



# Zero Energy Delivers Value

Bacon Street Offices | San Diego, CA  
Credit: Auda-Coudayre Photography /  
Kessler Photography

As the real estate market continues to prosper, more buyers are looking for buildings that outperform. Zero energy (ZE) buildings provide compelling selling points.

#### **BETTER PRODUCT:**

ZE buildings have first-rate architectural, mechanical, and environmental design, resulting in more comfortable spaces and highly productive workplaces.

#### **LONG-TERM VALUE:**

ZE buildings offer significant savings to owners through lower utility bills and operations costs. ZE buildings earn higher resale value as demand for more ZE buildings exceeds available supply.

#### **MARKET ADVANTAGE:**

When real estate professionals help prospective buyers and tenants understand the multiple financial benefits of ZE, they build credibility by demonstrating their knowledge of leading market trends. The ZE market will only continue to grow. Establishing a firm's experience and expertise will be a market advantage now and into the future.

## **Zero Energy's ROI**

Beyond the environmental benefits of reduced carbon and greenhouse gas emissions, ZE buildings provide substantive business advantages. They offer superior interior environments for occupants and reduced operating and equipment replacement costs. Tenants should understand that these attractive features can reduce vacancy and turnover while increasing lease-up times and resale value. This can grow developers' bottom line while providing valuable brand recognition in a competitive building market.

#### **REDUCED RISK:**

ZE performance helps reduce exposure to risk by ensuring that an asset is more resilient, has higher employee and tenant retention, is less exposed to fuel price swings, and garners higher rents.

## BETTER LEASING & OCCUPANT RETENTION:

ZE buildings have faster lease-up rates, which increase likelihood of quickly achieving stabilized occupancy and higher tenant retention.

## REDUCED OPERATING COSTS:

As triple net leases<sup>1</sup> are now becoming standard, decreased utility rates and lower maintenance costs are more attractive to lessees. Reducing mechanical equipment sometimes frees up additional leasable space. Providing extra space can keep overall market rents more competitive while still increasing cash flow in these superior buildings.

## CODES AND STANDARDS:

Building codes and regulations are quickly evolving toward ZE. Builders and contractors with the expertise and capacity to supply ZE

buildings to business leaders and homeowners right now can gain the market advantage that comes with innovation. They also hedge the future costs of trying to keep up with codes and standards.

## BETTER FINANCING & INCENTIVES:

Lenders are increasingly rewarding real estate companies and development projects with sustainable features with more attractive debt terms. Techniques like green leasing and green financing incentives are becoming more available to developers and are attracting potential occupants who are invested in their buildings from inception. Attractive incentives are available through local utilities and state efficiency programs to offset ZE design, planning, research, and construction costs, including incentives for renewables.

## Are all types of buildings ZE feasible?

The market share of ZE buildings is growing quickly. ZE is feasible in new construction and retrofits, and in many building types including multifamily and single-family residential, schools, small- to medium-sized office buildings, libraries, and other public buildings. Built by a variety of design teams and developers, numerous examples of these and other building types are currently operating across the country.

## ZE standards for buildings are coming—what do I do?

California has set a course to achieve zero energy for all new construction and half of the existing building stock in the next decade. Other states and local governments are following suit with their own ZE policies and codes. Owners, developers, and real estate professionals should begin to prepare for this change now by putting themselves in a leading position to integrate ZE performance into their business models, buildings, and portfolios to prepare for coming building codes and increasing market demand.

## INCREASE YOUR PROFITS WITH LEASED ZE BUILDINGS

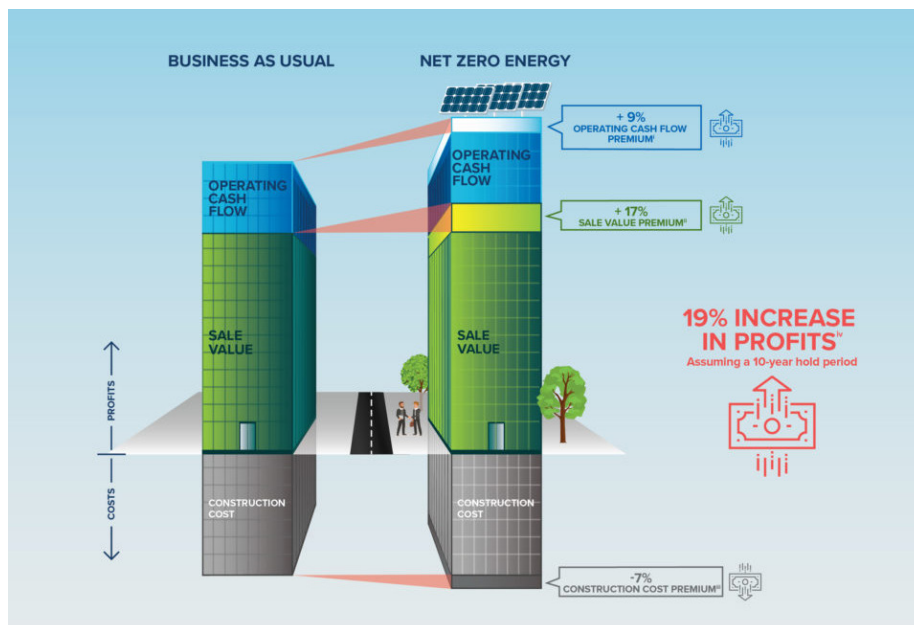


Figure 1: Courtesy of Rocky Mountain Institute, Best Practices for Leased ZE Buildings



“We’re getting a little bit of premium on rent, but the main way it pays off is the value of the building is higher and you generate additional revenue from reduced operating costs and faster lease-up times. ... It’s a pretty strong economic case for a building of this size.”

Kevin Bates,  
President of SHARP Development

Photo: Bruce Damonte

# PROJECT PROFILE

435 INDIO ZE  
OFFICE RETROFIT  
SUNNYVALE, CA

435 Indio Way is a retrofit of a single-story 31,759-square-foot building in Sunnyvale, California, that the developer, Sharp Development Company, viewed as a test for the feasibility of ZE. Sharp Development Company’s president, Kevin Bates, has already developed more than 2.5 million square feet in Silicon Valley, but the economic model and lease structure he developed for 435 Indio demonstrated an entirely new approach. The three main pillars of Kevin’s design philosophy break new ground in developing the business case for ZE retrofits.

1. Drive down operation and maintenance costs through careful equipment selection and design.
2. Tenants will want to take advantage of the building’s natural daylight by maintaining open-plan offices, reducing demolition and interior remodeling costs.
3. Tenants will be willing to pay higher premiums for a well-designed high-performance space.

Using an integrated design approach, the owner, developer, and design team worked together to create a successful and highly replicable model for ZE retrofits in office buildings. Design features include rooftop photo voltaic, occupancy sensors, passive daylighting, and natural ventilation. An energy dashboard in the lobby increases occupant awareness around energy use.

## RESOURCES

To access NBI's collection of ZE resources, including case studies, research, and tools and guides for getting your project to ZE, visit [gettingtozeroforum.org](http://gettingtozeroforum.org).



New Buildings Institute (NBI) is a nonprofit organization driving better energy performance in commercial buildings. We work collaboratively with industry market players—governments, utilities, energy efficiency advocates and building professionals—to promote advanced design practices, innovative technologies, public policies and programs that improve energy efficiency. We also develop and offer guidance and tools to support the design and construction of energy efficient buildings.

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