

SOUTH AFRICAN STUDENT HOUSING

A PROVEN ESG BENEFIT

INVESTEES

South Point

SECTOR

Private Equity

INVESTMENT MANAGER

Lereko Metier Capital Growth
Fund (LMCGF)

FMO is the Dutch development bank. As an investment partner, we bring more to the table than equity alone. FMO works with funds and investees to achieve better environmental, social and governance (ESG) standards and make solid ESG conditions part of their business models. In this way, we move ESG into the heart of investment processes. We firmly believe that managing ESG factors means more than managing risks; it adds value to investments, which eventually leads to financial benefits.

Through extensive experience with a diverse range of funds and investees, we have developed a thorough understanding of how ESG factors positively influence a company's operations. The case of South Point presents how strategic ESG interventions helped a student housing provider to reduce its utility costs, while contributing to urban development.

SOUTH POINT:

STRATEGIC ESG INTERVENTIONS FOR FIRST GENERATION STUDENT HOUSING

South Point is the biggest corporate provider of student accommodation for higher education students in South Africa. Operating in the five biggest cities of South Africa, it hosts first generation university students often coming from low-income households. Lereko Metier Capital Growth Fund (LMCGF) is the private equity fund of which South Point was a portfolio company. LMCGF promoted ESG improvements for South Point to enhance sustainability, as well as financial results. Supported by FMO, LMCGF made ESG implementation a core requirement and has helped identifying cost saving and value creation opportunities for South Point.



SOUTH AFRICA, LITTLE ROOM FOR PRIVATE STUDENT HOUSING

Since student financial support programs and policies supporting universal access to education have improved, the number of student campuses and housing in South Africa has not been able to keep up with the increasing amount of student enrollments.

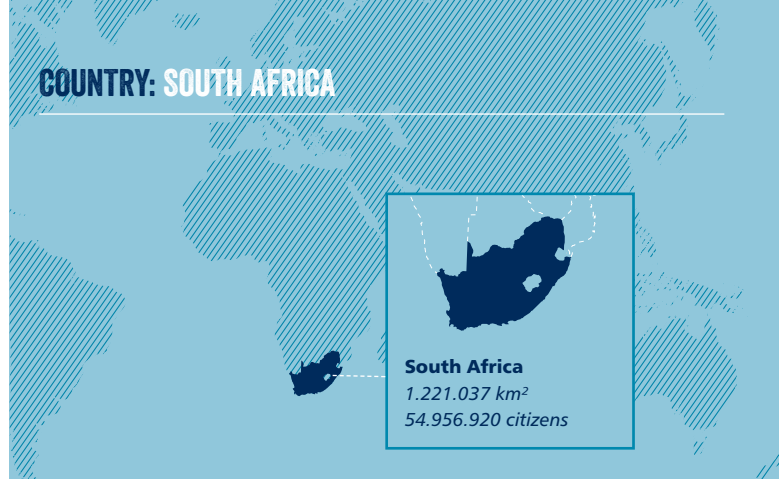
LOWERING THE COSTS OF ELECTRICITY AND HEAT PUMPS

With an increase of 300% in electricity rates from 2007 to 2015 while inflation only increased 45.1%, rising electricity costs became a serious threat to South Point. With the help of LMC GF, the company's board identified the large proportion of electricity costs to total costs. It was decided to hire a consultant to analyze opportunities for electricity efficiency improvement, after which an upgrading exercise was launched to introduce LED-lights and install heat pumps to reduce the levels of energy consumption used for water heating. Analyses by the consultant resulted in the finding that heat pumps would lead to the biggest cost savings and value creation, with a payback period of 2 to 3 years. A heat pump pilot project in one of the property buildings indicated that the electricity consumption in kwh per student could be reduced by approximately 500 Kwh per student per year, resulting in yearly cost savings in electricity costs of approximately 1000 Rand per student.

WORKING TOGETHER FOR URBAN DEVELOPMENT

By giving renewed destination to shops and business districts in the city centres in which it operates, South Point has contributed to urban development. Local communities, resident associations and municipalities, for instance, have been involved in the revitalization process of the properties, while the company also worked with universities on their marketing campaigns for student enrolment. The role of stakeholders has been extremely important for the development of South Point as the company aims to provide best-in-class services to South Africa's future generation.

COUNTRY: SOUTH AFRICA



COMPANY

INVESTEES

South Point

FMO INVESTMENT

SECTOR

Private Equity
Student Accommodation

IMPACT AND PERFORMANCE



Cost savings:
expected cost savings
up to 8 million Rand

Expected increased equity value
up to 80 million Rand



Reduced electricity consumption:
25% (214 MWh/yr)*



Greenhouse gas emission reduction:
25% (198,000 tons CO₂eq/yr)*



Implementation of heat pumps



Supporting urban development

FMO is the Dutch development bank. FMO has invested in the private sector in developing countries and emerging markets for more than 46 years. Our mission is to empower entrepreneurs to build a better world. We invest in sectors where we believe our contribution can have the highest long-term impact: financial institutions, energy and agribusiness. Alongside partners, we invest in the infrastructure, manufacturing and services sectors. With an investment portfolio of €9.2 billion spanning over 85 countries, FMO is one of the larger bilateral private sector development banks globally. www.fmo.nl

* Corrected for the 5% occupancy increase