

99 St Georges Terrace, Perth WA



NABERS



99 St Georges Terrace in Perth's CBD had ageing plant, a zero NABERS Energy rating and a 75% vacancy rate when an innovative partnership set out to elevate its energy efficiency and create a comfortable, modern workplace

What does the future look like for Perth's older buildings? 99 St Georges Terrace offers an optimistic outlook for teams who use NABERS to work together.

Perth's central business district has among the highest office vacancy rates in the country, especially among C and D grade stock. In response, some building owners are choosing to adapt their buildings to alternative uses. Others are repositioning their assets to secure tenants with tighter budgets. Some are adopting a wait-and-see strategy.

But Mesatech and Cygnet West chose to pursue a proactive path, upgrading the ageing plant at 99 St Georges Terrace to create a comfortable, energy efficient and modern workplace at zero capital cost.

At the centre of 99 St Georges Terrace's ambitious upgrade was a NABERS Energy rating guarantee.

“A high NABERS rating is a tenant attractor. Most businesses are looking for a 3 star NABERS Energy rating as a minimum. Before the upgrade, 99 St Georges Terrace had zero stars. That was our big opportunity.”

— Phoebe Laing, Senior Property Manager, Cygnet West

“Mesatech, the owner of 99 St Georges Terrace, saw the NABERS Energy rating as a key performance indicator of this project's success,” says Cygnet West's Phoebe Laing, the property manager for the building.

Mesatech had already invested in several upgrade projects which had enhanced the building's lifts and lobby. But the plant and mechanical systems were reaching the end of their life, and the zero star NABERS Energy rating was clear evidence that it was time for an overhaul.

Cygnet West and BSA Limited, which managed the building's heating, air-conditioning and ventilation (HVAC) systems, engaged 3E Group to assess the building's upgrade potential.

3E Group's assessment found it would be possible to reduce the base building's HVAC energy consumption by 50%. When the building was fully occupied, this would save an estimated 205.2 tonnes of carbon emissions each year – roughly the same amount of carbon generated by 25 households.

Everyone was sold on the merits of an energy efficiency upgrade – but the biggest obstacle was the cost. “When we put together the proposal, the cost came in at around \$1 million – a huge financial commitment,” Phoebe notes.

Overcoming the obstacles

Buildings like 99 St Georges Terrace are classified as ‘mid-tier’ – that is, neither A or Premium grade but nevertheless of good quality. According to the Opportunity Knocks report, these mid-tier buildings account for around 80% of Australia's office stock and half its floor space. An estimated 80,000 of these buildings need energy efficiency upgrades for Australia to meet its net zero targets.



FAST FACTS

- Owned by Mesatech Pty Ltd and managed by Cygnet West, 99 St Georges Terrace offers 6,123 square metres of net lettable area across 13 floors and 18 tenancies
- 3E Group, formerly Ecosave, funded an environmental upgrade that elevated the building's NABERS Energy rating from 0 – 4 stars

A NABERS Commitment Agreement and a guaranteed
4 star
NABERS Energy rating

Achieved a
4 star
NABERS Energy rating in November 2021

Upgrade cost of \$751,350

is expected to save \$140,000 a year in energy and maintenance costs when the building is fully leased

So, what is holding them back? One of the biggest barriers is 'split incentives' – where the building owner is responsible for the capital costs of any energy efficiency upgrade, while the tenant paying the bills reaps the rewards.

At 99 St Georges Terrace, the solution was an innovative 10-year energy services agreement – what 3E Group calls Energy-as-a-Service – which required no upfront capital outlay or debt.

3E Group guaranteed that energy conservation measures would achieve a 4 Star NABERS Energy rating once the building exceeded 75% occupancy. This was outlined in a NABERS Energy Commitment Agreement.

For a zero-dollar upfront cost, 99 St Georges Terrace received a full upgrade to its HVAC plant and metering, to the tune of \$751,350. The agreement, which was signed in February 2018, also included ongoing energy management and maintenance services.

“In Perth there are so many options for tenants to choose from. But they are choosing 99 St Georges Terrace for the NABERS rating. We are committed to a high performing asset – and tenants can see this.”

– Phoebe Laing, Senior Property Manager, Cygnet West

At full occupancy, a predicted \$140,509 will be saved each year as less energy is consumed and maintenance is less frequent. As the savings are greater than the agreed repayments, the project will be cash-flow positive once the building hits full occupancy.

Measuring to manage

In November 2021, 99 St Georges Terrace reached its 4 star NABERS Energy target – a rating that provides positive proof of the building's comfort, as well as its energy efficiency.

The building services team now receives monthly reports, in “granular detail” from 3E Group that allows them to “keep a close eye” on energy consumption, Phoebe notes. “We can send out energy technicians quickly to diagnose problems because we are always looking at a very detailed level, for opportunities to improve.” Reports are also a useful tool for the property management team to engage tenants in the energy efficiency conversation.

One of the project's biggest lessons is about the value of teamwork, Phoebe says. “Having open discussions – backed by data – has encouraged everyone to take responsibility. By communicating and cooperating, we have been able to take a whole lifecycle view of the asset.

“We now have the benefit of a high NABERS rating, which has improved year-on-year as we have increased our occupancy. The building enjoys a high level of tenant retention, and we are a step ahead in the market. Three tenants have expanded their space in the last six months – a great sign for the future of the asset.”

