What Makes Real Estate Profitable?

- Cost control
  - Operating costs
  - Construction costs

- Revenue Maximization
  - Time to lease up
  - Rental rate
  - Tenant retention
How Does Green Fit In?
Lower Operating Costs:  

FAVORABLE

- 30% utility cost savings
- Slower dollar growth in utility costs = predictability
- High quality engineering – more predictable operating performance over time
Construction Costs: **Unfavorable** to Neutral

- **Base Building**: 2% - 3% green premium reported widely
- **Green tenant improvements**: may be more costly than conventional
The Good News on Costs…

• Can often build for the **same cost** as conventional

• Growing industry experience cuts costs

• Increasing state, local, federal incentives for building **green**; [www.dsireusa.org](http://www.dsireusa.org)
REVENUES: FAVORABLE EVIDENCE EMERGING

- Shorter lease-up time
- Top tier rents
- Result: higher cash flows
BREWERY BLOCKS
Portland, OR
1400 FIFTH AVENUE
New York, N.Y.
Why Green = Market Success

Residential: Green = safe, healthy environments

Commercial:
  Green = building quality, tenant comfort
  Green appeals to “high end”, image conscious tenants
  Green = lower tenant operating costs

Conclusion: Green can be marketed to tenants
SUMMARY OF GREEN IMPACT

- Cash flow maximization
- Top tier rents  Lower operating costs
- More predictable performance
- Less downtime  Slower cost growth
- Fewer operating problems
- Higher value real estate

Great for SRI!
A Word on Selecting Managers

• Team Experience
  – Acquisitions
  – Asset Management
  – Experience in your market area

• Aligned Interests
  – Transparency
  – Strong due diligence & valuations
  – Independent appraisals