

There are long-term risk implications for low energy performance properties and the lending industry is beginning to recognise this:

Leading lenders are starting to collect data

Buildings with poor Energy Efficiency (EE) may suffer from enhanced value depreciation, especially as government regulations are tightened

Lenders may consider adjusting their risk assessment to recognise the risk of value depreciation among energy inefficient stock and increased regulation regarding energy performance.

Retrofitting for better energy performance does not provide a guarantee for increased value

There are many ways of energy retrofitting, some enhance potential cash flow and/or market value but others detract.

Certain building types within the residential sector located in low value areas may particularly be at risk of becoming 'stranded assets'

A programme of planned improvements and maintenance best ensures assets do not become stranded or down-valued as expected standards of EE rise. However, this can be hard to justify when capital enhancement is not likely to follow.



STATISTICS

Statistics indicate that over time, value differential will begin to develop. Brown discounts are more prevalent than green premiums.



TENANTS

Tenants of energy efficient dwellings may enjoy health and well-being benefits in addition to reduced bills; they are less likely to leave or to default.



REGULATION

EU member governments are increasingly tightening regulations, ranging from minimum EE standards to soft policy incentives.



LENDERS

Leading lenders are beginning to consider energy factors as part of their decision-making processes.



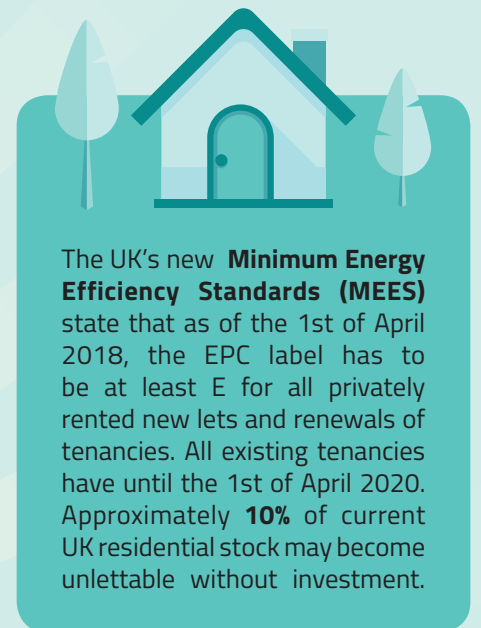
SOCIAL GOALS

EE stock may enhance the health and wellbeing of tenants and help deliver social objectives.



RISK

Leading financiers and valuers believe that energy inefficient stock may be more at value risk than energy efficient stock.



RECOMMENDATIONS FOR LENDERS:

Lenders are advised to instruct their valuers to consider EE measures in their due diligence and reporting processes when appropriate and comment on any value implications.

Lenders should be aware that leading financiers are developing innovative financial products in respect of supporting energy retrofits.

Lenders are recommended to consider the credit risk of value depreciation of energy inefficient stock and increased regulation regarding energy performance.

About REVALUE

REVALUE is a three-year project that aims to develop international guidance for property appraisers, incorporating the collection and easy analysis of relevant energy efficiency evidence. This will help valuers to reflect the value of energy efficiency in their valuations of social and private housing stock.

To know more about how sustainability can impact value go to:

www.revalue-project.eu