

Achieving high-performance facilities — and multiplying success across entire portfolios

How REITs can leverage smarter energy and facilities management solutions to unlock lasting financial value and power stakeholder communications

June 2025





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About Mantis

At Mantis Innovation, unlocking efficiencies is our driving force. We specialize in energy efficiency, energy procurement, and facilities management solutions. Our tailored strategies help you optimize operations, minimize costs, streamline processes, and elevate performance. Our expertise allows us to thoroughly assess your facility operations, identify areas for improvement, and craft long-term strategies for sustainable success. By enhancing energy management and implementing effective practices, we help you navigate budgetary risks and improve operational planning. Together, we ensure your organization operates at its peak potential while setting new standards of excellence in your industry.

mantisinnovation.com



Introduction

In the USA, REITs are big business. Really big. As of January 2025, US REITs owned over [\\$4.5 trillion](#) in gross real estate assets, and publicly traded REITs had a market cap of ~\$1.75 trillion.

Excelling in this market, staying ahead of the competition, and continuing to generate strong financial returns for investors requires high-performance real estate facilities that best leverage capex, avoid operational disruptions that risk tenant income, mitigate climate and extreme weather risks, and lead with a green edge that today's corporate tenants expect.

To succeed in this evolving landscape, REITs must balance financial performance with strategic investments that enhance resilience — an imperative that has shaped the industry since its inception.

Ever since 1960, when Congress created real estate investment trusts (REITs) to democratize access to commercial real estate — creating a novel and now globally adapted investment strategy — REITs have enabled individual investors to own shares of commercial properties without having to go out and buy office buildings, data centers, warehouses, or other large real estate assets outright.

65 years later, the largest and most sophisticated among institutional real estate investors are treating REITs as portfolio “musts,” thanks to their impressive share price performance, tax benefits, and demonstrated resilience against interest rates and tariffs. In 2023, [more than half of institutions worth \\$50 billion or more invested new capital into](#)

[REITs](#), and in 2024, total [REIT returns were 14%](#) — exceeding their 25-year average of nearly 10%.

Despite recent hiccups related to economic uncertainty, big-picture [REIT momentum](#) is real: In the first three quarters of 2024, [REITs netted 3% higher aggregate net operating income \(NOI\) and dividends paid](#) compared to the same period during 2023, and significantly outperformed private real estate investments.

The sector's continued vitality hinges on REITs' ability to identify real estate with high income-generating potential, then optimize those properties for energy and operational efficiency to reduce operating expenses and improve NOI margins — ultimately raising properties' value.

Strategies vary widely depending on a REIT's sectoral focus. One focused on healthcare real estate may be more concerned with issues such as indoor air quality, occupant comfort, and providing safe, inviting parking lots. Meanwhile, another specializing in industrial facilities might be more likely to be ultra-focused on avoiding costly equipment failure that can seriously disrupt operations. In addition, public REITs have the added factor of contending with investor scrutiny and expectations.



Although some things hold true across all REITs, every real estate sector also has its own unique needs to take into account.

| REAL ESTATE SECTOR | BIGGEST PRIORITIES | PAIN POINTS | EMERGING TRENDS |
|---|---|--|---|
| <u>DATA CENTERS</u> <i>Power-hungry, mission-critical, and scaling fast</i> | Maintaining “Five 9s” (99.999%) uptime by optimizing cooling, backup power, and energy strategy — especially during long AI training runs. | Rising energy consumption meets rising energy prices, and about half of global data centers are close to or past their 10-to 15-year lifespan. | Leading data centers are adopting advanced energy management systems, demand response programs, and onsite renewables to cut peak loads, curb costs, and drive resilience. |
| <u>HEALTHCARE</u> <i>Where uptime is critical and comfort builds trust</i> | Ensuring patient safety and comfort — think advanced air filtration in surgical suites to intuitive wayfinding in parking garages and entrances. | High maintenance costs from specialized systems, like backup power and infection control, and the pressure to operate flawlessly 24/7. | Growth of retail clinics in pharmacies and grocery stores, and investment in spaces that can flex to support telehealth consults and remote monitoring tech. |
| <u>HOSPITALITY</u> <i>Where every system shapes the guest experience</i> | High-performing HVAC, welcoming lighting, and well-sealed envelopes that help create a calm, comfortable environment from the moment guests arrive. | Inconsistent building systems make it tough to manage energy use and deliver a seamless experience from one property to the next. | Portfolio-wide upgrades and smart building tech help hotel leaders monitor and optimize facility performance at scale. |
| <u>INDUSTRIAL</u> <i>Balancing capex with resilience in the era of automation</i> | Keeping equipment online and workers safe — from reliable ventilation in warehouses to predictive maintenance that prevents costly breakdowns. | Aging infrastructure straining under increased energy demands, especially in facilities ramping up 24/7 e-commerce fulfillment. | Robotics, facility automation, fleet electrification, and onsite renewable energy are gaining momentum, fueled by operational efficiency and customer demand for faster, cleaner logistics. |
| <u>RETAIL</u> <i>Spaces now need to flex across channels — and across the clock</i> | Clean, inviting environments that enhance the customer experience — from well-lit dressing rooms to layouts that support in-store browsing and online pickup. | Outdated HVAC and lighting systems that drag down energy efficiency and customer experience during peak hours, i.e. flickering lights and stuffy dressing rooms. | Repurposing floor plans to support fulfillment alongside foot traffic, and adopting smart systems that adjust lighting, temperature, and air flow based on time of day and occupancy. |

Four trends influencing REIT ops in 2025 and beyond

As a class, REITs are a large and diverse umbrella. Yet market trends reveal similar themes across the entire REIT landscape, from public and private REITs to those with niche CRE focuses, to sector-agnostic ones that invest in diverse asset categories:

Power reliability becomes a key to NOI

01

Many REIT leaders are seeing firsthand that energy reliability is directly tied to NOI. Grid challenges — from blackouts to transmission congestion to fluctuating power quality — can jeopardize critical operations, especially in energy-intensive sectors like cold storage and data centers. Coupled with [rising energy costs](#), these risks are pushing energy performance to the top of the priority list. This marks a significant culture shift in the REIT world — an evolution that has company leaders and individual property managers looking to utility bill management tools to proactively track energy costs and savings.

Stepping up to economic pressures

02

REITs are facing [volatile](#) energy rates, labor shortages, and other operational risks, plus supply chain issues that have persisted since the pandemic. They're also under pressure to perform in a market marked by inflation, [changing interest rates](#), and economic uncertainty. As tariffs raise the cost of building materials and imported energy technologies, investors will be [paying close attention](#) to how well REITs manage operational costs, particularly through energy optimization and smart infrastructure planning. Meanwhile, events like the [PJM capacity auction](#) signal even greater economic unpredictability, making investments in facility performance a top priority to avoid costly equipment failures and cushion exposure to erratic energy prices. REITs that demonstrate resilience through efficient, future-ready assets will be best positioned to weather volatility and earn investor confidence.



Risk mitigation takes new forms

03

Risk management has long been a core pillar of REIT strategy — and increasingly, that lens is turning toward energy performance, carbon accountability, and extreme weather and climate hazards. The stakes are high: Climate-related damage could cost REIT-owned properties [\\$559 billion by 2050](#). This emerging risk has prompted [most](#) REITs to assess climate risks, with 83% recently evaluating flood risk, 75% examining wind and storm risk, and 74% analyzing wildfire risk. At the same time, they're navigating a dynamic regulatory landscape, where more than 50 U.S. cities will have [building performance standards](#) (BPS) and renovation mandates in place by 2026. By addressing these threats proactively, REITs are strengthening risk posture and reducing exposure to physical damage, regulatory penalties, and asset devaluation.

Investor interest in carbon and sustainability is on the rise

04

A [2024 report from Morgan Stanley](#) reveals 77% of investors seek market-rate returns with positive social or environmental impact, and more than half say their interest has grown over the past two years. Performance is part of the equation: [Sustainable investments are increasingly outpacing traditional funds](#). And REITs are signaling alignment. In 2023, [76% reported having LEED certification](#) — more than double the percentage in 2018 — and [73%](#) have now set emissions targets, with 86% incorporating climate disclosures into their financial reporting. As emissions reporting matures, REITs must navigate how to account for their footprint — whether through operational control, equity ownership, or financed emissions — a decision that shapes what shows up as Scope 1, 2, or 3 on the carbon ledger.

In this white paper, we take a closer look at how these trends translate to strategy — and the role of facility and energy optimization in coming out ahead.





REITs respond: four ways facilities are “meeting the moment”

From economic uncertainty to rising investor expectations, today's pressures on REITs are showing up at the operational level — making energy, facility, and risk management choices a critical performance lever across every property type.

01. Paving the way to more “pennies per square foot” with energy optimization

As grid instability and rising utility costs become more common, energy strategy can prove an important buffer against an increasingly unreliable power supply. Investors, tenants, and regulators are all raising the bar on energy performance — and with good reason. Efficient buildings don't just operate more sustainably; they also [cost less to run and deliver stronger NOI](#).

That focus on efficiency extends beyond daily operations. Whether your REIT collects a flat rent from tenants or relies on renters to pay maintenance costs, the next prudent move — especially given today's unpredictable tariff climate — is to extend the life of all buildings' systems and assets. This includes roofing, pavement, HVAC and mechanical systems, lighting, and appliances.

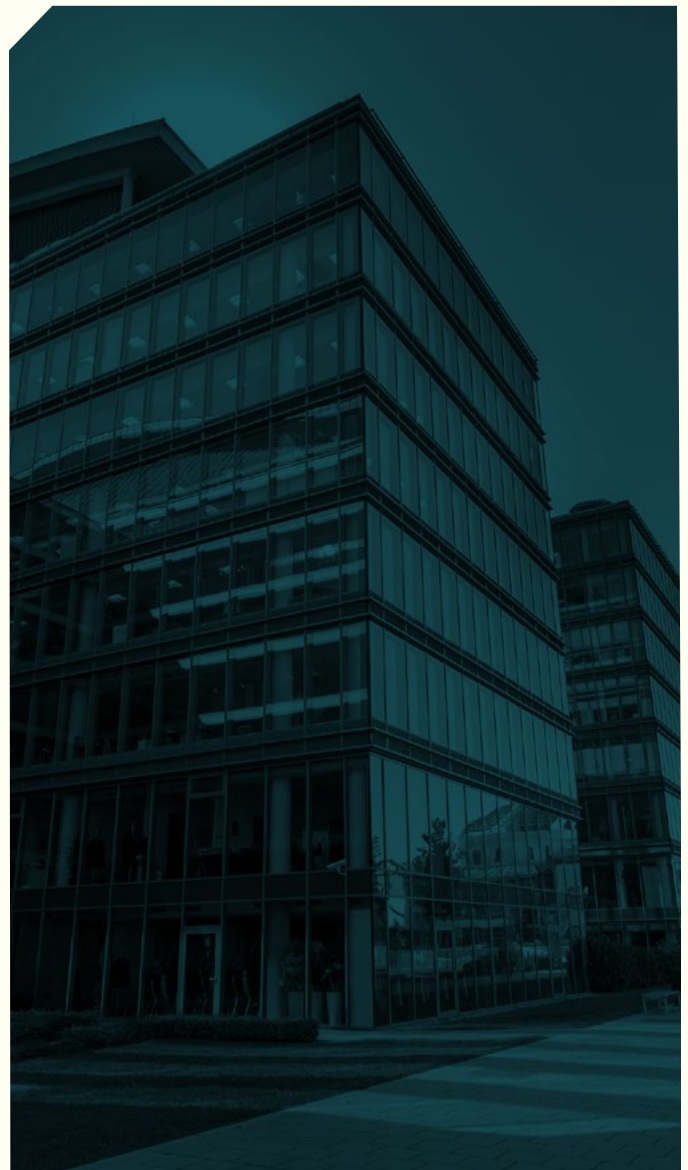
Clean energy infrastructure typically lasts longer and requires less ongoing maintenance than traditional energy systems. On top of these benefits, investing in renewable energy helps REITs boost property resilience, guarding against future energy supply disruptions and climate risks while supporting operational continuity and value.


The long-term impact of such efforts supports shareholder value and provides competitive edge in an increasingly energy-conscious market. Market research shows that even for short-term holds, [clean energy investments result in higher market valuations](#) and higher asset returns, and heighten investor interest in a REIT's portfolios.

In identifying the necessary steps to reduce properties' energy footprint over time, REIT leaders

also arm themselves with invaluable insights for calculating capital expenditures and managing maintenance and repair costs.

Plus, regardless of whether you're facing a triple net (NNN), gross, green, or other lease structure, innovative REITs are finding ways to bridge the classic landlord-tenant split incentive dilemma.





02. Improving continuity and protecting revenue in uncertain times

Economic pressure is mounting — along with the need to shore up performance through smarter energy and facility choices. Energy-efficient, well-maintained, and expeditiously repaired properties help attract and retain top-tier tenants, and in turn, help preserve cash flow and reduce the chances of costly disruptions when market conditions tighten.

While some operational challenges are unavoidable, up-front capital investment is crucial to driving resilience against equipment failures, product interruptions, and other emergency expenditures (think leaky roofs). Closing for unforeseen repairs carries steep opportunity costs including, but not limited to, the risk of lost rent and delayed revenue. And when tenants do leave, REITs have a pressure to reallocate that space to new tenants as quickly as possible to avoid lost rent.

Through proactive facility measures — installing reliable temperature controls and cold storage capabilities, for instance — a REIT shields itself and its investors against lost profits and product replacement costs. Especially as climate risks intensify, forward-looking leaders are updating properties to withstand extreme weather events, sea-level rise, and other hallmarks of climate change.

The result? A safer, more comfortable, and financially stable experience for tenants and workers — one that supports long-term value even in a volatile economy.

03. Staying ahead of compliance risks

While sustainability endeavors have sometimes been considered optional, the rapidly evolving [net-zero regulatory space](#) is pushing carbon emission reductions toward “compulsory” as building performance standards become mandatory in [four states and nine cities](#). With the [US Securities and Exchange Commission’s new climate disclosure requirements](#) and stricter [facility performance regulations](#) for large buildings, real estate owners

face increasing pressure to improve emissions metrics, enhance GHG accounting, and provide transparent climate disclosures.

Savvy REITs are taking decisive action, with proactive strategies to identify fine exposure and build a performance roadmap that can mitigate that risk with properly prioritized projects. For example, one large industrial REIT was able to lower its fines by millions of dollars by cleaning up benchmarking data, creating a retrofit plan, and implementing roof, solar, and HVAC upgrades through 2030. Meanwhile those that fail to act risk not only heavy fines but also investor pushback as sustainability performance becomes a key factor in investment decisions.

04. Giving properties that “green edge”

Energy-efficient buildings offer [better air quality](#) and other indoor wellness boons, more natural light, and lowered utility costs (attractive to tenants, who are often responsible for them).

Plus, [many businesses seek spaces that embody their environmental commitments](#). According to a PwC [survey](#) conducted in spring 2024, consumers are willing to pay a 9.7% sustainability premium. Today’s buyers prize [carbon-conscious offerings and environmental transparency](#).

Some net-lease REITs in recent years are even pursuing “green leasing,” where the [REIT incorporates green clauses into leases](#), creating mutual incentive to collaborate on energy-efficient practices, and for all parties to proactively and mindfully maintain and replace equipment, and share other capital expenditures.

Already experiencing ESG pressure from investors, and/or seeking to further deploy the green tenant-attracting powers of the green edge? Invest in [detailed emissions reporting](#), and publicize that progress.

The path to **higher-performance** REIT facility strategy



01
DEVELOP THE
PERFORMANCE
ROADMAP

01

02

SET TARGETS BASED
ON PERFORMANCE
IMPROVEMENT
OPPORTUNITIES



03

IMPLEMENT
COMPREHENSIVE
CULTURE CHANGE



04

BRING YOUR PLANS
TO LIFE WITH
A PLAYBOOK



Optimizing facilities to maximize NOI requires a paradigm shift — just as investors, tenants, and regulators are all pushing for better energy performance, REIT leaders must transform their approach to portfolio management by reevaluating energy's place in the hierarchy of priorities, realigning operations from there, and zooming out to assess the broader portfolio.

Develop the performance roadmap

REIT portfolios are complex and expansive, making it essential to begin by assessing properties in your portfolio — ideally both the leaders and the laggards. The goal is to uncover low-hanging fruit projects that will deliver the highest return on investment now, and help free up capital later.

The leading property has likely already completed lighting retrofits, but what about the laggards? Have the leaders implemented more advanced controls? Understanding what has worked with the portfolio and ensuring these best practices are rolled out to the remainder is often the most cost-effective and relatively painless starting point when it comes to conserving energy while improving safety and occupant experience.

Begin by gathering facility-level data like past utility bills, building plans, and operational schedules.

Conduct a portfolio-level energy assessment to gain actionable insights. Are you on top of potential incentives and/or third-party financing opportunities? Do you have a way to identify and track progress on energy projects? Is there a consistent approach to motivating and tracking maintenance procedures to improve energy performance?

This part of the process should also gauge facility condition, from HVAC to pavement to roofing to effectively manage work order processes. For example, do you have an inventory of your key assets? Are you tracking work orders? Is there an opportunity to mitigate truck rolls by scoping correctly the first time?

Data-driven insights can help answer all these questions, and more — harness them to identify site-specific opportunities to eliminate costly inefficiencies, support compliance, and improve ROI.



Set targets based on performance improvement opportunities

Once you've addressed low-hanging fruit at the facility level — like equipment tune-ups, energy audits, or basic performance tracking — the next step is to consider the performance goals identified in step one and align strategies with key stakeholder considerations.

Success lies in identifying the fundamental value drivers unique to your REIT, and realigning operations accordingly. This requires an honest assessment of your REIT's investors, investment strategies that apply to your property types, and tenant vs. owner responsibilities.

Consider investors — Those REITS that aren't (or aren't yet) being pressured by investors to green their properties and portfolios would be wise to focus on regulatory drivers, especially local building performance standards.

REIT leaders should also assess their existing and aspirational commercial tenants' values and behaviors. Have the companies occupying their spaces embraced digitization and smart buildings? To what extent have they committed to emissions reduction goals?

Consider investment strategy — This depends on a REIT's property type, and its typical real estate hold period. For high-energy-usage commercial properties with longer-term holds — like hospitals, hotels, and data centers — the most cost-saving benefits are likely found in deeper energy and digitized streamlining strategies. For instance, by implementing more renewable and smart solutions, both the landlord and tenant can reap the fruits — because they'll accrue both within and beyond the lease period.

On the other hand, those REITs operating office, retail, industrial, warehousing, and storage facilities should focus on establishing programmatic visibility into all equipment, systems, and assets. This requires a computerized maintenance management system (CMMS) or some other form of site-level or cloud-based infrastructure software designed to help track and plan for improvements over time. This helps position REIT leaders to seamlessly track and anticipate repair, replacement, and routine maintenance cycles. It helps reduce mistakes and guesswork around tenant turnovers, too.

Consider tenant vs owner responsibilities —

Regardless of property type and hold period, it's important to understand tenant vs. owner responsibilities, as well as the nuances of split-incentives. For instance, most large hospitals are leased by healthcare REITs, just as hotel operators are typically tenants of hospitality REITs. In such structures, hospitals and hotels pay energy bills, while REIT owners are responsible for replacing equipment.

Implement comprehensive culture change

Any reframing within a company's culture should be strategically established and carefully communicated to all, from asset managers to property managers to operations staff. Take everyone's unique capabilities and time into account, and provide motivation to adopt and implement any changes. For example, consider interactive trainings, transparent discussions of new insights and goals, and tools like tracking scorecards to motivate staffers to implement new practices.

Once priorities are established, leverage insights from performance data to devise and recommend workflow changes.

Bring your plans to life with a playbook

With your big-picture optimization goals now fully defined, it's time to move forward along the path to realizing them. Start by prioritizing projects that offer the highest ROI, balancing immediate returns with long-term value. Factor in energy savings, operational efficiencies, and reduced maintenance costs as key drivers. Develop a clear roadmap for each project, with timelines, resource allocation, and specific milestones. Include plans for ongoing monitoring and reporting to track progress and drive continual improvement — because new considerations will inevitably emerge as you go.

Don't forget to publicize successes engaging stakeholders and reinforcing your commitment to driving value through smart investments.



Solutions Menu

Performance-driving software systems

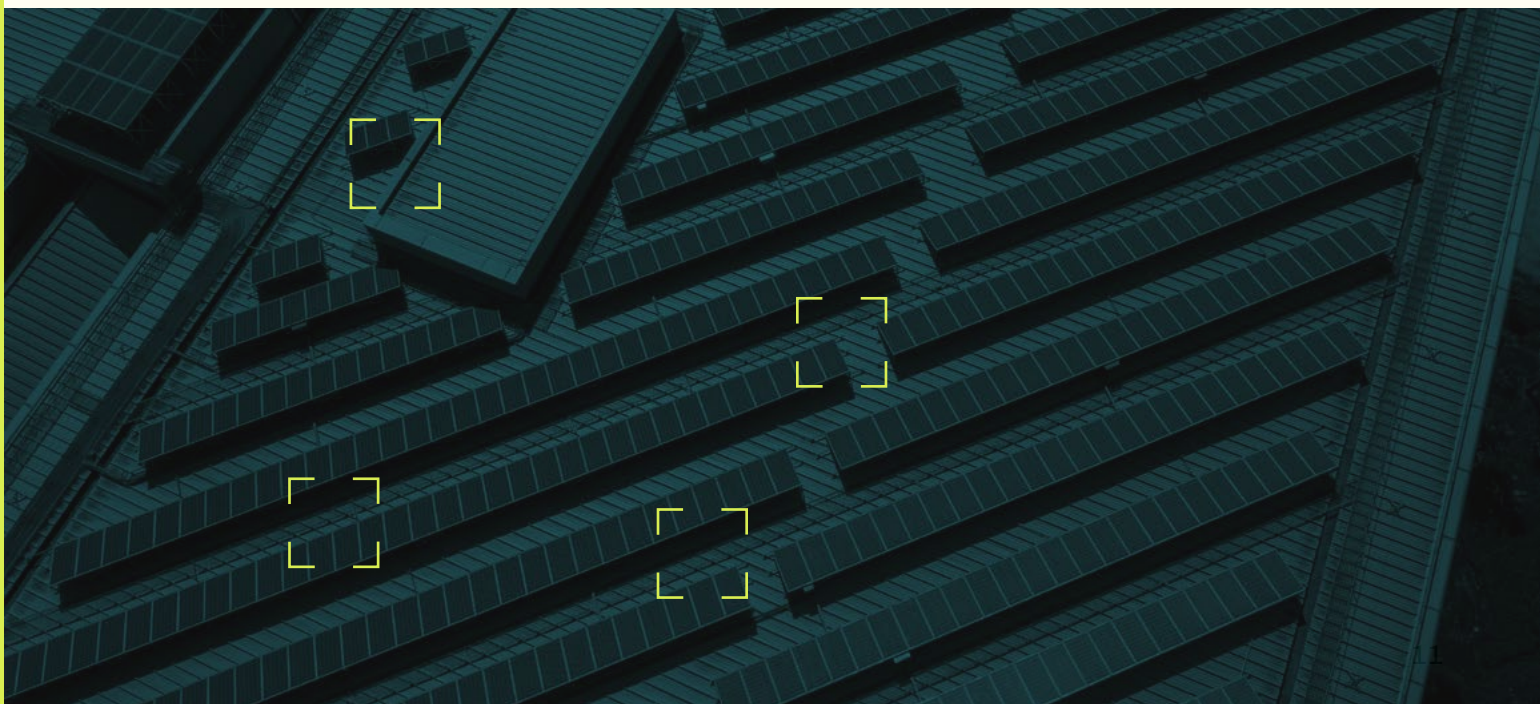
You may already have some combination of property management systems, building energy management systems, and related software. But are they living up to today's advanced capabilities? For example, are they all on the same software platform, or do you have to deal with myriad software platforms that don't necessarily "talk" to each other? Are you able to manage your portfolio through a single pane of virtual glass, assessing your capability to support new goals in all applicable areas — including energy storage and procurement, site-level digital infrastructure, cloud-based building management systems, utility bill management, and more?

Because technology is rapidly advancing, and because in-house teams often aren't able to stay up to speed on the latest in property management tools, enlisting a third-party expert can help you find the right options for your various properties. At the very least, they'll help identify where you're overbuying and/or underutilizing various systems.

Equipment visibility

Too often, equipment decisions are made in isolation — when in reality, procurement plays a far more strategic role in REIT performance than it gets credit for. Longer-hold properties may naturally invest more in system longevity, but even in short-hold scenarios, overlooked equipment can become a deal-breaker. One example: An incoming tenant walks away from a lease until a failing HVAC system is replaced, triggering delays, emergency spending, and lost rent.

To avoid these types of pitfalls, REIT leaders can improve equipment visibility by taking a portfolio-wide view. That means systematically reviewing procurement practices, ensuring every asset is code-compliant and proactively maintained — with an eye toward leveraging available [utility incentives](#). In many portfolios, especially those with similar building types, there's an opportunity to standardize equipment selections. A cross-portfolio approach can reduce complexity and cost by avoiding one-off customizations for each building, while tapping into bulk procurement and pricing economies of scale.



Preventative maintenance and asset planning

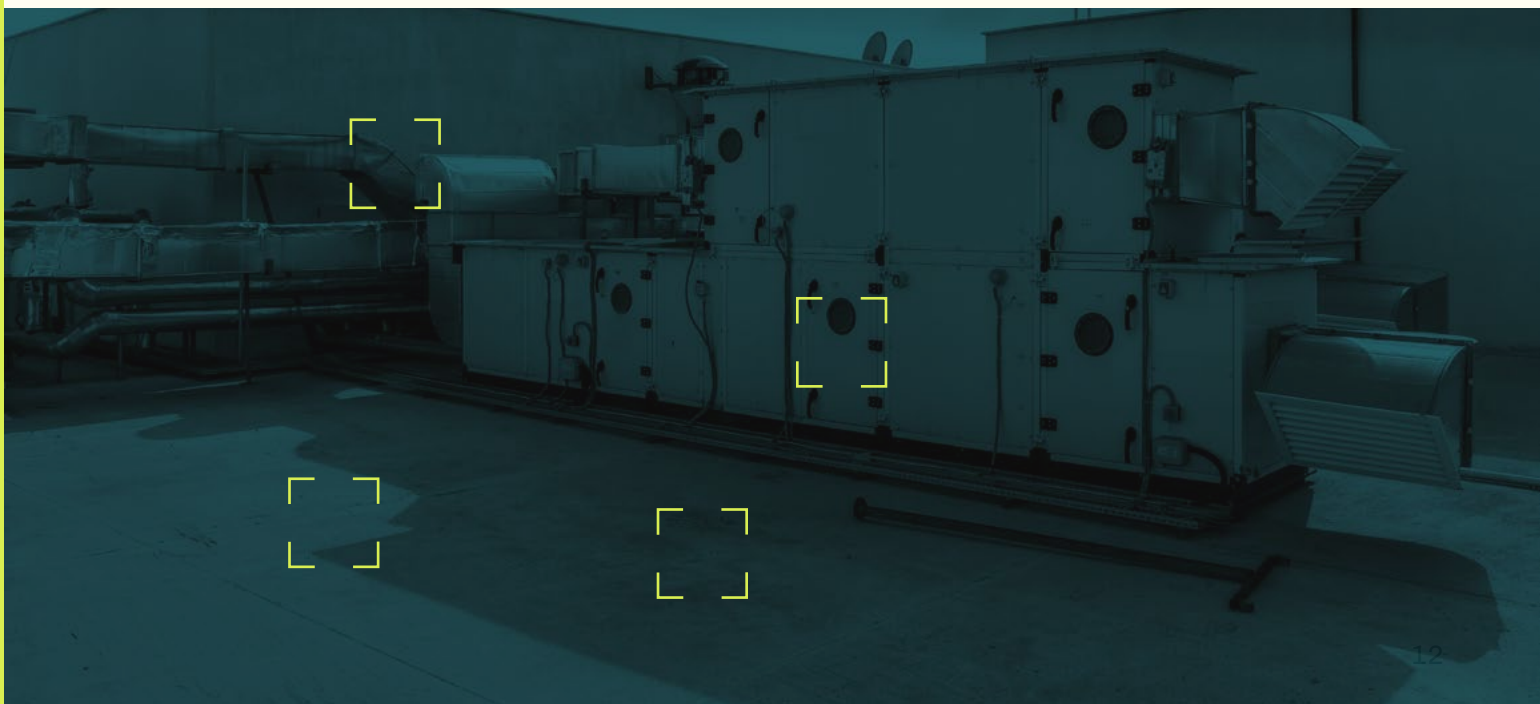
Equipment and building components are often managed with a reactive, “run-to-fail” mindset: waiting until something breaks before addressing it. But for REITs under pressure to improve margins and protect asset value, that approach is increasingly costly. Emergency replacements (think roofing or HVAC) often come with inflated costs, operational downtime, and deferred tenant improvements. A smarter, more financially sound approach is to build a preventative maintenance plan that reinforces the [building envelope](#), extends the life of core systems, and ultimately reduces capital surprises.

Layer on a clear inventory of aging infrastructure and outdated technologies across the portfolio, and REITs can begin budgeting more proactively — deciding what to replace, when, and to what performance standard. The outcome? Better long-term planning, lower lifecycle costs, and more predictable cash flow that frees up budget for value-driving improvements elsewhere.

Energy procurement and management

Energy procurement is a foundational driver of REIT performance — and it's only getting more complex. From high-intensity users like healthcare facilities to more traditional office or retail assets, energy needs vary widely across a portfolio. To deliver consistent value, REITs must strategically source electricity across multiple utility markets, incorporating tools like [offsite renewable energy contracts](#) and renewable energy certificates. When assets are spread across regions governed by different independent system operators or regional transmission organizations like PJM or ERCOT, procurement must account for local pricing structures, incentive programs, and shifting capacity markets. A coordinated strategy helps minimize cost volatility and align with sustainability targets.

Once energy is secured, the focus shifts to how it's managed. Load management strategies — such as shifting demand to off-peak hours — can cut operational costs without sacrificing comfort or performance. Behind-the-meter tools like battery storage, building automation systems, and onsite solar add resilience while reducing dependence on the grid. These energy management approaches help REITs improve budget predictability, unlock no-risk incentives like [demand response](#), and build flexibility into long-term operations.



Large industrial REIT **avoids millions** in potential BPS fines

CHALLENGE

The City of Denver levied \$30 million in BPS fines through 2023 on Prologis, a large global, Colorado-based REIT focused around logistics and warehouse facilities.

OPPORTUNITY

Mantis eliminated \$9M in fines by cleaning up benchmarking data, delayed another \$9M by creating a retrofit plan, and will be advising and supporting Prologis through the implementation of roof, solar, and HVAC upgrades through 2030.

OUTCOME

Working with Mantis, the company saw its fines lowered by millions of dollars. By flattening capital spend over time and reducing emergency / unplanned spend, Prologis improved NOI, improved public relations, and corporate-city relations — altogether fueling investor confidence.

37,231,978

ANNUAL USAGE (kWh)

10

EXECUTED CONTRACTS

100%

GREEN ENERGY

18%

AVERAGE SAVINGS
BETWEEN CONTRACT
RATES

Unlocking value in REITs: every property (and portfolio) is unique

From a massive logistics warehouse to a full-production pool noodle factory to a portfolio featuring only research hospitals, the path to modernizing a REIT and its properties truly runs the gamut. A data center, for example, is going to require a set of equipment and processes wholly distinct from those of a hotel or a garment factory.

By tailoring facility updates and cross-optimization across portfolios according to such diverse needs, REITs can unlock wide-ranging benefits — from reduced operating costs to enhanced sustainability, and from less lost rent to better brand management.

A REIT management expert can help your company tailor the plan that's right for your properties and your portfolio as a whole.

Learn more about how to drive optimization across your REIT by **contacting a Mantis Innovation expert today.**



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