

Commercial Tenancy

It is hard to grow rental income when business tenants are struggling with other costs especially spiralling power prices. However there is a profitable way to build rental income and help tenants.

Growing rental receipts by \$105 per week increases the sale value of commercial premises by \$100,000 as well as providing \$5460 additional annual income. At the same time it is possible to reduce tenants power costs by \$8540 with solar power.

By investing \$20,000 in solar, a commercial landlord can readily achieve returns of more than \$228,000 over the life of the panels.

The key is to keep it simple:

- No reading of meters and selling power.
- No complicated additional contracts.
- Solar bundled for participating tenants.
- Clear benefits to all parties.
- Simple robust setup.
- Builds tenant resiliency and loyalty.
- Taxation advantages of 25% depreciation.

Murwillumbah Cellars

Proprietor and owner of the premises, Jeff Clifford was paying over \$1000 per week for power. Installing 30kW of solar cut bills by around \$4000 a quarter and even helped with roof insulation. Jeff said “ If I had a bigger roof I would have put in even more solar.”



Byron Food Hub

In exchange for slightly higher rents the developer offers tenants 5kW of solar that directly reduces their power bills.

Spokesman for the YUKI group said “ It has been so successful that in stage 2 we are doubling the solar to 10kW per unit and we already have a lengthy waiting list of prospective tenants.”

Step 1 – Your tenants

Some businesses are more exposed to power costs than others. A gift shop with air conditioning but limited foot traffic does not use a lot of power. On the other hand a café might pay \$4,000 per quarter for power and be facing an extra 25% by next year.

A tenant may want to put up their own solar panels but only the landowner can receive SST certificates that reduce the cost. It takes 4 years to recoup the installation cost and as a fixture the panels become the property of the landlord anyway.

On the north coast, 1kW of solar panels produce an average of 4.2kWatt hours (kWh) of power per day with maximum output in the middle of the day. At new power prices (Jul 2017), a 15kW solar system can yield savings of \$8540 per year provided all the power is used.

To ensure that the solar mostly offsets power use the system should produce about two thirds of DAYTIME power consumption. If power use is less on weekends then some of the solar may be exported at a lower price, slightly reducing savings.

Power Use and Solar

There is a lot to take into account to get the optimum saving on solar. Does the business have a lot of refrigeration working at night? Is air conditioning a major cost? Is the business open on weekends? An experienced installer can make a good estimate.

As a very rough figure for initial discussions, take the quarterly power bill in dollars and divide by 300 to get the kilowatts of solar panels a business could use effectively.

Step 3 – Bundle

Offer the tenants a new lease with 5kW, 10kW or 15kW of solar. Those that take it up will pay a higher rent but still save overall from lower power bills. Demand is likely to outstrip the initial offering. If one tenant leaves, the solar from that bank of panels can be rerouted to another tenant. A combined 15kW to 20kW will allow total rental increases of \$5460 per year plus \$100,000 extra value to the property. Add to that, early tax deductions and later, CPI increases over 25 years.

Too good to be true? It is made possible by falling solar costs, expensive gas turbine power stations and dysfunctional electricity markets.

Be part of the solution, help support local business and benefit financially in the process.

Example: Murwillumbah Plaza

Of the 11 business premises in the plaza several have substantial energy costs. The roof space is flat and unshaded and could easily accommodate 50kW of solar.

If four businesses take up an offer of 7.5kW then 30kW could be installed. The participating tenants might each pay an extra \$2750 as rent but save \$4270 per year in power costs now and be buffered against further power prices rises.



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Step 2 – Size and Cost

Get a quote on how much solar you can install and at what price. The aspect, height and layout of the roof can make a difference to how much can be installed, the expected performance and installation cost.

The array should be divided into blocks with separate inverters and the power meter replaced with a “Net Solar” meter for participating tenants. Note that only 10kW of solar may be permitted per customer unless the building has 3 phase supply.

A local installer gave an approximate quote of \$20,000 for 15kW of solar panels on a single story, flat roof divided into two banks with separate invertors and NET meters. As business infrastructure, the solar panels can be depreciated at 25% against tax liabilities even though the expected lifetime is 25 years.



Precise PCs

The site is partially shaded by an adjoining building and the premises are rented. Stewart thinks it was still worth installing 20kW of solar even without help from the landlord. A/C had raised the power bill to an average \$1900/quarter but solar cut this to a couple of hundred. He has a five by five lease so the panels will pay off under a purchase agreement plus another 5 years cost free.

Stewart said “ It just makes business sense.”

Note: Get expert advice before making any commitment.