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Invest in commercial solar during 2012: Prices are low and incentives high

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Real estate professionals seeking to reduce their overhead should look no further; 2012 is the year to invest in solar energy. More property owners in New York are turning to alternative sources of energy as a way to offset the annual rise in the cost of electricity. Installing a solar system on your building is a low cost way to reduce your operating costs and provides you with a unique set of business opportunities.

Current incentives for a commercial solar system are spectacular. There is a 30% Federal Tax Credit, a large upfront rebate from NYSERDA, and the systems are eligible for five-year accelerated depreciation. For tax year 2012, there is an additional 50% bonus depreciation provision, which provides for even more front-loaded returns. The NYSERDA incentive remains high, at 2010 levels, while the cost of panels, the single largest cost of a system, has plummeted over the last 12 months. This confluence of factors, along with the continued high cost of utility power, makes this a compelling moment to install a solar system for a business or commercial property.

A typical investment in a solar system will pay off in three to five years and give an IRR of 13% to 17% for 25 years. If a system is financed, it is typically cash positive from day one and shows a 20% or greater savings on utility costs. If you consider that today's rate of core inflation is 0.8%, yet utility prices continue to move up at 5.5% annually, then it is clear that to control overhead, getting a handle on energy costs is paramount.

As if the economic benefits were not enough of a reason to install solar, there are a number of environmental and social benefits that directly result in new opportunities for you as well. Building owners find that investing in solar is an excellent way to give back to the community. They become "green" leaders and are looked up to as pioneers of a brighter tomorrow. Realistically, this translates to increased marketing opportunities and more attention for the building, the owner, or the business. Interviews with local publications, features in magazines, and sustainability awards are all common. Tenants are also looking for "green" offices and workplaces. As a landlord, installing a solar system is a great way to differentiate your building from the rest.

There is a lot of confusion when it comes to deciding if solar technology is right for your building. How much will it really cost? What will I actually save? Is the technology mature enough? Will it work for my building? The short answer to all these questions is that it truly does work, it is affordable, and it is easy to tell if your property is suitable. With prices low and incentives high, 2012 is truly the best year ever to invest in solar energy.

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