

Major shift occurring in property market towards sustainability

Sustainability in the property sector is becoming more important than ever, says William Hughes, business sustainability consultant at Mazars, and companies operating in this market will need to undergo a paradigm shift in order to stay competitive.

“There is already a major shift in the property market towards green technology, alternative energy and green measures, and we see more and more property funds and landlords taking this into account. Most properties being constructed at the moment have been designed with technologies like solar photovoltaic (PV) generation systems and water capture and recycling systems included,” Hughes says.

He adds that landlords especially have identified the demand for green measures among potential tenants. “With issues such as water shortages and high electricity tariffs becoming much more acute, tenants have come to expect their landlords to incorporate green measures into their buildings. This is also why attaining Green Star ratings from the Green Building Council of South Africa has become so important for property owners.”



William Hughes, business sustainability consultant at Mazars

Priority for older buildings

According to Hughes, this has even become a priority for the owners of older buildings, where introducing green technologies is often accompanied by significant challenges. “Older buildings were not built to accommodate energy efficient measures, like rooftop PV arrays or water recycling systems, which often significantly limits a landlord’s opportunities to reduce a tenant’s resource costs. Still, measures like energy efficient lighting are possible, and can still offer significant savings that allow landlords to stay competitive on the property rental market.”

He adds that the tone from the consumer market sends a strong message towards innovation and agility in the property sector. “Property owners and investors need to find a niche which speaks to the behavioural patterns of property owners and tenants.”

A good carbon footprint presents such an opportunity and it steers business towards responsible and accountable behaviour, according to Bongiwe

Mbunge, senior manager at Mazars’ Business Sustainability Division. “It has taken a crisis for us in the Western Cape to learn the concept of being good stewards of natural resources, like the conservation of water.”

According to Mbunge, sustainability speaks to legacy, as opposed to short-term thinking. “We have to use our available resources responsibly and leave something for the next generations. Business is in a strategic and influencing position in educating employees to be much more efficient. Opportunities to reduce waste have some lower hanging fruits such as the adoption of a corporate culture to preserve electrical energy, better water usage and rewarding the right behaviour as one of the means of effective change management.”

Business case for greening

She adds that there is also a strong business case for greening, as business frequently have an opportunity to save their electricity and water costs up to 50%.



Bongjwe Mbunge, senior manager at Mazars' Business Sustainability Division

Hughes points out however that greening is only one aspect that South Africa's property funds need to be aware of. "Business sustainability, especially in the property sector, involves so much more than reducing a building's carbon footprint, and ignoring the other trends happening in this space may cost some landlords dearly in future. The behaviours and the needs of the people that use commercial properties are changing, which will drastically affect the way in which landlords will generate profits from their buildings over the coming years," he says.

Hughes points to the fact that traffic patterns are having a significant impact on how commercial properties are being utilised. "Increasing congestion in major cities is influencing the way in which many companies view the time that their employees spend in the office. The option of working from home is becoming much more attractive for many businesses as some businesses have found that they can potentially cut costs by reducing the amount of floor space required to rent. As a result, companies are trying to find better ways to cut down on the amount of time that their staff members spend at the office. We believe that this trend will grow in the future, and landlords may find fewer

tenants willing to rent larger spaces."

Reduced foot traffic in retail space

Technology is naturally also causing some major changes, starting with the retail space, says Hughes. "Online retail is growing exponentially in South Africa, and it is no secret that the regular retail sector is under strain as a result. Retail spaces are seeing reduced foot traffic and landlords with retail tenants will increasingly see a decline in the demand for new retail rentals. Similarly, technology is also driving reduced demand for commercial rental spaces in areas that were in high demand previously. Businesses are finding that there is less need for them to be located close to their client base, driving them towards properties that are more affordable and further removed from major centres."

However, these trends also present some opportunities for businesses in the property sector, he adds. "As we've pointed out now, the demand will continue to shift towards properties that are removed from the major centres, so there is an opportunity to capitalise on developing and acquiring properties in areas that had previously never been considered."

Flexible workspace

According to Mbunge, increasing traffic congestion coupled with the entry of millennial employees into corporate South Africa, have persuaded business towards innovative ways to maintain productivity and adopt innovative ways of remaining relevant. "Starting the day working from home and or coffee shops to miss the traffic influences the way in which business uses office space. More agile office solutions have been on the incline with a natural decreasing demand for large office blocks as the reduced costs for tenants has been more appealing."

She says that the impact this has on landlords and property developers has presented an opportunity for the creation of collaborative office spaces and an increase in boardroom rentals on flexible terms. "The market is ripe for innovative business models that reduce waste, increase efficiency and rethink the way that a changing business sector can utilise space."