

Energy-efficient buildings generate higher income

A new collaboration between IPD South Africa and the Green Building Council of South Africa (GBCSA) proves that energy-efficient buildings offer higher returns for their owners.



Jon Duncan, head of Sustainability Research at Old Mutual Investment Group; left; with Phil Bartram, VP at MSC, based in South Africa; and, Brian Wilkinson, CEO of the Green Building Council of South Africa (GBCSA) at the announcement of the IPD South Africa Annual Green Property Indicators research results at the GBCSA Convention in Cape Town.

The IPD South Africa Annual Green Property Indicators research shows that energy-efficient buildings in 2013 had greater occupancy levels, generated higher net incomes per square metre and delivered higher net income growth, compared with their less efficient counterparts.

These greener buildings consume around a third less electricity and half the amount of water. This means lower utilities bills for occupiers, enabling businesses to operate with lower costs.

"Prioritising sustainability is a key part of our broader business strategy and it is also at the centre of how we manage and develop buildings, both from a business and broader environmental perspective," says Peter Levett, property managing director at Old Mutual.

Growing understanding

"This index signals a growing understanding that sustainability parameters, such as resource efficiency, are an important consideration for long term financial performance. Using these insights when investing is more than responsible investment, it is also very much a part of our commitment to deliver superior performance to our clients over time."

The IPD South Africa Annual Green Property Indicators compares the performance of properties with top-quartile energy efficiency to the rest of the IPD sample, which represents a large portion of the South African commercial property sector.

In total, the investigation considered 461 commercial buildings owned by nine funds from some of the country's largest and most respected property owning companies, namely, Growthpoint Properties, Hyprop Investments, Investec Property Fund, Liberty Properties, Old Mutual Property, Pareto Limited, SA Corporate Real Estate Fund, Delta Property Fund and Vukile Property Limited.

The results deliver a clear message. For the year ending December 2013, properties with top-quartile energy efficiency delivered a total return of 15.9%, a remarkable 170bps above the balance of the sample which delivered a 14.2% total return. While the income returns achieved by the two sets of properties was identical at 7.8%, the energy-efficient properties recorded a higher capital growth of 8.1%.

Positive impact

"This outperformance was underpinned by a lower discount rate, driven by a superior occupancy rate and net income growth," notes Phil Barttram, vice president at MSCI, based in South Africa. "Ironically, the energy efficient properties were two years older, on average, than the balance of the sample. This highlights the positive impact of retrofitting and other sustainability initiatives on investment performance."

Brian Wilkinson, CEO of GBCSA, says the index confirms that investing in energy efficiency is good business for property owners. It is set to become an important tool to drive even more sustainable and efficient buildings in the country.

"Green leadership is having a huge impact on commercial property in South Africa. The benefits for users of green buildings have already been widely established. We also wanted to show the impact of green building and efficient building management on the financial performance of a building to further support the case for green innovation in the South African property sector."

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