



Green Building

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BUSINESS

When the Real Estate and Housing Developers Association (REHDA) launched its green building rating tool GreenRE (Green Real Estate) on March 22, it caused quite a stir in the industry, partly because the move was unexpected and also because details on the tool's mechanics and implementation are still scant. Moreover, Malaysia already has the Green Building Index (GBI), established in 2009 by Pertubuhan Arkitek Malaysia (PAM) and Association of Consulting Engineers Malaysia (ACEM). Is the introduction of another rating system a sign that the demand for green buildings is accelerating?

Malaysian Green Building Confederation (MGBC) president Looi Hip Peu believes that "the move by other industry players to draft other green rating tools shows that the market for green buildings is burgeoning!"

Demand in Malaysia has definitely increased in recent years and no longer merely driven by a moral obligation towards the environment and future generations, adds Dr Stellios Plainiotis, an industry veteran and managing director of Neapoli Sdn Bhd, a reputable environmental design & engineering consultancy for the built environment. "A recent report by Responsible Research Pte Ltd proved that certified green buildings in Asia achieved 16% higher sale price and 6% higher effective rental yield. A study published in 2012 by the Malaysian National Property Information Centre, Finance Ministry, reported that Malaysian green office

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expects that figure to grow to 64.6 million sq ft by October 2013.

ABOUT

Acceleration of the international green building industry created markets for green technologies, which in turn reduced the premiums to achieve green building certification. “To achieve a moderate level of sustainable design equivalent to a GBI Silver rating in Malaysia may only require an average 1%-2% premium while higher levels of sustainability are usually linked to 5%-10% additional construction cost.”

He regards GBI as a wonderful tool and opines that having a local rival can only improve it. “When I first came to Malaysia as a Green Building Consultant in 2008, there were no local tools. Developers had a choice between the US-developed LEED (Leadership in Energy and Environmental Design) and Singapore’s Green Mark. Introduction of the GBI in 2009 brought freshness to the market and created awareness. We expect similar results with GreenRE. Competition between the two tools will offer more options...and probably lower registration fees.”

Indeed, one of GreenRE’s key selling points emphasised during its launch is its affordable certification costs to encourage more industry players to go for green-rated developments.

REHDA did not answer to queries from Business Circle on why the need for GreenRE on top of GBI and whether it sees the current incentives to boost the adoption of green buildings in Malaysia as adequate.

It had earlier touted GreenRE as having the “added capability of carbon measurement which no other tool has currently” but we understand that GBI has already been providing monthly reports of carbon reduction of certified green buildings to the Government.

It is ironic that while REHDA claims that GreenRE was developed by the industry involving all stakeholders, key players, including associations such as PAM, ACEM and MGBC, were reportedly as saying they are in the dark over the new tool. Some expressed concern having another green building rating tool in a relatively small market like Malaysia could create confusion among stakeholders and the public, and could even compromise the overall national green agenda.

Currently, the most important incentive to promote green building is the tax allowance introduced in the 2010 Budget which allows owners of buildings awarded with the GBI certificate from 24 Oct 2009 to 31 Dec 2014 to apply for tax exemption equivalent to 100% of the additional capital expenditure to obtain it.

Plainiotis notes that the incentive has made little impact and when it did, it only created basic GBI certifications. He attributed that to several reasons, among which are: “it is unclear whether the incentive will be extended beyond 2015; developers can only apply after the final GBI certification has been awarded, which is typically more than a year after project completion; doesn’t cover all incremental costs such as GBI registration and green building specialists fees.” He believes that the tax allowance should be enhanced (eg double) for Platinum-rated GBI buildings, in order to promote the development of world-class green buildings. Given the importance of cashflow timing in the construction industry, the applicant should also be able to claim the tax allowance progressively, concurrent to the green building cost.

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