



Release

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NEW DEUTSCHE BANK REPORT UNLOCKS POTENTIAL FOR INVESTMENT IN ENERGY EFFICIENCY

Study Represents the Most Comprehensive Analysis of Financial Impacts of Building Retrofits in New York City Multifamily Housing; Additional Support from Living Cities to Activate Findings

Deutsche Bank today announced the results of a new study that sets the foundation for what could be an unprecedented change in multifamily lending: the ability to incorporate energy savings projections into underwriting practices. The innovative approach would allow for larger loans to multifamily owners, increasing the availability of capital required to unlock billions of dollars of energy savings potential in the nation's multifamily building stock. The report, "Recognizing the Benefits of Energy Efficiency in Multifamily Underwriting," is a comprehensive analysis of energy efficiency retrofits of affordable multifamily housing in New York City.

A research team composed of Steven Winter Associates and HR&A Advisors was retained by the Deutsche Bank Americas Foundation with support from Living Cities, a philanthropic collaborative, to aggregate and analyze a data set of 230 affordable multifamily housing projects that had undergone energy efficiency retrofits in New York City. This data set, comprising 21,000 units, is the most comprehensive of its kind.

The study addresses a key bottleneck for private capital flowing to the sector: the lack of confidence in projecting energy savings against which lenders can underwrite loans. The authors found that energy savings across the building portfolio examined were real, and that the fuel savings (19% across the portfolio) were more predictable and of greater magnitude than electricity savings. The study also suggests an underwriting methodology that would allow lenders to compare an auditor's savings projections for a particular building with empirical data from past retrofits, to assess whether the auditor's projections should be discounted when making an energy efficiency loan.

On the heels of the study's release, Living Cities announced a grant to the New York City Energy Efficiency Corporation to develop a multifamily mortgage

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enhancement product that would put the concept into action.

“Providing hard data that clearly shows the impact and value of building retrofits is a critical step toward stimulating greater retrofit activity and investments,” said Gary Hattem, Managing Director of the Community Development Finance Group. “The report signals an important milestone in connecting the fields of finance and building science. Importantly, increasing the flow of private capital to retrofits will significantly help reduce carbon emissions, while upgrading multifamily buildings and stimulating much-needed job creation.”

“Among its many findings, the study discovered that for half the projects examined, savings alone were sufficient to fully support loans for energy efficiency capital improvements. That is fantastic news, but now we need to take the next step,” said Ben Hecht, President and CEO of Living Cities. “To that end, a follow-up grant from Living Cities to the New York City Energy Efficiency Corporation will support a dedicated program to help lenders monetize cashflows from energy efficient building retrofits.”

“We’re excited that the report documented that real savings can be generated from retrofits,” said Susan Leeds, CEO of the New York City Energy Efficiency Corporation. “The Living Cities grant provides NYCEEC with dedicated funding to develop a multifamily mortgage enhancement product, informed by empirical data, which will induce mortgage lenders to recognize and finance comprehensive energy efficiency retrofits by underwriting the projected energy costs.”

The report is now accessible via the Deutsche Bank Americas Foundation’s website at http://www.db.com/usa/content/en/ee_in_multifamily_underwriting.html

For further information, please call:

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