

Wells Real Estate Commits to Increasing NNN Tenant Participation in ENERGY STAR®

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When Wells Real Estate became an ENERGY STAR® Partner in 2006, we committed to leveraging ENERGY STAR tools such as Portfolio Manager to track energy usage across our national commercial real estate portfolio. At the time, this national portfolio was made up of nearly 170 buildings, with approximately 70% managed under full-service contracts and the remainder under triple-net (NNN) arrangements.

For the first two years, we focused on inputting and tracking the energy data related to our full-service properties since, in such an arrangement, the landlord is responsible for energy management, so Wells had ready access to this needed information. Over this two-year period, Wells' portfolio-level ENERGY STAR rating grew steadily, reaching 73 by year-end 2008. Our energy-efficiency efforts, primarily as they relate to our full-service portfolio, recently earned Wells the 2011 ENERGY STAR Partner of the Year Award.

Targeting NNN Tenant Participation in ENERGY STAR

In 2009, we turned our attention to our NNN portfolio. Property managers were charged with educating NNN tenants on the benefits of tracking utilities through ENERGY STAR, with the goal of increasing NNN representation in Portfolio Manager by 25%. During the year, NNN participation increased by an impressive 175%, from four NNN properties to 11.

During this time period, we quickly discovered that tenants who were interested in saving money were the most inclined to participate in ENERGY STAR. Wells also found that the tenants' corporate stance on "green" helped drive ENERGY STAR participation. Those companies that embraced environmental stewardship as a strategic business practice were more likely to release their energy data to Wells and to implement energy-efficiency initiatives at their properties.

One prime example is CH2M HILL, a global full-service consulting, design, construction, and operations firm. Embedded in CH2M HILL's corporate mission is the desire to help clients "build a better and more sustainable world." As part of this mission, CH2M HILL constructed

its corporate headquarters campus in Denver, Colo. to meet LEED specifications. Wells acquired the four-building campus in 2007.

In 2009, Wells assistant property manager Stephanie Pierce introduced the topic of ENERGY STAR to a receptive CH2M HILL. Wells operations manager William Clarke then worked with the tenant to set them up in Portfolio Manager. Once the data was uploaded, "Our facilities management team assessed the baseline rating of each building and found that three of the four buildings already met the rating needed for ENERGY STAR certification," said Susan McWhite, CH2M HILL's campus management and services coordinator.

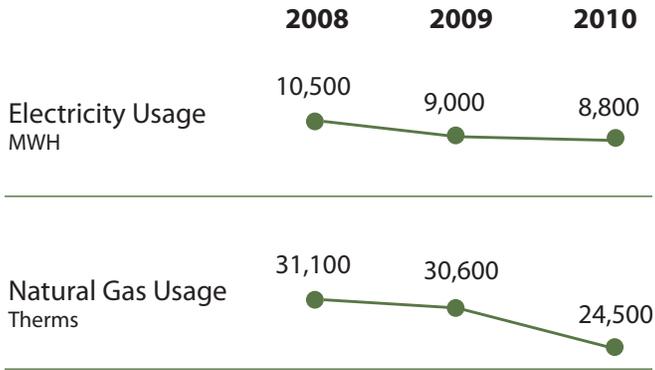
Wells and CH2M HILL implemented energy-saving measures to increase the ENERGY STAR rating in each building. Initiatives included:

- Rooftop air-handling units featuring high-efficiency motors with variable frequency drives and indirect evaporative cooling units
- Reduced-wattage lamps and high-efficiency lighting with electronic ballasts
- Dual-flush toilets
- HVAC and lighting on a Building Automation System with programmed start and stop times, and after-hours two-hour override switches for building quadrants
- High-efficiency glazing on exterior glass
- Summer and winter standardized temperature set-points

By November 2010, three of the four buildings had achieved the prestigious ENERGY STAR label. The fourth building now meets the rating needed for labeling and will be moving toward certification soon.

Of the three CH2M HILL buildings that currently are ENERGY STAR-labeled, the ratings as of May 2011 ranged from 82 to 89. As building ratings have increased, electricity and natural gas usage at the property have steadily decreased (see Figure A). CH2M HILL projects a savings of approx \$150,000 a year through its energy-efficiency efforts.

Figure A: Usage Reduction at CH2M HILL



Source: CH2M HILL Sustainability Report (www.ch2mhill.com/sr)

Continuing to Realize Progress with NNN Tenants

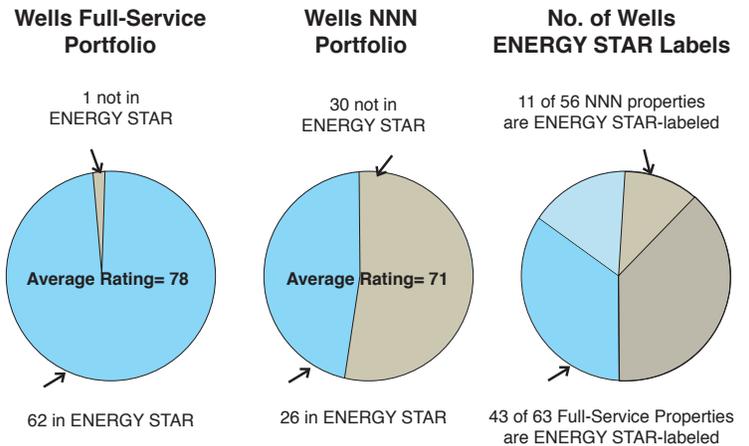
We realized that continuing to increase NNN tenant participation would soon become more challenging. In 2010, with a goal of increasing participation by an additional 25%, we launched a marketing campaign to encourage its remaining 41 NNN tenants to participate in ENERGY STAR. The campaign, titled The Triple-Net Triple Play, consisted of a three-pack of Cracker Jacks and an offer of Major League baseball tickets to those tenants that released their energy data to Wells. This initiative, combined with a continued strong push by Wells’ property managers, resulted in an additional 15 NNN tenant contacts participating in ENERGY STAR — a 236% increase.

In 2011, Wells is launching a second marketing campaign in the form of a short, light-hearted video that offers a free, professionally installed residential power meter to NNN tenants who agree to participate in ENERGY STAR. The offer, valued at over \$250, is designed to encourage energy savings at home, with the hope that those savings will lead to a desire to save energy at work.

Comparing NNN and Full-Service Energy Efficiency Across the Wells Portfolio

On a portfolio-wide basis as of May 2011, the 26 Wells NNN properties in ENERGY STAR carry an average rating of 71. Of these properties, 11 are ENERGY STAR-labeled. This compares with the Wells full-service property portfolio, which has an average rating of 78. Of Wells’ 63-property, full-service portfolio, 43 are ENERGY STAR-labeled.

Figure B: Comparing Wells Full-Service and NNN Properties (as of 5/30/11)



Wells remains committed to educating NNN tenants on the value of ENERGY STAR participation. At the same time, for those NNN tenants already in the ENERGY STAR system, Wells property and operations managers will continue to find ways to work with them to improve their buildings’ energy efficiency.



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