Responsible property investments: A South African approach

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23 October 2009
About Liberty Properties

- Established in 1972
- Industry leader in unlisted property
- Property services provider:
  - Property Management
  - Property Development
  - Asset Management
- Retail-focus with investments in office and hotel
- Portfolio in excess of R 20 billion
South African context – A developed country

- Relatively good economy and financial sector
- Democracy with good policies
- First world infrastructure and facilities
  - Road network
  - Utilities
  - Retail, office, hotel & conference
  - Gautrain
  - Bus Rapid Transit system (BRT)
  - 2010 FIFA world cup stadia constructions
- Increased tourism – 9.8 million foreign arrivals in 2008*
- R 103 billion foreign direct investment in 2008*

* Source: Development Indicators 2009 report
South African context – A developing country

- More infrastructure investment needed
  - Rural and urban linkages
- Reliant on cheap energy – coal power base
- 49% of population living below poverty line of R 524 per month*
- Unemployment estimated at 23.6%*
- Government focus on education, poverty alleviation, access to basic services, health, housing & job creation
  - Expanded Public Works Programme
- Need increased quantity and quality of service delivery

* Source: Development Indicators 2009 report
Challenges of going green in the property sector

**Developing country issues**

- Trade-off between investment in developments vs increased cost of going green
- Cost-prohibitive interventions
  - Some unproven green technologies
  - Cheaper to use electricity than renewable energy options
- Reticence/inability to guarantee benefits of green solutions from suppliers

Pictures:  
www.vebbaviation.co.uk  
www.solarnavigator.net/
Challenges of going green in the property sector

**Choice**

- Having to go green not necessarily as a matter of primary choice
- Savings motivation priority versus green driver based
- Not always voluntary:
  - Basic subsistence needs
  - In South Africa, the recent power load-shedding and increases in electricity tariffs sensitised people to use of energy efficient devices and conserving energy

Pictures: www.south-africa-tours-and-travel.com
Challenges of going green in the property sector

**Property Development**

- Large amount of existing stock (currently 1370 retail centres representing 17 million m² with a further 3 million m² in 2009/10)*
- Can make a huge impact in meeting green needs if we focus on existing stock
- Need appropriate economical solutions to suit existing stock

* Source: SACSC – Southern Shopping Centre Directory
Challenges of going green in the property sector

**Responsibility to investors**

- Trade-off between investment return and investing in green (sometimes longer payback on green initiative)
  - Risk of losing investor thus having less to invest in green
- Tenants’ possible resistance to green buildings rent premium
  - Landlord pro-active in making building green does not meet tenant needs
- Creation of specialist products for ‘green’ property investors
Progress to date

✓ ‘Baby steps’ as a sector – still have much more to do
✓ Green Building Council of South Africa (GBCSA)
  ✓ Unifying role in property industry
  ✓ Facilitator: assessment tools and intellectual capital
✓ Key focus areas include energy, water and waste management
✓ Retail tenants becoming more focused on being environmentally friendly
  ✓ e.g. Pick n Pay, Woolworths
Examples of sustainable principles: Eastgate extension

- Use of natural light & energy efficient equipment
- Designed to keep running costs to a minimum and maintaining a constant internal environment

- Design elements
  - External louvres to reduce radiant heat build up – lower load on air conditioning
  - Glazing to reduce heat build up – roof overhangs to protect glazing
  - Roof level restaurants have passive cooling
Examples of sustainable principles: Melrose Arch

- New urbanism & lifestyle focus – live, work and play (mixed use)
  - Daily needs within walking distance
  - Interconnected system of streets
  - Main street and square model
- Melrose Arch – office, retail, residential
  - Compact urban area - higher density of people
  - Shorter origin/destination trips
  - Encourages pedestrian traffic
  - Work in close proximity to home
  - Impacts – reduced demand on public infrastructure
  - Higher utilisation of time

* Source: Osmond Lange Architects and Planners
Opportunities – going forward

• As a sector, consolidate investor, manager and tenant green efforts together with partnering with ‘green’ service providers
• Focus should become more than typical energy, water and waste
  • Carbon footprint reduction
  • Noise / emission pollution
  • Greater consumer awareness
• Progress to beyond ‘changing the light bulbs’
  • Make green a way of life
  • Focus on people and behaviours – can make a significant impact
  • Holistic, integrated green solutions