

ZigBee™ Submetering Sales Guide

A One Page Guide to Executive Sales



SELLING THE 1/2" HOLE

Last year, there were 4,562,783 ½ inch drills sold in America. Funny thing is, nobody wanted a ½" drill – they wanted a ½" hole.

It's an old adage that teaches sales people to concentrate their advocacy on the benefit of their product, rather than the product itself. It's a critical lesson in this business, because the "½" hole of submetering is unbelievably compelling. It's all about property valuation – and boosting valuation and capturing capital gains is what real estate investing is all about. So when you are talking to the real estate investor, begin and end with the impact submetering makes to valuation. It's simple. Submetering adds 5% to valuation, and 10 times the required investment.

Here is the math. Typical investment is \$250 per apartment unit for water, and \$500 for energy meter installations. Utility cost saved and/or recovered yields a simple payback of less than 18 months – call it \$200 per year for water, and \$400 for energy. But valuation rises by the capitalized value of the increased income – at an 8% CAP rate, valuation increase is \$2,500 for water, and \$5,000 for energy. Valuation increase is 10x investment. If the property is worth \$75,000 a unit, valuation increased by 3.5% to 6.5%.

This story needs to be told, and closed upon. Gain the prospect's agreement, that if we can show them proposals on specific properties that support these numbers, that they will seriously consider an investment in utility submetering.

WHERE IS SUBMETERING APPLICABLE?

Every tenant occupied building portfolio presents opportunity – the size of which is defined by the utility expense line item on the owner's income statement. The role of submetering is to reduce that expense line – by creating an incentive for the tenants to conserve, and recovering the expense of what they consume. Many conservation schemes claim potential savings – submetering is different in that we actually measure results. After 120,000 meters installed, Wellspring's average reduction in utilities consumed is 26%. This is not a claim – it's a measured fact. The EPA published a 384 page submetering study in December of 2004 that showed a 15.4% drop in consumption. Wellspring gets more, because we generally include conservation measures with our submetering.

Next step – choose where to begin – choose residential properties with the largest utility bills. Retail or office is next, where utility consumption of tenants varies dramatically.

WHY WELLSPRING?

Wellspring has the broadest line of submetering in the industry – we meter everything – water, electricity, gas, boiler energy, chiller energy and domestic hot water energy – no matter how the energy is delivered to the tenant space. Second reason – Wellspring uses open protocol ZigBee 2-way radios to recover data. More on that in the next section.

WHAT IS "ZIGBEE", AND WHY DOES IT MATTER

ZigBee is an IEEE standard (802.15.4), which follows Wi-Fi (802.11) and Blue Tooth (802.15.1). Like the earlier wireless standards, ZigBee is fast becoming THE wireless communication standard used for building controls, monitoring and metering. ZigBee is less costly and uses less power than Wi-Fi or Bluetooth, which facilitates battery operated sensors and meter reading devices. Use of ZigBee matters – because once there is a ZigBee network operating at the property, other ZigBee applications can be added in the future – such as ZigBee security monitoring, access control, people counting, lighting control, temperature control. ZigBee is exploding into these applications – because the use of low cost, battery operated, robust two-way radios enables applications that were simply too costly to retrofit as wired systems, and too unreliable with one-way wireless technology.

ZigBee is THE right answer for submetering – its protects the owner from being locked into one supplier, and provides an open protocol network that can be re-used for other applications that will certainly emerge in the future.

NEXT STEPS

The “close” of an executive sale is to gain agreement to seriously consider a proposal for some specific properties – 4 to 5 is a good bite sized chunk, but more good - fewer is OK. To make the economics work, no less than 250 apartment units should be considered. Retail and commercial space is more challenging – because the cost of utilities relative to rent is less, and the tenants have less incentive to conserve. In commercial, the strength of the value proposition is less predictable, and so a larger portfolio is needed to justify the effort.

The “deliverable” of this close has to be the names of on-site managers, their phone numbers and agreement to set them up for a 30 minute phone call.

During the calls, Wellspring will secure the needed information to prepare proposals that detail project economics, and the impact on property valuation. These proposals will need to be presented to the owner – allow 30 days to get this ready – feel free to make the appointment, and press hard for the names and numbers of on-site managers.

TANTALIZER – PROFIT, PEOPLE, PLANET

Its never bad to keep remind the prospect of the NET IMPACT of a portfolio wide implementation. Consider 10,000 apartment units, consuming \$1000 a year in utilities, saving 26%, boosting valuation \$5,000 per apartment.

1. Valuation rises \$50 million
2. Tenants are treated fairly, paying only for the utilities they consume
3. A 26% reduction in use saves \$2.6 million in utility consumption annually

“Leaders in utility cost recovery technology”
