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Determination of the effect of green star certification office rental in Sandton, South Africa

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The results rendered by the research indicated that rental achieved by Green Star SA certified offices were indeed higher than the rental of offices which was not Green Star SA certified, therefore the research hypothesis was supported. The results indicated the overall average premium of 20.73% across all levels of Green Star SA whereas when observed according to different levels there was a significant increase in premium which was evident for 3 Star Green Star SA 3 and 4 Star Green Star SA.

For data analysis, the study used descriptive statistics to analyse the quantitative related variables like asking rentals. The research also used hedonic regression to control other attributes like location, office grading and size in office buildings that may influence the rental price.

Key Words: Green buildings, Rating systems, Green Star SA, Sustainable development, Climate change, Premium rental, Green House Gases, Green Building Councils, Asking rentals

ABSTRACT

The purpose of the study was to examine the financial benefits of green buildings, particularly the existence of the rental premium in the office market of Sandton, South Africa. The study aimed to investigate whether Green Star SA certified offices in Sandton commanded a higher rental than similar offices in the same environment that are not Green Star SA certified. Green Star SA is the green building rating system adopted by GBCSA in South Africa to certify the buildings that conforms to the global green building standards set by the WGBC.

A perception exists in the built environment that investment in green building is not growing at an acceptable pace to the perceptions by investors that such investments may not render anticipated financial benefits. There is no doubt that investors would not invest in properties provided the particular investment has a feasibility of rendering financial returns particularly, the rent premium.

In order to determine whether obtaining green building certification renders financial benefits in terms of rental premium, the study compared the asking rentals of offices graded P-Grade, AAA-Grade, A-Grade and B-Grade for both Green Star SA certified office space and office space that is not Green Star SA certified. The study further examines if there is a differentiation in premiums within the different levels of 3 Star Green Star SA certification namely, 3 Star Green Star SA; 4 Star Green Star SA; 5 Star Green Star SA and 6 Star Green Star SA.

This empirical research was conducted in two folds by conducting a systematic literature review focusing on relevant past empirical studies on different aspects for the implementation green building practices. Literature reviewed comprised of academic journal papers, Real Estate industry reports, publications like eProp online publication and working papers. The study also analysed the records of relevant stakeholders in the Real Estate industry including websites of different commercial Property Brokers for asking rentals and GBCSA website for Green Star SA certification information.