

# NOVEL COWORKING

## 2019 ECONOMIC IMPACT & SUSTAINABILITY REPORT



**Novel**  
COWORKING





405 Superior - Chicago, IL

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# FOREWORD

Novel is a triple bottom line business, focusing on PEOPLE, PROFIT, and PLANET.

The Profit piece is the most obvious, and this part of our mission comes from the reality that any business will cease to exist if it doesn't have a sustainable business model. For this reason we seek to generate above market returns for our investors, so that we can continue to attract capital and expand our model to serve more clients. When businesses seek to find office space, they look to find attractive space in a great location at a good price with flexibility in term. We solve this conundrum through buying tired office buildings in good locations at a low basis, and then employ the Novel platform to drive performance higher than traditional office with a high quality and diversified rent roll. Novel is the first large US company to enable office space users to fulfill all their criteria while generating attractive returns, creating a new category of alternative real estate: flex office.

While we have always provided financial reporting for our investors, we now seek to report on the results of our investment in PEOPLE and PLANET with our first Economic Impact and Sustainability Report contained herein.

The PEOPLE piece of our mission is at the foundation of our business: the idea to create an inspiring environment for employees that delivers business productivity is the core tenet of Novel's value proposition. Novel was founded from the belief that entrepreneurs and small businesses are the lifeblood of the economy and we can make them more productive, enable them to attract and retain talent, and support them by creating a thriving community for clients to house their business. In 2009, I was an entrepreneur operating my student housing real estate company from a small drab solo office and was generally lonely and unhappy, and missing the collaboration that makes business exciting. In an effort to build the kind of office environment I wanted to work in, I began touring every type of work space I could find in Chicago and in my travels. I researched public companies in the business service and office sector to understand their strengths and weaknesses, in order to create a better model. In 2012, my research and planning came to a crossroads when after touring more than 300 buildings I finally found a building in a great location with good in place infrastructure and tenancy, at the right price. I bought this office building, built out vibrant space and a shared amenity area, added cutting edge business infrastructure, and started renting it at a modest price relative to the shared office competitors. The formula worked. Novel was a hit with business owners large and small from a diverse set of industries, and this experience allowed us to learn and grow in a continual journey towards excellence that is uniquely Novel.

Novel's journey of excellence requires individuals that are aligned with our vision of creating the leading flexible office platform in real estate. As part of ensuring we attract and retain the right people to deliver excellence, we pay median income and above wages to all full time employees AND maintain gender salary neutrality. We invest in the training and development of our employees above that of peer firms. Novel has a strong culture of employee engagement, ownership, and empowerment that inspires and rewards people to deliver on our triple bottom line goals.



Novel has always catered to the needs of business owners and their employees through our well-designed and cost efficient office space on flexible lease terms, shared resources, and the amenities of larger enterprise companies (fast and reliable internet, coffee, snacks, comfortable lounge space). By staying focused on our customers, we have seen many businesses in Novel thrive and grow from 2 people, to 10, to 25; and from 1 small office, to a larger office, and on to our larger suite products. A large part of the fun of our business is taking grungy old office space, converting it to highly designed vibrant spaces with cutting edge infrastructure, and watching the space become home to a wide range of businesses that grow and thrive.

In our current year eight of business, we know we are having a positive impact on the clients we work so hard for, and so we sought to gather more data to quantify this impact on the businesses within Novel AND on the neighborhood and cities we operate within, and more broadly on the US economy. Our first economic impact report revealed exciting results on our ability to support business as they grow, the diversity of our client base, and our impact on both the economies of the cities in which we operate, and GDP.

With regard to the PLANET piece of our mission, Sustainability is more than a buzz word to Novel, it's inherent in our business model. We are unique operators in the flexible office space in that we own all of our own buildings, which allows us to have higher control over building systems and operations. Rather than tear down the old office product that we acquire, we seek to recycle tired office buildings into revitalized, vibrant workspaces. The products we add during redevelopment aim to make more efficient use of resources, such as low-flow fixtures, LED lighting and occupancy timers, more efficient HVAC systems, and improved building envelopes. These building improvements are designed to create wellness and productivity for our clients and employees (People) so that we can increase our rental rate and occupancy (Profit) in a way that minimizes our utility consumption and impact on the built environment (Planet). This is a virtuous and sustainable approach to business that guides and inspires us. We aim to acquire and build our product in areas that cater to walking, biking, and public transportation so that we can support businesses to locate in places where employees don't have to drive, taking cars off the road. While there are many ways in which our business is already leading within tenets of Sustainability, we have taken the opportunity to now identify short, medium, and long term operating goals that can be used to further enhance our environmental sustainability performance in the future.

With our first Economic Impact and Sustainability Report, we are now taking steps to publicly confirm our strong belief in our triple bottom line model by setting goals and measuring our performance from a social and environmental perspective, on top of the financial performance that we have always reported on. We look forward to reporting out to you on these initiatives each year as we continue to deliver economic impact, employ and serve people with excellence, and reduce our impact on the planet.

On behalf of the Novel Team,

**BILL BENNETT**

**FOUNDER AND CEO**

## EXECUTIVE SUMMARY



Through 2019, Novel has spent more than \$130 million revitalizing aging and inefficient buildings.



This capital spending has supported approximately 1,600 jobs and contributed nearly \$170 million to gross domestic product.



It has also made way for new, productive office space used by 10,460 employees in 2019.



Novel Coworking members directly and indirectly create more than \$2.8 billion in annual gross domestic product.



By adaptively reusing buildings, as well as increasing density in floorplans, Novel has effectively avoided GHG emissions equal to 72,624 metric tons of CO<sub>2</sub>e in its current portfolio, the equivalent of taking 15,700 cars off the road for one year.



Novel Coworking's properties have an average Walk Score of 91 and Transit Score of 79, making these properties easy to commute to via public transit and walking.



Novel renovates buildings in accordance with internal design guidelines which include leading environmental and health related design aspects.



Novel aims to increase building efficiency, improve ability to manage energy, and where possible, procure renewable energy to reduce carbon emissions.



# ECONOMIC IMPACT REPORT

**Novel**  
COWORKING



# INTRODUCTION

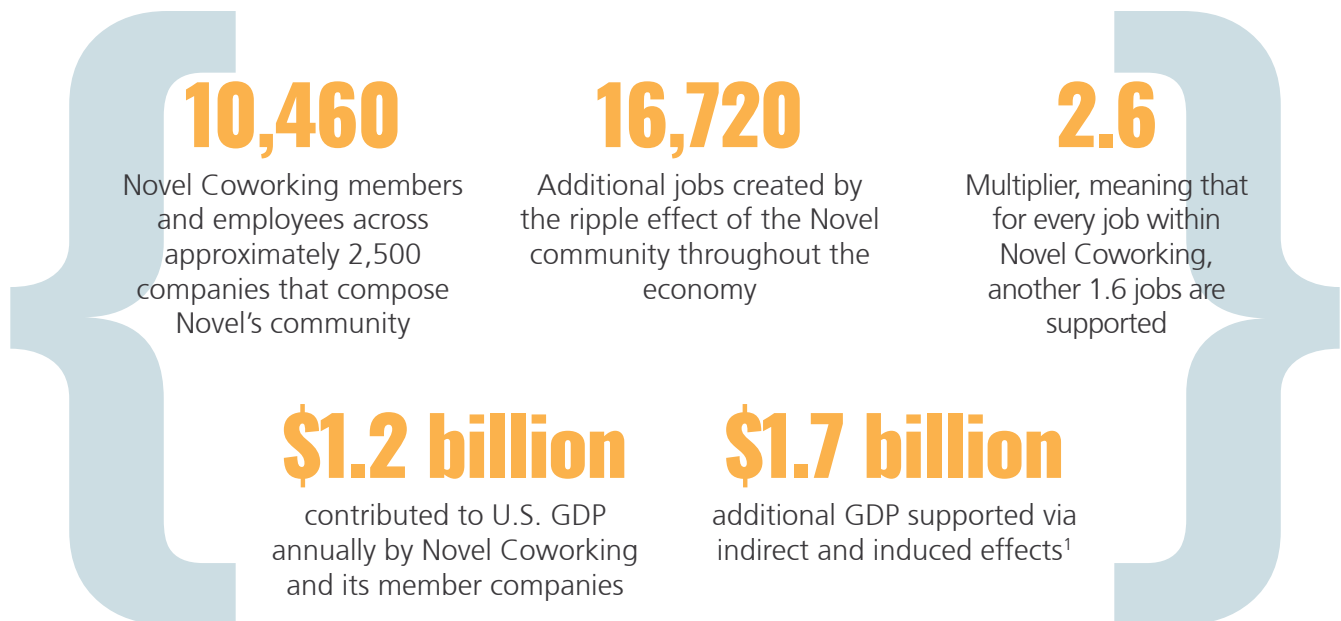
Novel Coworking supports economic growth in communities across the country, bringing new life to old buildings and fostering productive spaces where new and established companies can get to work, and leave the office administration to Novel staff. This chapter documents the ways in which Novel spurs economic activity, first by spending to upgrade outdated buildings, and then by creating hubs of employment within those properties with impacts that ripple across the economy. It also describes the value that Novel provides its clients, and the robust community cultivated by Novel.



*The Hooper Building - Cincinnati, OH*



## NOVEL BOOSTS EMPLOYMENT AND HELPS LOCAL AND NATIONAL ECONOMIES GROW



## NOVEL DELIVERS REVENUE TO LOCAL, STATE, AND FEDERAL GOVERNMENTS

The Novel community directly contributes approximately \$24 million annually in state and local income taxes, as well as \$90 million in income taxes to the federal government.



<sup>3</sup> See Methodology section on page 20 for more information on the distinction between direct, indirect and induced effects.

## NOVEL TRANSFORMS AGING, INEFFICIENT, AND UNDERUTILIZED BUILDINGS IN GREAT, CENTRAL LOCATIONS INTO BEAUTIFUL OFFICE SPACE THAT CLIENTS ARE PROUD TO WORK IN.

The capital renovations undertaken by Novel's team have directly injected more than \$130 million into several local economies, generating approximately \$169 million in gross domestic product (GDP), and supporting more than 1,600 jobs<sup>2</sup> across the country.

\$57 million of this new GDP and nearly 600 of these employees are a direct result of Novel's capital spending on architects and designers, construction, building materials, furniture, electronics, and other essentials that make Novel an inspiring place to work.

A further \$112 million and over 1,000 jobs results from indirect and induced effects,<sup>3</sup> with Novel's investments circulating throughout the economy as its contractors and vendors spend money on supplies and services, and as their employees purchase daily necessities.

*Source: WSP analysis of Novel Capital Spending data, using IMPLAN; see Methodology section on page 15 for more details.*

<sup>2</sup> The job impacts from Capital Spending should be understood as job-years, where one job year equals one job held for one year, or two jobs held for half a year, or half a job held for two years, etc.

<sup>3</sup> See Methodology section on page 20 for more information on the distinction between direct, indirect and induced effects.

A beautiful space that sparks creativity.

**Client in Orlando, FL**



*The Angebilt Building - Orlando, FL*



# BY REINVIGORATING OLD PROPERTIES, NOVEL IS IMPROVING THE BUILT ENVIRONMENT IN URBAN CORES AND BOOSTING PROPERTY TAX REVENUES FOR LOCAL GOVERNMENTS.

Novel's revitalization of underutilized buildings contributes to smart growth by leveraging existing downtown assets rather than outlying new construction.



*Cincinnati office before Novel renovation*



*Cincinnati office after Novel renovation*

**35%**

The average increase in assessed value for properties after Novel's redevelopment

**34%**

The average increase in property taxes paid to local governments after Novel's redevelopment

**\$1.4M**

The amount of additional property tax value flowing to local governments since Novel's property revitalizations

**\$7.6M**

The total property tax paid to local governments by Novel Coworking in 2019

*Source: WSP Analysis of local property tax data; based in change in property taxes/assessed value from the year before Novel took ownership or the most recent year available to 2019.*



## THE POTENTIAL IMPACT OF A NEW NOVEL LOCATION

A hypothetical new 80,000 SF Novel Coworking location would generate approximately \$6.4 million in spending on building renovation, creating:

- » 80 jobs
- » \$5.3 million in labor income
- » \$8.2 million in GDP
- » An approximately 34% increase in property tax revenue

Once operating and fully occupied, the new space can be expected to provide workspace for approximately 1,380 workers (including proprietors). These new workers and proprietors are expected to:

- » Earn \$115 million in annual labor income
- » Contribute \$154 million in GDP nationally
- » Pay \$15.4 million in income taxes to local, state, and federal governments each year

On top of these direct impacts, the new Novel Coworking community would spur supplier and spending effects leading to an additional:

- » 2,200 annual jobs
- » \$222 million in annual GDP



NOVEL COWORKING TAKES CARE OF OPERATIONS SO CLIENTS CAN FOCUS ON THEIR CORE BUSINESS.

## OUR CLIENTS SAY THEY LOVE THAT AT NOVEL:

I don't have to worry about the toilet paper. That is said tongue in cheek, but it is a serious thing. All those ancillary concerns take time away from leadership's focus on leadership things. Especially with a small company.

**Client in Jacksonville, FL**

The services are already provided: The building, mail, internet, kitchen, conference rooms, etc. I didn't have to do any work to set or maintain those services!

**Client in Chicago, IL**

I don't have to think about the office side of things—I can just focus on my business.

**Client in Cincinnati, OH**

**59%**

of Novel clients credit Novel Coworking with allowing them to better meet the needs of their clients and customers.

*Source: Survey of Novel Clients*

*Johnson Square - Savannah, GA*



## NOVEL'S INCLUSIVE PRICING SAVES CLIENTS' MONEY, LEAVING MORE TO INVEST IN COMPANY GROWTH

Novel's space is move-in ready, eliminating the cost of tenant improvements.

Monthly rent at Novel includes all utilities and taxes, fiber internet, reception, security, furniture, property insurance, supplies, and other amenities such as an espresso bar and beer on tap – costs that can otherwise add up to \$1,800 per employee per month.

# 40%

of Novel clients credit Novel with saving them money.

*Source: Survey of Novel Clients; Novel rent analysis*

Novel provides “the ease of being able to jump right into office space without the upfront expense of a traditional lease”.

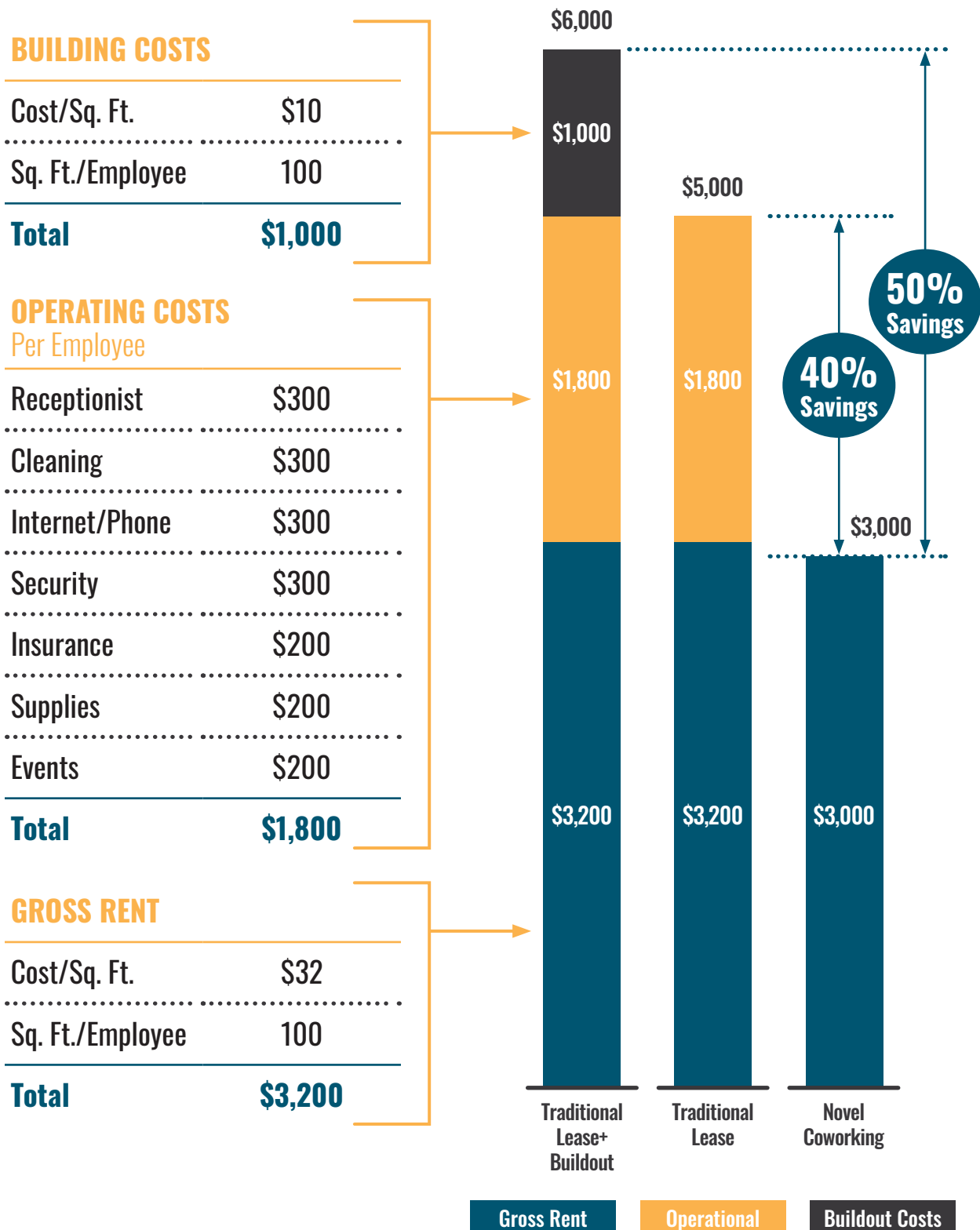
**Client in Chicago, IL**





# Novel Coworking vs. Traditional Lease and Build-Out

Compared to a traditional lease and build-out, Novel can save businesses up to 50%.





## NOVEL OFFERS FLEXIBILITY, ALLOWING CLIENTS TO GROW AT THEIR OWN PACE AND IN THEIR OWN WAY

**25%**

of all Novel clients have increased the amount of space they rent from Novel.

**48%**

of Novel clients of 3+ years have increased the amount of space they rent from Novel.

*Source: Survey of Novel Clients*

I love that I was able to decorate my office to suit my style. Many have commented that my office is very stylish. Since I am a design-based business, that reflects greatly on how my clients perceive my abilities.

**Client in Chicago, IL**

The fact that Novel owns the buildings gives Novel more flexibility with its facilities which trickles down to us clients.

**Client in Alexandria, VA**

I appreciate that Novel offers the flexibility allowing us to grow.

**Client in Chicago, IL**



## NOVEL BUILDS A MUTUALLY-SUPPORTIVE COMMUNITY

Novel Coworking's shared spaces create opportunities for natural meetings between clients that can lead to business opportunities. In addition, Novel regularly hosts events to bring its community together and facilitate relationships among clients. For example, events range from social gatherings centered around food, like Taco Tuesday or Community Queso, to Client Spotlight Happy Hours, Film/Book Clubs, and topical discussions. While COVID-19 has made these events more difficult, Novel has transitioned to a combination of virtual/socially distanced in-person gatherings to keep the connections intact.

As a result of these opportunities for interaction with other Novel Coworking clients, more than 30% of Novel clients report experiencing new business opportunities, including new clients, new business partners or vendors, new markets or revenue channels, and/or new employees.

This number goes up to 90% among long-term clients (5+ years, or 68% for clients of 3+ years).

Literally, I'm not joking, the best money I have spent in the last year has been on rent at Novel. I have run the ROI numbers on the rent I pay at Novel to date and I make about 5x every dollar I spend at Novel by signing clients in the building and helping them grow their business. My rent is not rent - it's basically the most lucrative advertising I do... literally just being nearby other businesses accounts for a significant portion of revenue in my business.

**Client in Jacksonville, FL**

*Source: Survey of Novel Clients*

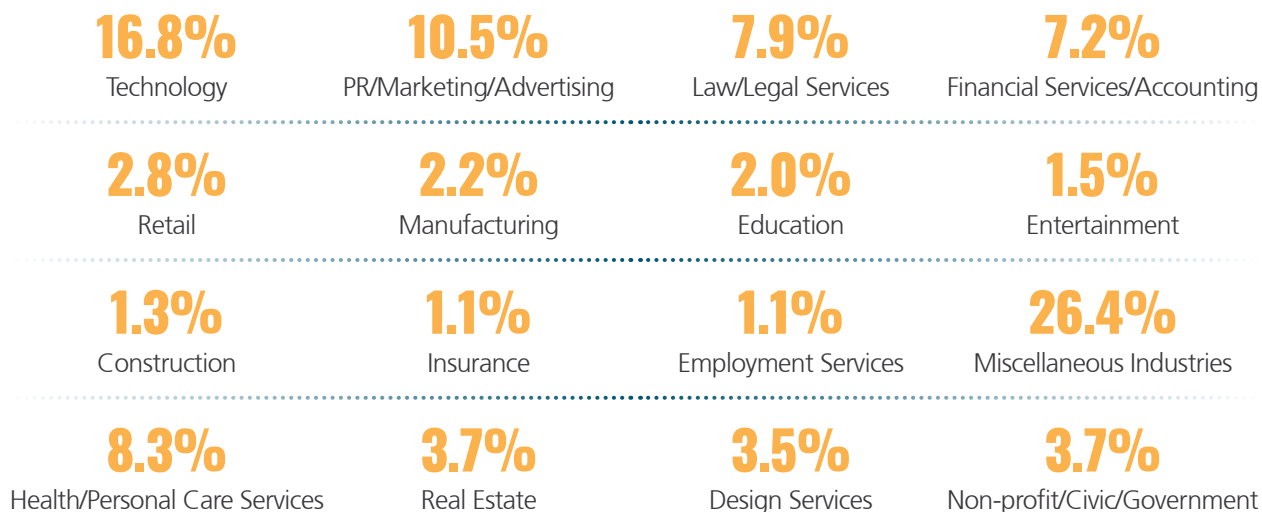


*405 Superior - Chicago, IL*

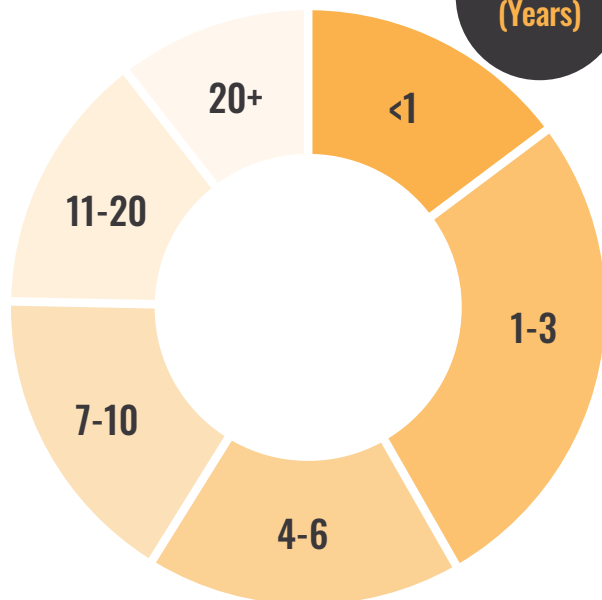
## NOVEL'S COMMUNITY IS DIVERSE

It is made of up of companies of many different industries, ages, and sizes...

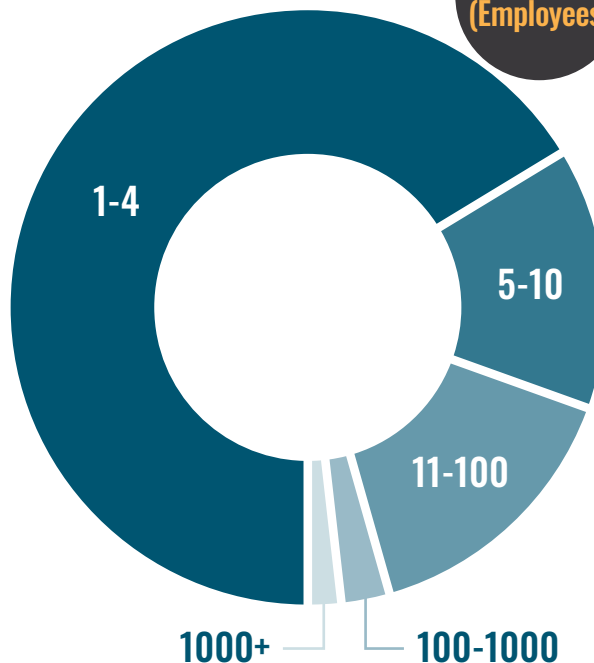
### Industries



### Ages (Years)



### Sizes (Employees)



Source: Survey of Novel Clients



## NOVEL PROVIDES A PLACE FOR MINORITY AND WOMEN-OWNED BUSINESSES TO THRIVE

**18%**

of owners within Novel Coworking identify as Black, while 11% identify as Hispanic/Latino (entrepreneurs who identify with both groups are included in both metrics) – this compares to 1.7% and 5.3% of businesses nationwide owned by Black and Hispanic/Latino entrepreneurs, respectively.

**33%**

of Novel's business owners/entrepreneurs identify as racial/ethnic minorities, compared to 17% nationwide.

**41%**

of business owners/entrepreneurs in Novel Coworking are female, compared to 31% nationwide.

*Source: Survey of Novel Clients; U.S. Census Bureau, Annual Business Survey: Owner Characteristics of Respondent Employer Firms by Sector, Sex, Ethnicity, Race, and Veteran Status for the U.S., States, Metro Areas, Counties, and Places: 2017*



*Gas Lamp - San Diego, CA*



## METHODOLOGY

### Economic Impact Analysis

The analysis in this report utilizes IMPLAN, an input-output based economic impact model that brings together more than 90 reliable data sources to help estimate the impact of economic activities. As an input-output model, IMPLAN is based on the interdependencies between economic sectors, and includes tables of information that reflect how changes in one industry result in changes in spending that impact countless other industries.

IMPLAN reports three different types of economic effects, referenced throughout this report:

Direct effects reflect the expenditures/employment resulting directly from Novel's operations, including capital spending on properties and the employees working within Novel Coworking spaces.

Indirect effects stem from business to business purchases in the supply chain. For example, Novel Coworking spends money on fiber internet, janitorial services, building repair & maintenance services, utilities, etc., providing these industries with revenues that support economic growth.

Induced effects result from household spending of direct and indirect labor Income. For example, employees based in Novel Coworking or working for their suppliers pay their rent/mortgage and utilities, purchase groceries, spend money on transportation, and go shopping for countless other items. This spending supports employment and economic output in each of these industries.



## Ongoing Operational Impact

To assess the ongoing economic impact of the Novel Coworking community, this study relies on employment estimates by industry and property, which are used alongside IMPLAN's national multipliers to calculate the reported impact. Employment estimates are based on a dataset containing Novel Coworking membership by property, with industries identified where possible, as well as the number of active keycards per property. For clients in known industries, employment for those clients was assigned to the appropriate industries; where unknown, the mix of known industries from Novel across all properties and the results from a survey of Novel clients were used in combination to estimate typical industry shares. The industries assumed to make up the highest portion of employment within Novel include Computer Programming and other Technology Services; Consulting Services; Advertising, Public Relations, and Related Services; Legal Services; Financial Services; Architecture, Engineering and Design Services; and Real Estate.

## Temporary Capital Spending Impact

Novel Coworking capital spending records by property underpin the analysis of temporary effects from building restoration. The spending was categorized by industry. Spending that could not be categorized (including transfers) was assumed to follow the average distribution across known industries. Across all properties, approximately 75% of spending is categorized as part of the "Maintenance and Repair Construction of Nonresidential Structures" industry, while the remaining 25% is primarily split among Computer Systems Design Services, Architectural and Engineering Services, and Wholesale/Retail purchases of electronics, furniture, commercial equipment/machinery, etc.



16th Street - Denver, CO

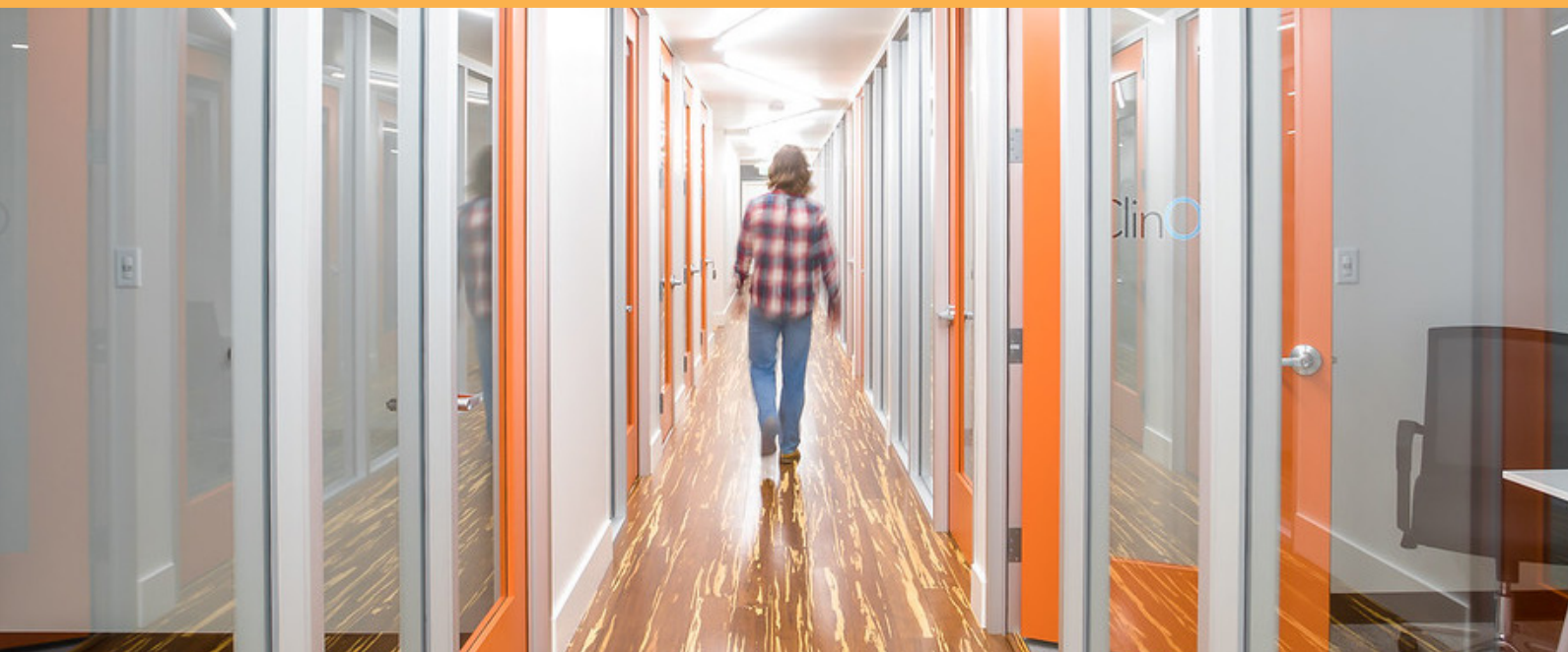
## Fiscal Impact

Property tax records and assessed value records were collected from public government databases for all available Novel Coworking properties, allowing for comparison of values before and after Novel purchased and rehabilitated the buildings. When limited data history was available, the available data was used as an estimate, likely undercounting the impact (e.g., if no records prior to purchase were available, the most recent data available was used as a base). No information was available for properties in San Diego or Kansas City.

Income tax revenue estimates were generated based on federal, state, and local income tax rates and the share of labor income assumed to be taxable. Income tax rates were collected from smartasset.com's online income tax calculators. Where local income taxes apply differently to residents and non-residents, the study assumed a 50-50 split between the two. Average taxable income was generated by dividing direct labor income by direct employees and applying IMPLAN's industry-based ratios reflecting the share of wage and salary income of total labor income. This average salary (which varies by property depending on the mix of industries) is the base to which the income tax rates were applied. The estimates do not consider additional household income or deductions that might alter the tax rate applied to the income.

## Novel Coworking Client Characteristics and Opinions

An electronic survey was shared by email with all Novel Coworking client primary contacts as well as posted within the Novel Coworking smart phone app utilized by Novel Coworking members. The survey was open for three weeks and received 458 responses spanning all active properties, reflecting approximately 5% of all members. Survey responses were used to generate demographic information about Novel members, as well to provide insight into how Novel Coworking has helped members succeed in the past, and how it can best support future growth.







# SUSTAINABILITY REPORT

**Novel**  
COWORKING

## CORE SUSTAINABILITY IMPACT AREAS

Since its inception, Novel Coworking has had a business practice that aligns with the core tenets of sustainability. Novel acquires existing buildings in core urban areas and renovates them to bring them up to current codes and standards. Novel is unique among its coworking peers in that it owns and operates the buildings it occupies. This allows Novel to take a higher degree of ownership over the long-term performance of these assets.

In 2020, Novel initiated its first annual sustainability reporting effort, including steps to evaluate its environmental footprint and performance levels, and develop an understanding of the opportunities for ongoing improvement and a plan for making progress in these areas. Given the nature of Novel's business, which includes acquiring, renovating, and operating commercial buildings, the impacts fall into three primary categories:

1. **Location and Proximity:** the degree to which Novel locates in urban areas with opportunities for walking, biking, and mass transit, and in reducing the land use impacts associated with urban sprawl.
2. **Building Reuse:** by emphasizing the reuse of existing buildings, Novel avoids the need for new materials and the associated embodied carbon and other environmental impacts associated with their extraction, production, and disposal. Additionally, the flexible office space model allows for greater occupant density and shared amenities, which effectively enables businesses to use space more efficiently and avoid building out new space.
3. **High Performance Operations:** the buildings Novel acquires are in a varied state of performance with regard to energy and water efficiency. Novel's goal is to conduct renovations that align with green building best practices, systematically benchmark the performance of every building, and begin each building on a path of continuous operational improvement.

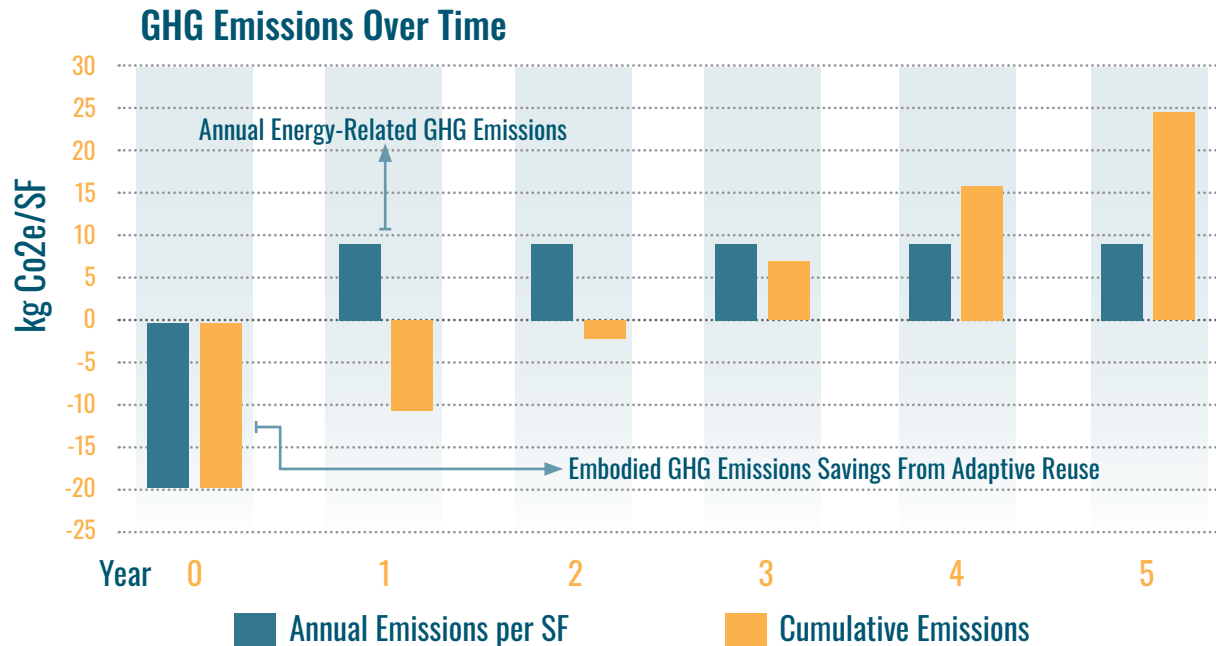
Lastly, Novel is aware that sustainability is an important issue for its clients. When surveyed, 82.8% of clients said that sustainability was important to them in an office space. Indoor environmental quality, health and wellness of tenants, improved waste management, and energy conservation were the most important aspects that were identified as priorities. These issues will be addressed in the roadmap portion of this report.

## QUANTIFYING THE BENEFITS OF BUILDING REUSE

One of the most efficient and sustainable ways to develop new spaces is by acquiring and renovating existing buildings. While a full whole building life cycle assessment has not been conducted for the Novel portfolio, a recent report from the Carbon Leadership Forum estimates that conducting ground up construction of commercial office buildings has an embodied carbon impact of 19.6 kg CO<sub>2</sub>e/SF. In reviewing the energy use of the Novel portfolio, Novel determined an average GHG emissions intensity from that energy use equal to 8.8 kg CO<sub>2</sub>e/SF. By adaptively reusing existing building stock vs. building new, Novel effectively reduces GHG emissions that are 2.25 times greater than a single year's worth of energy related emissions. (See Figure 1 below). Viewed across the portfolio, the GHG emissions saved from reusing more than 3 million square feet of floor area across 38 existing buildings is about 58,830 metric tons of CO<sub>2</sub>e, equivalent to taking 12,710 cars off the road for one year.



Figure 1: Embodied v Energy Use GHG Emissions



The embodied carbon calculations above do not include the benefits of increased density from the coworking model, and the additional square footage of building area that doesn't need to be constructed, reused, or operated. The average density of a Novel Coworking center is 105 SF/person, while the industry average for commercial office space is ~180 SF/person<sup>1</sup>, a 42% reduction. This could be translated to a proportional savings in embodied GHG emissions of 8 kg CO<sub>2</sub>e/SF, equivalent to taking approximately 7,000 passenger cars off the road in a year when applied to Novel's delivered portfolio.

## Location and Proximity

Novel Coworking generally acquires assets in dense, urban locations with high degree of public transit options and walkability. Doing so reduces land use impacts and reduced vehicle-related energy use, air quality, and GHG emissions.

<sup>1</sup>NAIOP



Walk Scores and Transit Scores are commonly used methodologies to evaluate the locational benefits of a given property. The Transit Score measures how well a location is served by public transit based on distance and type of transit lines on a scale of 0-100. The Walk Score measures the walkability of a location to nearby amenities on a 0-100 scale.

Novel Coworking's properties have an average Walk Score of 91 and Transit Score of 79, as shown in the figures below. While there isn't an industry benchmark to compare to, Novel considers these to be very high scores for a portfolio with locations that serve as wide an area of the U.S. as Novel does, and a good indication of the fundamental walkability and transit oriented nature of the portfolio.

In addition, an annual survey was conducted asking Novel clients about their primary modes of commuting. Clients were asked to list all of the transit modes they regularly used to get to Novel locations. Figures 2 and 3 below presents the results of this survey, wherein greater than 50% of responses included non-single occupancy vehicular modes of travel to get to work.

When Novel clients avoid driving, this approach on an average saves a gallon of gas for each client.

If assumed that the responses to the survey are proportional to the breakdown of trips by transportation mode, then roughly 50% of trips are non-personal vehicle driving trips (walk, bike, transit). The GHG reduction savings resulting from this number of avoided trips can be estimated as follows.

Figure 2: Novel Walk Score by Location

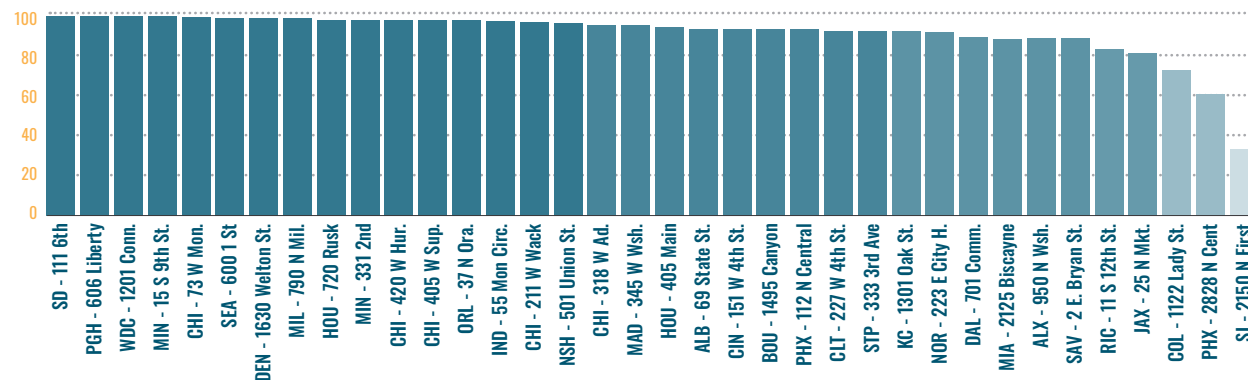


Figure 3: Novel Transit Score by Location

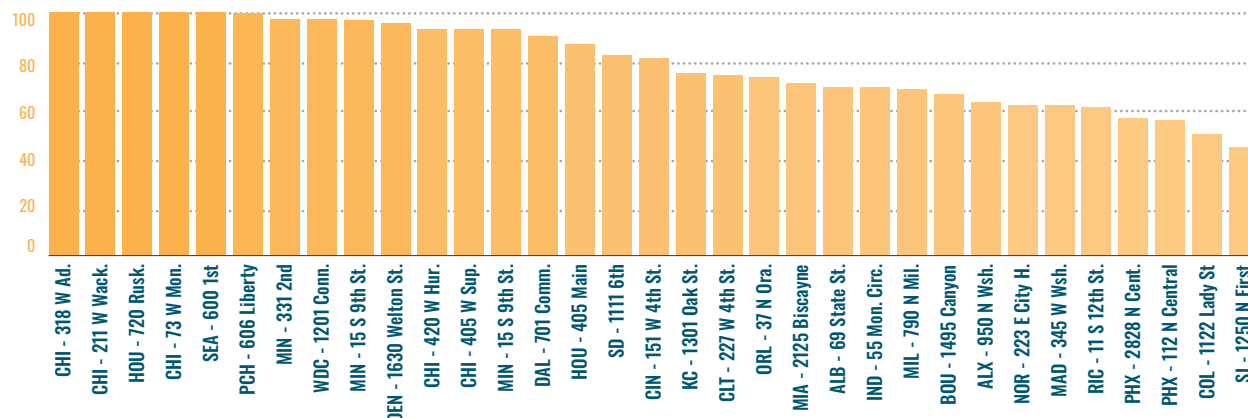




Figure 4: Modes of Travel Used by Novel Clients

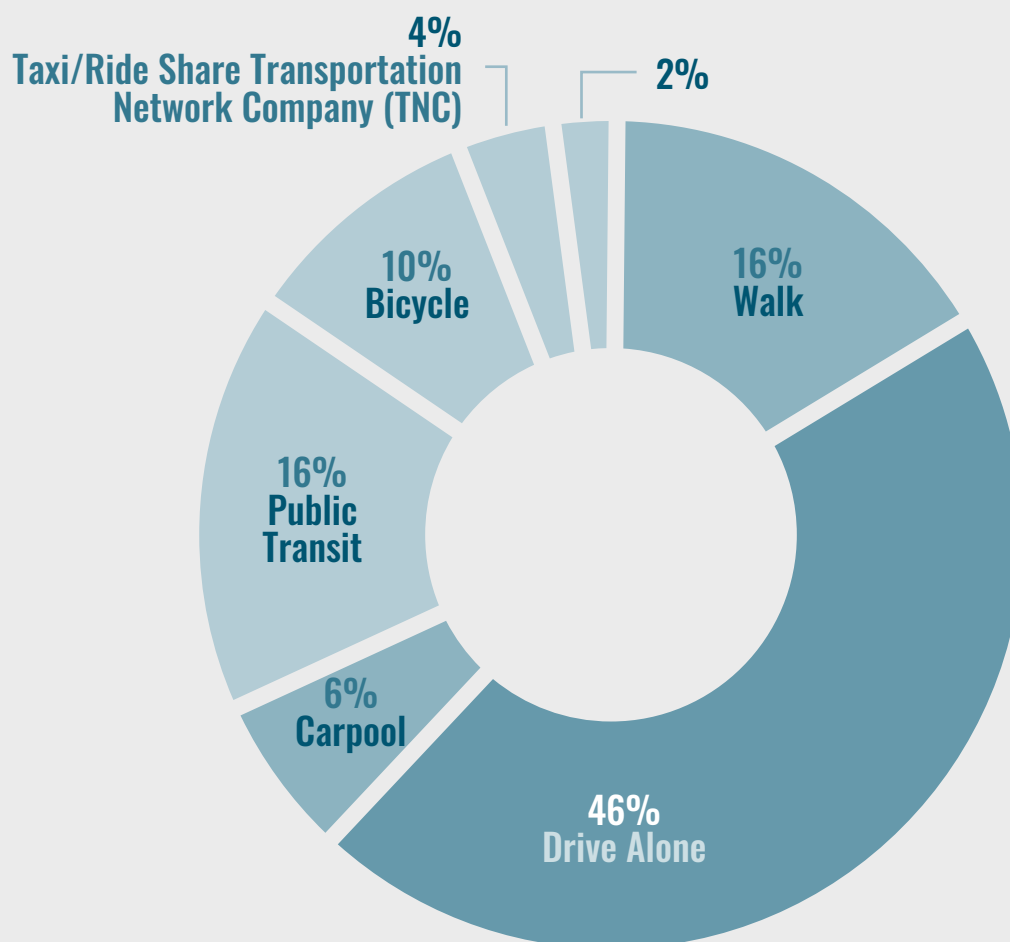


Table 1: Estimate of Novel GHG Emissions Savings

Number of Novel Clients	10,460
Average Commute Distance Reported	10 miles each way
Average Fuel Efficiency	25 mpg (based on EPA data)
Work days per year	261
Gallons of gasoline avoided per year if 50% of trips are non-driving	1,092,024 Gal/year
GHG Emissions saved from non-driving	9,585,241 kg CO <sub>2</sub> /year
GHG Savings normalized to Novel Building Area	2.96 kg CO <sub>2</sub> /SF/year (which is more than one quarter of building energy use GHG emissions per SF)

## ADDITIONAL SUSTAINABILITY PRACTICES

Beyond the location and reuse aspects discussed above, Novel also has adopted a number of sustainability best practices across its operations. The following is a summary:

**Design Guidelines:** Every new renovation and fit out must follow company design guidelines which include a number of environmental and health related aspects, such as LED lighting, low VOC materials, high efficiency water fixtures, etc. Going forward, Novel will begin aligning more of these guidelines to LEED standards. As part of this process, Novel reviewed each of the specification categories to understand where Novel was already making sustainable choices, and where Novel could update design specifications to align with LEED. Table 2 shows a summary of current practices, and considered changes.

**Health and Wellness:** Novel has recently begun implementing fitness programs to promote healthy activity within the Novel Community. These programs include encouraging clients and visitors to bike to work and use the stairs. Bike storage rooms have been added to centers across the portfolio, and Novel has facilitated several bike to work competitions. To promote stair use, Novel has begun updating its stairwell designs and have included this in standardized Novel design specs. This includes branded signage promoting the use of stairs instead of elevators. Lastly, all locations include a Mother's Room, which provides a clean and safe environment for new mothers to nurse or pump.





Procurement: Novel currently has several policies to reduce waste through procurement and operational practices. Novel currently provides multi-use dishware, cutlery, cups and mugs and the use of dishwashers to minimize waste single use water or drink bottles are only available for purchase through the kitchen vending program. Novel will continue to explore all options to promote sustainable practices in its operations. Current research is being conducted into ways Novel can implement sustainability focused guidelines for ongoing consumable purchases. These procurement guidelines would potentially include meeting required criteria for postconsumer recycled content, certified wood and paper products, and EPEAT and/or Energy Star rated equipment.

*Table 2: Novel Sustainable Procurement Categories*

PROCUREMENT CATEGORY	STATUS/UPDATE
Millwork	Current specified products contain FSC* certified wood and have HPDs**
Flooring & Tile	All currently sourced carpet and LVT is third party verified carbon neutral, is manufactured using 99% renewable energy, and offer at least 66% total recycled content. Carpet products all include HPDs** and EPDs***.
Appliances	Currently, all specified dishwashers, ice makers, and full-size refrigerators are Energy Star labeled. Going forward other sourced appliances in an applicable Energy Star category will have an Energy Star label.
Plumbing	Going forward, design specifications will include products with low and flush rates that generally achieve a 20% reduction relative to the LEED baseline.
Lighting	Currently, LEDs and occupancy sensor controls are within Novel's standard lighting design. Going forward, daylight responsive design to be considered for incorporation into Novel's design specification for go-forward projects.

\* Forest Stewardship Council

\*\* Health Product Declaration

\*\*\* Environmental Product Declaration

# BENCHMARKING BUILDING PERFORMANCE

## *Energy, GHG Emissions, Water*

To better understand the performance of Novel's portfolio of properties, quantities of key resources were inventoried. Improved ongoing tracking of key resources going forward will allow Novel to more easily recognize inefficient use of resources and prioritize investigation and solutions accordingly. Addressing inefficient resource usage at properties will not only decrease use of these key resources, but also in many cases reduce cost of operating these properties, which is in alignment with Novel's triple bottom line management approach.

Energy and water consumption data were collected for the entire building portfolio by the property management team. The source of the data was primarily from utility bills and online utility portals and in some cases also through the EPA's Energy Star Portfolio Manager account for individual properties. Data gaps, where they existed, were filled through property and region level averages.

Additionally, there was an impetus from the leadership team to understand Novel's properties contribution to climate change by way of greenhouse gases emitted. Thus, a greenhouse gas emissions inventory was created to account for direct and certain indirect emissions due to operations activities. Additional information such as water consumption and waste generation was also accounted for to provide a more comprehensive view of resource usage.

An inventory management plan was crafted in order to track energy and GHG Emissions data in the future. Novel follows the GHG Protocol Corporate Standard to complete its annual GHG inventory, following the Scope 2 Guidance which calls for reporting of both locations based and market-based emissions. Novel uses the Organizational Control Approach to define its organizational boundary. Under this approach Novel will account for 100% of the GHG emissions from office property operations over which it has control (Novel leases portions of its buildings to third party tenants).

Operations in which Novel owns an interest but has no control are not directly accounted for (i.e. third party tenants in Novel owned buildings). However, some of these emissions may be captured in accordance with the scope 3 guidance provided by the GHG Protocol. Therefore, the emissions sources included are:

- » Direct Emission Sources (Scope 1): stationary fuels combusted at Novel Coworking properties (natural gas) and refrigerant leakage
- » Indirect Emission Sources (Scope 2): Purchased electricity and purchased heating & cooling for properties for the proportion of the properties where it has direct operational control for Scope 2 activities.
- » Indirect Emissions Sources (Scope 3): Electricity emissions by tenants (downstream leased assets) and Fuel and Energy Activities, which are GHG emissions associated with the upstream impacts of fuel production (whether from onsite combustion or electricity consumption), distribution, etc. not included in Scope 1 or Scope 2.



Table 3: Novel GHG Emissions by Scope and Source

EMISSIONS CATEGORY	GHG EMISSIONS (MT CO2e)
<b>Scope 1 Emissions</b>	
Stationary combustion	3,537
Refrigerants	900
<b>Scope 1 Subtotal</b>	<b>4,437</b>
<b>Scope 2 Emissions</b>	
Electricity	18,344
Steam	386
Chilled Water	371
<b>Scope 2 Subtotal</b>	<b>19,102</b>
<b>Total Scope 1 and Scope 2 Emissions</b>	<b>23,539</b>
<b>Scope 3 Emissions</b>	
Downstream Leases	9,828
Fuel & Energy Activities	2,701
<b>Scope 3 Subtotal</b>	<b>12,529</b>
<b>Total Scope 1, 2, and 3 Emissions</b>	<b>36,068</b>

\*MT = metric tons

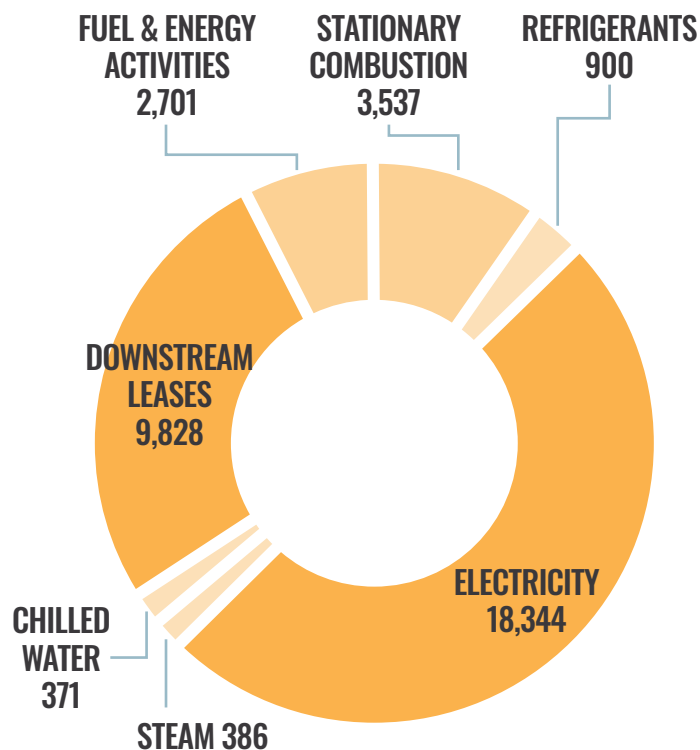


Figure 5: GHG Emissions by Source

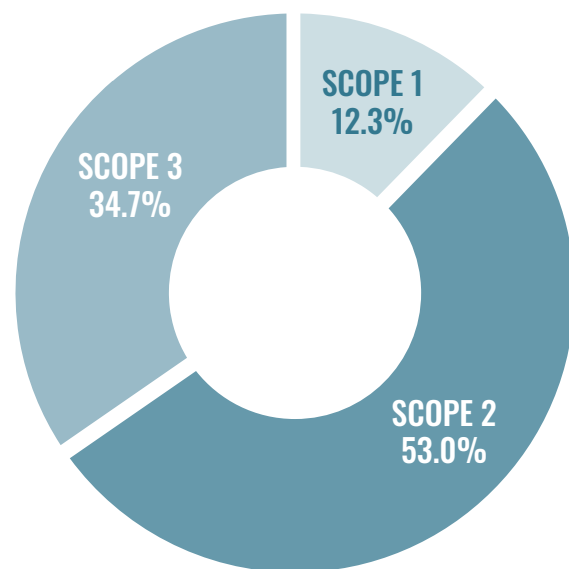


Figure 6: GHG Emissions by Scope

## Analysis of Building Energy Use and GHG Emissions

The following analysis includes all buildings in the Novel portfolio with at least 6 months of electricity data. For this reason, 6 properties were excluded from this analysis, including all 2020 acquisitions, as well as two of the latest acquisitions in 2019, which left 32 buildings.

Only 15 of the 32 buildings had utility natural gas data available. For the other 17 buildings analyzed, an estimated value for the respective region was used based upon EPA's Commercial Buildings Energy Consumption Survey. Similarly, 30 of the 38 buildings had water consumption data available, however only 20 were analyzed because they had more than 6 months of data available.

When there were more than 6 month's worth of data for electricity or water but still gaps in the data, then a protocol was used. When a single month was missing data, an average of two months before and after was used to fill the missing month. When multiple months in a row were missing data, an average of all months with existing data was taken and that value was used for each missing month's data.



*Gas Lamp - San Diego, CA*



## Portfolio Overview and Results Summary

- » 38 buildings of average size 85,040 sq. ft.
- » Due to data limitations: 32 buildings of average size 78,523 sq. ft. used for analysis
- » Total 2019 energy cost of the 32 buildings: \$3,818,706
- » Larger buildings in portfolio tend to have higher Energy Use Intensity
- » Buildings in North and West have higher Energy Use Intensity
- » No strong correlation between lower energy use and older acquisitions (2014/2015)

### PORTFOLIO ENERGY USE INTENSITY BY BUILDING SIZE

Building Size	Count	EUI
0-35,000	4	1.1
35,000-70,000	12	1.5
70,000-105,000	8	1.1
105,000-140,000	6	1.8
140,000+	2	1.9

### PORTFOLIO ENERGY USE INTENSITY BY BUILDING AGE

Year of Acquisition	Count	EUI
Year of Acquisition	Count	EUI
2014	3	30.1
2015	2	22
2016	7	20.4
2017	6	16.9
2018	8	24.5
2019	9	19.7

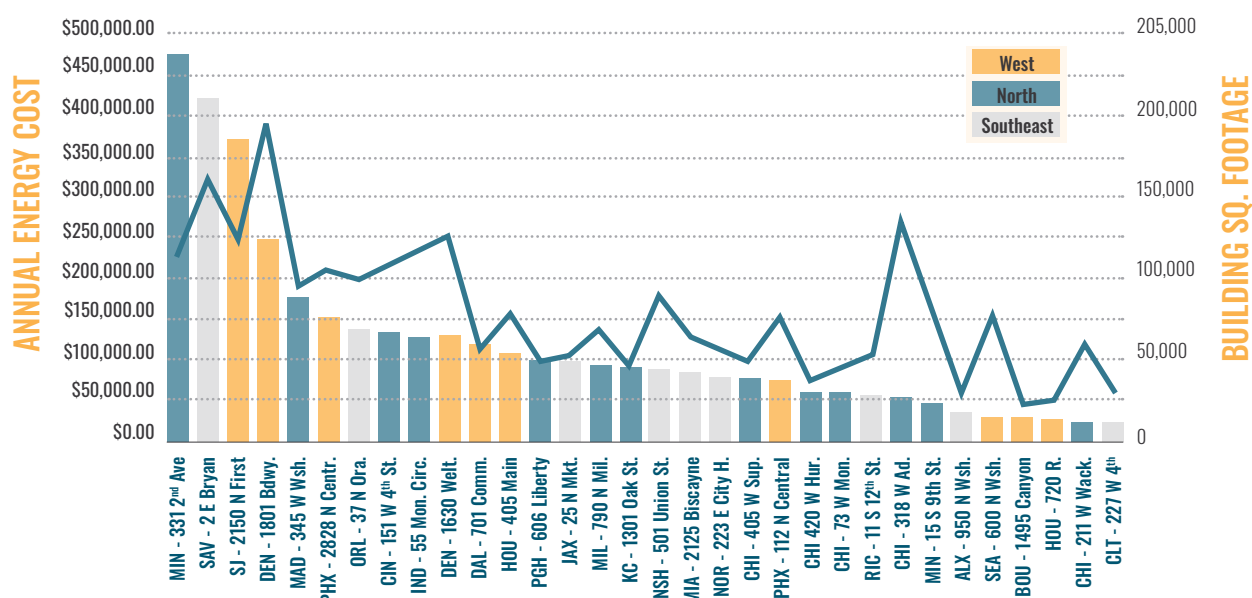
INDICATOR	PORTFOLIO AVERAGE	AVERAGE VALUE FOR 3 HIGHEST PROPERTIES
Energy cost	\$119,334	\$422,413
Energy use intensity	20.5 kwh/SF	46.4 kwh/SF
Cost per kWh:	\$0.10/kwh	\$0.52/kwh
Direct Emissions	695.8 MT CO <sub>2</sub> e	2051 MT CO <sub>2</sub> e
Direct Emissions per Sq. ft	8.8 kg CO <sub>2</sub> e/SF	2.5x average
Water usage	9.1 M gal/SF/ yr	23.7 M gal/SF/ yr

# Building Comparison

The following graphs plot each building by one of the following key performance metrics:

- » Total Annual Energy Costs
- » Energy Cost Intensity
- » Energy Use Intensity (EUI)
- » Unit Cost of Electricity
- » GHG Emissions
- » GHG Emissions Intensity

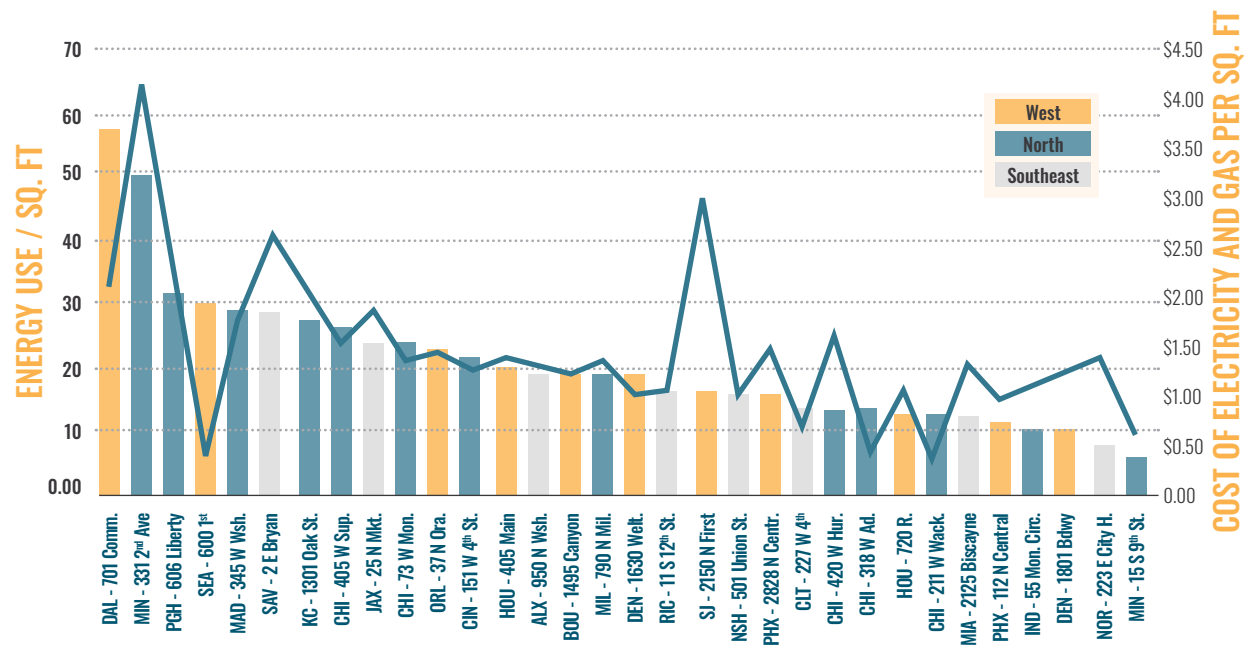
Figure 7: Annual Energy Costs Per Year



- » Average cost = \$119,334
- » Average cost of 3 highest = \$422,413
- » Observations: The top three buildings account for a third of the total portfolio energy costs. To some degree this correlates to building size, but in some cases, such as 331 2nd Ave in Minneapolis, the energy cost is disproportionately higher than in locations. The energy use and cost intensity can be seen in the following graph.

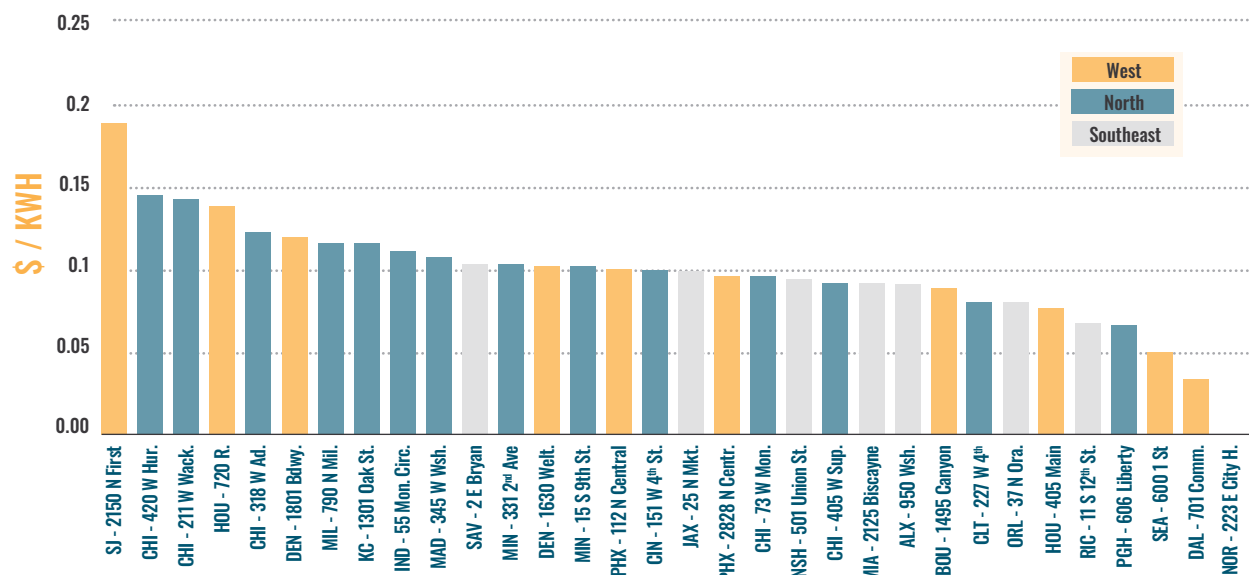


Figure 8: Building Energy Use and Cost Intensity



- » Average EUI: 20.5 kwh/sq. ft.
- » Average EUI of 3 highest: 46.4 kwh/sq. ft.
- » Observations: Energy use and cost are generally proportional with a few notable exceptions, including Minneapolis, Seattle, and San Jose. This could be due to a higher cost of electricity or gas in these locations, such as in San Jose, as shown in Figure 9 below. Or, it may be due to a disproportional use of one fuel or the other since electricity is typically several times more expensive than gas per unit energy. This may be the case at Minneapolis since it has a data center and therefore likely has a much higher electricity to gas ratio than other locations.

Figure 9: Electricity Cost per Kilowatt Hour



\*Data not available for the Norfolk, VA location

## Priority Buildings:

Based on the high level analysis above, the following buildings should be the focus of the first phase of investigation, as they have both high total energy costs and energy costs intensities (per square foot):

ADDRESS	BUILDING SF	EUI	COST/SF	TOTAL COST	UTILITY COST (\$/KWH)
MIN - 331 2nd Ave	113,987	49.99	\$4.17	\$475,728	0.103
SAV - 2 E Bryan	161,382	28.64	\$2.62	\$422,472	0.103
SJ - 2150 N First	123,511	16.11	\$2.99	\$369,043	0.238
MAD - 345 W Wsh.	95,000	29.09	\$1.87	\$177,533	0.109
PHX - 2828 N Centr.	104,016	15.46	\$1.46	\$152,378	0.097
DAL - 701 Comm.	56,126	57.38	\$2.09	\$117,515	0.035

As noted above, the San Jose property may be incurring higher energy costs due to the utility rates (see the Figure below). That location is paying \$0.24/kwh, so while it has a relatively low EUI, it incurs a high total energy cost. Understanding that California rates are generally higher, the property manager should nevertheless confirm that these rates are accurate and explore whether more competitive rates are available. In addition, the given the fact that Minneapolis has a data center, this high load should be submetered and addressed separately.

The general methodology for analyzing these buildings should be as follows:

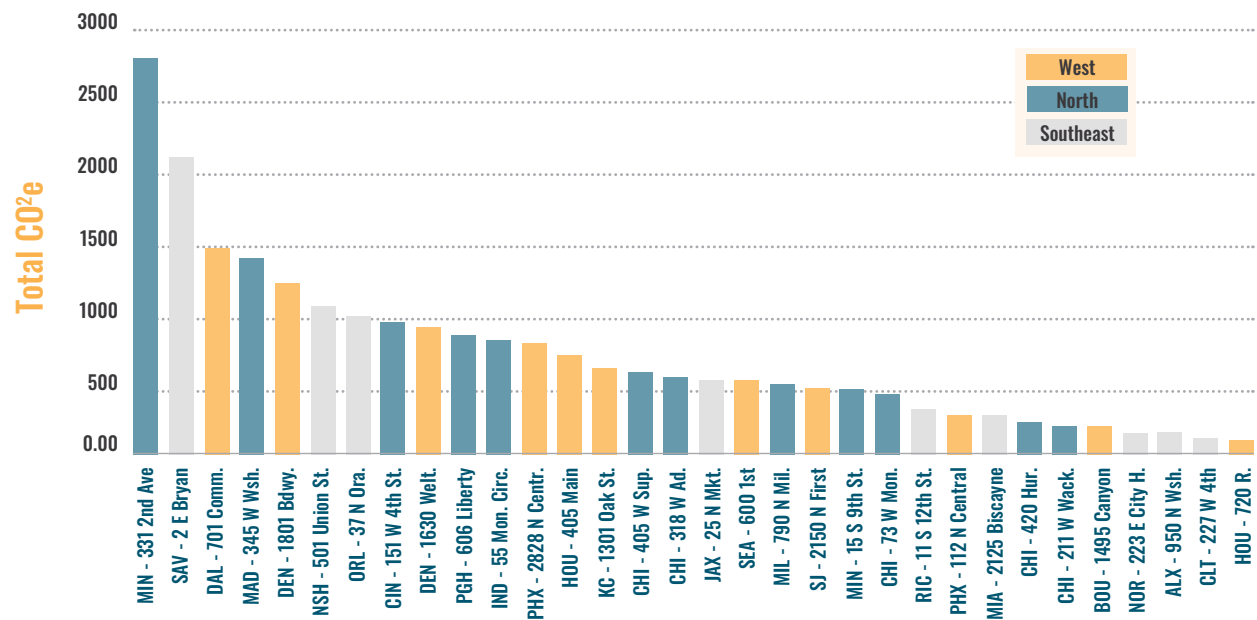
1. Analyze the monthly electricity and gas consumption. Identify heating, cooling, and baseload energy from seasonal variations.
2. Normalize the above data with mean monthly temperatures to further identify heating and cooling anomalies.
3. Review equipment that may be causing high energy use: inefficient lighting, boilers, fans, motors, chillers, etc.
4. If a data center (or other unusual use) is a significant energy user in any of the buildings, take steps to submeter its usage and include that cost in the tenant bill.
5. Conduct a Level II energy audit or retro-commissioning at these facilities. Identify energy conservation measures and implement those that are cost effective.



# Contributors of GHG Emissions by Buildings

The following figures show the relative GHG footprint per building on an absolute and intensity basis.

Figure 10: Total Scope 1 & 2 GHG Emissions

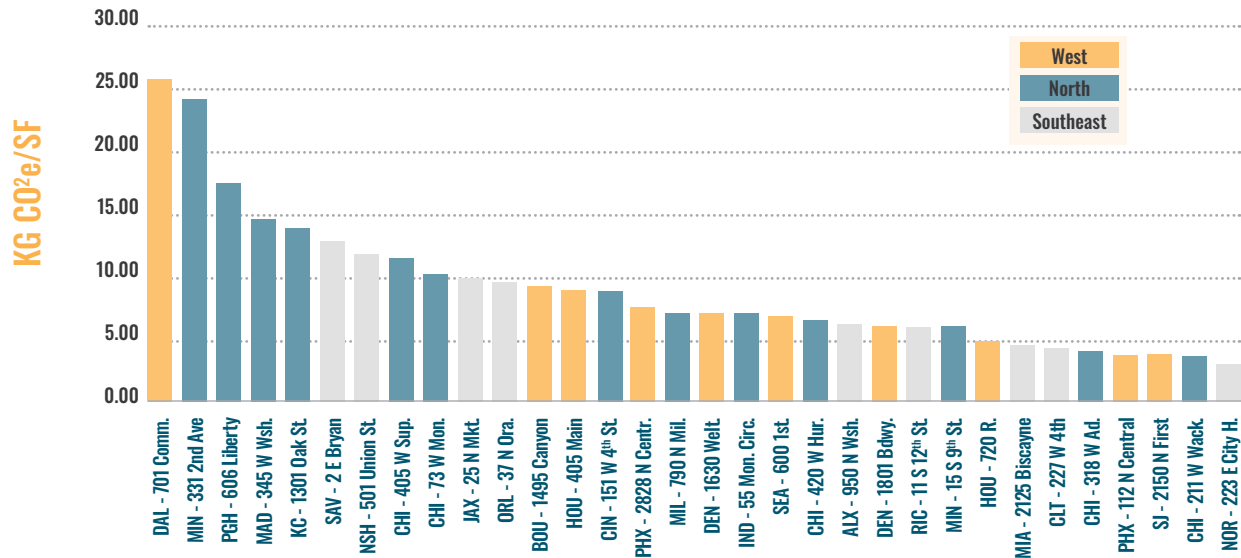


- » Average Annual Scope 1 and Scope 2 GHG emissions per building: 636.17 Tons Co<sub>2</sub>e
- » Share of GHG emissions from the highest five buildings: 39% of total emissions
- » Observations: The gross direct emissions for the buildings are dependent on the size and energy consumed at these properties, as well as the electricity grid emissions factor for each location. For example, the grid emissions factor in Wisconsin is more than 5 times higher than the New York or Californian grid.



The Hooper Building - Cincinnati, OH

Figure 11: Scope 1 & 2 GHG Emissions (kg Co2e/SF)



- » Average GHG emissions intensity per building: 8.82 kg CO<sub>2</sub>e/SF
- » Difference between highest and lowest buildings: ~8x
- » Observations: Due to the direct relationship between GHG emissions and energy use, the priority buildings for GHG emissions reductions are generally the same as those listed above for energy cost reductions.

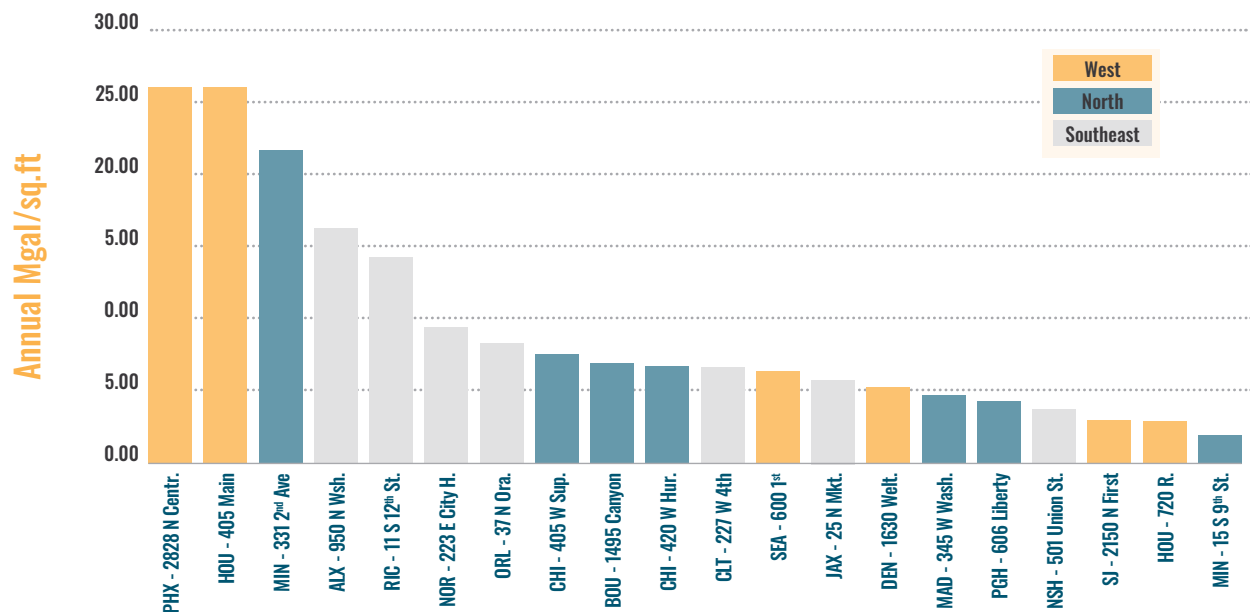




# Water Use

In addition to Energy and GHG emissions, water use was measured for each of the 22 locations where data was available. The following figure summarizes the results.

Figure 12: Water Consumption by Building



- » Average usage = 9.1 million gallons/SF
- » Average usage of 3 highest = 23.7 million gallons/SF
- » Recommendations: The following steps should be taken to evaluate the high water consumption at the top five properties:

1. Conduct a fixture inventory: identify any old toilets, urinals, or sinks that could have flow or flush rates that are several times higher than newer models.
2. Ensure that no irrigation is part of this consumption.
3. Review monthly data and identify seasonable anomalies. If water use tracks with high temperatures, then the usage may be related to cooling towers. Cooling tower water efficiency measures should then be employed.
4. Install leak detection equipment.



## Sustainability Goals and Roadmap

To build upon Novel's current sustainability practices and to facilitate the goal of continuous improvement across the portfolio, the following goals and action items were identified in the near and medium term. These actions are organized around four major pillars:

1. Carbon & Energy
2. Water
3. Waste
4. Operations

Long Term aspirations (5-10 years) for the portfolio include the following:

1. Bring the top 50% of properties to an energy star score of 75 and above
2. Report to the GRESB sustainability benchmark over the long term
3. Through the execution of the short and medium-term Carbon and Energy goals and action items listed below, Novel aims to increase the efficiency, improve ability to manage energy, and where possible, procure renewable energy to reduce overall carbon emissions and move the portfolio towards an aspirational goal of Zero Carbon.

The following goals include performance metrics, improved data collection and insight, updated design guidelines, and updated policies and procedures. Novel is currently crafting processes around the following Short Term and Medium Term goals within the categories outlined on the following pages.



*The Angebilt Building - Orlando, FL*

## Carbon & Energy

SHORT TERM (1-2 YEARS)	MEDIUM TERM (3-5 YEARS)
Update design guidelines to include energy and carbon goals and measures.	Reduce energy and GHG emissions intensity (per SF) by 20% from 2019 baseline by 2025 for buildings that have been in the portfolio for at least 3 years.
Create an Energy Star (ES) Portfolio Manager profile of all properties in the portfolio; to benchmark properties and create a comparative baseline.	Identify projects with low ES scores (<50) and raise these properties to <50.
Implement energy and sustainability management software (SMS) to track and report consumption and drive continuous improvement.	(Goal for New Acquisitions only); Reduce energy carbon emissions intensity by 25% per SF within 3 years of acquisition. As part of the building acquisition / due diligence process, conduct energy benchmarking (review utility data, run ES score), and conduct a Level II audit.
Engage with Novel clients and large tenants to communicate and understand current energy use and sources.	Create a strategy for engaging with clients and tenants to reduce their energy use.
Explore options for purchasing renewable electricity (RE) in locations where cost-neutral options exist (e.g. CA, CO, NY), including options such as community solar gardens. (This does not mean purchasing renewable energy credits, but replacing the supply of electricity with RE.)	As more locations have renewable energy options available, continue to research and adopt those options.
Explore potential Monitoring-Based commissioning solutions.	Implement Monitoring-based Commissioning at large properties where financially feasible and utilize this data to decrease resource usage at properties.
	Create a timetable and prioritized ranking list of buildings where Audits and Retro-Commissioning should be conducted.



## Water Consumption

SHORT TERM (1-2 YEARS)	MEDIUM TERM (3-5 YEARS)
Update design requirements for increased low flow fixtures.	Reduce water use intensity (gal/person) by 20% for buildings that have been in the portfolio for at least 3 years.
Include water data collection in Energy Star Portfolio Manager and Energy / Sustainability management software.	For newly acquired buildings, include a requirement to review the feasibility of reducing cooling tower water uses via conductivity metering (see LEED-NC as a design guide).
Engage with Novel clients and large tenants to communicate and understand current water use and sources.	Implement low water use irrigation and landscape design for applicable properties (those with significant irrigation areas).
Establish water use intensity baseline (water use per person).	Create a strategy for engaging with clients and tenants to reduce their water use.
	Install interval water meters to detect leakage to monitor and manage usage.

## Operations

SHORT TERM (1-2 YEARS)	MEDIUM TERM (3-5 YEARS)
Explore the use of LEED CI and LEED NC metrics and strategies within the design guideline for fit outs and major renovations, respectively.	Pilot LEED CI and/or NC on large or significant/marque projects.
Conduct a Thermal comfort audit of chosen properties to create improvement plans. (This will provide a baseline to showcase when improvements to HVAC are made)	Pilot LEED EBOM's Arc program to rate and certify performance at select locations
Continue rolling out existing wellness initiatives to all properties (ensure quantitative and qualitative data is tracked to facilitate reporting)	Develop wellness initiative into a comprehensive Client Wellness program, implemented across various properties.
Include "Corporate Sustainability" as an item on the company website. Include in company values.	
Continue to develop organizational sustainability management approach	
Implement low-VOC and recycled content materials requirements where possible in design guidelines	

## Waste

SHORT TERM (1-2 YEARS)	MEDIUM TERM (3-5 YEARS)
Investigate availability of recycling and composting services at every facility (private and municipal). Implement where cost effectively available.	Establish recycling at >50% of all facilities and composting where commercially available and feasible (explore options and develop pilot program).
Continue rolling out e-cycle events to all properties.	Once data tracking has been established (via hauler data), increase waste diversion rates.
Where recycling and composting is currently implemented, explore data availability options and develop a system to collect and manage that data, potentially via the sustainability management software (SMS).	
Based on the data available from haulers, establish waste production and diversion intensity baselines (per person).	
Establish procurement guidelines for consumables such as printer paper (recycled content, FSC certified), food (organic), etc.	
Continue to support the reduction and use of single use plastics and disposables by providing glassware, cutlery, charging for bottled drinks, etc.	
Establish default print settings for double sided printing.	



16th Street - Denver, CO

**Novel**  
COWORKING