



Asset Briefing: Climate Risk & Value Impact

Class B office building · New York, NY · Prepared for an acquisition decision

ASSET TYPE	SIZE	BUILT	QUESTION
Office, Class B	120,000 sq ft	1986	Buy, and at what price?

-28.6%

VALUE AT RISK,
STRESSED CASE

Bottom line. The building is exposed on three fronts at once: carbon penalties from 2030, rising flood-driven insurance costs, and the risk of losing a major tenant with its own net-zero target. In our stressed case, value falls from **\$43.3M to \$30.9M**. A retrofit package of about **\$5.9M**, financed through C-PACE, protects most of that value.

01 Key findings

- **Carbon regulation:** emissions exceed the 2030 Local Law 97 limit by an estimated 350 tCO₂e per year – about **\$94,000** in annual penalties at \$268 per ton.
- **Insurance:** the lot sits in the 1%-annual-chance floodplain (assumed). We model a premium increase of about \$110,000 per year at renewal.
- **Tenancy:** the anchor tenant (8% of rent) has a published net-zero target and a lease expiry within five years; loss would cut gross rent by about \$340,000.
- **Lending:** without a credible decarbonisation plan, refinancing at maturity is likely to come with tighter terms.

02 Risk exposure

RISK DRIVER	RATING	WHAT IT MEANS FOR THE ASSET
Carbon regulation (LL97)	HIGH	Annual penalties from 2030 unless emissions fall
Flood & storm surge	HIGH	Higher premiums; ground-floor mechanical plant at risk
Tenant climate targets	ELEVATED	Anchor tenant may relocate to a greener building
Refinancing	ELEVATED	Lender climate due diligence at loan maturity
Extreme heat	MODERATE	Higher cooling load; manageable with HVAC upgrade

03 Method in brief

We combine public hazard data (flood zones, climate projections), applicable regulation, insurance market conditions and the asset's operating figures. Each risk is translated into its effect on income, operating cost and the cap rate a buyer or lender would apply. Results are shown as a base case and a stressed case, with the assumptions stated so they can be challenged.

04 Impact on NOI and value

ANNUAL FIGURES	TODAY	STRESSED	CHANGE
Gross rental income	\$4.20M	\$3.86M	-\$0.34M
Operating expenses (incl. penalties & insurance)	\$1.60M	\$1.85M	+\$0.25M
Net Operating Income	\$2.60M	\$2.01M	-22.7%
Exit cap rate	6.00%	6.50%	+50 bp
Implied value	\$43.3M	\$30.9M	-28.6%

Opex increase = LL97 penalty \$94k + insurance \$110k + energy \$46k. Cap-rate widening reflects buyer and lender pricing of unresolved climate risk.

05 Mitigation options

MEASURE	CAPEX	ANNUAL BENEFIT	ADDRESSES
LED lighting and building controls	\$0.6M	\$70k	Energy, emissions
Heat-pump HVAC retrofit	\$4.5M	\$214k	LL97 penalty (\$94k) + energy (\$120k)
Flood protection; relocate plant above grade	\$0.8M	\$60k	Insurance premium, resilience
Retrofit package	\$5.9M	\$344k	+ retains anchor tenant (\$340k rent)

Combined annual benefit incl. retained rent ≈ \$0.68M, versus an indicative C-PACE assessment of ≈ \$0.51M per year (\$5.9M, 25 years, 7%). C-PACE is repaid through the property tax bill and transfers with the property on sale.

If you are the buyer

- Treat the \$5.9M retrofit as a known cost and reflect it in the offer price.
- Ask the seller for the latest LL97 emissions filing and the insurance loss history.
- Make the anchor tenant's renewal intentions a due-diligence condition.

If you are the owner

- Start HVAC planning now — LL97's 2030 limits leave limited time for design and permits.
- Share the decarbonisation plan with the anchor tenant before lease talks.
- Present the plan to your lender ahead of refinancing.

06 What a full briefing includes

- Asset-specific data provided by you (rent roll, utility bills, insurance terms) instead of assumptions
- Base, stressed and mitigated scenarios with sensitivity ranges
- A one-page summary for your investment committee or lender

Sample report — illustrative only. The asset, figures and assumptions in this document are fictional and were created to demonstrate the format of an Eldermoor Advisory briefing. Regulatory values (e.g. the \$268 per tCO₂e Local Law 97 penalty) reflect public sources at the time of writing. This document is not investment, financial, legal, insurance or engineering advice, and it is not an appraisal or valuation. See the full disclaimer on our website.