



Solar energy from the financial perspective as a hedge against rising costs

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All business owners have the moment at their desk where they observe a fundamental issue plaguing the business world. Cost of operations are rising with the same intensity as the competition. Rather than companies forging individual paths to profitability by increasing market share, they are combining assets, striving for economies of scale, and increasing profit margins through efficiencies. If you are a real estate broker, landlord, property manager, or prospective buyer, and you are looking for a potential way to make a property work, consider solar energy from a financial perspective as a hedge against rising costs.

The first concept to grasp about solar is that it does not supply physical power to your property. Local utilities will purchase the power produced from the system at your current electricity rate, and will apply this purchase to your existing bill as a credit. Therefore you need not worry about producing enough power from your system since local utilities will pick up the slack if you do not produce enough.

Secondly, besides electricity savings, solar presents compelling financial opportunities for entities with large tax appetites.

Accelerated depreciation: Where standard depreciation for an asset is 20-29 years, a solar energy system can be depreciated by 100% in six years, with 50% available in year one.

Federal Income Tax: The U.S. gives solar owners a 30% tax credit against the gross cost of the system in year one.

Cash Rebates: Orchestrators of the local incentive programs will give you nearly 30% of the system's gross cost as a CASH incentive towards buying a solar energy system.

Following a small cash investment at year zero, investors are eligible for above mentioned tax and cash incentives furnishing a three-year ROI. Investments needed to improve the building can be hedged by the accelerated depreciation schedule. The solar system will further hedge the investor against rising energy costs. Lastly, solar can increase the net worth of the property by driving down the costs to operate via electricity savings.

As efficiencies presented by a connected world continue to drive down pricing, it is important to be aware of options available to maximize profits for every dollar spent. While it is important to watch the market for acquisition opportunities, the current business environment necessitates a look within, vigilantly evaluating opportunities to improve profitability of existing property assets.

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