

Green Certificates Lift Building Values

The sustainability of buildings had become a balance sheet issue for property companies, Niall Enright, the technical director of energy and climate change at environmental consultancy Environmental Resources Management, said last week.

There was now "indisputable evidence" that green certification was raising asset value, he told delegates to a Cape Town congress of the Green Building Council of SA.

A study of buildings accredited under the Energy Star rating system showed that certification had raised rental income by 6 percent and the capital value of buildings by up to 16 percent, while green property funds in the US were attracting a 10 percent market premium.

"It's little surprise that investors and boardrooms are waking up to the potential," Enright said, indicating there was a huge demand worldwide for sustainability appraisals.

Samuel Ogbu, the chief executive of Liberty Group Properties, said sustainable interventions in the local property sector still tended to be regarded as expensive.

However, the debate was starting to shift.

He said: "We are moving beyond asking 'Can we afford to go green?' to 'Can we afford not to go green?' But there is a long way to go.

"We still have to close the gap between certain investors in property and the reality of the benefits of the green agenda," Ogbu said.

He believed companies such as Liberty Group Properties, which was funded by pension and life policies of its parent company, had an obligation to look at long-term issues that affected policyholders.

He said the rising cost of energy would focus South Africa on investing in green property. "A lot of things that were not economic in the past are now going to be with the rising cost of electricity.

"People might not be willing to pay a premium today in South Africa, but in due course they will. There are going to be investors out there looking for green-certified buildings to add to their portfolios."

According to Enright, global property owners were reviewing their portfolios "because they recognise early mover advantage. They want to know if they've got any manky dogs in their portfolio before anybody else does."

Sustainability affected the economic value of buildings by increasing rental income, reducing energy costs and thus potentially raising service charges, lowering vacancy rates, cutting refurbishment frequency and raising the "attractiveness premium", or the additional capital amount buyers were willing to pay, he said.

George Tieman, the director of strategies, projects and planning at VicUrban, the Victorian state government's sustainable development authority in Australia, said there was growing recognition of the need to move beyond green land and green buildings to start looking at green cities.

"To tackle the problems of population growth and climate change, we need a precinct approach," he said.

A green precinct was about more than just the environment. Apart from environmental leadership, its key elements had to include affordable housing and commercial success.