



THE SCHUSTER GROUP



Green and Mean
Responsible Property Investing in a Tough Economy

By

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We like challenges – and opportunities. And we see both when we look at green building.

Let's start with the challenges. Buildings account for a \$222 billion annual energy bill in the United States today, and they're responsible for 38 percent of greenhouse gas emissions and 50 percent of national energy demand.

That's a lot of environmental downside.

But here's the upside:

- The United States Green Building Council estimates that green building currently reduces energy use by 30 percent, carbon emissions by 35 percent and water use by 30 to 50 percent while generating waste cost savings of 50 to 90 percent.
- A study by the Commission for Environmental Cooperation says that green building could result in annual reductions of 1,711 mega-tons of CO2 emissions in North America by 2030; that's nearly equivalent to the 1,756 mega tons of

CO2 emissions generated by the U.S. transportation sector in 2000. So building green is every bit as powerful an eco statement as driving a Prius.

- Approximately 250 billion square feet of buildings in the United States need to be retrofitted with the latest green technologies; accomplishing this will create between 200,000 and 400,000 jobs annually and inject an additional \$200 billion annually into the U.S. economy.

So, from a macro perspective, it's fairly easy to make a case for green building. And, given the fact that the economy appears to be softening, we like the fact that environmental property activities offer a solid financial stimulus that improves the quality of life for taxpayers everywhere.

But what about investors?

Why should they put their capital to work in the green building sector?

We've thought long and hard about this, and offer three reasons:

- Smart Niche Investing – One of the best ways to hedge risk in a an economic downturn is by turning to niche investing, and the green building segment offers tremendous potential for robust risk-adjusted returns in a new real estate cycle characterized by softening prices and weaker credit availability.
- Supply and Demand – We can already see this eco-power by looking at supply-demand ratios, which have pushed rental rates in green buildings above those in non-green structures.
- The Retrofit Revolution – As noted above, legions of existing buildings will have to be retrofitted to conform and comply with 21st century environmental standards. Only 7 percent of LEED applications currently come from existing buildings. But this will rapidly change – especially with the declining cost of green building materials and sweeping global initiatives like the Clinton Foundation's multi-billion-dollar program designed to retrofit old buildings around the world.

Responsible property investing is definitely new – and largely untested on a broad scale – but it offers surprising clarity amid the uncertainty in a tumultuous market.

We know sustainable real estate will improve the environment in a very significant way; we know it will enhance the overall economy and contribute to prosperity; and we know tenants value green environs more than ever and are willing to pay for them.

The only question is whether smart capital will underwrite the promise and potential of eco-building.

Neither of us operates with a crystal ball, but we have years of collective experience and intelligence when it comes to up and down market cycles – and how to make the most of them. That’s why we are both saying “yes” to environmentally-sound real estate today.

“Yes” because we believe this is the right moment to deploy capital in the name of green brick, mortar, glass and steel.

And “yes” for the good of the planet, the well-being of our economy, and the benefit of return-oriented investors with a global conscience.