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Unlocking value for commercial real estate: Solar solutions for a changing market - by Claire Broido Johnson

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As the commercial real estate market continues to navigate the disruptive forces of rising vacancy rates and increasing operating costs, landlords are under pressure to find new levers to protect income and strengthen asset performance. Amid these challenges, onsite solar and battery storage – particularly when financed through third-party ownership models – are emerging not just as environmental upgrades, but as powerful financial strategies.

Across the commercial real estate market, a quiet but profound change is underway. The post-pandemic shift toward remote and hybrid working continues to reshape tenant behavior and leasing patterns. According to Moody's, national office vacancy rates climbed to a record 20.7% in the second quarter of 2025 (1) – a clear sign that traditional revenue models are under pressure. Simultaneously, energy costs remain unpredictable, further squeezing operating margins at a time when rental income is under strain.

Against this backdrop, the deployment of onsite solar and storage systems is evolving from a long-term sustainability goal into a near-term strategic tool that offers commercial landlords a powerful way to create value in a tightening market. By passing solar savings on to occupants through lower energy bills, landlords can offer a compelling, value-added amenity that helps close leases, secure renewals, and strengthen tenant relationships – at a time when tenants have more choices than ever. In this way, solar shifts from being a capital expenditure to a strategic asset that enhances leasing dynamics, improves property performance, and positions landlords as forward-thinking stewards of the built environment. And thanks to maturing financing models like power purchase agreements (PPAs) and roof leasing agreements, the benefits of solar are now within reach for a broader range of commercial property owners – without requiring any upfront investment.

Technology Has Leveled Up – And So Have the Benefits

It's not just solar and storage financing that's evolving – the technology itself has advanced significantly, making it an even more attractive investment. Over the past decade, solar panel prices have fallen by more than 40% (2), while efficiency gains now enable systems to produce significantly more energy from the same surface area. These improvements have made solar installations viable even on dense urban rooftops or smaller buildings.

Battery storage also adds a powerful new layer of value: energy resilience. By storing excess solar energy for use during outages or at night, batteries offer tenants continuity and reliability – an increasingly critical feature in a world marked by severe weather and grid instability. For tenants whose operations depend on uninterrupted power, the combination of solar and storage provides a compelling incentive to stay and grow within a property.

The First Steps to a Successful Solar Strategy

For property owners exploring a solar strategy, the first step is partnering with a reputable local

installer or Engineering, Procurement and Construction (EPC) firm. Their technical expertise is essential for evaluating which buildings in your portfolio are best suited for solar. Ideal candidates typically feature large rooftops (15,000 s/f or more), high energy consumption, long-term ownership plans, and exposure to elevated utility rates.

Just as important is early engagement with tenants. Involving them from the outset allows you to communicate the tangible benefits – lower energy bills, support for ESG targets, and increased resilience during power outages. Clear, proactive communication helps align stakeholder interests and builds the foundation for broad support and long-term success.

Beyond technical guidance, EPCs and installers bring deep knowledge of the financial landscape surrounding solar. They are well-versed in federal, state, and local incentive programs and can help identify opportunities to significantly offset upfront costs. By partnering with an experienced provider and leveraging available incentives, commercial landlords can reduce financial friction and make the transition to solar far more attainable.

However, even with incentives in place, the upfront cost of installing solar remains a major hurdle for many commercial landlords facing growing financial pressures. That's why partnering with a provider who can offer alternative financing solutions – such as PPAs or leasing options – is essential.

How Different Financing Models Work

In a power purchase agreement, a third-party installs, owns, and maintains a solar system on the property. The building owner agrees to purchase the electricity generated by the system at a fixed rate – typically around 20% lower than the price of grid-supplied electricity. This approach offers predictable energy pricing below utility rates, insulating the property from future price volatility while also delivering immediate savings. The landlord avoids the capital cost entirely, and the operational burden of owning the system shifts to the third-party provider. For properties with high energy loads – such as offices, industrial facilities, or retail centers – this arrangement can provide a meaningful reduction in operating expenses, directly improving net operating income.

An alternative model, particularly relevant in states like Massachusetts, is the roof lease. In this scenario, the property owner leases rooftop space to a third-party solar provider. The provider installs and maintains the system, sells the electricity to the grid or another off-taker, and pays the landlord a steady stream of lease income. This creates a passive revenue source that requires no tenant participation and no change to building operations. For landlords with underutilized rooftop space, it's a low-risk, high-value way to monetize assets and diversify income.

Unlocking Solar for Small and Mid-Sized Landlords

Although these financing models offer clear benefits, they have historically been beyond the reach of many small and mid-sized commercial landlords. Lenders have historically favored large, utility-scale solar and storage projects or required borrowers to have strong credit ratings and significant financial backing to qualify. This has created significant barriers for smaller property owners, limiting their ability to access affordable, flexible solar financing options.

The good news is that this is now beginning to change. New solutions are emerging specifically designed to meet the needs of smaller operators. Sunrock Distributed Generation is at the forefront of this shift, working with a network of over 700 installers, EPCs, and developers to offer flexible financing models – including leasing agreements and PPAs – that make it possible for small and mid-sized commercial landlords to unlock the cost savings and sustainability advantages of clean, renewable solar energy.

Summing Up:

The commercial real estate market is evolving rapidly – driven by changing work models, increasing tenant expectations, rising energy costs, and growing demand for energy efficiency and resilience. In this shifting landscape, solar offers commercial landlords a rare combination: predictable savings, stronger tenant relationships, and increased property values – all without requiring upfront investment.

By partnering with experienced providers and leveraging flexible financing solutions like PPAs and leasing options, operators of all sizes can overcome traditional financial and logistical barriers. In doing so, they not only reduce operating costs but also position their properties as forward-looking, energy-efficient assets in a competitive market.

Now is the time to turn solar from a future consideration into a strategic advantage – one that strengthens portfolios, attracts quality tenants, and supports long-term success in a decarbonizing real estate market.

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(1) <https://www.moodycre.com/insights/cre-trends/the-office-sectors-double-whammy/>

(2)

<https://seia.org/research-resources/solar-industry-research-data/#:~:text=The%20cost%20to%20install%20solar,deploy%20thousands%20of%20systems%20nationwide>

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