

# BANKER & TRADESMAN

## Green Renovations Mean Black Ink

By: Steven Altieri  
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Commercial property owners statewide are taking advantage of generous state and federal subsidies to outfit their properties with solar panels and other energy saving devices – but is what’s good for the environment good for the bottom line?

The current boom in solar energy can be attributed to a confluence of several factors. One, advances in the manufacture of panels and scaling up of production have brought the price of the equipment down. Two, the price of fuel and energy in general has gone up, making solar more attractive. Three, Massachusetts and the federal government have lavished subsidies on the market to help panel manufactures and installers get established.

Photo by Brett Crawford



Picture from left are Eric Shapiro, Alison Manugian, Terry Atwood and Bob McDermott.

What might be most important, however, is the increasing desirability of clean energy and recognized environmental sustainability as attractive amenities to tenants.

“It’s too early to say that tenants will pay a specific amount more for LEED buildings,” said Glenn Verrete, a partner at Boston commercial real estate advisory and brokerage FHO Partners, and head of the firm’s asset advisory group. “However, tenants are seeking office environments which improve employee productivity and morale. Being a LEED design or Energy Star rated building is part of that.”

“There are more green collar jobs than anything hitting the market right now, it’s a great opportunity for landlords to buy a property, retrofit and then put it out on the market as green space,” said Leland DiMeco, a broker with Boston Green Realty, LLC. “If you’re subleasing you are going to get a premium on the space. Its absolutely better per square foot.”

Eric Shapiro, owner of Shirley’s Phoenix Park Business Center, is about to complete installation of a 500 kilowatt solar system on his property. When completed, the system will push the electricity it generates back through the grid. The electric company will then credit the electricity produced against the total electricity used at the 300,000-square-foot property.

“The solar system will probably contribute about 40 percent of the overall [electricity] usage at Phoenix Park, which is approximately how much electricity we use in the common area,” Shapiro said. “Every cost we can get our hands on and control will allow us to offer space at a low cost and be competitive and manage our costs, and pass that savings on to our tenants.”

Shapiro, who once owned a recycling company and considers himself “green,” has long been interested in adding solar power to his property, but it’s the subsidies that clinched the deal for him. Shapiro estimates that of an initial outlay of \$3 million, the state will directly pick up 50 percent of the cost, and the federal program will pick up an additional 30 percent. He estimates that he will recoup the remaining costs in savings on the property’s electric costs over a five to six year period. He said he does not intend to raise rents and will ultimately pass on savings to tenants in the form of lower common area fees.

The Phoenix Park solar system was installed by Wilton, Conn.-based installer Alteris. In addition to designing and installing the system for Shapiro, Alteris was able to help Shapiro navigate a complex web of federal and state incentives, the company said.



Ted Vansant, the Alteris project manager responsible for the Phoenix Park installation, estimates that the solar industry is growing approximately 50 percent a year and that “90 percent to 95 percent of our projects are conversions

of existing properties. Older mill buildings like the project at Phoenix Park or at the Riverwalk in Lawrence are typically really good candidates, because they were built with the idea of maybe putting on another story later. So they are structurally very sound.”

More importantly, Shapiro said he expects the value of his property will “increase at least by the value of the net savings of the cost of electricity, capitalized at market rates.”

“If buildings use less energy due to solar installations, they will generate more net revenue for an owner, thereby effectively increasing the building’s value,” Vansant told Banker & Tradesman.

DiMeco is less sure that simply adding solar or other features will automatically enhance a building’s resale value. “Energy efficiency is based on what your load is” he said. A solar installation that is sufficient for an office that consumes relatively small quantities of electricity may make a space less attractive for light manufacturing or other energy-intensive businesses.

DiMeco has not seen any evidence that investors or REITS are interested in energy efficient buildings in particular. DiMeco thinks that landlords should adopt energy efficiency and other aspects of green design on a case by case basis, retaining their flexibility.

This matches the way in which Shapiro has developed his property. When he bought the property in 1998, Shapiro did not immediately convert the whole property. Rather, he converted and developed spaced as he found suitable tenants. The green character of Phoenix Park is as much a reflection of the companies that have taken up tenancy as it is Shapiro’s vision for the property.

“We are about 100% occupied in the space we have completed, and 75% completed [on the project as a whole],” Shapiro said. “It’s is too early to tell if the solar will help with our marketing, but from early indications it will not hurt.”