston Properties and Hobbs Brook Management have recently begun what we believe will be a continued trend in the years to come. As the costs associated with the installation and implementation of solar continue to fall, it is a safe bet that others will follow. It will be fascinating to see what will take place in the area surrounding TripAdvisor's new headquarters, a promising new technology cluster along Rte. 128.

But it is important for any developer in this area to recognize that innovative companies seek out innovation in every aspect of their businesses, putting renewable energy initiatives at the top of their

wish lists. Today, solar can be a critical differentiator. Tomorrow, it's likely to be an assumed amenity.

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