



**GREEN BUILDING, THE WAY OF THE FUTURE~ SAPOA/IPD INVESTMENT
CONFERENCE PRESENTATION UPDATE**

"Green buildings are the way of the future, and buildings that are not green will ultimately become obsolete". That was the message delivered at the recent SAPOA/IPD Investment Conference by Bruce Kerswill, Executive Chair of the Green Building Council of SA, and reinforced by Christopher Hedley of IPD London.

The thrust of the argument is that green building is a rational response to two driving forces – firstly, a new set of resource constraints facing the globe and secondly, to a demand for healthier, more productive environments for users. "Green building is a natural evolution of the building sector, responding to an emerging set of economic forces. It is not a passing fad, but the way things will have to be done in future", says Kerswill. "Property owners can take a leadership position or can be dragged along by the trend, but there are risks to not responding".

He noted that a major influence on the sector is global warming: governments and stakeholders are responding strongly to the need to reduce greenhouse gases released through the burning of fossil fuels for energy. The price of carbon-based energy will escalate dramatically in future, added to which will be carbon penalties or taxes, and government legislation. Buildings are the world's major consumers of energy, and green buildings, which can reduce energy consumption by 30 to 70%, will enjoy a competitive advantage. This applies to other resources as well, such as water, waste disposal, etc.

But green buildings also create healthier environments, due to increased fresh air, natural daylight, and the avoidance of toxic materials. Tenants are starting to understand the difference, and find that their productivity increases in green buildings - increases of between 5 and 25% in various measures of staff productivity have been reported. The demand for green buildings is surging internationally.

Studies in the US and Australia have shown that green buildings experience greater lettability and greater tenant retention than normal buildings, and that this further translates into increased saleability. This has a positive impact on rentals and cap rates, and therefore on the value of the building. Of course, this is combined with reduced operating costs due to lower consumption of energy and other utility services.

The short story is that green buildings are better equipped to deal with the emerging set of global conditions. "Non-green buildings will become more expensive to run, will find it harder to secure tenants, and will reduce in value. Unless they undergo expensive refitting they will ultimately become obsolete.

In summary, noted Kerswill "green building is about future proofing your buildings and buildings that take the lead will enjoy a competitive advantage over those that don't".