

# Green housing sees rapid growth and progress, say DFGHA conference speakers

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The development and financing of the green housing agenda continue to accelerate as the world grapples with the effects of global warming, said speakers at the Developing and Financing Green Housing in Asia (DFGHA) conference on Sept 21.

Organised by Cagamas Bhd, the conference brought together participants in the public and private sectors — including investors, financial regulators, policymakers, corporate representatives and developers — from all over Asia to exchange views and discuss initiatives and priorities in blazing a trail in the green housing agenda this year.

Climate Bonds Initiative CEO Sean Kidney shared some key insights during his session titled, “Green Housing in Asia”.

“If we address climate change in the form of green bonds, people will invest ... We’re seeing a surge in our currencies and preferential pricing. We are now seeing many G7 countries rolling out incentives, specifically in the form of green bonds, which overall reduce the capital cost,” he said.

Kidney added that the concept of green bonds would appeal to investors who will benefit from their capital appreciation, while issuers will gain new investors, resulting in market signalling and “greenium” or green premium.

He also tackled a few key questions, such as the standard approach to defining green housing, the global or Asia’s experience in developing green housing and its relevance for Asia, and how the government can develop green housing regulations and promote green housing.

“So far, [globally] we’ve only got about 30% of buildings that are green buildings; we should have more, at least half the market. The benefits include investors getting value retention and risk reduction, and issuers getting greater access to capital and lower pricing.”

Kidney provided an example of the Bancolombia incentives for green mortgages. “For example, with Bancolombia and the financing through a green bond, it is over-subscribed by 2.8%. The offer for developers is a variable loan for green construction from 0.5% to 2% less than conventional market rates.

“Meanwhile, the offer for homebuyers is a discounted rate of 65 basis points for the first seven years of the loan. With technical assistance, there is also education for property developers and internal technical experts. As a result of this, 15,000 homes have been certified, with a total of US\$400 million (RM1.8 billion) and expanding.”

In terms of certifying entities with transition plans, Kidney opined: “When it comes down to looking at transition plans, there are two measures that are coming into being now: real estate trusts that have a property portfolio that would fit the [zero carbon] target would be qualified as ‘green entities’; [and] a company or an organisation that is planning, compliant and investing in improvements in buildings or growing new portfolios within a certain ambitious time frame of five to seven years can be called a ‘transition company’.

“Globally, in the green bond space, we are talking about a US\$2 trillion market. The spin-offs are social bonds and sustainable bonds and so on that would amount



The Developing and Financing Green Housing in Asia conference held on Sept 21 was organised by Cagamas



(From left) Karthik, Wong and Ashwin addressing the challenges in green housing during a panel session

to US\$3 trillion in total. On top of that, we now have a variety of sustainable finance that amount to another US\$2 trillion. [In hindsight], we are doing quite well here.”

Moving forward, Kidney said there must be clarity in the green bond space. “We haven’t established effective labelling schemes, albeit the Malaysian Green Building Council is doing an excellent job in this area. Government authorities need to support that and look for ways to insert the idea [by] labelling and [incorporating] it into a form of transaction,” he said.

Other efforts in green bonds could include risk mitigation, blended finance, regulatory drivers, and for property developers to imagine and create more urban developments, remarked Kidney.

## Challenges and opportunities in green housing

During the next panel session titled, “Developing Green Housing: Challenges & Op-

portunities”, some of the obstacles to green housing were highlighted by the speakers, comprising Eco World Development Group Bhd divisional general manager Wong Sheue Yann, GreenRE executive director Ashwin Thuraiarajah and National Housing Authority (NHA) Thailand assistant governor Sukumaporn Jongpukdee, who joined virtually. The panel session was moderated by Asean Catalytic Green Finance Facility senior capital market expert Karthik Iyer.

EcoWorld’s Wong said, “When we started the company, we wanted to make a difference. We’ve had some of the best practices in terms of sustainability and eco-living. We were gearing for more certifications, but the market was not ready for it — consumers wanted the product but they were not willing to pay for the cost.

“We came to a fairly pragmatic decision on how we could marry our passion and sustainability, [and] with a very practical need to be profitable to fulfil our respon-

sibility to our stakeholders. A home is not a fast-moving consumer good; it needs to last for many generations to come. That led to our signature DNA, which comes with a lot of waterways, greeneries, landscaping and so on,” said Wong.

“We have also benchmarked ourselves against a standard set by the industry; our target is to achieve a minimum certified rating for all of our projects, which 90% of our projects have attained so far.”

GreenRE’s Ashwin shared: “At our end, we promote and drive sustainability in the development and construction sectors, and we do this in three main ways — primarily through certifications in which we have developed a tropical-centric metric system to evaluate the performance of green buildings and townships.

“Secondly, we collaborate extensively with other associations and NGOs (non-governmental organisations) to drive the subject of sustainability and garner feedback on policy proposals to put forward to the relevant ministries.

“Thirdly, we are not a profit-driven entity. Having been owned by Rehda (Real Estate and Housing Developers’ Association Malaysia), which is an NGO, we aim to reinvest a lot of our proceeds into research and development, into new developments and strategies to drive buildings and townships.

“To date, we have several research grants with universities and we aim to increase the amount we put forward to academia. Our vision is to be the leading green building certification [body] in Malaysia,” said Ashwin.

“We have a long way to go. As it stands, about 10% of the buildings in Malaysia are certified. If we look at it on a GFA (gross floor area) basis, there are more than one billion sq m in GFA in the property sector (excluding industrial) and less than 10 million sq m of that are certified.”

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# Stakeholders to work together to unlock green home value chain

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The value chain of green homes can only be unlocked when the industry stakeholders work hand in hand, RAM Sustainability Sdn Bhd head of sustainability services Gladys Chua highlighted during the panel session titled, "Innovation in Green Home Financing" at the Developing and Financing Green Housing in Asia Conference organised by Cagamas Bhd on Sept 21.

The panel session was moderated by Cagamas strategy and business senior vice-president Leong See Meng.

"Malaysia is still at a point where green home supply is limited due to the cost of building. There is a challenge to make it affordable because green building features and the obtaining of international green building certifications will increase the cost of building.

"However, we have seen some innovative green home financing products in the global market, such as green bonds, which are designed for green energy systems and building. This is something that we can consider [adopting] to get a cheaper source of funds or reduce the risk of investment. The value chain of green homes may take time to unlock, but I believe it is critical to have all the parties — banks, customers and technology providers — working together to make this happen," Chua said.

Another panellist, Maybank chief sustainability officer Shahril Azuar Jimin said, "The guidelines and benchmarks [of



(From left) Leong, Monu, Liu, Chua and Shahril

sustainable and green finance] sometimes confuse the customers as different banks have different standards. Maybank has announced our sustainable business framework, which is benchmarked against international standards. Whatever we do or when we launch a product, we make sure it fulfils our green and sustainable criteria."

He added that setting up the right foundation is paramount when a corporate entity is committed to go green and be sustainable. It is also important for it to be transparent in its practises to ensure that its vision is clear throughout the corporation.

Meanwhile, Indian financial service company IIFL Home Finance Ltd executive director and CEO Monu Ratra shared that

building up the ecosystem is key in green home financing. "Taking India as an example, the local developers have low awareness of green building design. The green home financing will not happen without the support of developers. As a financial service company, we do what we can, such as conduct green building design workshops across the country. The green building target may still be novel now but we have to start somewhere."

The last panellist was Google Cloud director of financial services James Liu, who touched on how technology helps everyone to be more sustainable. "We look at climate change in two aspects — how Google is green and sustainable, and how Google helps everyone to be green and sustainable."

Citing one of the many green projects by Google — Project Sunroof — Liu shared that it is a platform where residents in the US can key in a local address to see how many solar panels they can install on the rooftop, the cost of installation and how much they can save on the cost of energy by doing so.

"Project Sunroof is one of many projects that we kicked off to help everyone be more green and sustainable. On the larger scale, we believe in going [in the direction of] public-private partnerships. For example, last month, the Monetary Authority of Singapore and Google Cloud jointly launched the Point Carbon Zero Program to drive innovation, incubation and scaling of climate fintech solutions in Asia."

## Bridging gap between developers, investors and dwellers

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During the panel session, NHA's Sukumaporn shared a few case analysis in developing homes and green accreditation. "We are a state-owned enterprise in Thailand with a mandate to develop affordable housing, especially for low-income households in the country, with over 49 years of experience and having carried out 746,616 units of development works.

"NHA has incorporated the Bio-Circular-Green (BCG) economic model into the NHA Strategic Plan 2017 to 2027. The model will help create economic wealth, social welfare and security, a more sustainable environment and contribute to the UN's Sustainable Development Goals," she said.

"We also have the NHA Smart Home Concept, where we target the low to

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**Kidney: So far, [globally] we've only got about 30% of buildings that are green buildings; we should have more**

Moderator Karthik asked the panel, "How do we get to a point where green becomes the default for housing?", adding that there is a big challenge when it comes to bridging the gap between developers, investors and dwellers.

EcoWorld's Wong addressed the challenge in achieving the green certification criteria, which would make costs prohibitive. "Hence, we go broad [and wide] when it comes to the messaging. It is about creating something the consumers can see, such as in the form of landscaping, good trees and passive design concepts. For example, at our garden homes, there are windows in every room, higher ceilings — consumers are willing to pay for this type of thing.

"When you focus on those [elements] and it spurs demand, [inevitably] the cost would come down."

Ashwin said, "What we should embrace is the fact that affordability and sustainability are not competing factors. If the design is done right, it can work both ways and be a win-win situation. The way we go about it is through certification, but it shouldn't be the end goal [although] it gives design teams a focus towards a tangible, attainable goal. We rate across six pillars: innovations, energy efficiency, water efficiency, environmental protection, indoor environment quality and carbon emissions calculation.

"We have also released a green homeowners' guide to allow people to look at the best practices and provide some benchmarks; for example, for electricity usage, it should not be more than 112kWh or RM30 per month for those who occupy apartments," he said, adding that in the long run, opportunities lie in the form of "tangible rewards such as better air quality, improved well-being and optimum resource usage".

low-middle income groups and also the middle-income groups and we incorporate smart environments, smart design, smart technology, which involves Building Information Modelling (BIM), pre-fabrication and good material quality, smart living and smart cooperation. An example would be the Ban Kheha Sukpracha affordable rental housing project, which is walking-friendly, a safe and secure environment, has activities and green spaces and reduces residents expenses."

The speakers highlighted the challenges along with opportunities that may arise.

Sukumaporn said, "Challenges include the financial pressures; cost-benefit considerations, which make investments in eco-friendly affordable housing seem unfeasible; and technical limitation such as improvement in technical skills in green building.

"Some solutions would be to develop affordable housing technology using research and development, to promote research and development in green residential developments, to adopt appropriate strategies for new housing developments, and to strengthen technical capacity and know-how of the green building technology and project construction management," she said.

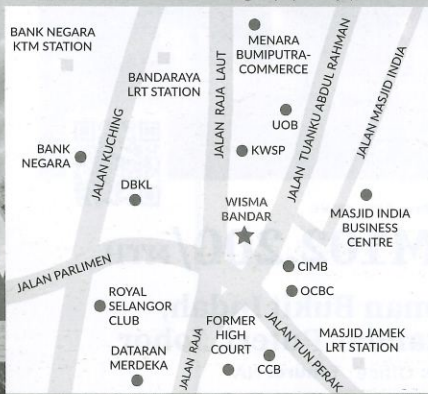
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