

Real Estate Law

ALERT

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CLIFFE DEKKER HOFMEYR

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IN THIS ISSUE

It pays to go green for real estate developers, investors and lenders

In recent years, the global conversation around sustainability has prompted a significant shift in the way we approach various aspects of life, including business and finance. In the realm of real estate, the adoption of green and sustainability-linked loans has emerged as a powerful tool for promoting environmentally conscious practices. In South Africa, real estate developers, investors, and lenders are increasingly recognising the benefits of embracing green financing to not only contribute to a healthier planet but also to enhance their bottom line.

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Green financing in the real estate sector

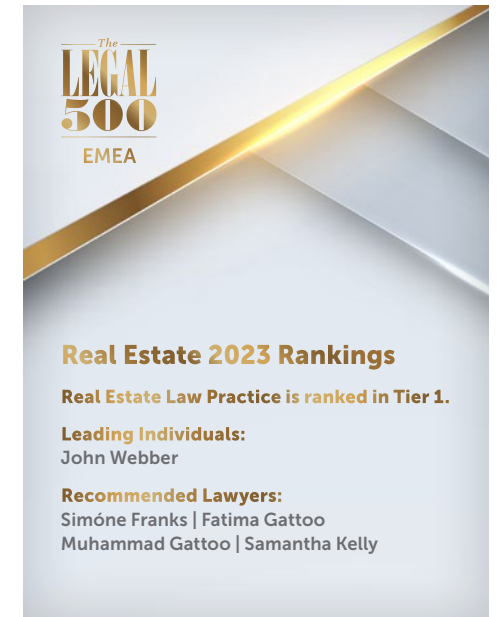
Green financing encompasses a variety of financial instruments aimed at supporting projects and initiatives that have positive environmental impacts. In the real estate sector, this often involves funding for projects that prioritise energy efficiency, renewable energy, and sustainable building practices. Two key types of green financing gaining traction are green loans and sustainability-linked loans.

Green loans are specifically earmarked for projects with environmental benefits, such as constructing energy-efficient buildings, installing renewable energy systems, or retrofitting existing structures to meet sustainability standards. On the other hand, sustainability-linked loans are more flexible, tying the interest rates to the borrower's achievement of predefined sustainability targets. Both types of financing offer real estate developers and investors an opportunity to align their projects with global sustainability goals.

Commercial incentives for real estate developers and investors

Beyond the obvious environmental benefits, real estate developers and investors in South Africa have compelling commercial incentives to embrace green financing. Retrofitting existing buildings to be more sustainable or investing in newly constructed green buildings is not just an altruistic endeavour but a strategic move that can positively impact the financial bottom line.

There is a growing body of evidence indicating that green buildings have a competitive edge in the market. Prospective purchasers and tenants are increasingly prioritising sustainability, and green buildings are perceived as more attractive and responsible choices. Such properties often command higher rental and sale values, creating a financial incentive for developers and investors to integrate green practices into their projects.



It pays to go green for real estate developers, investors and lenders

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Increased market demand

South Africa, like many other regions, is witnessing a surge in demand for sustainable and eco-friendly real estate. As awareness of environmental issues grows, consumers are becoming more discerning, seeking residences and commercial spaces that align with their values. Green buildings, with features like energy-efficient systems, water conservation measures and sustainable materials, resonate well with this conscientious market.

Real estate developers who invest in green initiatives not only meet this rising demand but also position themselves as leaders in the industry. Market studies indicate that properties with green certifications or sustainable features not only attract more potential buyers and tenants but also tend to spend less time on the market. In a competitive real

estate landscape, these advantages can be differentiating factors that contribute to the success of a development project.

Government support and regulatory environment

The South African Government has also been proactive in promoting sustainable practices in the real estate sector. Various policies and incentives encourage developers to prioritise green building standards. Incentives such as tax breaks, grants, and fast-tracking of approvals for green projects provide additional motivation for industry players to embrace environmentally friendly practices.

Conclusion

In conclusion, the integration of green financing into South Africa's real estate sector is a win-win proposition. Real estate developers, investors,

and lenders stand to benefit from contributing to a more sustainable future and from the tangible economic advantages associated with green buildings. As the demand for environmentally conscious real estate continues to rise, embracing green financing becomes not just a responsible choice but a strategic one for long-term success in the dynamic and evolving real estate market. By leveraging the power of green financing, South Africa's real estate sector can play a pivotal role in shaping a more sustainable and resilient built environment for future generations.

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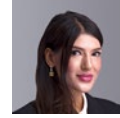
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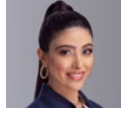
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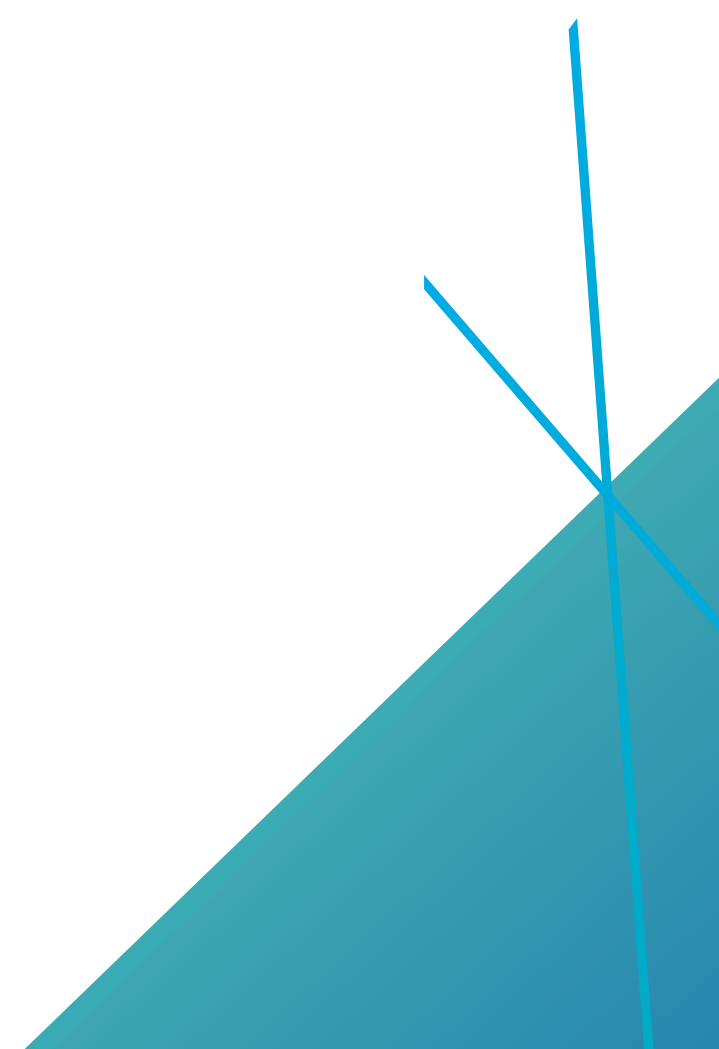
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BBBEE STATUS: LEVEL ONE CONTRIBUTOR

Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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