

Green-focussed Tower Property Fund set for JSE listing

The Tower Property Fund will soon be listing under the Johannesburg Stock Exchange's REIT structure. The fund has strategised the reduction of occupancy costs for all buildings within its portfolio, and is underpinned by a "greening" ethos.



"Tightly managed and controlled operational costs mitigate pressure on headline rentals, allowing for predictable, sustainable growth into the future," says Marc Edwards, chief executive officer of Tower.

"Through our strong relationship with the Green Building Council of South Africa, Tower is in the ideal position to utilise the GBCSA's Energy and Water Benchmarking Tool which will allow us to measure how a building is performing in terms of energy and water consumption compared to industry norms. We plan to also utilise the Performance Rating Tool for existing buildings, currently being developed by the GBCSA, once it is finalised at the end of this year."

Initiatives to reduce occupancy costs

With the use of these tools the Tower team will start by implementing common sense, no- or low-cost energy efficiency measures to reduce energy consumptions - and with the rapidly rising cost of electricity, this will have significant benefits for tenants by reducing the overall cost of occupancy.

Tower is being launched by the Spire Property Group (founding sponsors of the GBCSA) and partners and the fund's property portfolio consists of 27 properties worth R1.65 billion - one of which is a 5 Star Green Star-rated office complex in Grayston Drive, Sandton and another property in the same development, which is currently seeking a 6 star Green Star SA rating.

Bruce Kerswill, an executive director of Tower who is also chair of the Green Building Council of South Africa, says that they are delighted to have one of very few 5 Star Green Star SA-rated buildings in the portfolio. "As we grow Tower's portfolio, we will seek to acquire further green-rated buildings, but we recognise that stock is limited and will therefore focus our efforts on greening the existing buildings over time in order to reduce occupancy costs. These 'greening' methods involve little or no cost and can often be subsidised, enhancing investor returns."

"Recent global research has shown that green buildings out-perform normal buildings significantly - on average achieving rental premiums of 6%, capital value improvement of 12%, while reducing operating costs by 30%," explains Kerswill.

An attractive option for commercial developers

Tower hope to be the first property fund to list under the new REIT structure - a fact which is attracting many interested commercial developers who are keen to sell their properties into the fund for a combination of cash and paper and therefore benefit from the tax dispensation offered by the new REIT structure.

"Developers can safely offload their properties and reduce their management burdens yet still stay close to the buildings through their shareholding. This allows developers to keep their businesses project-specific and provides a natural pipeline to offload assets on completion."

"Tower will be listing on the JSE in July and will bring a strong pipeline of properties into the fund post listing," concludes Edwards, "the majority of which will see vendors putting their properties into the fund for a combination of cash and paper."

Tower boasts an impressive management team comprising of Spire's Marc Edwards, Bruce Kerswill and Keith Craddock, as well as partners Johan Malherbe and Bruce Rogerson, former founding members of Mettle Property Group. Spire is highly regarded, currently manages a portfolio of over R4 billion for private clients, and successfully listed Paramount Property Fund, which it grew to R3,5 billion before it was sold to Growthpoint in 2006.

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