

10/28/09

The World Benefits: Green Building and HR Strategy



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THE TOWER COMPANIES
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60 Years in Business – Family Owned/Operated

“Only US Developer to be 100% CARBON-NEUTRAL

“Honored by Federal DOE and EPA

“First LEED Certified Apartments in America

“First LEED Platinum Office in Mid-Atlantic

“First LEED-EB Offices in MD and VA

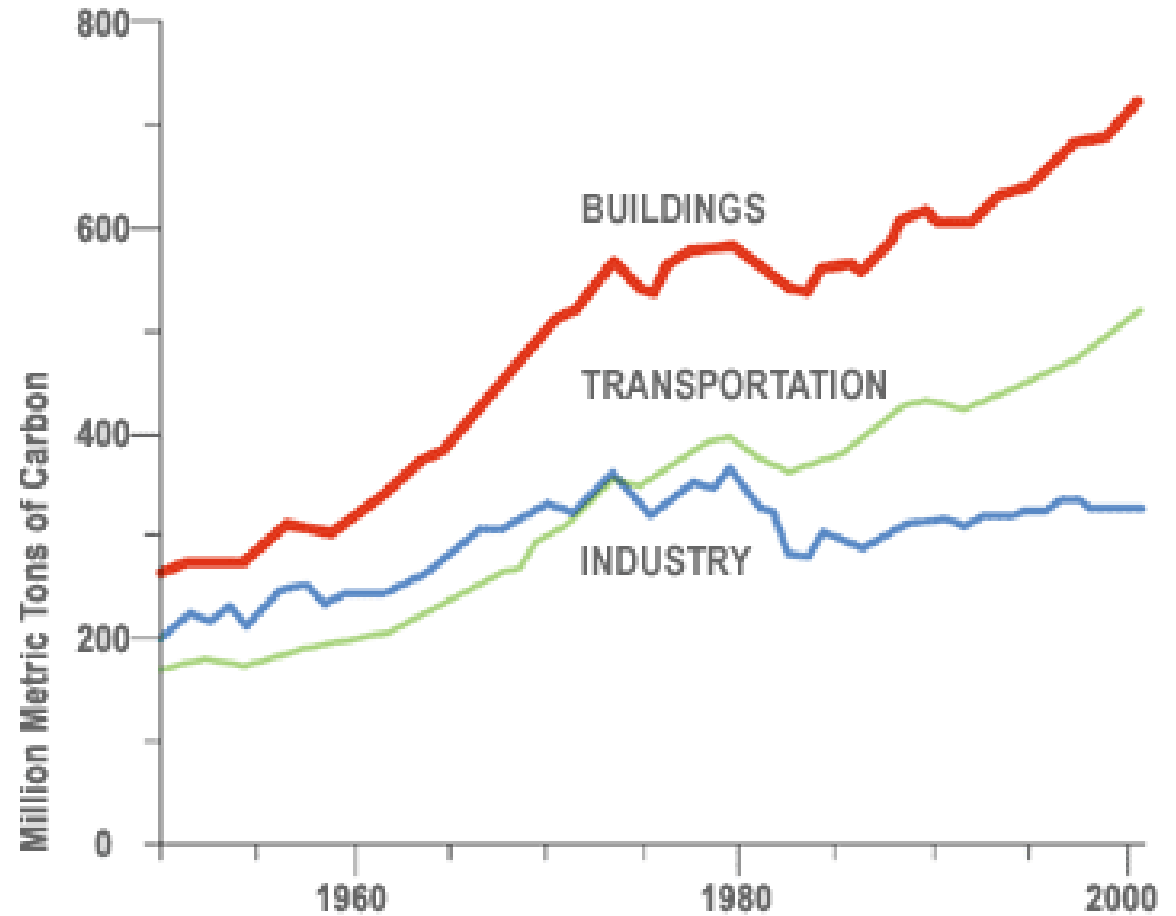
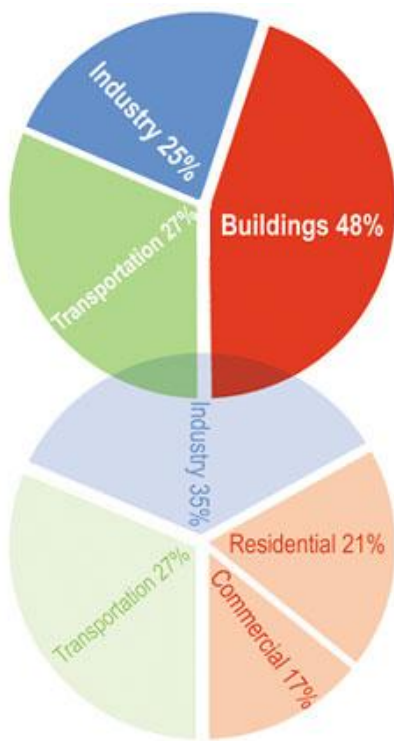
“First Developer in Region to implement a Green Lease

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Environmental Burdens of Buildings

(Million Metric Tons of CO₂)



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Resources:

30% of Raw Materials
42% of Energy Use
25% of Water Use

Pollution Emissions:

40% Atmospheric Emissions
25% Solid Waste
20% Water Effluents





INDOOR AIR QUALITY: Top 5 Health Risks - EPA

"90% of our time spent indoors

"Pollution 2 . 5 times GREATER inside

"Asthma rates doubled between 1980 . 2000: Doctors
blame IAQ



Green Building ROR: Return on Rent Sample Lease

- " 30,000 sq. ft. x \$45/ft = \$1,350,000/yr
- " 1 employee/250 sq. ft. = 120 employees
- " Average salary = \$80,000
- " Factor 0.4 health insurance, 0.3 overhead
- " Cost/employee = \$136,000
- " Assume 3 weeks PTO



Business Operating Expenses:

- “ \$16,320,000 = Personnel Expense (\$544/SF)
- “ \$ 1,350,000 = Rent Expense (\$45/SF)
- “ \$ 90,000 = Utilities (\$3/SF)

Rent + Utilities = 8-10% of OPEX



Green Office ROR: Sick Days

- “ Average number of sick days in US = 9
- “ Annual cost to this office = \$599,400
- “ Reducing sick time by only ONE DAY = \$66,600/yr (\$2.22/sq.ft.)

*Reduced Productivity defined as 75% of normal capacity
*Average sick days from Bureau of Labor and Statistics



Green Building ROR: Productivity

- “ What affects your productivity:
 - . Day light
 - . Fresh air
 - . Physical and mental fitness
 - . Emotional well-being

- “ Documented studies show increases of productivity between 6-16% in buildings with improved air quality, lighting, and thermal control.

- “ Even a 5% increase in productivity = \$816,000/yr (\$27.20/sq.ft.)

*Increased productivity defined as 101% of normal capacity
*Productivity numbers from “Costs and Benefits of Green Buildings,” Greg Kats, Capital E



Green Office ROR: Retention

- “ Reduced Turnover?
 - . Replacement cost of employee = 150 - 200% of annual salary.
- “ Loyalty?
 - . One out of every two employees is actively or passively looking for a new job
- “ Corporate Values?
 - . Return on Values (ROV) . 7 in 10 employees more likely to stay with a company whose values reflect their own

*Loyalty numbers from Boston Globe, 12/18/2005, Nathan Hurst, %Young Workers More Likely to Job Prowl.+

*ROV from %Deriving Value From Corporate Values,+Booz Allen Hamilton, Feb. 2005.



Green Office ROR: Retention, cont...

- ” 120 Employees
- ” 60 Searching
- ” 17 will leave
- ” Annual cost to this tenant:

\$2,040,000

or

151% of annual rent expense

or

\$68/sq. ft



Green Office ROR: Operating Expenses

2000 Tower Oaks Boulevard:

48% more energy efficient than a typical building

41% reduction in water consumption

Estimated savings to Equal to \$2.50/sq. ft.



Green Office ROR: Final Economics

Annual rent expense: \$45/sq. ft.

- " Sick Days: \$2.22/sq. ft.
- " Productivity: \$27.20/sq. ft.
- " Retention: \$12.00/sq. ft.
- " Utility/CAM: \$2.50/sq. ft.
- " **TOTAL: \$43.92/sq. ft.**

Rent transitions from obligation to investment