

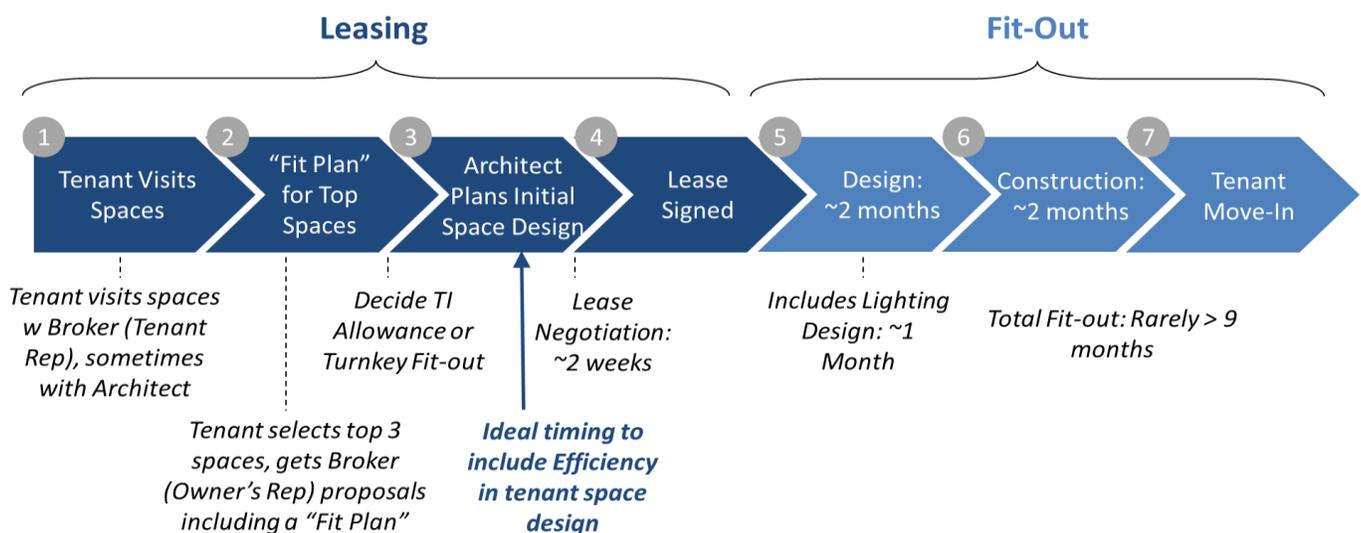
Energy Efficiency in Office Leasing and Tenant Improvement Fit-Outs



Waypoint explains the opportune times for utilities to work with real estate to incorporate energy efficiency into office tenant spaces

Utilities consistently try to penetrate the traditionally hard-to-reach commercial real estate (CRE) multi-tenant office market and the quick-turn-around tenant improvement (TI) fit-outs are an even more challenging sub-sector to engage. In CRE building life cycles, tenant turnover is the ideal time for a building owner or manager to integrate efficiency projects into tenant spaces. Waypoint works directly with the CRE market and utilities to engage the tenant space market with energy efficiency opportunities. The best time for utilities to get involved in tenant spaces is not during the fit-out, though, it's during the leasing process. Unfortunately, energy efficiency is often the last thing on the owner's or tenants' minds during the leasing and TI process:

"We don't see a lot of utility involvement. Tenants don't often know it's available to them. Tenants don't know about the rebate potential that's there. Not all of them are aware of it. It's not their primary focus, energy. It's their job that's the motivation. So being able to show the cost and savings and payback is the big opportunity for tenants." - Head Engineer, Oxford Properties



The diagram presents the multi-tenant office leasing and fit-out process with estimated time frames, described in detail on the next page. To best understand how and where utilities can provide energy efficiency influence in tenant spaces, Waypoint divides the process into Leasing and Fit-Outs. Including energy efficiency and sustainability elements takes planning, foresight and careful collaboration with the right stakeholders.

Leasing.



1. **Tenant Space Visits.** Before anything else, the Tenant first visits spaces they are considering renting. If they are a high-profile tenant, they may bring an architect with them. The tenants will walk the spaces with their Broker (also known as a Tenant Rep).
2. **Fit Plan for Top Spaces.** Once the tenant has picked its top 3 spaces, the Broker (owner's rep) presents proposals to them for the space, including a fit plan developed by an architect. The tenant will also decide whether they'll handle the fit-out themselves with a TI Allowance (funds from the owner for the tenant to do with as it pleases) or have the owner manage the whole fit-out (turnkey style). This determines who has control over the space's design and who is paying for much of the fit-out. Since energy efficiency considerations are often cost add-ons for fit-outs, the TI Allowance versus Turnkey decision determines if the tenant or owner has decision-making power to fund energy efficiency aspects of the fit-out.
3. **Architect Plans Initial Space Design.** The architect will plan an initial space design providing a simple layout of the space. **This is the ideal timing to include efficiency in the tenant space design**, and the ideal time for utilities to get involved in the process by offering energy efficiency incentive programs for the fit-out.
4. **Lease Signed.** The lease is negotiated over a few weeks, then the lease is signed.



Fit-Out.



5. **Design.** The architect takes around 2 months to design the space. This includes approximately 1 month for the lighting designer in specific to design the lighting components of the tenant space.
6. **Construction.** Tenants expect fast turnarounds on construction for their office spaces. On average, it could take about 2 months to complete construction for a tenant space. If the space is more complex or a larger renovation, the construction time could be longer.
7. **Tenant Move-In.** The tenant moves in and begins occupying the space. From this point forward, the interaction between the tenant and the property owner and/or manager is minimal, and very few changes are made to the space.



To learn more about incorporating utility energy efficiency programs into commercial real estate tenant fit-out projects, contact us at: waypointbuilding.com | 415.738.4730 | info@waypointbuilding.com

