

REITs embark on green path

- **KIP REIT** has been able to save about 15-20% of power consumption a month
- **Hektar REIT** saw a 34% average reduction in Subang Parade's electricity usage



by
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It can be challenging for a real estate investment trust (REIT) to continue growing its income given the tough property market.

For several Malaysian REITs, one of the ways to maintain or improve their performance is to reduce costs by going "green".

KIP Real Estate Investment Trust (KIP REIT), Malaysia's first hybrid community-centric retail REIT, has acted upon its green initiatives rather quickly.

Managing director Datuk Chew Lak Seong tells *FocusM* that going green had been in the company's books for some time, but rapidly took off after it went public in February 2017.

"We had this idea about it, we had been talking about all these energy efficiency plans, of cost savings by reducing energy consumption, and all that; and solar (energy) was one of the main

things," Chew says.

"Before that, we had already installed solar photovoltaic (PV) systems at our Masai mall. But the capacity was quite small then, yet we tested it out. It was running quite well, that's why we planned to have it for every asset that we manage," he says.

Savings target

KIP REIT is targeting to save RM1.2 mil in operating costs annually by going down the green and sustainable path for all its properties.

The REIT owns six investment properties in Johor, Negeri Sembilan, Melaka and Selangor amounting to RM623 mil in total asset value as of Dec 31, 2018.

Starting with the installation of the solar PV system for KIP Mall Masai with 428kWp in 2015, the company subsequently decided to do the same for the rest of its properties. They are all single-storey retail centres except for KIP Mall Bangi, which is a five-storey building.

"We have six assets now, and all of them are already (fixed) with the solar system," Chew says.

KIP REIT's retail property portfolio spans a net lettable area of over 947,000 sq ft on a total of 18.6ha. Some of the land is used for open space parking as well as for future development. Still, it has vast rooftop surfaces that are highly suited for fixing solar panels.

KIP REIT signed a 25-year green initiative with a renewable energy solutions provider, Pekat Solar Sdn Bhd, last April to install solar PV systems on



Solar PV system on KIP Mall Senawang. All KIP REIT's assets in the country had been fitted with a 2.73MWp solar PV system by last April

the REIT's assets.

The total investment was RM9.56 mil for putting KIP REIT on the path to reducing its carbon footprint as well as to save electricity costs in the long run.

By April 3, 2019, the installation of a 2.73MWp (2,730kWp) solar PV system had been completed on all KIP REIT's assets.

Overall, the new system will generate about 93.9GWh of electricity over 25 years, which saves almost 12,000 tonnes of coal from being combusted on top of allowing the company to save as much

as RM34.2 mil in electricity cost.

"All this helps us to alleviate the rising (operational) costs. The electricity bill, depending on the size of the mall, hovered between RM50,000 and RM240,000 per mall per month.

"And the costs kept going up. After the installation, we have been able to save an average of around 15-20% of monthly electricity. That is quite substantial for us, too," Chew elaborates.

In addition to installing the solar PV system, KIP REIT has also lowered the ceiling at the

malls to reduce air-conditioning usage by containing cold air inside; replaced chillers and genset (an equipment that converts the so-called heat capacity into electrical energy) that are not functioning optimally; and continually carried out asset enhancement initiatives (AEI) to ensure tip-top maintenance at its properties.

These initiatives have helped minimise electricity consumption and eliminate wastage.

"We are looking to follow through with these initiatives for all our new malls, as well as those we aim to acquire in future," Chew says.

KIP REIT's shopping malls are mainly occupied by Giant hypermarket, Mr DIY, TF-Value Mart, and home décor, gift, souvenir and stationery shops.

Hektar REIT's energy-efficient initiatives

Hektar REIT, the pioneer shopping centre manager in the country, has also been actively implementing policies on waste reduction via its recycling initiatives. Continuous efforts are made to improve operational efficiencies within its portfolio. This includes the expansion of energy and water efficiency strategies and upgrading of ageing equipment via consistent AEI.

Currently owning two million sq ft of retail space in Selangor, Melaka, Johor and Kedah valued at RM1.2 bil as of Dec 31, 2018, Hektar REIT's portfolio of shopping malls include Subang Parade in Subang Jaya; Mahkota Parade, Melaka; Wetex Parade in Muar; Central Square in Sungai Petani; Kulim Central in Kulim; and Segamat Central in Johor.

Hektar REIT CEO and execu-



Subang Parade has implemented electronic parking transaction using Touch 'n' Go and Visa Pay Wave in its effort to reduce ticket printing



We want to follow through with these initiatives for all our upcoming malls, says Chew



Hektar REIT is on track to achieving at least a 10% reduction in energy consumption by the end of 2022, says Hisham

ive director Datuk Hisham Othman says: "Electricity consumption is a big component of our monthly costs and for a REIT, it is accounted for as a direct cost that affects our net property income directly."

He says after months of planning, Hektar has embarked on an energy efficiency (EE) initiative by retrofitting the air-conditioning and mechanical ventilation (ACMV) system at its flagship mall, Subang Parade.

This involved the replacement of the less efficient chillers, pumps and cooling towers as well as installation of the automated/dynamic Building Management System in 2017.

Through these initiatives, Hektar saw a 34% average reduction in Subang Parade's electricity consumption which also translated to a 34% reduction in carbon emission from 10.6 million kg of CO₂ in 2016 to seven million in 2018.

This translates into savings of up to 36% in the mall's average monthly electricity bill last year, Hisham adds.

Total energy savings for Hektar REIT's portfolio reached RM2.6 mil last year.

"It was a remarkable achievement for us. That's the reason why we decided to do it ... because our business' biggest impact to the environment is energy consumption and generally, more than 65% of our malls' energy consumption is contributed by the ACMV," he explains.

Among other measures, the REIT has reviewed and re-adjusted the loading of all chillers

and controlled the temperature, reset all major equipment operation time which include the exhaust system, smoke spill, pumps, lifts and escalators; on top of being more strict on the servicing of the air handling unit (AHU) and the fan coil unit (FCU) systems.

Hisham says: "We have carried out the application for OPTR (off-peak tariff rider) for all our shopping centres and reduced maximum demand which also meant coordinating with tenants' equipment operation time.

"Our team is currently considering solar panels, heat reflection sheets, tinting windows, heat-repellent roofing and air management system (permeability and tightness)."

He adds that Hektar has also been investing in the progressive deployment of LED lightings at its malls over the years.

"In addition, we have also carried out the optimisation of water usage which resulted in a reduction of almost 50,000 m³ in water consumption in 2018.

"We were made to understand that water consumption and downcycling wastewater is one of the most often missed opportunities in reducing environmental impact. Our team is also studying rainwater harvesting system, its cost and its viability in our centres," he adds.

Subang Parade, for one, has also implemented electronic parking transaction using Touch 'n' Go and Visa Pay Wave in its effort to reduce ticket printing.

"We want to apply this (electronic parking transaction) in all



Hektar has also been switching to LED lightings at its malls

our shopping centres," Hisham says.

He also reveals the REIT's intention to work on other initiatives like taking advantage of day lighting as much as possible, dimming lights when there is sufficient daylight, monitoring energy-intensive electric lighting systems and controlled lighting system to introduce less waste heat into the space, which in turn decreases the space cooling loads.

Its efforts did not go unnoticed. Hektar REIT recently bagged the bronze for "Best Environmental Excellence Award" at the 11th Annual Global CSR Summit & Award for companies with market capitalisation of less than US\$1 bil in the global awards category.

"We pay attention to sustainability. We have called in the experts to look at all our malls to see which ones are suitable for say, the installation of solar panels now.

"Not every building lends itself well to this kind of project, that's why the experts would have to come in and assess from the engineering and technical points of view about whether our buildings are suitable or otherwise.

"But certainly, like I have said, we pay attention to our sustainability efforts as well as the

energy-saving part," Hisham says.

"As intended when we first embarked on the energy efficiency programme, Hektar is on the right track in achieving its minimum 10% reduction in energy consumption across our (property) investment portfolio by the end of 2022," says Hisham.

"It's not just about helping the

environment of the world we live in, but it's also good from the financial point of view, especially when we talk about energy-saving.

"And most importantly, it makes sense from the shareholder's perspective so we would like to do whatever possible to accomplish these initiatives," he concludes. **FocusM**

Growing interest in solar REITs

AS Malaysia embarks on its sustainability agenda amidst flourishing green industries, it is seeing more investments flowing in this direction.

If you haven't heard of "solar REIT", suffice to say it has been around for a number of years, especially in the US.

The renewable energy industry is showing growing interest in REITs (real estate investment trust) as a potential source of capital.

Hektar REIT and KIP REIT are among REITs which have embarked on energy efficiency (EE) initiatives, placing the solar photovoltaic (PV) system as their primary consideration to be retrofitted onto their properties to benefit from operational efficiency.

Currently, Malaysian investors seem to invest in only solar panel manufacturers in the renewable energy sphere.

KIP REIT came across the idea of maximising the yield of its property assets by installing solar PV on them by chance. "We happen to have a big platform like these with wide roof spaces to put in the solar cells," says its managing director Datuk Chew Lak Seong.

"Before that, there were those suppliers who came to

talk to us seeking to rent our roof spaces because they wanted to put in their solar cells. Eventually, we thought we might as well do it ourselves instead of renting out so much space to (other) people," he says.

According to Chew, the solar PV systems were exorbitant in price many years ago, so much so that he didn't think it was economical for these systems to be adopted, back then.

"But prices have gone down substantially, and they keep coming down," he notes.

Chew opines that with easier approval process, easier application, and more friendly policies for solar PV investors, this trend of solar application for companies like KIP REIT will continue to climb.

"I believe the ministry through SEDA (Sustainable Energy Development Authority) will be coming up with more incentives to encourage us to install (solar cells)," he adds.

SEDA is a statutory body under the Ministry of Energy, Science, Technology, Environment and Climate Change. SEDA's key role is to administer and manage the implementation of the feed-in tariff mechanism which is mandated under the Renewable Energy Act of 2011.



Hektar has embarked on an energy efficiency initiative by retrofitting the air-conditioning and mechanical ventilation system at Subang Parade