

The green premium: How real estate advisory firms are driving the sustainability agenda

By [Mitesh Bhawan](#)

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The green movement has now permeated all facets of modern life, and the real estate sector, as one of the major carbon emitters, has had to prioritise and incorporate sustainability across its supply and value chain, from property management to construction, infrastructure, and technology.

The green premium

A green building is a structure developed to be environmentally friendly and resource-efficient throughout its lifecycle, from the building materials used during construction to its design, operation, and management. Both globally and domestically, there are various bodies, organisations, and indexes used to categorise, rate, and provide accreditation for green buildings such as the [MSCI Global Green Building Index](#) and the [Green Building Council South Africa \(GBCSA\)](#).

As support for a net-zero future and reducing carbon emissions continue to swell, the prestige and financial value of green buildings rise. With companies increasingly reporting on their sustainability progress, owning or renting a green building is an important objective, often included as a key performance indicator for executive leadership.

The “[green premium](#)” describes exactly this, the higher price to rent or buy buildings with certified sustainability credentials. For land owners, developing, selling, or leasing their green building can be financially lucrative as research indicates that green buildings [enjoy higher occupancy, higher rents, and higher tenant retention](#).

Importantly, this value is also shared among a green building’s tenants and occupants who, courtesy of an environmentally-friendly design, enjoy enhanced health and mental wellness through ideal working spaces and improved air and water quality - leading to higher productivity.

Retrofitting and the role of effective building management

In South Africa, although green real estate is growing, particularly in the private sector, overall it is still in the minority, which is a threat to the industry. The “brown discount”, which is the antithesis of the green premium, describes the depreciating value that the market places on buildings that fail to live up to current environmental standards. Public sector real-estate land owners such as municipalities and the government, who have numerous historical buildings and offices under their management, can mitigate against this threat through retrofitting.

Retrofitting real estate involves changing a building’s systems and structures after its construction. Admittedly, this can be a time-consuming and resource-intensive process requiring specialised expertise, however, the alternative, which is burying one’s head in the sand and doing nothing, is not an option.

Managing consumption is critical to sustainability. South Africa is classified as a water-scarce country and given the continued difficulties at the national power utility, to survive in this milieu, we are forced to do more with less. In this current



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context, effective building management systems are essential to reducing utility costs and wastage. One of the first steps is to implement a smart meter programme to monitor the consumption of electricity and water.

For example, by tracking and comparing a building's activity and non-activity-based energy and water consumption, benchmarks can be developed, which can be later used to identify wastage, leaks, and other deficiencies that should be eliminated. In the worst instances, in some buildings, as much as 60% to 70% of its consumption occurs when no one is there, which is extremely inefficient and detrimental to the environment.



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Bridging the expertise and knowledge gap

Sustainable and environmentally friendly practices within the built environment are still relatively new concepts and in developing economies like South Africa, there still exists a skills and knowledge deficit.

Nevertheless, as regulations governing environmental, social, and corporate governance frameworks are steadily introduced, and financiers increasingly request information about an entity's carbon footprint, the industry will have to align with global best practices for its long-term prosperity.

These are the reasons that drive [South African corporates to opt for established real-estate advisory firms to provide consultancy services](#) and effective building management so that they (the corporations) can focus on their core business processes. However, resource efficiency and demand management services can help companies and landowners of all sizes, including small and medium-sized enterprises.

If our goal is a net-zero future defined by just inclusive growth, then sustainable development is the pathway along which we must travel, using the technology and expertise at our disposal, as the former prime minister of Norway, Gro Brundtland, explained, "to address the needs of the present without compromising the ability of future generations to meet their own needs".

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