



FINANCING THE RETROFIT OF 250 MILLION BUILDINGS IN EUROPE: OPPORTUNITIES & OBSTACLES



REVALUE | www.revalue-project.eu

Maarja Meitern | Bax & Company | November 2018 | Retrofit Europe



Co-funded by the Intelligent
Energy Europe Programme of
the European Union

In order to meet the EC objectives, the Commission needs to increase the annual refurbishment rate, would require a significant increase of investments, estimated to be between €70-120 billion!

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.

The EU estimates only


10%

of dwellings meet modern energy efficiency standards


If 90% is not up to standard, the majority of stock will need refurbishment as most will still be in existence by 2050.

ENERGY EFFICIENCY AS A VALUE DRIVER?

Does increasing transparency in the valuation process, regarding a property's energy characteristics, have a notable impact on the residential investment decision-making process?

A modern, multi-story apartment building with a vibrant, multi-colored facade in shades of blue, green, and purple. It features balconies with white railings and large windows.

How much is this building worth?

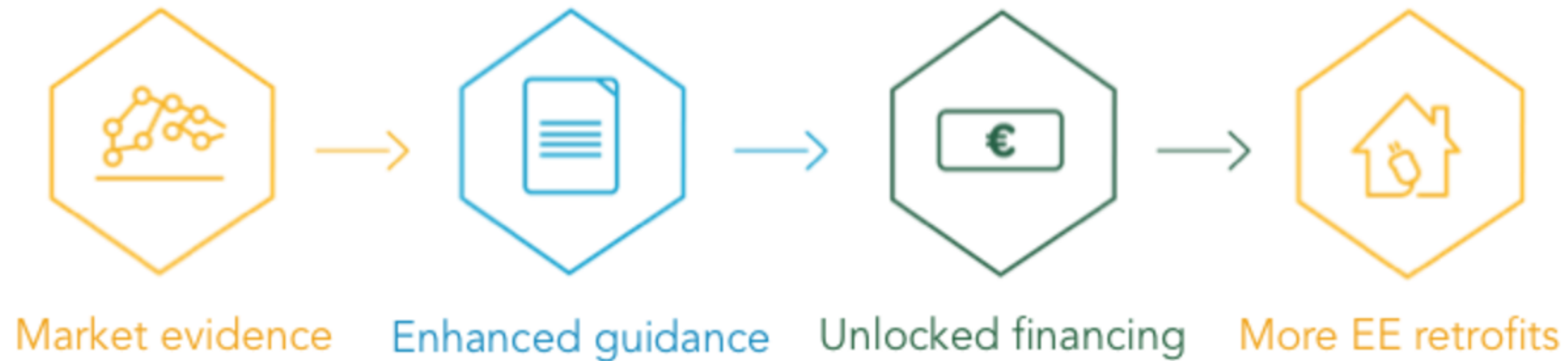
A traditional, multi-story brick apartment building with a uniform facade, many windows, and small balconies. It is situated on a street with parked cars and bicycles.

How much is this building worth?

Valuers do not make the market - but
may & do influence market decisions

Sustainability is an emerging topic,
impact and treatment not yet clear

The goal of the REVALUE project is
to enhancing existing RICS guidance





Who is REVALUE



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Valuers



Practice



Professional Body



Guidance



Academic Institution



Research



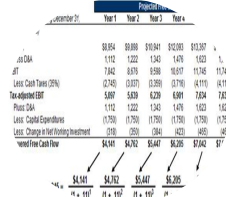
Sustainability Consultant



Financing



Accountants



Techniques



Energy Consultant



Technical



Data Analysis



ASSET OWNERS

Calculation of investment strategies and Regression Analysis on links between EE and Value~400.000 dwellings

Case Studies



LENDERS

Individual interviews and involvement in the individual investor case study on sustainability



Expert Panels



ASSESSORS

Expert discussion groups and individual interviews with valuers in 5 different countries

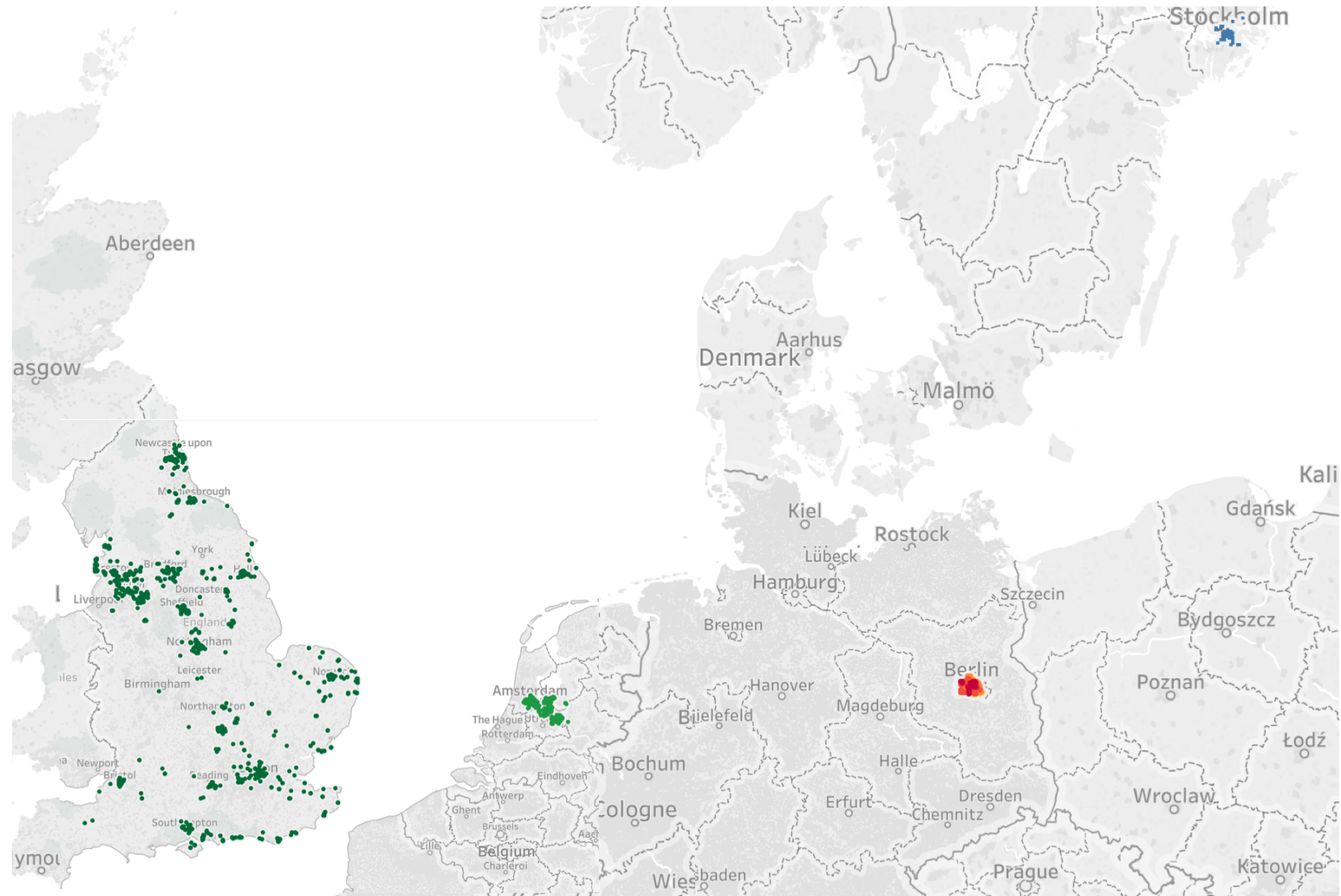
REVALUE Methodology

Look beyond the EPC labels

Regression covering 4 countries, 10 providers, ~120.000 units, mostly affordable housing

RICS market valuations, controlled for typical hedonic characteristics (and modernisation)

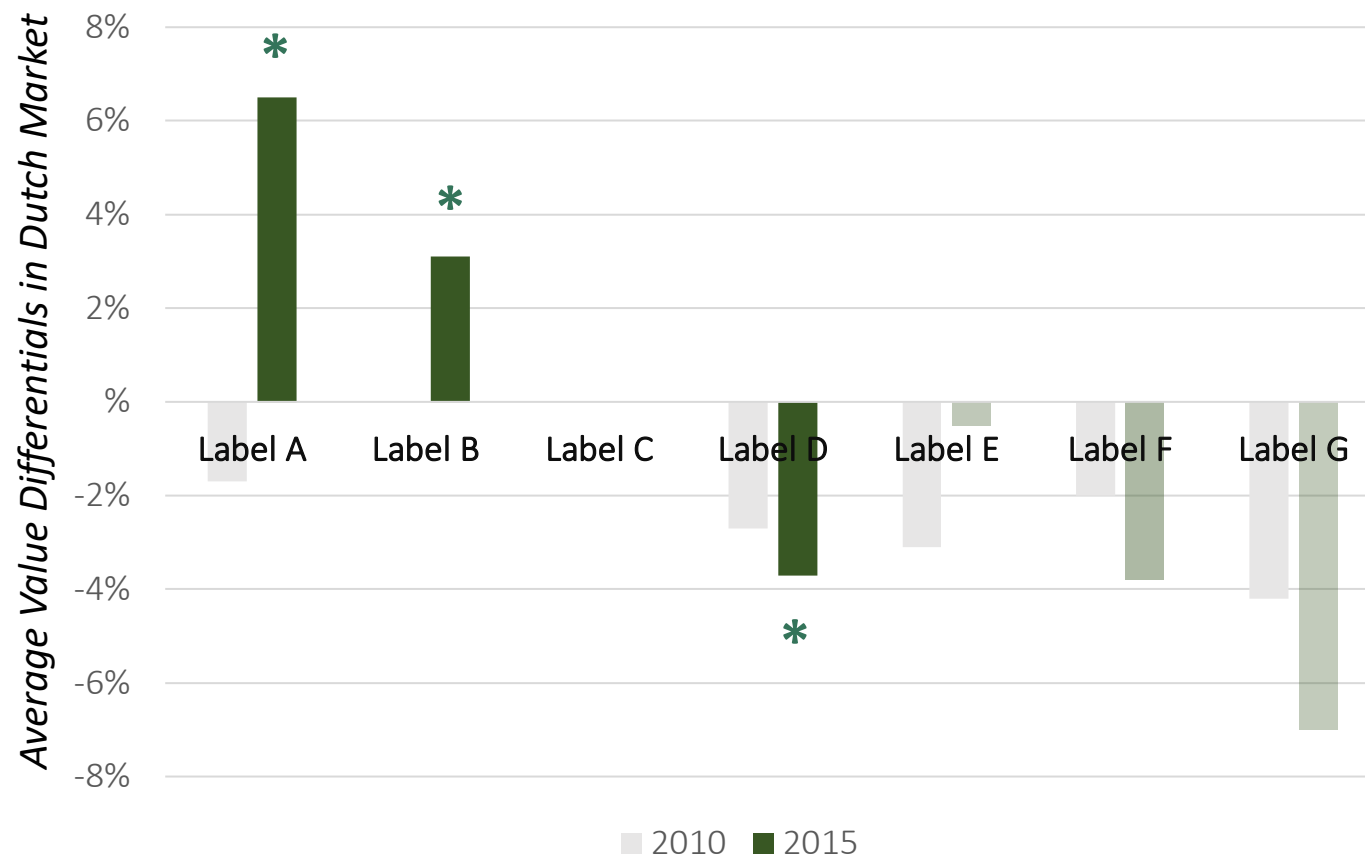
Results for Netherlands (50k units) in greater Amsterdam area



In some locations, energy efficiency is increasing in importance

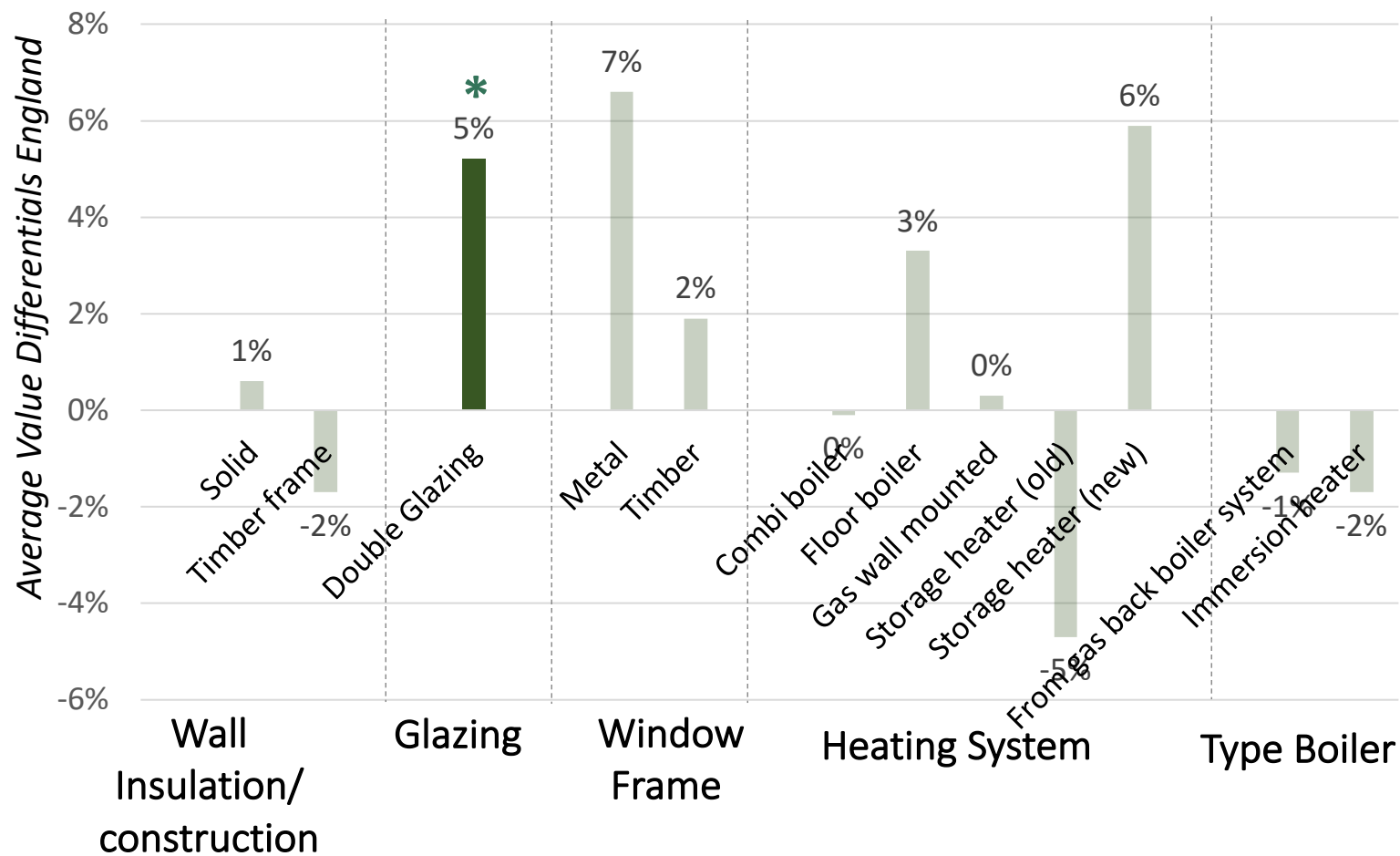
In NL over 5 years, green premium and brown discount increased

The good is getting better the bad is getting worse... Evidence from Amsterdam area

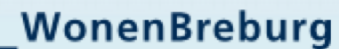


Double glazing has a significant effect on assessed valuations

What is the impact of energy components on assessed valuations? Evidence from England



Good and common
practices of housing
providers



Especially for housing providers in Sweden, Germany, the Netherlands and France

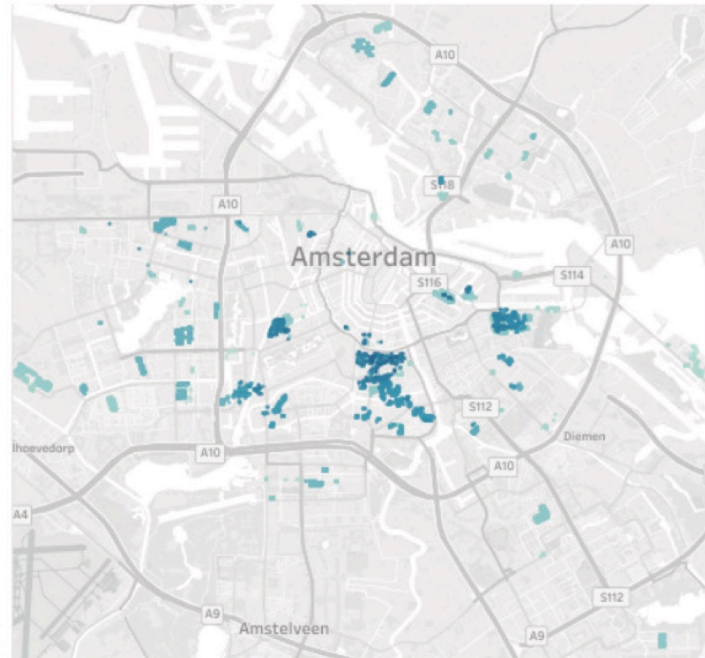
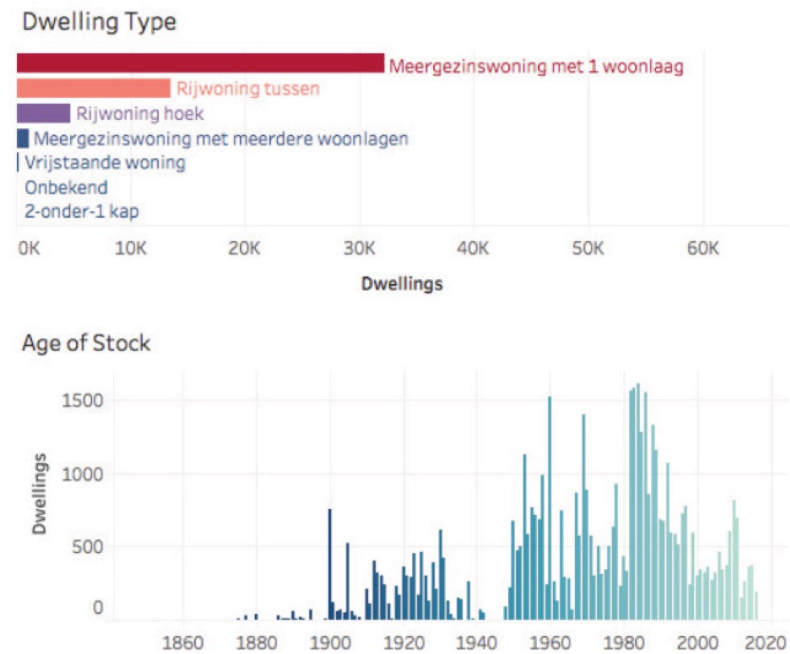
- Data analytics
- Case studies
- Expert panels





Short/medium term sustainability target is compliance

BAX
& COMPANY
 VALUE FROM SCIENCE AND TECHNOLOGY





Sustainability officer



Strategy advisor

Sustainability officers

5 investment case studies

From green roofs and pilot projects to investment planning and long-term ROI.

EIB-ELENA and others used to build capacity - nearly 100% funded for large-scale programmes

A Swedish housing provider obtained €0,8M to procure the expertise for the deep renovation of 600 dwellings

A group of Dutch affordable housing providers obtained €1,8M to prepare works to achieve energy label B in 900 dwellings

A large city in the Netherlands obtained €3M in grants for a program that supports private homeowners in retrofitting 10,000 dwellings

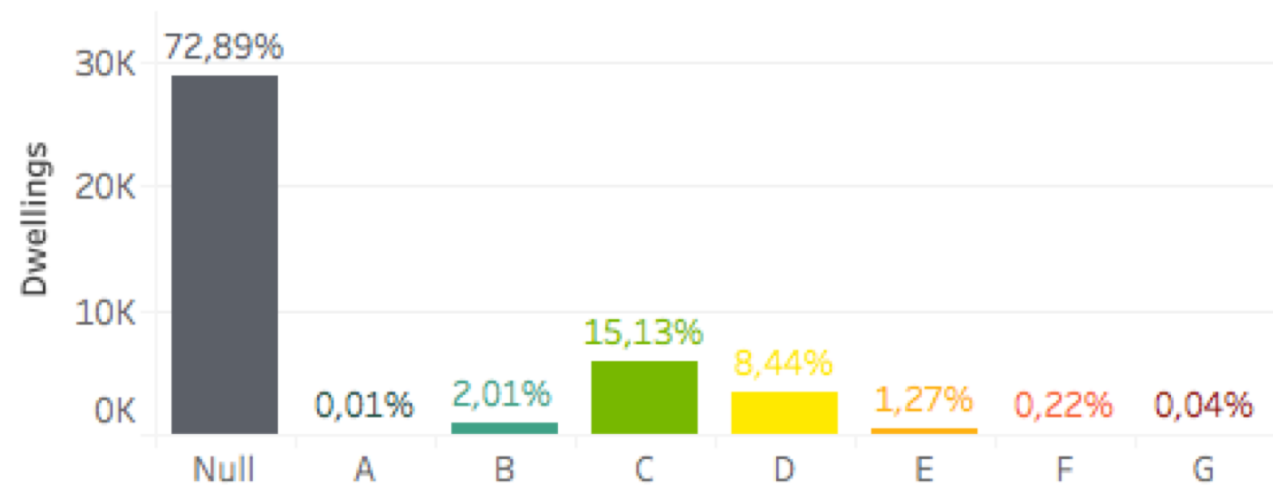
OBSTACLES

Unclear policy (see the EU's lack of clear definition for nearly zero-energy buildings);

Valuers being limited by what the clients ask for;

Lack of comprehensive data;

Energy Label (from financial dataset *Property List*)



OPPORTUNITIES

New standards (such as the UK's new Minimum Energy Efficiency Standards)

Increasing awareness and interest from banks

Changing expectations of clients/tenants – "the norm"



STATISTICS

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



EPC LABEL

In general, EPC labels are regarded as neither consistent nor reliably accurate measures of energy performance.



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 well-being of the 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.



Thank you!

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