

# How going green could help maintain rentals as energy costs rise

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With Eskom set to hike electricity tariffs by 15.63% from April, commercial and retail tenants will be bracing for increased strain on already tightly stretched budgets.



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Rising electricity costs ultimately have an adverse effect on tenant retentions, rentals and property values in the long run. Bad news considering the toll that Covid-19 has already taken on tenants and landlords. But with some good proactive measures, there is a silver lining.

## SA tenants under further pressure

Increasing electricity costs impact significantly on a tenants total cost of occupation. However, this will mean that rentals will come under further pressure as a result of the knock-on effect of debt levels rising, leading to increased vacancies as tenants are either no longer able, or no longer willing, to pay higher monthly rentals for space. The long-term effect of this is that the property's value is decreased – something which landlords need to pro-actively guard against!

## Advice for landlords

Building owners and landlords need to embrace the “green” change sweeping the world as both a pro-active and defensive strategy and should implement measures within their properties to reduce electricity consumption. Electricity costs aside, more and more SA tenants want to reduce their carbon footprints and work in green buildings so properties that have implemented sustainable measures are overall more in demand than those which have not.

Going green does not have to be a scary, daunting undertaking and many property owners imagine that it involves massive changes and commitments at costs that outweigh the savings, but this is simply not true. Start with small changes, such as



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switching to energy-saving LED lighting and installing sensors so that lights go off in parts of buildings that are unoccupied. Also, metering everything to understand the power it uses can greatly reduce electricity consumption.

Other measures that can be implemented by landlords include installing solar geysers, hot water heaters and geyser timers so that the geyser is not on when tenants are not in the property after working hours. Ensuring air-conditioning systems have good energy ratings and are serviced and maintained will also help reduce electricity use. From the tenant's perspective, a small change that costs nothing, but has significant impact, is to change behavior – so simply switch lights off if they are not in use!

## Preserving a building's value

It is small changes such as these that will ultimately help to reduce electricity bills at the end of the month and improve the tenant's ability to pay the rent. This has the effect of maintaining rentals so that a building's value is preserved or even increased as a result. Property experts can also help navigate the trickier paths of larger energy saving focused installations, working with their well-established professional networks that will enable projects such as solar and wind power energy production, as well as aspects such battery power storage.

Greener, more energy-efficient buildings will ultimately attract and retain tenants for longer and at optimal rentals. Plus, the tenants and landlords both benefit from the overall reduction in operating expenses of a greener building.

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