



IREM® From the Front Lines Podcast

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Sustainability in Action: Inside the IREM Jackson Control Awards

Erin:

Welcome to another edition of From the Front Lines, where we discuss both the day-to-day, and one-of-a-kind issues facing real estate managers. In this episode, IREM Foundation's Executive Director, Rebecca O'Brien talks to Russ Morningstar from Jackson Control and Giuls Kunkel from BGO to discuss the IREM Jackson Control Sustainability Awards and what they reveal about the future of energy, automation, and ESG performance. Over to you, Rebecca.

Rebecca:

Thanks. Well, I'm really excited to have both of you here, Russ and Giuls, and I'm looking forward to the conversation and hearing perspectives from both of your areas in the real estate world. So why don't we just take a moment and I'd love for each of you to share a little bit briefly with our listeners what you do in real estate. Let's start with you, Russ.

Russ:

Okay. Hi, I'm Russ Morningstar with Jackson Control. I'm the National Systems Integration Leader and I primarily work with various medical office buildings or MOB's based on different accounts where we provide building automation systems and energy management system solutions for their portfolio.

Rebecca:

Great. Thanks, Russ. And you're up next, Giuls.

Giuls:

Hi, I'm Giuls Kunkel and in my role I'm Vice President of Sustainable Investments at BGO where I lead up our sustainability strategy for our US portfolio, which is about 36 billion AUM. And it serves pretty much all asset classes. So that's office, industrial, multifamily, cold storage, some retail, even some hotels as well. And we have different funds, strategies and clients with different sustainability objectives that we work with.

Rebecca:

Well, that's fantastic. It sounds like between the both of you, we have really robust experience. You know, both kind of experience that practical implementation, Russ, with the work you're doing implementing systems that impact day-to-day operations and then also Giuls, kind of from your perspective, that longer term value creation from the investment perspective. So let's jump into it. I have a question for both of you to start and I'd love for you to share. You know, over the past decade, sustainability has evolved from being kind of a nice to have to more of a business essential. And I'm interested from your perspective, what's driving that shift? And we'll start with you, Giuls.

Giuls:

Sure. Thanks, Rebecca. So, you know, it's interesting. I was talking with a few colleagues because we were kind of chatting about how over maybe a decade ago really what we were focused on was just certifications and energy efficiency projects. But really now the shift has come down to, I would say, climate risk, both physical and transition risks. For instance, climate and weather losses have become a balance sheet issue. In the US alone, NOAA counted 27 separate billion dollar disasters in 2024, far above the long-term average, and that makes resilience and energy performance a core part of protecting NOI. And policy also has moved from disclosure to performance. Over a dozen jurisdictions have now passed building performance standards ordinances. For instance, New York City's Local Law 97 is one that many of us know, and that's now in effect. It set emissions caps that began in 2024 with tighter limits that will go into effect later and fines for non-compliance. So that turns sustainability from really optional to mandatory. So zooming out, buildings are responsible for over one-third of global energy use and emissions. So owners, lenders and tenants all have a stake, and sustainability isn't really a side project anymore. It's how you protect cash flow, manage risk and stay competitive. And ultimately, when thinking about sustainability and impact to business, we can't just consider impact today during our hold or even during the next hold. We really have to be thinking about two transactions from now and what the climate risk will be for future buyers, and how our operations today and the way that we operate our properties could impact that.

Rebecca:

That's great. Russ, what's your take?

Russ:

You know, really it all boils down to high energy cost. I mean there was a time where, you know, obviously people were looking at what can we do to kind of spruce up their buildings, make them look a little bit nicer, and so on and so forth. But really it's just boiling down to high energy costs. It just keeps going up and companies basically have to rethink the importance of sustainability. You know, over the past 10 years with these utility costs, they have risen nationally. We're seeing over 40%, even up to 104% in some parts of the country. You know, I live in Ohio and was just reading the other day that in 2025, parts of the state for residential customers are going to see their bills increasing by 44% and commercial customers up to almost 30%. I mean, it's huge, and this is really becoming an issue for the balance sheet for these companies. And it comes down to lack of supply and demand, and we're seeing more of that demand being taken over by AI data centers. So that's really driving this.

Rebecca:

Yeah, that's a lot to keep in mind. Let's talk a little bit about the Jackson Control Sustainability Awards. So these awards recognize excellence in sustainable property management, and one of the key focuses of the award is to highlight not just the buildings for their performance, but really the teams behind the buildings. Russ, why is that people-centered focus so important?

Russ:

You know, the team approach and effort, I'm just really behind it 100%. You know, with the increased cost of energy, it really takes multiple people to be engaged even more today and be aware of various ways they can help reduce energy consumption. I'm seeing more companies use this team approach instead of just relying on a single person. They kind of would dump on this one individual who would have that task. Well, now it's getting to be more and more with the cost

going up. There's so many ways of trying to address this energy—just not in lighting or in HVAC controls or maybe equipment. It's looking at the entire building start to finish, even if it's a retrofit or if it's a brand-new building. I love hearing about all the different ways these various companies are getting behind their team members and they're getting these groups together, even sometimes including their tenants, to be more aware of the energy usage and helping each other identify ways they can reduce energy consumption. Whether it's replacing lights or upgrading HVAC equipment or looking at controls, even water efficiency—water cost is going up as well. So there are some low-flow fixtures, things of that sort. They can attack it from different angles. This whole team approach—they will typically meet to discuss these various options and how to implement these programs, and they might include some type of benchmarking, which is what we highly recommend, either through a program like Energy Star or even IREM CSP, the Certified Sustainable Property Program, which are huge as far as prioritizing energy-efficient design principles. These teams may consist of individuals on staff, or they may even include energy firms, consultants, or contractors who would be involved with this.

Rebecca:

That's great. And you know, Russ, you brought up a really great example with getting the tenants involved because I think at the end of the day, there's so much about this that really comes down to implementation and it takes more than just one person, like you said, to make that all happen.

Russ:

Absolutely. Yeah, absolutely.

Rebecca:

Yeah, great. Now, Giuls, one of BGO's properties, Fort Point Creative, won the Visionary Impact Award and the People's Choice Award, which is quite an achievement. Congratulations. What is so special about BGO's approach to sustainability?

Giuls:

Thank you. So I mean really with our approach, we both are focused at the asset level as well as at our portfolio level, and our sustainable investing efforts are rooted in our role as a fiduciary to deliver strong returns for our investors. We believe our long-term investment performance is closely tied to the economic, environmental, social and governance systems in which we operate. Across BGO, we're committed to adapting to and mitigating climate change and other sustainability risks by supporting the long-term financial and operational resiliency of our assets and mitigating the risk of obsolescence. So our process is really at a portfolio level, guided by our sustainable investing framework, which we adapted a few years ago, and it's designed to support investment strategies in setting relevant, measurable sustainability objectives. Our framework is comprised of 12 core themes across the three environmental, social, and governance pillars, and it's designed to be flexible in considering material sustainability issues confronting our investments, the firm, and the broader real estate industry. So we adapt with that in terms of how we apply our sustainability strategy to each asset. So we were pretty excited with the Visionary Impact Award as well as the People's Choice Award for Fort Point Creative, and hopefully we can do just as well in the future with other IREM awards as well.

Rebecca:

You mentioned that BGO prioritizes ESG and you see it as a driver of value. I'm curious from your perspective, what do you think that will look like in five or ten years?

Giuls:

Sure. I mean, ESG performance can certainly—I think we've seen the research that shows that it can impact value. There have been, for instance, some forms of independent research from firms like CBRE market research that have shown things like persistent rent premiums for LEED or Energy Star certified office properties. And JLL also had research that showed North American green premiums as tenants have screened for low carbon space. And then we've also seen already currently some US lenders now reward credible performance such as Fannie Mae Green Rewards and the Freddie Mac Green Advantage program. I mean, I think in terms of five years from now, it's hard to tell what will happen for sure, but I think we're certainly going to see the role that compliance is going to play—a bigger compliance footprint. More states and cities for sure are adopting building performance standards. Over one-third of buildings over 100,000 square feet are in jurisdictions that have committed to passing a building performance standards law. So we will likely see these laws tighten more in the 2030s. And then also electrification codes keep pushing new construction to all electric. So I think that could impact values as well, maybe of existing building stock. We also might see things like agency green programs growing in influence, sustainability-linked structures continue, and insurers and lenders may frequently tie pricing or terms to measured building performance, not just labels as well. So, you know, it is hard to tell just as a lot of different things are in flux, but I think compliance could play a bigger role in the future.

Rebecca:

Yeah. And it's interesting how you tied together compliance with buildings, more buildings going electric. I do want to chat a little bit more about energy, and Russ, you know, energy is at the center of nearly every sustainability conversation right now. Costs are rising, infrastructure is under strain, especially with the enormous increase in AI energy consumption. What pressures are you seeing on building operations and what do you think is coming?

Russ:

Yeah, really there's a huge amount of pressure coming from these owners and even some of the tenants as well, as I mentioned, because of the rise in energy costs and this demand that they have to pay. They want this reduced, you know, and not only is there that financial cost for paying the higher utility bills, but, you know, as Giuls mentioned, these local cities, municipalities are now requiring buildings to meet these performance standards or face very high penalties and fines. And so that's kind of driving the factor as well.

Rebecca:

And Russ, what trends are you seeing in how property teams are approaching energy efficiency and automation today to deal with this, or even just compared to five years ago?

Russ:

You know, as I mentioned before, it really comes down to energy benchmarking. Energy benchmarking really is being used not only to evaluate potential energy savings—we kind of used to look at that back a few years ago—but now they're really looking at that to rate the building and their performance standards to meet those various local requirements and avoid those penalties. The other thing we're seeing is more buildings are starting to put in meters or what we call sub-meters that are being installed so they can get that real-time data. You know, obviously you can't measure what you don't know. And this information then is tracked through various new energy management systems to try to optimize performance and keep track of where their building is rated and stands up against overall energy usage to help lower that cost.

Rebecca:

Giuls, do you think investor expectations around energy resilience or carbon intensity are also shifting? And does that change the way you evaluate risk and performance?

Giuls:

Sure. I mean, investors continue to get much, much smarter really around everything when it comes to energy resilience and carbon intensity. I continue to be amazed by just the questions that investors ask—they're understanding of things that quite a few years ago I don't think were part of the conversation. I've had investors ask about things as specific as eGrid factors. They're understanding the differences between market-based and location-based emissions factors, and then the aperture is widening beyond just climate. Many LPs are now asking about nature and biodiversity risk alongside carbon—think water, habitat, and site stewardship. The TNFD framework and GRESB 2025 updates are now asking about this, which are making these topics more investor-grade. So, yeah, I think certainly there is a shift, and this is just requiring us to stay on our toes more. And the bottom line I would say is that expectations have moved more from us having to move beyond just making commitments to having to show real results.

Rebecca:

Yeah, absolutely. It sounds like the landscape is getting very sophisticated. Russ, maybe can you talk a little bit about what role you see advanced building automation and energy intelligence playing in managing that coming surge in demand? Are there any specific technologies or innovations that you think will become essential for property managers within the next few years?

Russ:

Yeah, really AI is going to be the key. It's critical in the building automation energy management industry. We're seeing—obviously you can't go anywhere without running into AI, whether it's on Google or Microsoft or whatever. Same goes for the building automation and energy management group. We're embracing that. With AI, energy management systems are basically overlaying on top of your traditional BAS systems, and this allows energy managers to be able to get sustainability reports, look at their carbon energy overview usage. It provides actual costs for not addressing issues. I can't tell you the number of times where I would look at an old building automation system and see half the building in override. You're supposed to be taking advantage of schedules and equipment coming on and off based on certain parameters, and everything was overridden. Now we're actually keen to have the technology, the capability to tell you what just that override is costing you for leaving it in that position and for how long a time period. So it could be something that's costing you \$1000 a day or even a week. Now you actually have a dollar amount associated with that. It also provides fault detection and predictability. Gone is the day where we used to get standard alarms telling you when something bad happened—"Hey, my air handler or my fan's not running anymore." This actually can tell you ahead of time that, hey, it noticed things happening in this equipment that you need to go look at based on certain information to help you be able to address it and eliminate those nuisance calls and also generate more tenant satisfaction because they're maintaining the comfort levels needed and not having all those service calls. It also can generate service reports. So much of what we're seeing in the industry is that there's not enough people in the trades. And so what happens is when you call for a service call, it may take you days or weeks to get somebody out there to respond. Well, if you can actually have this information ahead of time to address it before it even breaks down, you can help reduce that amount of problems and also spend time and focus on where there are issues versus them actually trying to look around and say, "Hey, how well is my equipment operating?" This system will actually do it for you.

So AI technology—it's here. It's only going to get better. We're seeing it improve really in the last year and a half, two years now, it's really advanced even more. And I'd say over the next five years, it's just going to be something where we're going to have it as a day-to-day usage. It will automatically pop up, telling you how your equipment is operating, kind of on a dashboard of some sorts, and just allowing you to know your building's overall usage and energy usage, and where it can be showing what the usage is compared to other buildings. You can say, "Hey, are we maintaining kind of a report card in a sense? Are we maintaining those levels or meeting those certain jurisdiction requirements? If not, give me a notification." So that's going to help not only save the energy, but also help bring them in compliance.

Rebecca:

Yeah, that's incredible, Russ. And it really just kind of speaks a bit to adoption that we were talking about earlier. You know, it's one thing to see an override alarm, but it's another thing to know what that means and what it means to your bottom line, and to kind of get everybody involved—whether it's the maintenance people who are coming out to fix it or the team who's responding to that alarm. It just helps to have the information so that everybody can take action. That's great.

Russ:

Yeah, absolutely.

Rebecca:

Great. Well, I want to wrap it up here with a final question for both of you. For our property managers or folks in real estate who are listening today, what's one action or mindset shift that you think the real estate industry needs to adopt now to be prepared for what's ahead? And let's start with you, Giuls.

Giuls:

Sure. And this might sound simple or obvious, but I would say working with your data—making sure that you have whole building energy, water, waste, and emissions data for your property. If you do, working from there with your building ownership to establish ESG targets. And you know, Russ said it earlier, but it's the old adage of you can't manage what you can't measure. But you know, we have a lot of properties, as do a lot of our peers, that have challenges accessing whole building data either because of local utility barriers or because tenants control operations. And also, you know, Russ also implied earlier that there have been major increases in costs. I'm in DC where we've seen PJM capacity price increases just skyrocket a lot over the past few months. So if you can manage your utility data, you can take advantage of things like demand response, supply contracts, other strategies like that that don't even require capital investments. And then you can both have reduced energy contracts and maybe be able to take advantage of other opportunities at the property. So really it starts with data.

Rebecca:

That's great advice. Thanks, Giuls. How about you, Russ?

Russ:

You know, I think Giuls and I are on the same wavelength because basically I'm saying the same thing. Energy cost obviously just keeps going up, up, up, and the easiest thing I recommend to property managers is just again, like she said, start with the basics. Get your building benchmarked so you know how much energy you're using. And once you find that out and you can find out what that comparison to the national average of a similar type of building is, then start working on your

strategies based on that. Because right now you don't know—you may have a very efficient building if it's a newer building, but I also have seen these somewhat new buildings that are quote unquote LEED certified. Where they, you know, they don't keep up with all the requirements and the updates and they're not necessarily as efficient as they once started out. So you need to keep looking at it, look at it, get it benchmarked, find out you know how well it's operating and then set up that team, you know, create that team, whether it's a consultant or maybe you have people. you know on staff, but work together ways you can prioritize these energy efficient strategies, you know and then go ahead and put it to use. It's again, it's very simple. You just you know start somewhere.

Rebecca:

That's great advice as well, and I of course want to just give a quick plug for the IREM Certified Sustainable Property. If any listeners are interested in learning more, you can just visit irem.org/CSP to learn about IREM's very accessible green building certification. And how your property or firm could be considered for a Jackson Control Sustainability Award. Well, Russ and Giuls, thank you so much for joining us today. It's been a pleasure getting both of your perspectives and I wish you well with the work you're doing.

Russ:

Great, thank you very much.

Giuls:

Thank you.

Erin:

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