



# The WegoWise Smart Real Estate Manager's Guide

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How to Improve NOI and Sustain It



# Executive Summary

Multifamily real estate managers can significantly improve NOI and asset value by controlling variable expenses. Making smart decisions on energy and water usage, repair and maintenance, and CapEx leads to double-digit savings and corresponding increases in NOI.

Recent analysis conducted by WegoWise®, a Boston-based SaaS provider of energy and water benchmarking, building analytics, and sustainability reporting, demonstrates the immediate and long-term value of operational savings.

## Savings That Scale

4.3%

savings after 12 months

7.9%

savings after 24 months

10.8%

savings after 36 months

## Retrofitted Properties Save More

7.6%

savings after 12 months

11.2%

savings after 24 months

17.2%

savings after 36 months

# 6 Steps

The Smart Real Estate Manager’s Guide outlines the six best ways for multifamily property owners and managers to get on the fast track to scalable and sustainable savings.

# Introduction

## Energy and Water Savings: A Fast, Sustainable Path to Savings

Utilities, repair, and maintenance are the largest multifamily operating expenses after salaries and taxes.<sup>1</sup> Add in capital expenditures, and the magnitude of making smart operating and capex decisions to improve NOI and asset value becomes obvious. Multifamily real estate managers need to improve net operating income and asset value, but have limited time to focus on utility expenses, and often don't. They need better access to data and more direction to ensure they spend their time and resources most effectively.

WegoWise gives property managers access to the best information possible, allowing them to set benchmarks for individual buildings and compare them to peers, nationally, and within a portfolio. WegoWise helps users make smarter decisions about how they build, invest in, and maintain buildings.

We looked at the impact of energy and water benchmarking on the operating income of properties using WegoWise. We found that properties that adopt a proactive benchmarking strategy see immediate and sustained savings, translating into higher NOI and increased property value.

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<sup>1</sup> National Apartment Association, 2016 NAA Survey of Operating Income & Expenses in Rental Apartment Communities



# Introduction

## Property Perspective

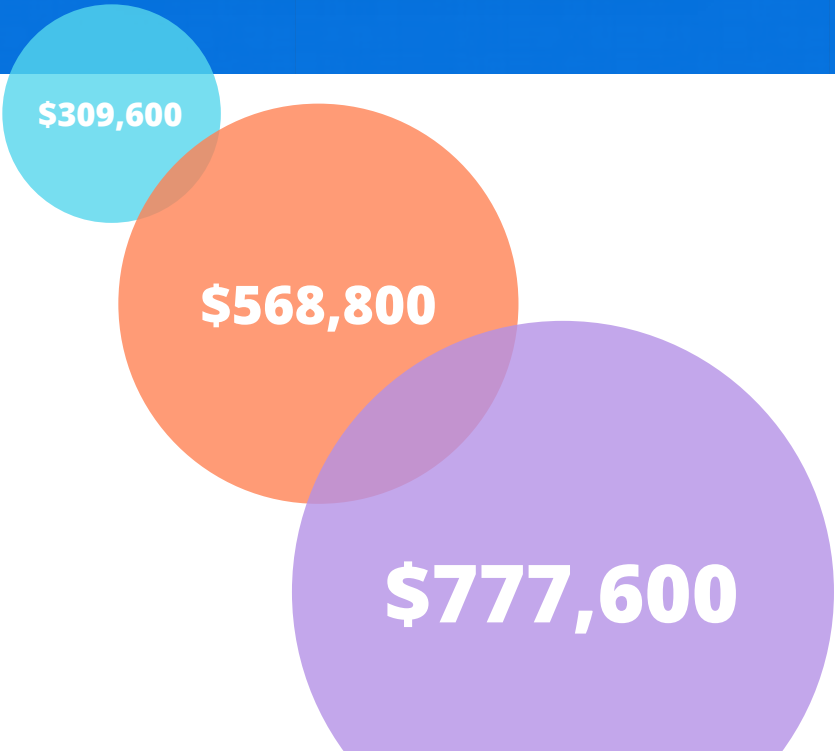
As an example, consider a fairly standard multifamily property:

**200** units  
**\$150/unit** montly utility spend  
**\$360k** annual utility spend

Based on a study of building owners who use benchmarking as part of a data-driven utility management strategy, we can expect this property to see immediate and sustained savings that translate into increased property value.

|   | INCREASED SAVINGS |             | INCREASED PROPERTY VALUE |                      |
|---|-------------------|-------------|--------------------------|----------------------|
|   | Savings rate      | Total saved | NOI improvement          | Added Property Value |
| After 12 months   | 4.3%              | \$8,550     | \$15,480                 | \$309,600            |
| After 24 months   | 7.9%              | \$31,230    | \$28,440                 | \$568,800            |
| After 36 months   | 10.8%             | \$65,160    | \$38,880                 | \$777,600            |
| 5% cap rate applied to determine increased property value based on NOI improvement. |                   |             |                          |                      |

With a payback measured in months, and significant long term improvements to asset value, managing utilities with a proactive benchmarking strategy has clear value to property owners and managers of all stripes. Signing up for software solutions alone is not enough however, so we've identified six key practices that top-performing property owners use to drive immediate, sustained, and scalable value across their portfolios.





# 1

## Set Goals

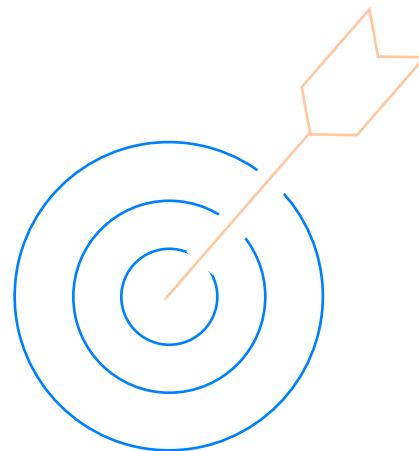
Picking a target and measuring performance against that goal is foundational to a data-driven energy management strategy. Portfolio-level goals serve to unite your team across regions and roles, and allow your asset and property management teams to align their efficiency efforts to common language and targets. Property-specific savings targets make corporate-level goals tangible for site staff, and enable on-site teams to communicate successes and setbacks to corporate or owners.

Increasing NOI and asset value can be predictable. Your property's P&L is a rich source of information on historical utility, repair and maintenance, and capex costs, providing a solid baseline. Benchmarking your

properties against themselves, within the portfolio, and against peers, uncovers quantifiable savings opportunities, leading to predictable increases in NOI and asset value.

Depending on your motivations, you can set a variety of goals for your portfolio. Some owners follow industry momentum and target the Better Buildings Challenge's 20% savings over ten years. Others trade in property value, and set savings goals that will improve the property's annual returns and asset valuation. No matter the metric, setting specific, measurable goals across your portfolio will give weight and predictability to your efforts.

Benchmarking your properties uncovers quantifiable savings opportunities, leading to predictable increases in NOI and asset value.



**Set and share your goal by  
comparing the results of peers**

# 2 Pluck the Low Hanging Fruit

## Focus on Inefficient Buildings

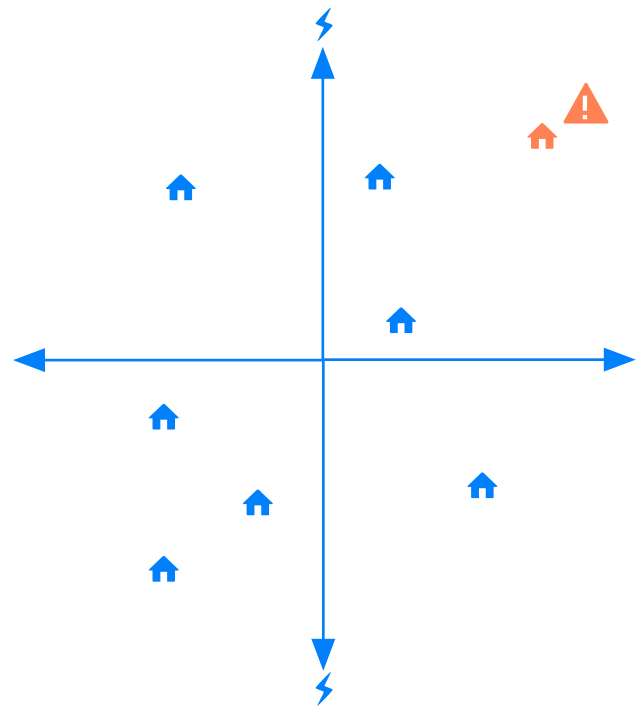
Even the strongest portfolio has inefficient buildings. Whether the inefficiencies stem from electric, water, or gas, benchmarking helps you zero in on a starting point. Determine which buildings to focus on, and systematically tackle your inefficiencies.

At WegoWise, we consider any building using more than the median of its comparable buildings to have a strong opportunity for savings. A study of buildings in the northeast revealed that the least-efficient 25% of

properties spends more than double the amount of top-performers, and 32% more than the median.

If you measure the savings from one building and apply that knowledge to other buildings in the portfolio, your returns will get more predictable with each project. Take it one step further and apply those lessons during an acquisition to identify value-add potential in new properties.

The least-efficient 25% of properties spends more than double the amount of top-performers, and 32% more than the median



**Focus on inefficient buildings first**

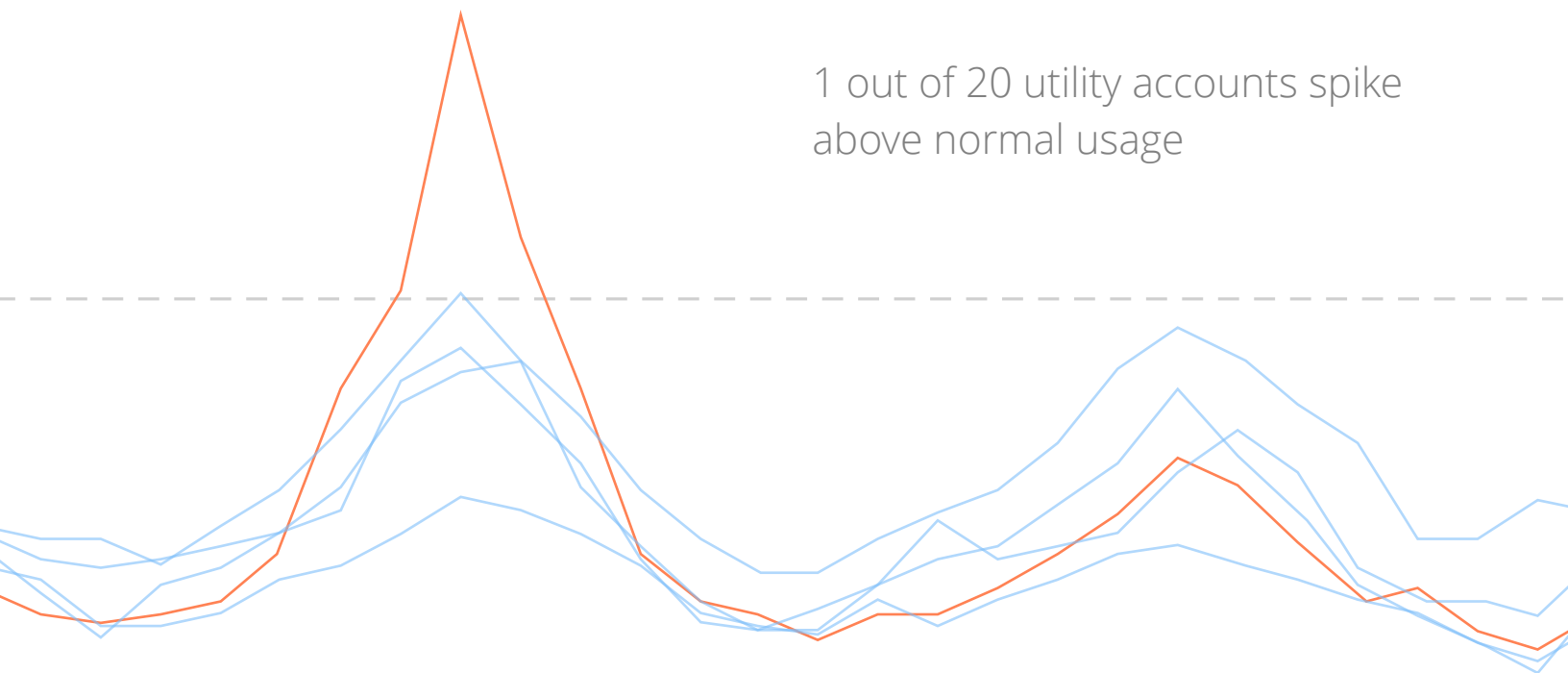
# 3

## Watch for, and Fix, Utility Spikes

Abnormally high usage, with associated high bills, occurs in any multifamily portfolio. A study of over 8.5 million utility bills in the WegoWise database found that in a given month, 1 out of 20 utility accounts spike above normal usage. With the average spike increasing the monthly bill amount by 50%, it's clear that spikes are a pernicious and costly problem.

While it's easy to spot a bill 10x higher than you expected, it's not always feasible to catch spiking meters with simple month-to-month or year-over-year comparisons due to seasonal weather variation. A rigorous, weather-normalized, and "always on" detection system like WegoWise's spike tracking service is essential to find the otherwise hidden spikes that can cost you thousands each month.

1 out of 20 utility accounts spike above normal usage



Identify spikes in utility usage  
and take corrective action

# 4

## Implement Retrofits

### The Key to Larger, Sustained Savings

With building owners collectively spending tens of billions of dollars on energy and water annually, improving efficiency and reducing utility costs represent a large short term financial opportunity.

Homeowners Rehab, Inc. (HRI), a leading multifamily housing developer in Cambridge, MA, paid approximately \$1.7 million annually for heat and water utilities for their seventy-three buildings.

Benchmarking their buildings with WegoWise allowed HRI to identify inefficient buildings and was instrumental in qualifying for \$850,000 in utility-sponsored retrofit programs. Over 8 years, HRI reduced consumption by 22%, yielding \$350,000 in annual savings. Applying a 5% cap rate to those savings reveals a \$7 million increase in the value of their portfolio.

Case study: HRI

**\$850k**

in utility-sponsored  
retrofit programs.

**22%**

decrease in utility  
consumption

**\$350k**

annual savings

**\$7M**

increase in  
portfolio value



Retrofit your buildings



# 5 Extend Success Across Your Portfolio

To maximize savings, it's imperative that you extend the knowledge you've gained to your entire portfolio. By monitoring ongoing spike reports and making smart decisions about retrofits, you can achieve positive results, and by applying the knowledge you gained in one building to others, those savings will scale.

Benchmarking can help you discover patterns, make projects more predictable, optimize NOI, and increase property value. We looked at WegoWise data in conjunction with operating income and expense information from the National Apartment Association's 2016 Survey of Income and Expenses. We found that a single year's energy and water

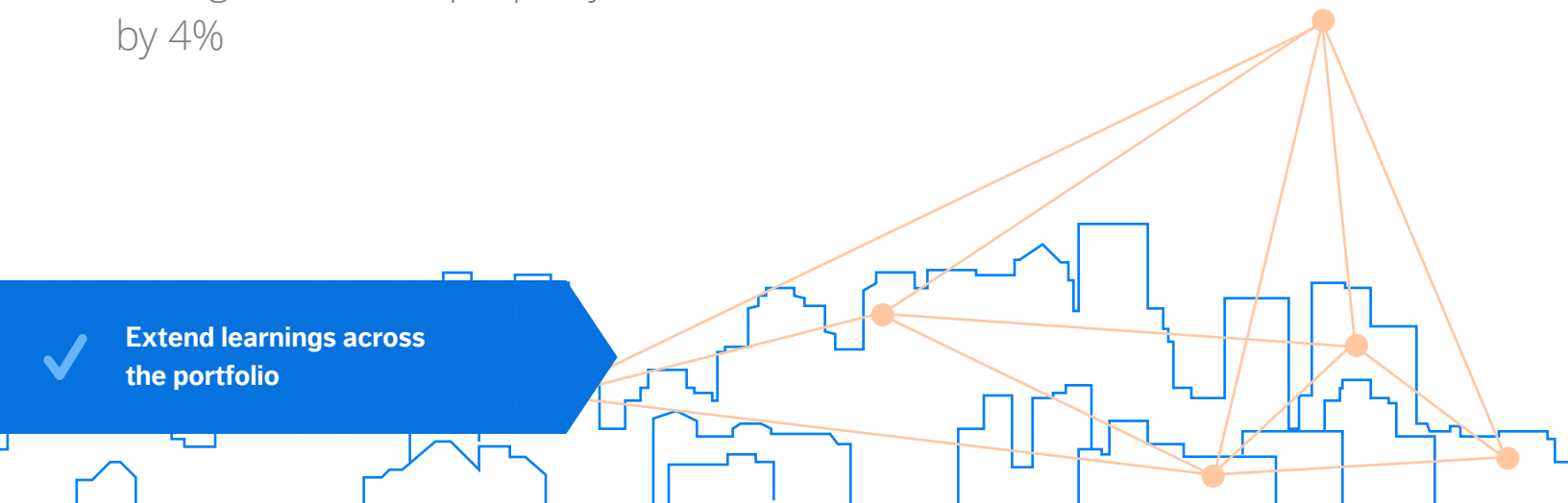
savings of \$69,700, and its corresponding increase in NOI, improved property value by over \$1.16 million for the most efficient property over the least efficient, and by \$610,000 over the median property. Compared to the median property, the property valuation rose 4% in just one year.

The work of optimizing your operations is never done. Buildings are dynamic, and no building stays efficient relative to its benchmark indefinitely. Regularly monitoring the benchmarks of your buildings over time will enable you to identify the ones that need attention at any given moment in time, and allow you to apply the knowledge you gained from previous energy and water projects.

A single year's energy and water savings increased property value by 4%



Extend learnings across  
the portfolio

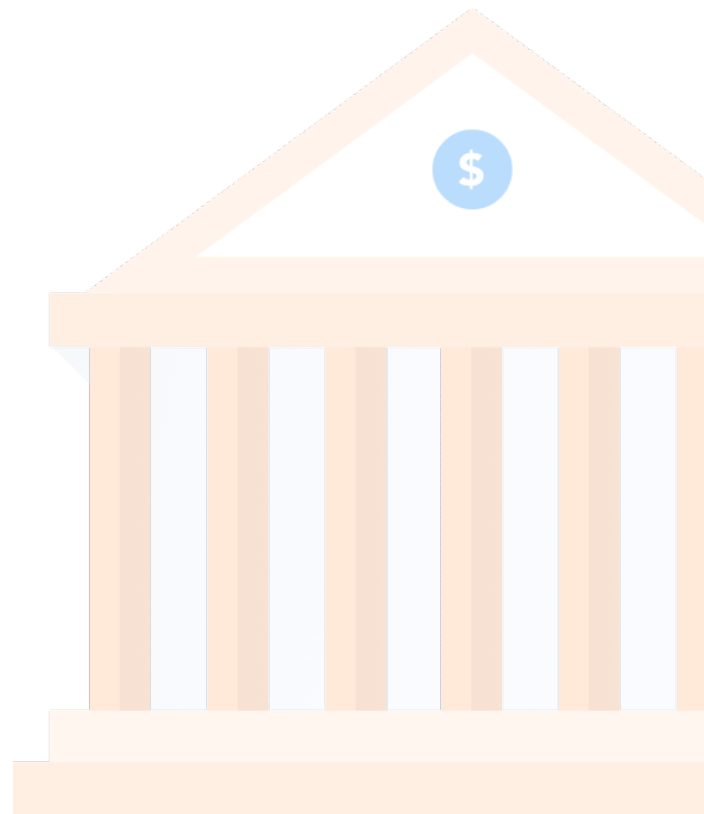


# 6 Leverage Savings into Better Financing Terms

Sustainable and scalable energy and water savings not only improve NOI and asset value, they can add financial value by unlocking better financing terms. Fannie Mae's Green Rewards and Freddie Mac's Green Advantage programs offer reduced interest rates to borrowers who benchmark and report whole-building energy and water use.

You can make smarter capital, equipment, and investment decisions by leveraging the opportunity cost of capital to other buildings to improve performance, or even make additional property acquisitions.

With WegoWise, lower interest rates and energy costs improve property value.



Leverage savings into  
better financing terms

# About WegoWise

WegoWise is the nation's leading energy and water benchmarking, building analytics, and sustainability reporting company, transforming the way multifamily and commercial buildings leverage energy and water savings to increase operating income and asset value. Its software-as-a-service platform helps customers achieve environmental, economic, and social sustainability with a return-on-investment measured in months.

WegoWise's platform leads to smarter financial, operating, and capital investment decisions in multifamily real estate. WegoWise uniquely:

- Benchmarks buildings against themselves to detect spikes and quantify retrofit ROI
- Benchmarks buildings against others in the portfolio to help prioritize investments
- Benchmarks buildings against their peers to quantify and rank building efficiency

Only WegoWise, with the largest database of utility usage data in the world, delivers a comprehensive benchmarking and building analytics solution that tracks over 1 million units across 50,000 buildings, based on data from nearly 700 utilities.

WegoWise provides this information to assist its customers in:

1. Understanding the true financial impact of energy and water savings
2. Making smarter capital investment decisions
3. Learning how to increase asset values by implementing a sustainable and scalable energy and water management strategy

WegoWise's platform leads to smarter financial, operating, and capital investment decisions in multifamily real estate.

## Pro Tips

### 1 Set Goals

Set goals based on your desired NOI improvement, or industry benchmarks like the Better Buildings Challenge (BBC)

### 2 Analyze

Start with the least efficient buildings, and when reviewing them, analyze energy and water usage by the largest variance to its utility benchmark

### 3 Review Spikes

Set a monthly calendar reminder to review energy spikes across your properties

### 4 Apply Learnings

Apply learnings from one property to others in your portfolio to maximize benefit and efficiencies

### 5 Extend to Portfolio

Use the favorable financing to fund increased energy and water improvements across the portfolio

### 6 Leverage Savings

Leverage your savings through compliance reporting and pursue more favorable financing terms through Fannie Mae or Freddie Mac

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