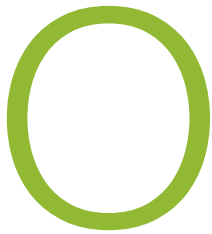




CREATING VALUE

Under the stewardship of
JOAQUIN DE MONET and an
in-house team of seasoned professionals,
ARDEN REALTY now has one of the most
formidable track records of value-added
energy conservation and sustainability
practices in the industry.

Joaquin de Monet
President of Arden Realty



One of the West Coast's premier landlords, Arden Realty has spent the last decade honing its expertise and laying a foundation of value-enhancing processes that have benefited more than 18 million square feet and achieved approximately 500 Energy Star® labels in its portfolio.

"Strategic value-add energy management and sustainability is embedded in Arden's DNA," states Joaquin de Monet, president of Arden. "It's who we are and a key differentiator for us, not only in our own portfolio, but in what we can offer to our capital partners."

Acquired by General Electric in May of 2006 as its West Coast office platform, Arden has recently expanded to become the national office growth engine of GE Real Estate, Americas' Equity.

"The company has continued to operate under the Arden flag because its reputation is so good," says Shaun Stiles, senior vice president of Colliers International's Los Angeles office. "They've kept that great reputation, but now they also have the backing of an institution like GE."

De Monet sees the national expansion as an acknowledgement of Arden's successful performance replicating its strong investment and operating model in new West Coast target markets such as Northern California and the Northwest. It's also a nod to Arden's position as an effective owner-operator with a focused business strategy and an ability to execute well.

Contributing to that execution has been the company's innovation in

developing energy efficiency initiatives that set the company apart from its competition. Arden's sustainability achievements are also a good complement to GE's international green initiative called ecomagination.

ADDED INCENTIVES

While the bottom line concerns of running a rapidly expanding real estate investment and operating company are top of mind, de Monet admits that Arden's sustainability success has also satisfied a personal focus.

"As a parent who worries about what kind of future my children face, it's particularly gratifying to be directing a company that has taken such a proactive leadership role for so long in developing tangible energy solutions," he says.

That point is brought home regularly by the response of his 4-year-old daughter, Catalina, to *The Lorax*, the Dr. Seuss story that deals with environmental destruction while also delivering a message of hope.

"What would the Lorax do?" asks Catalina about the wise character who tries to protect the environment. Even at such a young age, she, like her peers, is increasingly familiar with some of the issues that challenge our environment. Her generation will continue to ask the questions that need to be answered.

"Concern for future generations and Arden's bottom line are top priorities, but I know that the litmus test for me is really how I contribute to the solution on a broader level," de Monet says.

According to de Monet, Arden provides that broader level of impact by demonstrating that good corporate citizenship can be also an effective value proposition that maximizes real estate investments and contributes to the bottom line. The more that an effective business case can be made for energy efficiency, the faster it will be adopted by the industry as a whole.

BUILDING THE EXPERTISE

How then, did Arden get out in front of the green wave? It didn't hurt that cutting energy consumption and costs became a focus at Arden long before the California energy crisis of 2000 and before global warming and carbon emissions became an international obsession.

The early vision that contributed to Arden's current leadership position involved not only capital investment, but also processes and people that would, ultimately, enable the company to produce tangible outcomes.

In 1997, Arden committed approximately \$30 million to develop the first phases of a viable green program and pursue conservation projects in the entire portfolio. As part of the launch, Arden hired licensed mechanical engineers and recruited the "best and the brightest" operating engineers to establish energy accounting methods and best practices. From there, Arden developed a formalized,





Arden Realty's Cerritos Towne Center (this page) in Cerritos, Calif., and the Governor Executive Centre II (opposite page) in San Diego, are both part of Arden Realty's extensive portfolio

foundational environmental response program that involved indoor air quality protocols, training programs, testing and compliance programs, and recycling and e-waste (hazardous waste from advancing technologies such as cell phones and computers) management.

"We basically took Arden from reflecting the industry standards of the time, which were more like an eight-cylinder SUV, to the efficiency of a hybrid," says Scott Lyle, first vice president and energy solutions expert. The approach was doing the right thing from a cost-conscious perspective.

What resulted was the implementation of more than 200 cost effective energy projects, including lighting and HVAC retrofits, carbon monoxide sensor parking garage exhaust systems, energy management systems, cogeneration plants and the largest solar array installation, at the time, located west of the Mississippi.

Validating the first phases of Arden's Green Program was the Environmental Protection Agency (EPA), which recognized Arden's significant achievements. In developing aspects of their initiatives, Arden had been able to meet rigorous bench-marking standards set by the EPA to measure energy efficiency in office buildings through the EPA's Energy Star® Program. Through this program, Arden was able not only to demonstrate innovative ideas, but also implementation and accountability.

For its leadership, Arden received the Energy Star Partner of the Year Award numerous times. Among many other awards that the company garnered for its efforts in energy conservation in the real estate industry, Arden was also given the EPA's Flex Your Power Award for its "ongoing commitment to saving energy, money and protecting the environment."

"It's always been very important for Arden to be on the leading edge of sustainability, even more so since the merger with GE Real Estate," Stiles says. "They treat their buildings very well. They make sure they're efficient and that, in turn, enhances their value."

TODAY'S PLATFORM

De Monet and his leadership team are just getting started. Today, Arden is leveraging the early investment in its green platform to attract joint ven-

ture partners in strategic investments. Their competitive edge lies in the fact that adding value to real estate through energy conservation is now clearly embedded in the company's culture.

Arden's focus is currently on the U.S. Green Building Council's LEED-EB® (Leadership in Energy and Environmental Design-Existing Building) program; a Beta Project for the Clinton Climate Initiative; and a Sustainability Pilot Program for GE Real Estate Americas' Equity that involves three select business units in Tokyo, London, and Canada in addition to Arden.

The company also is putting a laser on extending the shelf life of older buildings through retrofits and green strategies that will keep these assets competitive. New construction is incorporating many of the green components upfront that are either required or desired to build and lease an office building. Inventory built prior to and during the 1980s, for instance, often does not have energy-efficient systems in place. Arden has targeted this significant asset group and is able to add value to a wide range of existing buildings, increasing their investment value.

Of course, in the future "to green or not to green" may not be a choice. "We know that it's only a matter of time before green standards are government-regulated and not optional," says Lyle. "Thankfully, we are far ahead of the learning curve on how to bring a building up to speed and reposition it quickly and cost effectively."

Depth of expertise in operations and sustainability has enabled Arden to do what it does best—invest in real estate today, successfully developing its value through a three- to five-year hold that prepares the asset for future standards. The result is a responsible investment and value creation process that positions properties well for the next round of institutional investors and tenants.

That ability is serving the company well as it discusses potential investments with joint venture partners throughout the United States, says chief investment officer Michael Lynch. He says the investors he meets with are expressing an interest in the company's hands-on green capabilities.

"Concepts and good intentions are important," says Lynch. "But for many owners, the actual implementation can be a bit overwhelming,

E-cycling

It's not just energy savings that Los Angeles-based Arden Realty is targeting with its green portfolio of commercial buildings. Together with Neuwaste Business Recycling—a company in southern California that recycles hazardous waste generated from advancing technologies—Arden has developed an e-waste recycling program for its tenants. In 2007, the program collected approximately 100,000 pounds of used computers and other electronics that were otherwise destined for a landfill, where the lead and other toxic components would seep into the ground.

The fact that we are used to rolling up our sleeves and actually doing the work while operating the real estate ourselves brings a lot to the table.”

Landlords who haven't given much thought to sustainability and conservation will have to do so in the future, says Stiles. “You still have some smaller owners that aren't focused on it,” he says. “That will change. Other owners will have to get on board. The business climate is going to require more and more of that.”

TENANTS WEIGH IN

Potential partners are not the only group interested in Arden's green expertise. Tenants, increasingly, are asking questions regarding their landlord's approach to sustainability. Providing a high-quality product, which today includes an environmentally sound facility, helps keep Arden competitive in attracting tenants, especially in a challenging market such as this one.

Some outside forces already apply. By the end of 2010, federal agencies will be required to lease space only in buildings that have earned an Energy Star® label. Many private businesses that don't already have that requirement are sure to follow the federal government's lead.

Tenants have become more savvy about the environment, and green issues are becoming a point of conversation, de Monet says. “We're definitely seeing it more in discussions with new tenants—‘What is your overall approach to sustainability? What green initiatives do you implement? What energy efficiencies do you have in place?’ These are all questions that show a greater awareness of the issues and the need for pragmatic solutions.”

Stiles agrees and says landlords should expect to see the trend continue. “It's becoming more and more of an issue,” he says. “Five years ago, it wasn't that big of a deal. But at some point we're going to arrive at a point where tenants will expect a landlord to be able to design and implement energy measures as a matter of course.”

For larger tenants, that expectation is already there. Arden is finding that corporate tenants will sometimes ask whether a building is LEED® certified. To that end, Arden is targeting nine of its properties to earn certification under the new LEED-EB Operations & Maintenance program. The focus is on the details as well as the big picture involving such practices beyond energy efficiency, such as assessing green cleaning (using non-toxic cleaning products), using renewable finish materials, instituting recycling programs and conserving water.

As a participant in multi-endurance events who knows the kind of discipline and persistence it takes to meet a goal, de Monet sees parallels between environmental progress and commercial real estate. “The real estate business is not a sprint, it's a marathon. You have to invest in relationships and in developing expertise, and that takes time,” he says. “Those who think it's a sprint are not aware of the kind of commitment it takes to operate real estate.”

The same is true of making buildings more ecologically sound. “Creating value through green initiatives is not a sprint either,” he says. “The objectives will continue to evolve, but without a doubt, it's not going away, and Arden is committed to the long term.”

SOUND STRATEGY WITH A SOCIAL CONSCIENCE

Arden's focus is not only on buildings, but also on maintaining strong relationships with tenants and the communities in which it does business. The company ethos stresses the importance of keeping a strong connection through keeping its word and strong accountability at every point of contact.

Colliers International shares those values, de Monet says, which is why he enjoys working with the brokerage firm and its brokers. Stiles says the admiration runs both ways. “He's great to work with,” he says of de

Monet. “He's a strong leader and has a good reputation. He's very hands-on and has a good feel for what tenants and brokers want.”

“This business is a relationship business—I learned that early on,” de Monet explains. “We nurture relationships because that's what matters. Whether it's a compressed market or a booming one, it's important for business colleagues to know that we are there for them.”

And they are there for the community at large as well. Whether it's working with local charities such as San Diego's Monarch School, which encourages homeless and at-risk youth to get an education, or with national groups such as Habitat for Humanity, Arden employees clock an impressive number of volunteer hours. This year, the target is 2,000 hours through beach clean-ups, walk-a-thons, and hands-on work building houses with Habitat.

This fall, Arden will be co-host sponsor the 2008 Sustainability Summit with the Los Angeles Business Council. The summit will bring business, community and sustainability leaders from around the nation to Los Angeles to share information on environmental technologies and strategies, especially with other real estate leaders. Arden's Lyle will facilitate the conference, which includes the mayor of Los Angeles, Antonio Villaraigosa, and top leaders in the sustainability field.

“We're in real estate, but we're also in the business of understanding that we're part of the community, and we never want to forget that,” de Monet says. “Arden's real success is as a role model—a real estate landlord that adds value to real estate investments and boosts the bottom line while still doing the right thing.”

Perhaps that's part of the answer to his daughter's persistent question, “What would the Lorax do?” to secure a better future. With its role as a growth platform on a national scale, expect to see more of Arden's positive impact as a green role model in the industry and a savvy investor that knows how to mine new value. From where de Monet sits, the greatest lesson learned is that good business strategies and good corporate citizenship are not mutually exclusive. [KL](#)