



## **INVESTMENT PRODUCTS FAQ**

### *FREQUENTLY ASKED QUESTIONS*

#### **How is green building tied to energy, water, land, resource, and air quality conservation?**

As you know, buildings and their construction require major inputs of the world's limited resources. We are beginning to understand their finite nature and the fact that developed economies like the U.S. are now competing for those same resource reserves with billions of other people on the other side of the planet who are only beginning to build the megacities of the future.

#### **What makes a building or development green?**

GPF defines a truly green or sustainable project as one whose performance is verified to consume net-zero energy and water, has no carbon footprint, and manages all storm water on site. Anything less, even if rated LEED® Platinum, is, ultimately, unsustainable at the current rate of world population growth. But, for now, we'll be working to create buildings that are at least 25% more energy-efficient than comparable buildings, use 50–75% less water, are less dependent on automobile access, and offer improved indoor health.

#### **Why is there so much interest in green building and sustainable development?**

Across the spectrum of building professionals, green development was an up-and-coming "best practice" and was beginning to capture public attention even before the shocks of 2008's financial meltdown. Since then, we've seen a real shift in the mindset of developers and users of real estate. There is a "flight to quality" phenomenon taking place in all major asset classes – including real estate. LEED is the new Class A.

#### **How did you become interested in green building and investment?**

I've always been interested in the natural world – dirt, water, snow, bugs and stuff. When I was camping on Animas Mountain one summer, I began thinking about how I could build a simple, off-the-grid home. After further research, I had the good opportunity to work for some really talented builders and in brokerage of large mountain land parcels with limited public utilities. Once I understood the magnitude of the demand for green development, learning to finance building retrofits was next.

#### **Is green building more expensive than typical construction?**

Not necessarily. A great location, an integrated design process, and some good advice can go a long way. Typically, new buildings can achieve basic LEED certification with no cost premium, LEED Platinum for 5-10% more, with Silver and Gold levels falling somewhere in between. On a zero-energy building, you can expect to make a substantially larger upfront investment in ultra-efficient windows, super-insulated walls and roof, high-efficiency lighting and equipment, as well as geothermal, solar or wind power.



### **What is the long term potential for green construction and development?**

The future looks bright for any industry that learns to meet its customers' high standard of living by doing more with less – less resources and less environmental damage. This is the basis of what green building offers to the real estate development industry.

### **What is the ROI for green building upgrades?**

The true ROI for building a green project depends mostly on the cost effectiveness of the installed upgrade, the financing used to pay for it, and the holding period. Green building pros know that proper air sealing of a building envelope is one of the most cost effective energy conservation measures, while solar panels may take some years to pay back. However, cash flow investors understand that when green upgrades are rolled into the property's mortgage, or are purchased through other financing, the return on investment is immediate. Smart real estate owners and developers can't afford *not* to upgrade.

### **How do Green Property Funds' investors benefit by funding green development projects?**

Teaming with GPF's green building and real estate professionals allows our investors to access unique opportunities to make their money work smart, but to also experience the good feeling of knowing that their money is contributing to real solutions - not making the problem bigger. In the 2010 market, investors will also begin to see once-in-a-generation buying opportunities and valuable energy-efficiency investment incentives.

### **How can my real estate portfolio lower its operating expenses?**

If your properties will be ready for renovation soon, you should consider making some improvements in operating efficiency of your buildings at the same time. Aside from energy and water cost savings, green building upgrades may allow your portfolio to save even more on storm water fees, trash removal, and maintenance. In addition, green buildings often enjoy reduced marketing expenses and vacancy loss.

### **Why pursue LEED, ENERGY STAR, Green Communities or other green certifications?**

Several voluntary, green building rating programs have become accepted by the real estate markets. These certifications provide independent, 3<sup>rd</sup> party verification of a building or development's sustainable design features. As demand for green property grows, it is becoming more and more important for real estate sellers and landlords to distinguish their certified properties' green credentials from non-certified properties who claim, "Sure. We're green."

### **What tax credits, incentives and preferred financing programs are available?**

Depending on the location of the property to be built or upgraded, there are likely Federal and State tax credits and rebates available. Several major utilities, especially energy providers, are offering demand side management programs to incentivize green building investments. Maybe most importantly, several innovative financing strategies are being developed that lower upfront investment, reduce borrowing costs, and reduce risk to lenders.