

Trends set to impact the real estate sector in 2023

 By [Joanne Solomon](#)

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Joanne Solomon, CEO of the SA Reit Association, shares top trends set to impact the real estate sector during the year ahead.

Measuring real (estate) impact

The global focus on corporate accountability will only gain more prominence in 2023 as we increasingly hold businesses responsible for the impact of their actions on society and the environment.



Joanne Solomon, chief executive officer of the SA Reit Association

The good news is that there is a growing wave of businesses, and even entire economic sectors, holding themselves to higher ethical standards for their environmental, social and governance (ESG) impacts.

Take the real estate sector, which has historically and globally lacked focus on sustainability considerations. It is estimated that real estate now contributes almost 40% of the world's carbon emissions.

But the tide is turning.

Successful property investment relies on local prosperity

Driving this is the very nature of commercial real estate itself. This long-term asset class invests predominantly in malls, office buildings, factories and distribution warehouses. These properties cannot be moved elsewhere. They are inextricably linked to their surroundings.

For investment properties to perform, they must be in thriving communities and environments. This has led to real estate becoming one of the most active, engaged and enthusiastic sectors striving to meet the needs of the present without compromising future requirements and ensuring the country's sustainable future.

Developing human capital and saving non-renewable resources

As a significant employer, the property industry is reaping the advantages of skills and talent emerging from its investment in education, bursary, graduate and entrepreneur development programmes. SA's real estate companies already see the financial benefits of renewable energy integrated with capital allocation decision-making.

Local property companies are managing their water risks as water security grows increasingly tenuous and promoting safety, inclusion and well-being, which are becoming a top priority for their tenants.



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Delivering better outcomes

The real challenge lies in ensuring that these well-intended actions lead to genuinely needed, measurable, comparable impacts.

Why is this important? When we work for, partner with, buy from and invest in companies with more significant positive impacts, we make our world a better place.

So, how can our property industry have the most significant impacts, consistently measure and compare them, and ensure they are aligned with real value?

Empowering sustainable decisions

Global sustainability disclosure frameworks are a starting point, but several address different sustainability elements. The result is inconsistent reporting and methodologies for sustainability disclosure and clumsy attempts at ticking global boxes that don't always fit. For instance, an international decarbonisation disclosure framework won't reflect that many major local municipalities don't currently allow energy wheeling to take place or can take years to issue water-use licenses. Load shedding and our vast social needs also set us apart.

So, while critical global goals can only be achieved if we all work together, each country and economic sector has different sustainability risks and the capacity for different impacts.



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Enhancing sustainability reporting

2022 saw two standout advancements in sustainability reporting. Internationally, the draft IFRS ISSB Standard became the global banner under which many disparate disclosure frameworks are starting to converge. Locally, the JSE Sustainability Disclosure Guidance referenced the global frameworks and standards in a single localised sustainability disclosure framework. Both help link global sustainability imperatives that transcend geographies and industries.

2023 will bring another welcome advancement. Industry leaders in sustainability reporting are compiling a guideline specifically for SA's Reit (real estate investment trust) sector and its property peers - listed and unlisted, big and small.

Introducing hyper-relevant impact measurement

The SA Reit ESG framework guidance won't duplicate other efforts but rather help local property businesses (and their stakeholders) navigate these frameworks. It will consider the big picture, the local operating environment and the real estate context. It aims to present a complete picture of property companies' sustainability performance, establish an ESG performance baseline and track changes to enable you to make informed decisions about which businesses you support and invest in.

Importantly, it will help hold property companies accountable for their sustainability commitments.

ABOUT JOANNE SOLOMON

Joanne Solomon is the chief executive officer of the SA Reit Association. She holds a B Economics and is a seasoned marketer with 24 years of experience, including working in one of the largest financial institutions in South Africa. Solomon currently serves on the boards of the Green Building Council and the Property Sector Charter Council.

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