

Commercial Lender Survey and the Commercial Mortgage Opportunity

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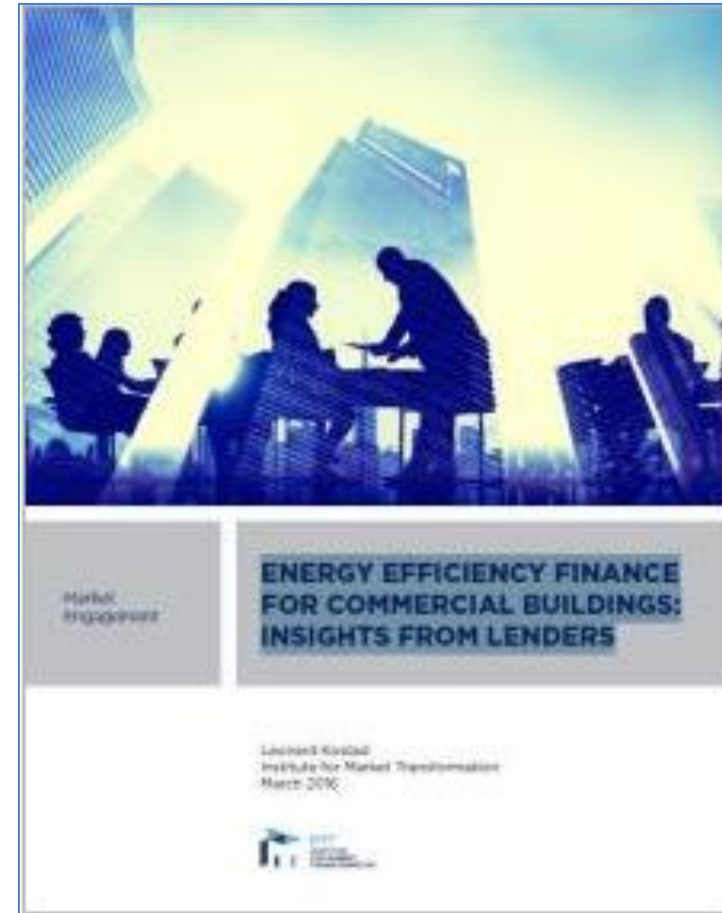
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IMT's Commercial Lender Survey

Inspiration and Purpose

- \$72 billion investment opportunity for commercial EE retrofits
- Specialized financing mechanisms and lenders
- Commercial PACE market ~ \$250 million
- How to harness abundance of capital in commercial banks?



IMT's Commercial Lender Survey

Methodology

- Survey of 30 commercial lenders

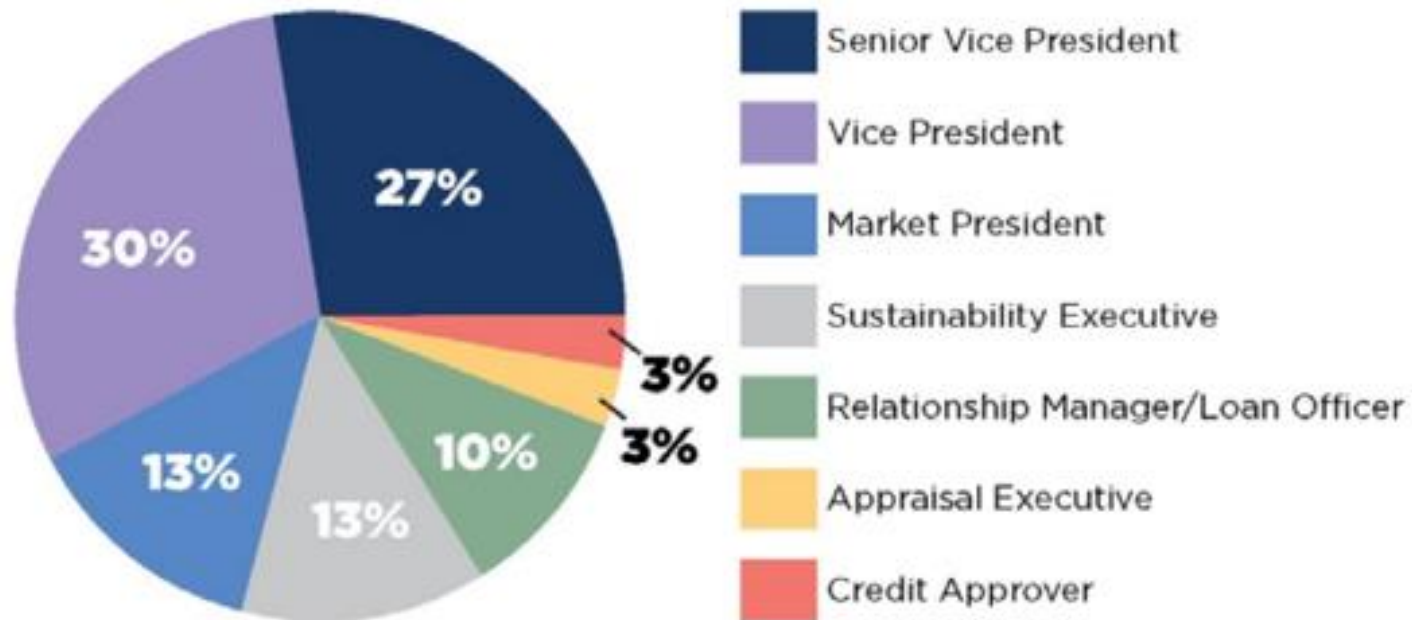


Institution Size and Type	Number of Interviews
>\$200B Banks	5
\$5B-\$200B Banks	10
<\$5B Banks	12
CDFIs	3

IMT's Commercial Lender Survey

Methodology

- Interviewees mostly senior level



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Survey Design

- Input from external stakeholders
- Key topics:
 - Demand
 - ESG Policies
 - Underwriting/Risk
 - Data
 - Appraisal

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Demand

Level of Demand	Number of Responses
None	3
Low	18
Moderate	7
High	2

- “We have not had anyone say, ‘I need a loan because I want to make my building more energy efficient.’ What they do say is, ‘I bought this older building and I want to renovate it.’”

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Environmental, Social, and Governance Policies

- Most interviewed lenders have an ESG policy
- None said energy efficiency finance integrated into these policies
 - “We have an environmental policy, but nothing that’s related to energy efficiency...more related to mold, asbestos, groundwater contamination, and other things like that.”



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Risk/Underwriting

- Lenders' #1 concern: energy savings not materializing
 - Technology and education-related risks
- Trusted third-parties
- Energy efficiency as risk-mitigating:
 - “We analyze [energy efficiency] as part of the offset to risk. It may make a property more desirable and better suited for sale or tenancy. We like when customers are incorporating some type of energy efficiency into their properties, although we don't require it.”

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Energy Data

- Prior energy performance already incorporated
- Large majority unfamiliar with energy benchmarking policies
- Many interested in receiving additional energy data



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Appraisal

- Most saw value of: 1) incorporating high-performance building (HPB) information into appraisal, and 2) hiring appraisers with experience valuing HPBs
- Less characterize these activities as industry *needs*
- Must provide lenders with compelling business case

Opportunities

- Guidance from federal banking regulators
- Lender education

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Project Overview

- Funded by Department of Energy
- Collaborators
 - Lawrence Berkeley National Laboratory
 - Haas School of Business
 - Institute for Market Transformation
- **Problem Statement:** Energy factors not fully considered during mortgage transactions
- Huge opportunity
 - In 2015, ½ trillion dollars in CRE mortgages originated

Commercial Mortgage Opportunity

Phase 1

- Literature review
- Stakeholder discussions
- Scoping report – identified 3 potential interventions
 - Demonstrate to lenders how energy factors “move the needle”
 - Develop energy efficiency requirements for PCAs
 - Include energy metrics in ARGUS

Commercial Mortgage Opportunity

Phase 2

- Further investigation of 3 potential interventions
 - 1) Work with 3-5 lenders to analyze impact of energy factors for relevant market segments
 - 2) Confirm viability and then develop energy efficiency module for PCA
 - 3) Collaborate with ARGUS to determine viability and potentially design and implement energy metrics within software