

Green building: A golden opportunity for South African SMEs

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The demand for 'green', or environmentally sound buildings has been driven strongly by the global shift towards sustainable development as well as various push and pull factors. Unstable power supply and the opportunity to save on utilities are just two of the reasons businesses are planning to go green, however, the core issue of a high-cost outlay on these ventures remains.



Mark Paper

This is according to Mark Paper, chief operating officer: Business Partners International at Business Partners Ltd, who has played an instrumental role in the launch of a R720m green buildings financing programme for small and medium-sized enterprises (SMEs). The programme, which launched in early 2022 will provide funding for SMEs to either purchase, build or retrofit buildings to make them green.

Paper explains that the appetite for green buildings as business properties and as an investment for SMEs continues to be hampered mainly by the capital outlay required to achieve green building status. To this end, he highlights how the Business Partners Ltd green building financing programme addresses this need: "Our collaboration with the International Finance Corporation (IFC) to fund green buildings means we are offering one of the best products in the market. With our green buildings financing programme some of the elements of greening properties come at no cost to the business owner."

Paper expands that in addition to providing property finance of between 100 and 120 percent for green buildings, the cost of green certification is covered by a non-refundable grant of R150,000. Furthermore, Business Partners Ltd offers SMEs a rebate of up to 40% of the capital expenditure needed to green

their buildings and achieve green buildings certified status.

Commenting on the benefits to be reaped by 'building greener', Paper advises that "PWC reports that in 2021, South Africa experienced 1,136 hours of loadshedding, costing the country's economy up to 400,000 potential jobs and a 2,7% loss in real GDP growth. A large proportion of this loss was absorbed by SMEs, who, while playing a vital role in providing the South African economy with the impetus it needs to recover, do not usually have the resources to invest in alternative sources of electricity supply. Green buildings offer a solution that can assist the country with reaching its sustainability objectives while helping small businesses to mitigate the impact of load shedding."

Quantifying the benefits of green building, the International Trade Administration suggests that recently certified green developments are expected to save developers and occupants 76m kilowatt hours – the amount of electricity used by 5,300 households in a year. Furthermore, these developments are estimated to save 12m litres of water annually – enough to sustain 34,000 households for a year. These estimations not only represent a sizeable reduction in the sector's carbon footprint, but also equate to substantial savings for businesses.

According to the MSCI South African Green Annual Property Index, green certified buildings also attract and retain tenants far more effectively than their conventional counterparts. In an environment where the country's commercial property sector has experienced significant shrinkage due to the proliferation of remote working, green buildings provide a unique value proposition due to better tenant retention and lower operating costs.

As Paper asserts: “SMEs have the unique opportunity to become pioneers and increase their profitability by making the shift to green building practices. In addition, there is significant potential for job creation among these SMEs, and ultimately, the chance to make a positive impact on the country’s GDP.”

Most notably, Paper asserts that green buildings, although still expensive to build, are a very viable option through the Business Partners Ltd green buildings financing programme. He explains: “because of the rebates we offer, SMEs can reduce the payback period on the investment for greening their buildings by up to three years.”

“There has never been a better time for small businesses to take their place as instrumental drivers of the green economy,” Paper continues, “investing in green buildings that harness the power of renewable energy, more carbon-efficient waste management and water-saving technologies is an investment into the future, both literally and in an economic sense. There is every indication that investing in green construction will reap positive returns in the mid- to long-term.”

The Green Building Council of South Africa emphasises that green certified offices present a 31% higher capital value than conventional buildings. Furthermore, these green buildings contributed to a lower decline in net operation income and lower vacancies over the duration of the study. Green offices also produced returns that were 170 basis points higher than their non-certified counterparts. These figures present a strong business case for more sustainable building practices.

In recognition of the fact that the mammoth task that faces the industry cannot be solved by one or two financiers alone, Paper concludes by inviting other financiers to renew their focus on green financing: “We invite other financiers to follow suit and ramp up their efforts to support the country’s SME sector by giving them the tools they need to push the sustainability agenda forward in South Africa.”

About Business Partners Ltd.

Business Partners Limited (Business Partners Ltd) is a specialist risk finance company for formal small and medium owner-managed businesses in South Africa and selected African countries. The company actively supports entrepreneurial growth by providing financing from R500,000 to R50m, specialist sectoral knowledge, business premises, and added-value services for viable small and medium businesses. Since establishment in 1981, Business Partners Ltd has provided business finance worth over R21,5bn in over 72,000 transactions facilitating over 671,000 jobs.

Business Partners Ltd was named the 2019 Gold winner in the SME Bank of the Year – Africa category at the Global SME Finance Awards*. Visit www.businesspartners.co.za for more information.

*Business Partners Ltd has had remarkable results within the SME segment.

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