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CRE Review Newsletter

June 2022

Welcome summer!

For this edition of CRE Review Newsletter, we continue our ongoing discussion of sustainability and how commercial real estate firms are tackling the issue of climate change. In addition, our Mixed-Use segment explores the ways in which firms are accommodating rising demand from Life Science organizations.

Articles

> [Sustainability: Climate change and greenhouse gas emissions: what commercial real estate firms are doing](#)

> [Mixed-use, mixed needs: Accommodating demand from Life Science organizations](#)

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Climate change and greenhouse gas emissions: what commercial real estate firms are doing



Commercial real estate (CRE) firms have joined a broad coalition of industries in tackling the challenge of climate change. Because many CRE firms have established environmental, social, and corporate governance (ESG) as well as sustainability goals, they have put measures in place to help reduce energy consumption.

Reducing energy consumption, however, does not necessarily guarantee a [commensurate](#) reduction in greenhouse gas (GHG) emissions. Although the two can [correlate](#) it's essential that firms validate that their energy conservation measures are having a positive impact on GHG reduction goals.

One way to engage in this validation is through the ENERGY STAR benchmarking program, which determines a score (on a scale of 1 – 100) that [aims](#) to “provide a fair assessment of the energy performance of a property relative to its peers,” as well as to understand what’s driving energy consumption and help property owners make decisions about how to more efficiently operate their buildings.

For example, an ENERGY STAR score of 50 represents median energy performance compared to other, similar buildings. To take the next step, ENERGY STAR can also [calculate](#) a building’s GHG emissions, using one of two options. With ESG and sustainability objectives in mind, the building owner may want to implement a range of programs to maximize energy efficiency and reduce emissions, such as plug load management, lighting improvements, central plant optimization, building envelope upgrades, and even machine learning algorithms that can augment controls strategies in ways that strategically cut energy consumption.

At the end of the day, reducing GHG emissions is an important but challenging prospect. For existing buildings, converting to renewable energy sources is a great option, but it requires planning and investment. Implementing energy conservation measures can often be done more cost effectively. In a future edition of CRE Review, we’ll further explore other ways to reduce GHG emissions.

Mixed-use, mixed needs: Accommodating demand from Life Science organizations



Many CRE firms are finding new opportunities to expand their portfolios by [responding](#) to rising demand for space from Life Science organizations. Given the specialized requirements for Life Science environments, a range of factors must be considered one explores whether, and how, to [convert](#) existing space into one that can be leased to a Life Science organization.

Safety and ventilation

Modern lab environments create unique safety and environmental challenges. Whether a tenant is working with [select agents](#) or manufacturing vaccines, airflow control strategies and devices play an essential role in maintaining the safety of lab workers and other building occupants. Providing safe, quality, environmental conditions, including precise lab airflow control, is a key consideration.

Energy consumption

Laboratory and critical environments can consume 3-8 times as much energy as traditional office space. Ventilation requirements play a role here, but so too do critical storage systems. Strategies and programs that maintain optimal energy efficiency – without sacrificing safety or code compliance – are an essential step toward creating an attractive Life Science space for prospective tenants.

Regulation and standards compliance

From FDA regulations to OSHA and other industry standards, Life Science organizations must comply with a broad range of regulations. Smart-Ready infrastructure that can, for example, monitor room conditions and occupancy to optimize fume hood usage, match hazard assessments to ventilation, prevent unauthorized access, and otherwise precisely control environmental solutions are foundational to delivering value to tenants.

Certainly, there are many other factors for mixed-use property owners and developers to consider as they look to diversify their building portfolio. But it is possible to develop a competitive advantage by creating reliable and smart Life Science spaces.

Did you know?



Did you know?

2021 experienced a tremendous growth in CRE transaction activity. According to Real Capital Analytics total trades exceeded \$800 billion, a third higher than the \$600 billion of trades in pre-pandemic 2019. Not surprisingly, over 40% of those sales were in the multifamily sector where volume more than doubled last year from 2020. Industrial sales also grew by over 50% year over year. And despite their challenges, even office, retail, and hotel 2021 trade volumes exceeded their pre-pandemic levels.

Source: EisnerAmper Commercial Real Estate 2022 Outlook

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