

Sustainability Profile:

Hazard Center



Property name: Hazard Center

<http://hazardcenter.com/>

Location: San Diego, California

Building type: 15-story office tower, open-air retail center

Building size: Office Tower – 284,000 sq. ft.,
Retail Space – 137,325 sq. ft.

Constructed: 1989

Acquired: 2003

Property manager: PM Realty Group (PMRG)



Property Overview

Located in San Diego's Mission Valley neighborhood, Hazard Center offers 284,000 square feet of class-A office space and over 137,000 square feet of upscale, open-air retail space. The office tower and retail structures opened in 1990 and serve a variety of tenants, including leading credit and insurance companies, law firms, and a professional hockey team.

Improving Sustainability

Celebrating its 25th anniversary in 2015, Hazard Center has long been an innovator in San Diego's historic Mission Valley neighborhood. One of the first properties to incorporate the "live, work, play" holistic development concept, the property has its own trolley stop and multiuse trails developed as part of the First San Diego River Improvement Project. Spurred by a strong commitment from both PMRG and Principal Global Investors Real Estate, the property began monitoring energy performance using ENERGY STAR® Portfolio Manager in 2003, when the office tower achieved the first of its 12 consecutive ENERGY STAR certifications.¹ The property has continually improved its energy performance through various capital upgrades, including the installation of an energy-efficient cooling tower, a cool roofing system, and variable frequency drive controls for all major pumps and fans. The team also installed LED lighting for the 2,100-space parking lot in 2009 and piloted an innovative on-bill financing program offered by San Diego Gas & Electric (SDG&E), which allowed the team to pay off the cost of the project through the observed energy savings. As a result of these improvements throughout the property, the team at Hazard Center has reduced energy costs by approximately US\$108,000 per year.

¹Retail spaces are not currently eligible for ENERGY STAR certification under the current program.

The team is also actively navigating water-use restrictions, and continually seeks opportunities to reduce water consumption by pursuing landscaping and fixture upgrades, and engaging tenants by offering conservation tips and best practices. Over the past two years, the property has significantly reduced irrigation water consumption by converting turf-to-drought-resistant local plants and mulch, and installing drip irrigation systems and low-flow sprinkler heads. The property attained LEED Silver Certification for Existing Buildings in 2010. It achieved LEED Gold status upon renewing the certification in 2015, and received Building Owners and Managers Association (BOMA) 360 and BOMA International's The Outstanding Building of the Year (TOBY) awards.

Key Facts, Awards, and Recognition:

- ENERGY STAR score (office tower): 91
- ENERGY STAR Certification (2003-2014, 2015 anticipated)
- LEED EBOM Silver (2010), LEED EBOM Gold (2015)
- BOMA San Diego TOBY Award (2005)
- BOMA International Southwest Region TOBY Awards (2005, 2006)
- BOMA International TOBY Award (2006)
- BOMA 360 Accreditation (2013)
- GRESB Green Star (2014)
- 20% water use reduction
- 10% energy use reduction
- 73,000 pounds of waste diverted through recycling

*Awards and recognitions are no guarantee of future investment success and do not ensure that a client or prospective client will experience a higher level of performance or results. Further information on each recognition is available upon request.

“The sustainability efforts have helped Hazard Center to continue growing as a showcase property in the San Diego market. The success of these programs has resulted in reduced operating costs and helped to differentiate Hazard Center among our Western Region investments.”

– **Troy Koerselman**, Assistant Managing Director
Principal Global Investors Real Estate

Key Facts, Awards, and Recognition:

The property team used the following strategies to reduce energy, water, and waste and improve the environmental impact of Hazard Center:

- Installed energy and water efficient chiller and cooling tower, and conducted other HVAC upgrades
- Installed a reflective, cool roofing system
- Installed drip irrigation and low-flow sprinkler heads
- Installed LED lighting in the parking lot and garage
- Installed new bike racks and EV charging stations
- Implemented an LED-only building standard in 2014
- Began installing low-flow water fixtures in restrooms
- Engaged landscape, pest control, cleaning, and waste management contractors that use industry best practices for sustainability
- Converted turf to mulch and added drought-resistant plants
- Diverted waste through paper shredding, cinema furniture, and electronic waste recycling programs
- Held annual Earth Day events focused on recycling unique materials, item reuse, and electronic waste
- Communicated sustainability awards and activities through media center, social media, and webpage
- Developed quarterly tenant newsletters documenting, communicating, and encouraging sustainability efforts
- Pursued rebates, incentives, competitions, and innovative financing mechanisms for sustainability projects with SDG&E
- Required the property's brokers to use sustainability communications with potential tenants
- Distributed PRPI-related welcome packages for new tenants and vendors
- Conducted cost analyses and implemented sustainable procurement policies for office and cleaning products



About PRPI: The Pillars of Responsible Property Investing (PRPI) initiative is a unique sustainability and investment platform developed to drive superior asset management and fiduciary governance. For more information on how PRPI is delivering positive financial and environmental results for Principal Real Estate Investors, please visit <https://www.principalglobal.com/principal-real-estate-investors/responsible-property-investing>

Disclosures

The information in this document has been derived from sources believed to be accurate as of January 2016. Information derived from sources other than Principal Global Investors or its affiliates is believed to be reliable; however we do not independently verify or guarantee its accuracy or validity. Subject to any contrary provisions of applicable law, no company in the Principal Financial Group nor any of their employees or directors gives any warranty of reliability or accuracy nor accepts any responsibility arising in any other way (including by reason of negligence) for errors or omissions in this document.

The property shown above is for illustrative purposes only and represents a real estate transaction previously entered into by Principal Real Estate Investors. There is no guarantee that Principal Real Estate Investors will enter into any transactions having characteristics similar to those shown. Real estate investment options are subject to risks associated with general and local economic conditions. Investing in real estate involves special risks including: capital market pricing volatility, declining rental and occupancy rates, value fluctuations, lack of liquidity or illiquidity, leverage, development and lease-up risk, tenant credit issues, and circumstances that can interfere with cash flows from particular commercial properties.

All figures shown in this document are in U.S. dollars unless otherwise noted.

This document is issued in:

- The United States by Principal Global Investors, LLC, which is regulated by the U.S. Securities and Exchange Commission.
- The United Kingdom by Principal Global Investors (Europe) Limited, Level 1, 1 Wood Street, London, EC2V 7JB, registered in England, No. 03819986, which has approved its contents, and which is authorized and regulated by the Financial Conduct Authority.
- Singapore by Principal Global Investors (Singapore) Limited (ACRA Reg. No. 199603735H), which is regulated by the Monetary Authority of Singapore and is directed exclusively at institutional investors as defined by the Securities and Futures Act (Chapter 289).
- Hong Kong by Principal Global Investors (Hong Kong) Limited, which is regulated by the Securities and Futures Commission and is directed exclusively at professional investors as defined by the Securities and Futures Ordinance.
- Australia by Principal Global Investors (Australia) Limited (ABN 45 102 488 068, AFS License No. 225385), which is regulated by the Australian Securities and Investments Commission.
- This document is issued by Principal Global Investors LLC, a branch registered in the Dubai International Financial Centre and authorized by the Dubai Financial Services Authority as a representative office and is delivered on an individual basis to the recipient and should not be passed on or otherwise distributed by the recipient to any other person or organization.

This document is intended for sophisticated institutional and professional investors only.

In the United Kingdom this document is directed exclusively at persons who are eligible counterparties or professional clients (as defined by the rules of the Financial Conduct Authority). In connection with its management of client portfolios, Principal Global Investors (Europe) Limited may delegate management authority to affiliates that are not authorized and regulated by the Financial Conduct Authority. In any such case, the client may not benefit from all protections afforded by rules and regulations enacted under the Financial Services and Markets Act 2000.

This material is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

Principal Real Estate Investors, LLC is the dedicated real estate group of Principal Global Investors. Principal Real Estate Investors, LLC is a registered investment adviser and a member of the Principal Financial Group. The Principal Financial Group™ and “The Principal” are registered trademarks of Principal Financial Services, Inc., a member of the Principal Financial Group.