

How ESG performance impacts investment decisions

Environmental, social and corporate governance performance is becoming increasingly important to property occupants, investors and regulators. That makes boosting ESG performance with improved operations, technology and tenant behavior critical to sustaining asset value. Sustained energy savings can significantly increase the value of a building and eliminate the higher investment risk associated with less sustainable properties.

Many institutional investors who provide money for U.S. real estate companies incorporate ESG criteria into their investment decisions. In addition, many states and municipalities have enacted laws requiring public disclosure of energy-use data.

These developments have prompted some investment managers to adopt technology platforms capable of delivering visibility into portfolio performance that helps them maximize ROI through heightened ESG compliance. Such platforms automate management of whole building aggregation and tracking of energy cost, consumption and reporting data. They also eliminate the manual tasks involved in submitting data required for **ENERGY STAR**[®] certifications required by many municipalities, successful ASHRAE Level 2 audits, GRESB reports and energy-oriented financial incentives, also known as “green financing.”

Documented savings and increased asset value

The principal outcomes of a successful energy strategy that utilizes technology include:

- Increased market valuation, fewer rental concessions and higher rents.
- Tangible process improvements.
- Elimination of low-value manual tasks.
- Reduced risk of overpayments and late fees.
- Increased tenant comfort and fewer complaints.
- Attracting investors and high-quality tenants with increased LEED and ENERGY STAR® scores.



Yardi software suites promote ESG compliance by improving energy efficiency and reducing energy usage in buildings. They include green energy procurement, 100% whole-building energy, water and waste data aggregation, and ENERGY STAR® and GRESB reporting. Optimization algorithms significantly reduce HVAC energy consumption by sending temperature, pressure and speed set point adjustment signals to fans, pumps and chillers every 30 seconds.

Operators get visibility into the full portfolio in one place and hone in on properties with larger-than-expected utility costs. All of this translates into increased NOI and asset values. Combining these solutions within a single connected property and investment management solution

enables owners and managers to take a comprehensive approach to energy management that streamlines processes and recovers costs.

Energy consumption reductions of up to 30% with increased tenant comfort have been documented. It also contributes to improved building LEED scores and increases eligibility for other energy certifications.

Another contribution to improved energy efficiency is utility expense management platforms that validate, process and pay utility bills. They ensure accurate data capture that allows companies to benchmark their properties, secure financial incentives and accomplish their sustainability initiatives.

Where to begin?

A good way to begin an energy management upgrade is to invest in invoice automation that reduces manual effort in the AP process and electronic procurement that centralizes their spend. Additional investments often include work order apps for facilities, one-stop vendor management and automated payments. An incremental approach is generally less disruptive than an aggressive, do-it-all-at-once attempt at achieving big results right away. Such an incremental, software-driven operational strategy can net 10-20% savings across a portfolio with low upfront costs and no tenant disruption.

The simplest part of an energy strategy is understanding and documenting energy consumption across a portfolio. That's where utility expense management solutions that draw analysis and insights from utility bills come in. Validating utility bills and handling exceptions through an automated system eliminates time-consuming work that staff would otherwise have to handle while reducing late fees, bill errors and overpayments. The data that energy software collects also contributes to ENERGY STAR benchmarking needed to satisfy internal and external energy tracking requirements.

Prevent problems, drive value

Introducing automation in an energy program can also prevent problems in HVAC systems by proactively detecting faults and providing dozens of different types of alerts before it costs money. It can optimize heating and cooling to satisfy both tenant comfort and cost-saving objectives while giving owners full control of the building with remote scheduling and defined set points.

Perhaps most significant, energy savings directly correlate to operating income and significantly boost building value. SL Green, for example, installed an energy optimization software solution at a building in New York City that exceeded the initial estimated electricity and steam savings by 24%. The company gained a 99% return on investment and simple payback in 1.2 years in addition to increasing its ENERGY STAR score from 48 to 76 within six years. The building also achieved 25% of its New York City Carbon Challenge greenhouse gas emissions goal, leaving only 5% to go by 2026.

Technology and software that manages energy spend and consumption likely will become even more robust, helping property managers catch and correct spikes and outliers more quickly and applying

artificial intelligence to fault detection and fully optimizing buildings. The next generation of building managers is going to expect greater functionality and control, and the time to get ready is now. New technology presents an opportunity to implement a comprehensive energy strategy that provides full visibility and insight into a portfolio's energy spend. Property owners have better means to manage large, diverse portfolios with maximum efficiency and value while lowering risk.

Whether this data comes from building automation systems, smart utility meters, or the growing number of Internet of Things devices, it is becoming increasingly important to make data-driven decisions, if you wish to optimize efficiency. Having the tools for accurately collecting and analyzing data is also becoming more essential as algorithms become more sophisticated and their use more widespread. Furthermore, data analysis tools enable operators to reduce overall consumption using actionable insights. Companies wishing to maintain their competitive advantage need to implement tools that can integrate a growing amount of data across many different platforms and buildings to optimize decision-making.

Contact us to discuss the
investment management
solution that's right for you.

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