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US Mid-Sized Commercial Real Estate Embraces Solar Power

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Historically, mid-sized commercial real estate (CRE) owners in the United States have been reluctant to adopt solar power. The hesitancy stemmed from structural challenges: short tenant lease terms, misaligned incentives between landlords and tenants, and lengthy payback periods that jarred with the dynamic nature of commercial and industrial (C&I) leasing.

However, the landscape is shifting. According to John Lind, senior vice president of C&I origination at Aspen Power, in an interview with *PV Magazine USA*, falling solar panel prices and corporate sustainability commitments are driving change, but the rise of community solar has been the real game-changer. “The growth of community solar has opened up an asset class that was historically difficult,” Lind said. “If your tenant controls the meter and they’re only there for three to five years, it doesn’t match the 20-year term of a typical solar agreement.”

In the past, landlords faced a stark choice: install small-scale solar systems that barely offset a building’s HVAC demands or forgo solar entirely. Community solar has upended this dilemma. By allowing CRE owners to maximise rooftop capacity and sell power off-site to local subscribers, it eliminates the need to tailor systems to a tenant’s fluctuating energy use. “It doesn’t matter who the tenant is,” Lind explained, “because we’re selling the power to the community. Instead of just building a 500-kilowatt system to meet the site’s energy consumption, I can max out the space with a five-megawatt system and sell it back for revenue to community subscribers and, in turn, pay the building owner rent.”

This model brings economies of scale, boosting both total and per-megawatt rental income for property owners. For a sector like industrial real estate, which is currently experiencing robust growth, this creates a compelling financial case. Community solar generates a steady stream of passive rental income, directly enhancing net operating income (NOI), a critical factor in determining property value. “If you can lease your rooftop and generate rent, it boosts the building’s value,” Lind noted.

For owner-occupiers like big-box retailers, power purchase agreements remain a viable option. However, Lind pointed out that roof leases often appeal more to pure real estate investors, offering predictable cash flows. Developers like Aspen prioritise flexibility, tailoring solutions to match each client’s risk profile and market conditions.

Yet, challenges loom. Recent U.S. federal policy changes, including the passage of a budget bill and an executive order, signal a phase-out of key tax credits for solar projects in the coming months. This introduces uncertainty, potentially undermining the economic viability of new installations. While the rental income from solar leases should, in theory, enhance NOI and property valuations, Lind cautioned that investors remain wary. “Investors still discount due to perceived political risk and an immature market,” he said. Unlike traditional tenant rent, solar income is not yet viewed as equally secure, a perception likely exacerbated by the shifting policy landscape.

Despite these hurdles, the economics of solar remain attractive for many CRE owners. The ability to generate stable, long-term income from underutilised rooftop space is a powerful draw, particularly as sustainability becomes a priority for businesses and investors alike. As the market matures and political risks stabilise, mid-sized CRE could cement its place as a cornerstone of America's solar revolution.