

# Green the new gold

*Why being environmentally friendly will put more – not less – money in investors' pockets*

**S**UGGESTIONS that going the green building route will erode the profit margins of commercial property developers and owners have been dismissed



Green malls ring in higher sales than conventional ones.

Rick Fedrizzi



SA's electricity crisis driving green building movement.

by international real estate players. Speakers who attended the inaugural annual convention of the Green Building Council of South Africa (GBCSA) in Cape Town last week made a strong business case for SA's property sector to adopt more environmentally friendly design and construction principles.

The electricity crisis and steep increase in the cost of power have no doubt served as a wake-up call for SA's property industry to follow the global move towards energy efficient development principles. But the biggest issue for many SA property owners is how to get around the additional costs involved in going the green building route.

However, property experts in the United States and Australia maintain the longer-term savings and benefits of incorporating sustainable design principles into both new and existing buildings far outweigh the initial capital outlay.

Rick Fedrizzi, president and founding member of the US Green Building Council, says: "The green building movement isn't only gaining momentum globally because we're tree-huggers. It's also creating better performing property assets and improved investment returns."

Fedrizzi says in major business nodes, such as New York City, green buildings command an average 10% rental premium to their conventional counterparts, as tenants become increasingly aware of the benefits that green buildings offer. US studies show productivity increases from 5% to 15% among staff housed in green buildings. They also offer more natural light, more fresh air and reduce sick days

associated with the so-called "sick building syndrome".

Fedrizzi says consumers also tend to spend more in green malls, driving higher returns for both retailers and shopping centre owners. In the US retail trading densities (retail sales per square foot or metre) are up to 40% higher in green malls than in conventional ones. Says Fedrizzi: "It's not rocket science. If someone feels more energised due to better ventilation and reduced exposure to greenhouse gases, they'll naturally be more inclined to try on clothes and spend more time shopping."

**Green principles would add between 9% and 11% to building costs.**

Fedrizzi notes that in the US utility bills for electricity and water usage in green buildings are typically 30% to 40% lower than those of conventional buildings. He says though offices and shopping centres that adhere to strict green principles cost on average 6,8% more to build than conventional buildings, those additional construction costs can generally be recouped within 10 months through savings on water and electricity consumption and reduced equipment load on air-conditioning and lighting.

Romilly Madew, CEO of the Green Building Council of Australia (GBCA), echoes a similar sentiment. She says although the first few green star rated buildings initially cost more to build when Australia launched its rating standard three years ago, the payback in terms of water and electricity sav-

ings, as well as rental premiums, have since proved to be "huge".

Madew says green star rated commercial buildings in Australia generally have a waiting list of prospective tenants, which supports a premium on both rentals and property values. Its green building movement has gained such momentum over the past three years that the number of GBCA certified green buildings in Australia surged from three in 2005 to the current 100.

Says Madew: "Even the listed property sector – which two years ago wasn't really involved in the green movement – has now adopted the mindset that environmentally sustainable development is the best way to 'future proof' your real estate assets."

Research conducted by the SA-based branch of quantity surveyors Davis Langdon shows that adhering to strict green principles (to qualify for a four to six green star rating) would add between 9% and 11% to SA developers' total building costs.

Davis Langdon Africa CEO Indresen Pillay says SA's property sector should stop questioning whether green buildings cost more but rather ask how they can go green within available budgets. "Going green doesn't necessarily have to cost more. It all depends on the design and building material choices you make."

Pillay says SA asset managers will have to pay more attention to how green building issues will affect the future resale values and returns of bricks and mortar investments. "It won't be long before sustainable design solutions become the norm in SA's commercial property industry."

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