

Going Green is creating Higher Occupancy Rates, Stronger Rents & Sale Prices

A new study by CoStar Group® has found that sustainable "green" buildings outperform their non-green peer assets in key areas such as occupancy, sale price and rental rates, sometimes by wide margins. The results indicate a broader demand by property investors and tenants for buildings that have earned either LEED® certification or the Energy Star® label and strengthen the "business case" for green buildings, which proponents have increasingly cast as financially sound investments. According to the CoStar study, LEED buildings command rent premiums of \$11.33 per square foot over their non-LEED peers and have 4.1 percent higher occupancy. Rental rates in Energy Star buildings represent a \$2.40 per square foot premium over comparable non-Energy Star buildings and have 3.6 percent higher occupancy. And, in a trend that could signal greater attention from institutional investors, Energy Star buildings are selling for an average of \$61 per square foot more than their peers, while LEED buildings command a remarkable \$171 more per square foot.

For entire Article please visit: <http://www.costar.com/News/Article.aspx?id=D968F1E0DCF73712B03A099E0E99C679&ref=100>

For the actual study please visit: <http://www.costar.com/partners/costar-green-study.pdf>

Green Certification

LEED which stands for Leadership in Energy and Environmental Design, indicates a property's overall sustainability by awarding points for just about any sustainable feature imaginable, from bike racks and rainwater collection and refuse systems, to energy-efficient lighting and low-flow plumbing fixtures. It is comprised of specific programs tailored for new buildings, existing buildings and tenant build-outs, and awards different tiers of certification such as Silver, Gold or Platinum, the highest. Over the past few years, LEED® Certification has emerged as the industry's standard for a sustainable property rating system.

<http://www.usgbc.org>

Green Basics

EPA's Energy Star® program: The EPA's Energy Star program is an energy-benchmarking tool and a flag for the nation's most energy-efficient properties. The program targets simple and highly cost-effective strategies for improving energy efficiency in buildings, such as installing energy efficient windows, turning off computers at night and adding motion sensors to control lighting. The program has proven to be very effective: buildings that have earned the Energy Star label use an average of almost 40 percent less energy than average buildings, and emit 35 percent less carbon.

<http://www.energystar.gov>

Green Tax Deductions

Tax Deductions for Commercial Buildings: The Energy Policy Act of 2005 included a new tax incentive, backed and advocated by the National Electrical Manufacturers Association (NEMA) and the Natural Resources Defense Council (NRDC), to improve the energy efficiency of commercial buildings. The "Commercial Building Tax Deduction" establishes a tax deduction for expenses incurred for energy efficient building expenditures made by a building owner. The deduction is limited to \$1.80 per square foot of the property, with allowances for partial deductions for improvements in interior lighting, HVAC and hot water systems, and building envelope systems. The provision is effective for property placed in service from January 1, 2006 through December 31, 2008.

<http://www.efficientbuildings.org>

Green Building

Green will become the new black in 2007, predicts Ernst & Young. Green building - once dismissed by major developers as "too expensive" will become almost a necessity as tenants, lenders, residents, and even investors push for sustainability. Nor is green restricted to building. Look for green principles to become synonymous in the real estate industry with solid, cost-efficient operating principles.

<http://www.costar.com/News/Article.aspx?id=C087FA5C70EF5EEFFED1B281E3D68477>

Green Lending

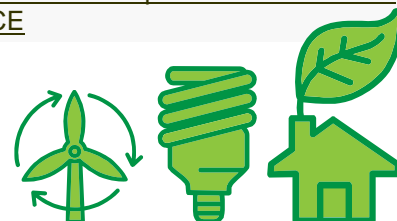
Bank of America launched a \$20 billion program to fight global warming over the next decade by financing companies creating low-emissions technology, lending money for green building projects and creating the ability for customers to trade carbon credits. Specifically, the bank will spend \$18 billion on commercial green lending.

<http://www.costar.com/News/Article.aspx?id=C087FA5C70EF5EEFFED1B281E3D68477>

Green Investing

After absorbing some upfront costs and taking a few halting steps up the learning curve, REITs invested in green development should begin to realize savings and other benefits over time, according to a study by New York securities brokerage UBS. Of the 300 REITs in the U.S., 41% are actively pursuing energy efficiency and green building upgrades and another 27% plan to do so, said UBS, citing the industry newsletter Progressive Investor. The REIT industry is catching on not only because green is a socially responsible practice, but because it is an investment opportunity that yields long-term benefits, according to UBS.

<http://www.costar.com/News/Article.aspx?id=6E37F3E92F40A2AF38F72D9659791FCE>





Apartment Advisory Team
 John Gallagher / Dean Bagneschi
 333 Sunrise Ave, Suite 730
 Roseville, CA 95661

Creating Equity for Apartment Owners

As an Apartment Broker *and* Owner, Dean Bagneschi knows first hand the inherent costs associated with energy usage. This is precisely why he has his energy consumption professionally analyzed in an effort to save on his annual expenses and ensure his investments operate at highest efficiency, contributing to green-friendly investments. Most Apartment Owners are unaware that the rules and regulations, regarding utility costs, are widely open to interpretation. There is virtually a smorgasbord of different tariffs and rates, and it's Apartment Owners' responsibility to choose which are most cost-effective among the multitude of rates and schedules. According to California Business Magazine, *"It is not unusual for a company to be paying 20%-30% more than it should for utilities, and if you don't know the various rates, codes, billing procedures, and tariffs for each utility, you're only guessing that your rates are OK."*

What can an Apartment Owner do? Besides energy conservation, you can perform an extensive self-analysis by obtaining copies of the actual codes from the utility companies. Be prepared to invest a considerable amount of time, especially if you find a mistake, since negotiating with utility companies can become an arduous process, to say the least. Instead, I would recommend you leverage the professional expertise of a company such as Auditek which has been in the business for over 20 years specializes in examining multi-family residential properties, challenging utility companies. Their statistics are remarkable: they

have been able to find savings in more than 80% of the properties they examine! Furthermore, they work on a contingency basis and are paid only if they find savings.

The following chart illustrates how the actual *annual savings* (found by Auditek) translate directly into equity based on a 6% cap rate. For information on creating equity for your property, please contact Dean Bagneschi at 916-960-5755. For more information about Auditek and how they can assist you, please contact Robert Lansburg, President of Auditek at 415-354-6140, extension #50, www.auditek.net.

# of Units	Refunds/Credits (Electric, Gas, Water &/or Sewer)	Annual Savings (Electric, Gas, Water &/or Sewer)	Added Equity Based on Annual Savings on 6%Cap
26	\$12,910	\$8,598	\$143,300
29		\$26,098	\$434,967
49		\$1,813	\$30,217
60	\$2,070	\$6,877	\$114,617
70	\$5,716	\$2,022	\$33,700
120	\$5,438	\$10,986	\$183,100
141		\$13,935	\$232,250
192	\$72,866	\$26,458	\$440,967
200		\$26,981	\$449,683
284	\$7,885	\$9,159	\$152,650

Paint, batteries, thermostats, old TVs, Computers, Electronics and other hazardous items, including the new energy efficient light bulbs with CFLs don't belong in your household garbage. In fact, it is against California law as of February 2006. To find your local recycling center, go to www.earth911.org, (or call 1-877-EARTH911), the on-line version allows you to type in the product you have in need of recycling and your zip code, then shows a list of the nearest recycling/re-use centers nearest you. It's that easy! So please take care of your Apartment Investments & help save our environment at the same time.



John Gallagher, CCIM, CPM

For information on currently available properties,
 or for a free market evaluation of your properties, please contact:
John Gallagher or Dean Bagneschi (916) 960-5700
 JGallagher@tricommercial.com DBagneschi@tricommercial.com



Dean Bagneschi, BS, ACRE

www.ApartmentAdvisoryTeam.com
Recipients of Real Estate Heavy Hitters 2007
By Sacramento Business Journal

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