



ZERO NET ENERGY FOR DEVELOPERS
AND REAL ESTATE PROFESSIONALS

Zero Net 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 look for buildings that outperform the market. Zero net energy (ZNE) buildings provide compelling selling points.

BETTER PRODUCT:

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

LONG-TERM VALUE:

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

MARKET ADVANTAGE:

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



Zero Net Energy Building's ROI

Beyond the environmental benefits of reduced carbon and greenhouse gas emissions, ZNE buildings provide substantive business advantages. They offer superior interior environments for occupants and lower 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: ZNE 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.

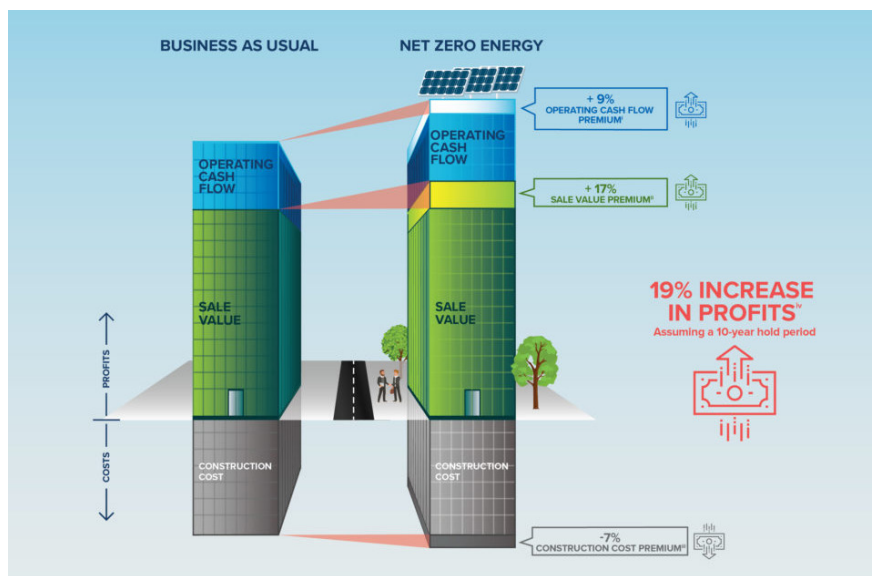
BETTER LEASING & OCCUPANT RETENTION: ZNE buildings have faster lease-up rates, which increase the likelihood of quickly achieving stabilized occupancy and higher tenant retention.

REDUCED OPERATING COSTS: As triple net leases are 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 ZNE. Builders and contractors with the expertise and capacity to supply ZNE 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 ZNE design, planning, research, and construction costs, including incentives for renewables.

Increase your profits with Leased ZE Buildings



Are all types of buildings ZNE feasible?

The market share of ZNE buildings is growing quickly. ZNE is achievable 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 various design teams and developers, numerous examples of these and other building types are currently operating across the country.

ZNE standards for buildings are coming—what do I do?

California has set a course to achieve zero net 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 new ZNE 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 ZNE performance into their business models, buildings, and portfolios to prepare for coming building codes and increasing market demand.



Project Profile

TOWER II
LA JOLLA COMMONS
SAN DIEGO, CA

Tower II La Jolla Commons is a modern 13-story, 415,000-square-foot Class A office tower in San Diego's University Town Center. Houston-based Hines developed the office in 2014 to be the largest ZNE building in the country. Hines has developed over 256 million sf in 27 countries, with a portfolio representing 622 buildings. Tower II reflects Hines' commitment to sustainability, optimizing energy efficiency, reducing carbon emissions, and minimizing waste and water impacts. In addition, LPL Financial, the sole tenant, sees their lease support their sustainability goals and create an environmentally friendly workplace that fits the culture and values of their 1900 San Diego employees. The design was in line with Hines and LPL's sustainability vision and focused on four pillars: Sustainability, Health and Wellness, Connectivity, and Flexibility.

Sustainability measures include insulated, double-paned glass, LED lighting, energy meters on each floor, and a water reclamation system. In addition, the building features three on-site fuel cells (500kW total) that convert biogas into electricity. After powering the tower, the fuel cells return energy to the grid to power 750 neighboring homes.

The \$60M tower was a 2% incremental cost over the standard Hines office building. With a \$185/sf core and shell and \$80/sf tenant Improvement, the project is in line with comparable office buildings in the San Diego region (\$275 to \$324/sf). The upfront costs were reduced through minimized ductwork in the underfloor air distribution and reduced sewer capacity fees (\$90,000). In operations, the ZNE energy and water efficiency measures save \$310,000 annually. Overall, the sustainability features offer a six-year payback on the 15-year lease, resulting in a successful ZNE investment for Hines without the carbon emissions and a sustainable work environment for LPL Financial.



Resources

NBI maintains a collection of ZNE resources, including case studies, research, and tools and guides for getting your project to ZNE. Visit 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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This program is funded by California utility customers and administered by San Diego Gas & Electric® Company under the auspices of the California Public Utilities Commission.