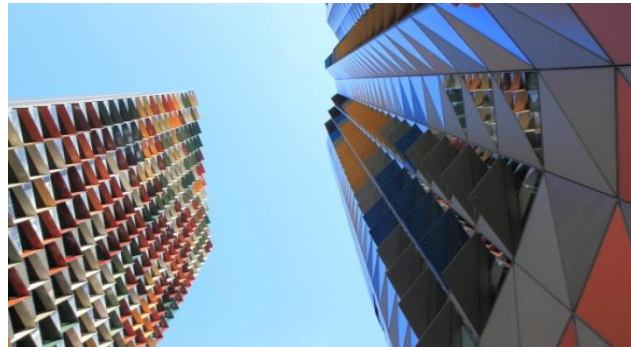


Motivating Mid-Tier Offices

transport | community | industrial & mining | carbon & energy



Philip Harrington, Principal Consultant – Carbon & Energy

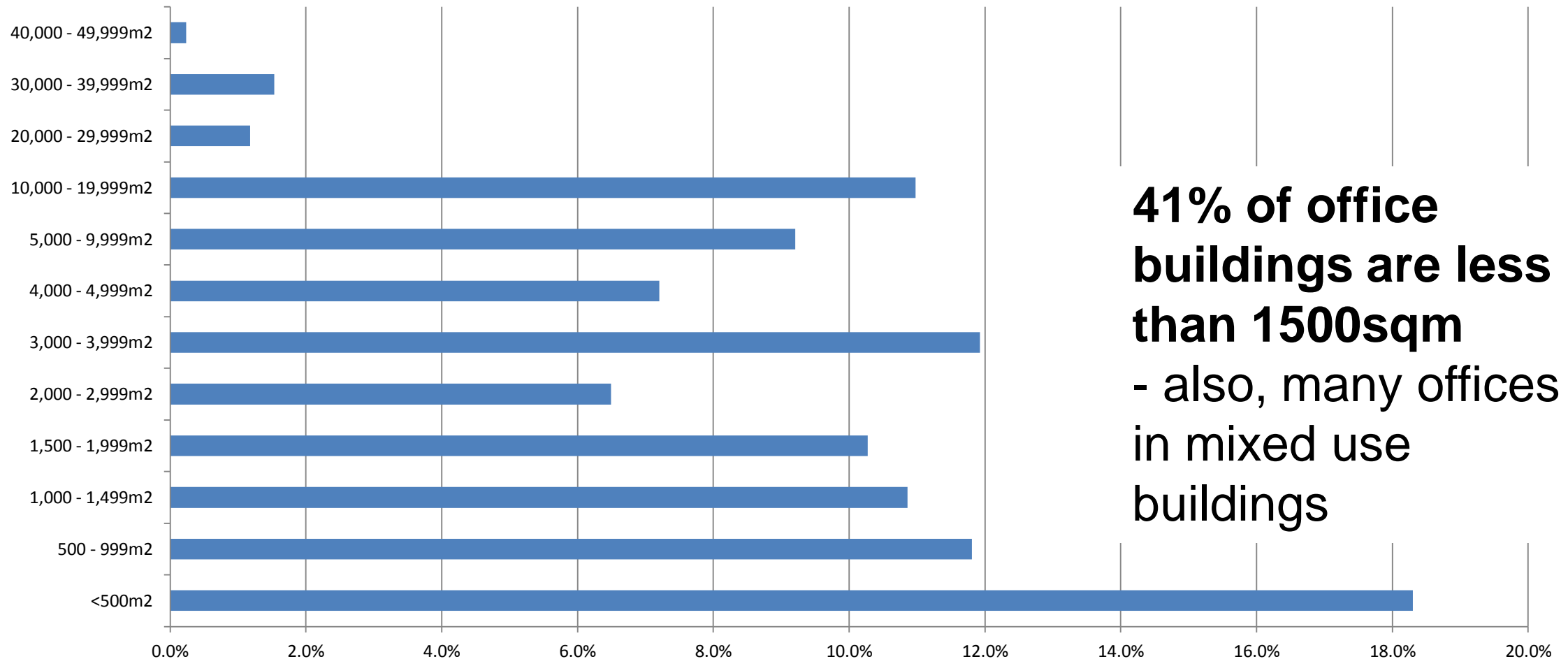
sustainable*thinking*[®]

National Energy Efficiency Conference
Melbourne, 17-18 November 2015

Context

- What are mid tier offices?
 - Not well defined but...
 - Anything that's not A grade or premium (or aspiring to be!)
 - Sydney: 3.2m sqm Premium/A (28%); 8.1m sqm rest (72%)
- Typically: outside CBDs, low(er) yields, higher vacancy rates, smaller and/or older building, smaller or even 'Mum and Dad' owners, tenants may be less demanding on energy efficiency
 - Owners are cash-flow businesses, limited access to capital, risk averse, repair it when it breaks

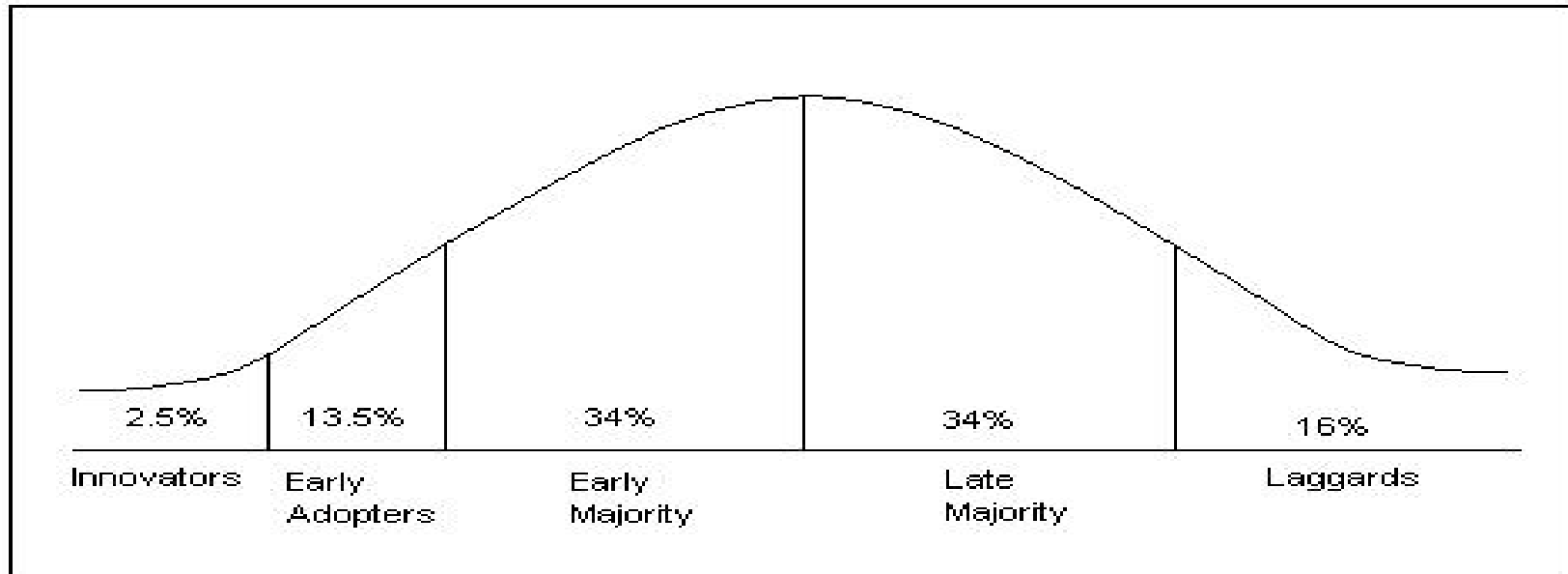
Distribution of office whole buildings by floor area, Australia, 1999-2012



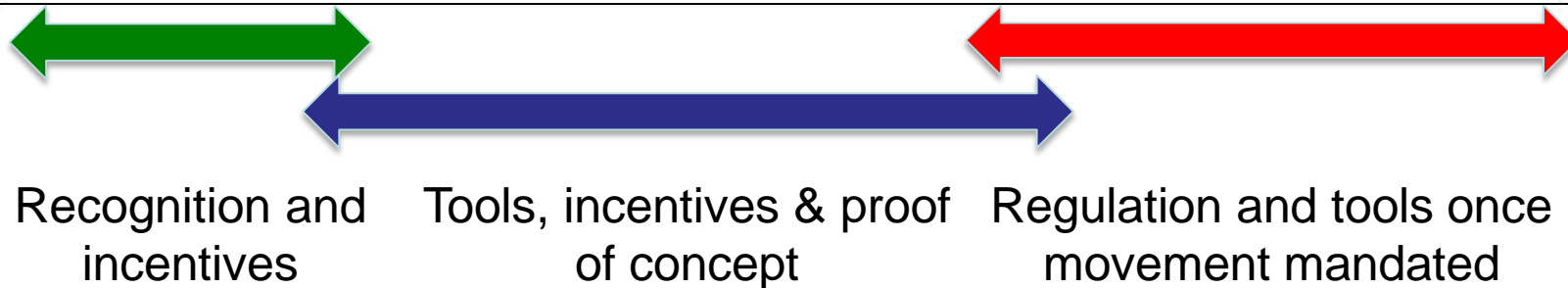
41% of office buildings are less than 1500sqm
- also, many offices in mixed use buildings

Source: Commercial Building Baseline Study, pitt&sherry/Exergy

Where are they on the innovation diffusion map?



- As a gross generalisation, laggards...late majority at best

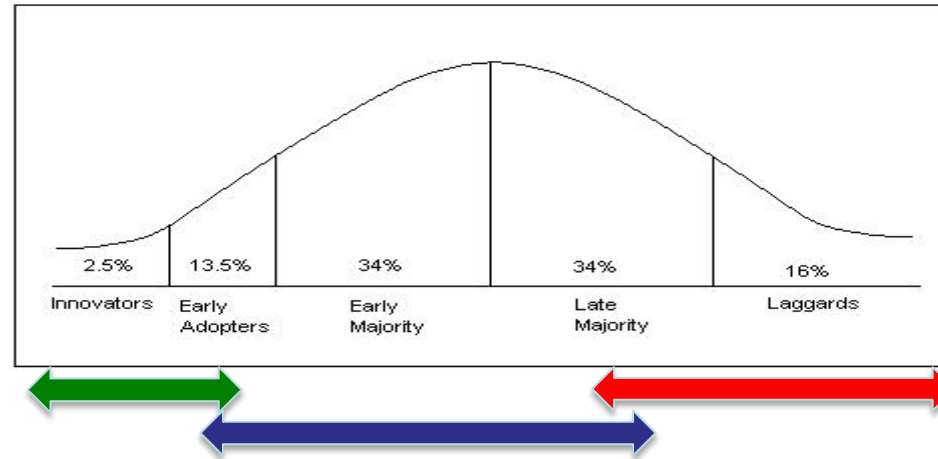


Source: Sustainability Victoria

Which policy signals are they most likely to hear (now)?

Premium/A Grade:

- Green Star
- NABERS CA
- ERF
- CEFC
- EUAs
- BBP
- Green Building Trust and similar
- Innovation, R&D incentives
- Tax incentives



Aspiring A-Grade:

- NABERS
- CBD
- ESS/VEET, etc
- Tax incentives
- Green leasing

All the rest:

- NCC and enforcement
- MEPS

NB: carbon pricing is missing from all three...

Policy Instruments for Mid-Tier?

- Lift and enforce energy performance requirements in the NCC
 - ❖ 5 year old research, without carbon pricing or PV, before biggest prices rises:

Table ES12: Break even energy savings relative to BCA2010, all commercial buildings, scenario 1

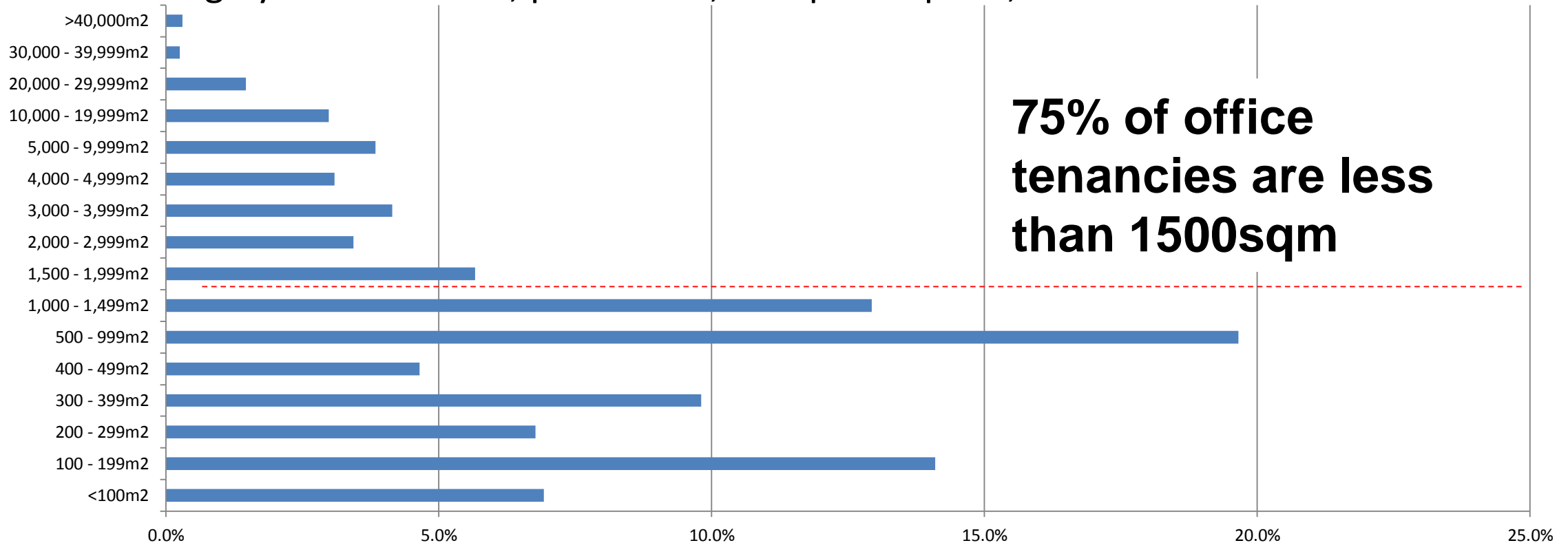
Scenario 1	2015	2020	2015	2020
Real discount rate:	@ 5%	@ 5%	@ 7%	@ 7%
Western Sydney (CZ6)	56%	57%	41%	43%
Darwin (CZ1)	75%	74%	66%	66%
Brisbane (CZ2)	69%	70%	58%	59%
Adelaide (CZ5)	67%	68%	54%	56%
Hobart (CZ7)	48%	49%	31%	34%
Melbourne (CZ6)	50%	51%	33%	35%
Perth (CZ5)	65%	66%	52%	54%
Canberra (CZ7)	37%	39%	18%	21%
Weighted Average:	57%	58%	42%	44%

Source: pitt&sherry

Distribution of Office Tenancies by Floor Area, Australia, 1999-2012

- Expand CBD to 500 sqm offices (and retail)

❖ Highly cost effective, pro-choice, non-prescriptive, market-based.....



Source: Commercial Building Baseline Study, pitt&sherry/Exergy

TopRunner (or at least, not 'bottom-runner')

- Japanese top-runner model has transformed markets and driven efficiency
 - Most efficient product sets the benchmark for whole market to meet in 3 years' time
- Require mandated energy performance to be maintained through time
- Mandatory upgrades of HVAC and lighting (at a minimum) every 10 years?

Others

- Simplify access to smaller loan/grant funds
- Understand and act on impediments to EUAs and other financing approaches
- Highly targeted business case information
- Accreditation, training and verification for service providers
- Remove regulatory impediments to pass-through of efficiency investment costs to tenants

Offices in:

Brisbane

Canberra

Devonport

Hobart

Launceston

Melbourne

Sydney

Vision without action is merely a dream

Action without vision just passes the time

Vision with action can change the world...

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