

Regulators and professional bodies recognise the importance of Energy Efficiency (EE) in building stock; they are encouraging valuers to work with their clients to collect more comprehensive building data

EU's policy ambitions:

90%

cut in emissions from houses by **2050***

*compared to levels in 1990

The trend in Europe is towards more stringent energy performance requirements for both new and existing building stock.

Poor performing buildings could be uneconomical to upgrade and they could become 'stranded assets' in the long run

Institutional housing providers are becoming more cashflow-driven and require investment value (worth) calculations (over time this might affect discount rate).

The EU estimates only

10%

of dwellings meet modern EE standards

By 2020, all new residential buildings in Europe should be near zero-energy. As a consequence, older buildings may suffer enhanced value depreciation.



INSTRUCTIONS

Clients are increasingly conscious of EE, from a financial perspective and in terms of tenant health & wellbeing. In time they are increasingly likely to instruct valuers to consider EE in their reports.



RESIDENTIAL PRICES

Empirical evidence indicates that EE is beginning to play a part in residential transaction prices.



GUIDANCE

Professional organisations, such as RICS, have been encouraging valuers to enhance their due diligence and reporting, in relation to EE.



LANDLORDS

Decision-making by social landlords is driven by environmental and social aspects, as well as traditional financial considerations.



ENERGY

Occupier behaviour can impact energy consumption significantly; therefore, consumption data can be a misleading EE measure.



RISK

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

New version of the RICS Red Book

Sustainability and EE have gained importance in new global real estate valuation standards: The new version of the RICS Red Book highlights the increasing importance of sustainability. For the first time, sustainability is defined and professionals are strongly advised to collect and record sustainability data.

RECOMMENDATIONS FOR VALUERS:

An environment in which acceptable energy standards are rising should be considered when undertaking valuations.

Valuers should be aware that leading financiers may be seeking to require explicit information on EE.

Valuers are strongly advised to collect and store data on EE characteristics when inspecting properties, so that they can be built into matrices of comparable evidence.

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



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