

Legislative proposals to increase energy efficiency through mandated energy codes (ASHRAE 90.1 - commercial; 2006 IECC- residential) by 30% and 50% will require significant upfront costs for developers. In the real estate industry, local economic conditions determine the levels of efficiencies and costs that can be absorbed in a given market. Not all markets are created equal, and nationwide energy mandates for all building types will create a disincentive to develop new properties in areas where the markets cannot absorb the increased costs. Time is needed to bring all markets to a level of sophistication where more sustainable technologies and methods become the norm and are available within a reasonable cost.

Most buildings will not recoup upgrade costs through energy savings.

While technically achievable, many commercial buildings will not recoup the initial costs for reaching the 30% target through electricity savings for nearly 20 years. This is the first time that an experimental target has been used as the baseline “minimum” code requirement to force all buildings to reach these standards.

NAIOP does not believe it is currently feasible to attain a 50% increase in building codes. While there have been some recent encouraging energy modeling studies that show a hypothetical building may be able to reach this target, these studies typically employ strategies outside the purview of codes by including plug loads and building operations. In fact, even the most progressive “green buildings” showcase properties often fall well short of reaching the 50% target.

The limited scope of building codes.

There are severe limits within the confines of building codes to what can be done to increase energy efficiency. Energy codes generally only regulate the building envelope (roof, wall, and floor insulation), mechanical and lighting systems. Much of a building’s energy use falls outside the purview of codes and will not be affected by an increase in code efficiency. Design elements, including holistic/integrated design and building orientation are not factored into the code process and therefore are not regulated. Energy consumed by the tenant (plug loads) including, appliances, computers, fax machines, monitors and televisions also aren’t included in codes, yet are responsible for as much as 25 percent of energy use in commercial buildings.

Reaching these code targets forces building owners and developers to invest in expensive “code regulated” upgrades and does not allow for more practical and cost effective energy efficiency solutions.

Not economically feasible in most private real estate transactions.

There is a major difference between public and private buildings in terms of what costs can be incurred to achieve energy efficiency. It may be feasible for a government building to be designed to achieve significant “above code” levels of energy efficiency since the tenant is guaranteed and will be using the building for 30 years or more. This allows energy saving to be paid back to the government over a long period of time. A private owner normally owns a building for less than 10 years, and the typical lease term is only 5-7 years. As a consequence, the upfront energy costs for a private building would never be completely recouped by either party (owner or tenant) through direct energy savings.

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