

## Green Spotlight

# Sustainability and energy management – Why you should consider a holistic approach

Adin Meir



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Buzzwords such as “sustainability” and “energy management” are increasingly common these days, but what do they really mean to you? Do they have relevance or significance to your tenants or prospective tenants? These questions are relevant and appropriate, especially as the New York City real estate market contin-

ues to break records while the city government looks for ways to meet the reductions laid out in the mayor’s plan to reduce emission by 80% of 2005 levels by 2050. Sophisticated real estate developers, building owners, and operators already understand that in this age of climate change, carbon mitigation and intensified scrutiny of corporate social and environmental responsibility, there are both real risks and rewards related to tackling these issues head on. While the days of “greenwashing” are certainly not yet behind us, there are strong indications that sustainability, energy management and corporate environmental responsibility are being incorporated deeply into the fabric of some of the largest

and most influential players in the U.S. market. While Europe continues to push the envelope on the integration of sustainability and energy efficiency into mission statements and boardrooms, the conversation in the U.S. is increasingly tipping towards a tactical, logical, and profitable approach to these critical issues.

There are a multitude of reasons why the conversation about sustainability and energy has changed at a progressively rapid pace, especially over the last five years. On the energy side, technology has emerged as a major change agent in the built environment, allowing for levels of control over building systems as well as real-time granular energy consumption data that

was unthinkable even a few years ago. These advances in controls and metering equipment as well as consistent reduction in hardware pricing have allowed technology to progress far faster than utility rate structures and tariffs, and are presenting options to revolutionize our electric grid significantly. The amount of data that is now available to property owners, managers and tenants will similarly revolutionize the way that the real estate industry operates.

Take sub-metering, for example. Commercial tenants typically constitute up to 80% of a buildings total energy use. For years, the electric sub-metering market in NYC has been dominated by a few low tech metering

providers, many of whom still require manual meter reads and whose monthly reports are less than sophisticated and are certainly not tenant-friendly. Technology such as multipoint meters, wireless mesh networks and even self-powered sensors are now working together with the next generation of sub-metering providers to provide a wealth of real-time consumption data as well as valuable sophisticated monthly reporting, allowing property owners and managers an entirely new level of understanding of tenant consumption patterns as well as a much more accurate basis for tenant electric billing. Tenants are increasingly asking for these types of services and are much savvier at the negotiating table when it comes to energy and their lease agreements. Combine these technological advances with the looming Local Law 88, which, among other things, requires sub-metering of tenant spaces larger than 10,000 s/f beginning in 2025, and you can see the beginning of a market transformation.

Sustainability is now becoming much more ingrained in corporate real estate culture. Corporate reporting programs such as the Global Real Estate Sustainability Benchmark (GRESB) have established a significant foothold in the U.S. real estate market, with \$2.3 Trillion in total global property value from 61,000 assets covered on the 2015 survey. U.S. real estate accounted for just shy of \$1 Trillion of total global property value responding to the survey, a figure that has been increasing exponentially as investor and corporate interest drives a more holistic view of the role of sustainability. In fact, a 2014 McKinsey & Co. study entitled, “Sustainability’s strategic worth” found that in 2014, 43% of companies seek to align sustainability with their overall business goals, up from 30% in 2012. In our experience in the 250 million square feet that we work with, there has been a clear shift in the marketplace from a tactical approach to sustainability to a strategic approach, as institutional investors increasingly require potential investment opportunities to have embedded sustainability and energy management into their operations.

It is clear that sustainability and energy are intertwined and interdependent. Buildings in NYC account for almost 70% of total GHG emissions in the city, and achieving the mayor’s goal of a reduction of 80% of those emissions by 2050 will inevitably entail a significant reduction in energy consumption from existing buildings. More than ever, successful real estate organizations view sustainability and energy management as strategic assets to their long-term success.

**Adin Meir, M.S., CEM is the director of energy practice at CodeGreen Solutions, New York, N.Y.**

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