



PENN IUR SPECIAL REPORT

Educating Commercial Real Estate Brokers on Green Leasing/Energy Efficiency

BY **SUSAN M. WACHTER**

APRIL 2016

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Full paper is available on the Penn IUR website at penniur.upenn.edu

CBEI works to reduce energy use in commercial buildings by transforming the market into one that values and drives energy efficiency. To this end, Penn IUR, with partner the Institute for Market Transformation (IMT), undertook a CBEI-funded project intended to educate real estate brokers about the importance of sustainability and energy efficiency features in commercial buildings.

Introduction

Brokers are in a unique position to help their clients understand the potential impacts of energy efficiency measures: buyers, sellers, owners, and tenants look to brokers as trusted advisors and sources of information. They are the gatekeepers in adopting new technology in energy efficiency. Yet most brokers lack the knowledge that would allow them to recognize and communicate the value of energy efficiency features in commercial buildings. This commercial broker education project is intended to green the commercial real estate market by developing and promoting sustainability training so that commercial real estate brokers can help clients appreciate the value of sustainability and energy efficiency measures, thereby increasing the market adoption of these often-invisible features. The project leverages existing instructional materials (such as the Green Lease Library) and existing channels to market (such as mandatory continuing education requirements) to educate commercial brokers on the benefits of energy efficiency for the commercial real estate market.



Image Source: Flickr.

To do this, Penn IUR and partners have developed a) course material and b) a strategy for course adoption and delivery throughout the commercial real estate broker profession. The key method for encouraging this education is to deploy the newly developed broker-targeted commercial building energy efficiency materials into the continuing education requirements for brokers to renew their licenses. The project has been piloted in the Philadelphia area and expanded nationwide: brokers in five additional markets have been trained, education providers in six additional states have agreed to teach the course, and numerous state licensing boards and market partners have been engaged in ongoing conversations about adopting and promoting energy efficiency education. Penn IUR is currently working with partners to establish a nationwide platform for the course.

Course Development

The project was undertaken with the belief that brokers who are knowledgeable about green building and energy efficiency measures will communicate the benefits of these measures to their clients, which will result in the market reflecting the value of these measures. The course covers the information most important to market transformation as determined by a steering committee composed of industry professionals. Topics include:

- Understanding the LEED and ENERGY STAR programs: what they are, how they differ, and how they can help owners recognize and market green features.
- The business case for green buildings: how energy efficiency drives asset value through rental and sale premiums, lower vacancy rates, lower operating expenses, mitigation of risk (in terms of retention of asset value and protection against future policy and code changes), and easier access to financing (with

better rates from banks and insurers) associated with energy efficiency features.

- Green leasing practices that can benefit clients while saving energy: the importance of introducing green concepts early in the lease negotiation process, the “split incentive” hurdle (where building owners have no incentive to invest in energy efficiency features when tenants pay for utilities, and tenants have no incentive to adopt energy saving practices when owners pay for utilities), and common lease-negotiation decision points where an understanding of green measures can save money and energy (such as tenant buildout provisions, metering and billing structures, and building operation practices).
- Energy efficient building financing: the options (such as PACE, on-bill financing, green bond EPC or ESA structures) and incentives (federal, state and local, and utility) that are available.

The course also includes information specific to the state in which it is located. In Philadelphia, where it was piloted, this meant discussion of how the city implemented its benchmarking and disclosure law, what incentives were being offered to building owners, and how the city’s broader vision for sustainability might impact real estate in the future.



Image Source: Institute for Market Transformation.

In addition to providing technical information, the course makes the case that the ability to discuss green concepts is growing increasingly important to commercial brokers: clients’ interest in energy efficiency is growing; investors and corporations are increasingly adopting sustainability policies; and the regulatory environment is changing, with increasingly stringent environmental regulations throughout a number of industries. With this in mind, the course also provides brokers with access to online resources to keep abreast of changing technologies and regulations.

Course Delivery

Developing this training material is one thing – getting brokers to access this information is another. To practice real estate, an agent must hold a license, which is managed by the state in which the broker intends to work. While license requirements vary from state to state, they generally require that a broker take a certain number of hours of education. Licenses are then good for a certain number of years before they must be renewed. Renewing a license requires additional education: most states require a certain number of hours of “continuing education credits” (CE) every one to four years to maintain licensure.

State licensing boards determine continuing education requirements; they determine what content is required, which credits count toward fulfillment, and who is approved to provide instruction. Some states mandate certain core courses, others simply require that licensees take a certain number of approved electives, while still others prescribe a mix of mandatory and elective credits. Each state has its own process for reviewing and approving course material, with some real estate licensing boards constrained by legislation to cover certain topics and others free to make the determination themselves. The entities that teach approved continuing education courses (“continuing education providers”) must also be approved by state licensing boards; they may include for-profit, non-profit, industry, and in-house corporate trainers and may be held in-person or online.

This project taps into this existing broker education pipeline to deliver instruction on green leasing and energy efficiency. The strategy is to reach out to state licensure boards to approve the course and continuing education providers to deliver it. Brokers who wish to renew their licenses will then have the opportunity—and, if the



course is deemed mandatory, the requirement—to avail themselves of these courses.

Piloting in Philadelphia and Expansion

The program has been piloted in the Philadelphia area. The Pennsylvania Department of State's Real Estate Commission—the agency tasked with licensure—requires brokers or salespeople to take 14 credits of Commission-approved continuing education every two years (every even-numbered year) to renew their licenses. Brokers renewing their



Image Source: Flickr.

licenses for the first time must take prescribed courses, but after that first renewal licensees have discretion in choosing courses, as long as the courses and the instructional entity are approved by the state.

Penn IUR and partners worked with the Real Estate Commission to establish approval for the course as an elective offering. It then offered the course in Pennsylvania periodically from 2014-2016. Feedback on the course has been overwhelmingly positive and consequently the project has been expanded to other states.

Additionally, Penn IUR and partners reviewed the CE requirements and the process of getting approved as a course for all 50 states and D.C., identifying 12 states as good options for future expansion. Project leaders then reached out to state licensing boards (to initiate conversations about getting the course approved as a CE course), to CE providers (to discuss their adoption of the course and the possibility of “train the trainer” education), and to market partners such as brokerage firms and trade associations (to garner their support). As of April 2016, CE providers in six states have agreed to teach the course, and nine others are considering doing so. With these conversations underway, Penn IUR expects that the course will expand to additional target states and to national online training platforms in the coming years.