



REVALUE

# Professional Body Standards relating to the Valuation of Residential Real Estate concerning Energy Efficiency

D4.3

20.06.2018

---

Deliverable	4.3
Title	<i>Professional Body Standards relating to the Valuation of Residential Real Estate concerning Energy Efficiency</i>
Editor(s):	RICS
Contributor(s):	RICS
Reviewers:	<i>Bax &amp; Company, Savills</i>
Type (R/P/DEC):	Public
Version:	1
Date:	20 June 2018
Status:	Final
Dissemination level:	Public
Download page:	<a href="http://revalue-project.eu/downloads/">http://revalue-project.eu/downloads/</a>
Copyright:	RICS

---

#### REVALUE partners

---

B&Co	Bax & Company
Savills	Savills UK
MU	Maastricht University
RICS	Royal Institution of Chartered Surveyors UK
Luwoge	Luwoge Consult
Vanhier	Vanhier Accountants

---



*This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 649705. The sole responsibility for the content lies with the authors. It does not necessarily reflect the opinion of the European Union. Neither the EASME nor the European Commission are responsible for any use that may be made of the information contained therein.*

## Executive Summary

---

Valuations are always undertaken for a purpose; the nature of this purpose can determine the basis and method that the valuer adopts. However, whatever the purpose, qualified valuers must follow recommended due diligence and reporting processes, regardless of property type and valuation purpose. These processes are set down in the standards and guidance issued by the relevant professional body to ensure, as far as possible, consistency of approach, accuracy and clarity for the commissioning client. Given that many personal and corporate financial decisions are grounded on valuation advice, the role of the valuer, despite being that of a commentator or reflector of the market, can be critical.

This document presents a short account of the International Valuation Standards (IVS) and RICS (Royal Institution of Chartered Surveyors) standards in relation to the assessment of energy efficiency for the valuation of residential real estate. It also makes reference to the standards produced by TEGoVA (the European Group of Valuers' Association) but notes that these are advisory not mandatory. It does not duplicate the material already reported in 'Summary of professional valuer regulation and regulation standards' (Deliverable 4.1); instead, it provides greater detail as to the process that is both mandated and advised for valuers.

RICS is a REVALUE project partner and is the leading international professional body to which valuers belong. It is a member of the IVSC (International Valuation Standards Council) and the requirements it places on its members are wholly consistent with the International Valuation Standards produced by IVSC. Whilst many other valuation professional bodies exist within Europe and indeed the world, RICS is widely acknowledged as the leading organization. Therefore, for the purposes of this deliverable, it is their standards that are reported, as they relate to energy efficiency.

This paper tracks the development of advice to valuers in relation to sustainability matters up to and including the latest changes in standards in 2017 and subsequent (UK) advice in April 2018. It concludes that there is now a clear obligation on valuers to consider energy efficiency when undertaking valuations, but not to report it separately. It will only impact on the reported figure if there is evidence that market players deem it to be a financial decision factor. It documents the current standards both mandated and advised in relation to due diligence and reporting of energy efficiency within the leading international professional valuation standards and the proposed further development.

## Table of contents

<b>Chapter 1</b>	Introduction.....	5
<b>Chapter 2</b>	The International Valuation Standards (IVS) .....	6
<b>Chapter 3</b>	RICS Valuation Standard .....	7
<b>Chapter 4</b>	European Valuation Standards.....	12
Conclusions.....		14

## Chapter I Introduction

---

This document presents a short account of the International Valuation Standards (IVS) and RICS (Royal Institution of Chartered Surveyors) Valuation Standards in relation to the assessment of energy efficiency for the valuation of residential real estate. It does not duplicate the material already reported in 'Summary of professional valuer regulation and regulation standards' (Deliverable 4.1); instead it provides greater detail as to the process that is both mandated and advised for valuers.

Whilst many other valuation professional organisations (VPOs) exist throughout Europe and indeed the world, the only organisation that works with almost all of them is the International Valuation Standards Council (IVSC). The IVSC is “the independent global standard setter for valuation practice and the valuation profession”. It has as its mission to serve the public interest by promoting consistent compliance with, and implementation of, high-quality, internationally accepted standards in the preparation and presentation of valuations around the world.

However, IVSC is a members' organisation and whilst many individuals and organisations contribute to the preparation of the Standards produced by IVSC, they are not binding upon individuals or upon VPOs. They only become binding when adopted by individual VPOs and mandated upon members.

RICS is a founder member of IVSC and adopt the IVS published by them within their own standards, published as the RICS Valuation, Global Standards 2017, colloquially known as the Red Book (and hereafter so referred). Thus IVS are mandated on both individuals and firms that are regulated by RICS as RICS standards are wholly consistent with the International Valuation Standards produced by IVSC. Failure by any RICS member who is a Registered Valuer to comply with the mandatory requirements of the Red Book may lead to disciplinary action.

Whilst many other valuation professional bodies exist within Europe and indeed the world, RICS is widely acknowledged as the leading organisation. Therefore, for the purposes of this deliverable, it is their standards that are reported, as they relate to energy efficiency. However, reference is also made to the European Valuation Standards (EVS) published by TEGoVA (The European Group of Valuers' Associations), of which RICS are not a member but to which many VPOs and individual valuers do belong. The EVS are not mandatory on members.

Valuations are always undertaken for a purpose; the nature of this purpose can determine the basis and method that the valuer adopts. However, whatever the purpose, qualified valuers must follow recommended due diligence and reporting processes, regardless of property type and valuation purpose. The requirements for this are set out in the mandated standards, whilst more detailed advice to help on methodology is provided within supplementary guidance and information (Insight) papers which are published from time to time to support valuers operating 'in the field'.

This paper now details the extant requirements and guidance placed on Registered RICS Valuers in relation to energy efficiency and the advice in EVS.

## Chapter 2 The International Valuation Standards (IVS)

---

As stated in the Introduction, the aim of IVSC is to promote “consistent compliance with, and implementation of, high-quality, internationally accepted standards in the preparation and presentation of valuations around the world. IVSC therefore has a stated global ambition and this is realised through its membership which comprises many of the valuation professional organisations (VPOs) groups that exist around the world. At this point it should be noted that, with the exception of RICS, which has a global membership, most VPOs operate in a national or regional context.

The principal way it does this is by the publication of IVS, the latest edition of which is dated 2017. The Standards are not intended to be prescriptive and they are essentially high level; further they do not just address the valuation of real estate but extend to business assets and financial instruments. For this reason, IVSC works closely with accounting bodies to ensure consistency of approach.

The IVS are not a book of instructions to tell valuers how they should undertake a commission; instead they lay down broad principles which can then be embedded within the standards or advice, as applicable, of the VPOs. However, whilst they are high level, any valuation undertaken must comply with the principles in order to say that it has been carried out according to IVS standards. They are therefore, in effect, mandated given that the standards are incorporated into RICS standards.

The relevant principles in relation to the valuation of residential property lie in all the general sections pertaining to the valuation of all types of assets:

- IVS 101: Scope of Work;
- IVS 102: Investigations and Compliance; and
- IVS 103: Reporting
- IVS 400: Specific sections relating to real estate

Within all these sections there is no specific reference to energy efficiency or to the wider concept of sustainability. However, there is a requirement on valuers to consider “sufficient evidence” which:

“must be assembled by means such as inspection, inquiry, computation and analysis to ensure that the valuation is properly supported. When determining the extent of evidence necessary, professional judgement is required to ensure the information to be obtained is adequate for the purpose of the valuation. (IVS 102: 20.2)

This means that if the valuer, in their professional judgement, considers that the energy efficiency characteristics of an asset are important to establish in order to arrive at an appropriately supported valuation, then they are under an obligation so to do. But it is not a direct requirement and will depend on market circumstances.

## Chapter 3 RICS Valuation Standard

---

### 3.1 Introduction to the Valuation Standards: the Red Book

RICS is the leading global VPO with practicing members operating in most countries of the world. Whilst not all Chartered Surveyors are valuers, those who undertake valuations are obliged to abide by the standards set down in the RICS standards. Further, most valuers are now covered by the Valuers' Registration Scheme which lays down a firm monitoring process to ensure adherence to standards.

RICS Valuer Registration (VR) was first launched in the UK in October 2010 and then introduced in the rest of Europe in 2011 as a voluntary scheme, and is currently mandatory for RICS members practising valuation in a large number of markets including twelve European countries. These are: Belgium; Cyprus; Denmark; France; Germany; Ireland; Italy; Luxembourg; the Netherlands; Portugal; Spain; and the United Kingdom. It is noted that it is not yet mandated in some countries which were included in the REVALUE project. Over time it is intended to extend the VR scheme to all countries in which RICS valuers practice.

The RICS standards that bind valuers is colloquially known as the Red Book, simply as the first edition was published in a red binder under the title of 'Guidance Notes on the Valuation of Assets' in 1976. This first edition, and indeed the two subsequent editions published in 1981 and 1990 were not mandatory on members and only applied to limited numbers of valuations – principally those for accounts purposes for the balance sheet or mergers and acquisitions. Valuations for other purposes were covered by the 'White Book' or 'Manual of Valuation' first published in 1980. It was only by an extraordinary meeting decision that the Red Book became mandatory in 1992 and the merger of the two documents followed to form the RICS Appraisal in 1995.

Therefore mandatory guidance dates back just over twenty years but systematic monitoring through the VR is more recent.

From the 1990s, the Red Book has evolved both in terms of title and content and at the start of the REVALUE project the extant version was the 'RICS Valuation – Professional Standards – Global'. It was accompanied by other local standards for some (though not all) jurisdictions. This was necessary to accommodate local regulatory and legal environments. During the course of the REVALUE project, the Red Book has again been reviewed and, in July 2017, was reissued as the 'RICS Valuation – Global Standards 2017', timed to coincide with the updates to IVS. Work to update local standards is ongoing to ensure they align with the global standards. The UK version is out for consultation at the time of writing.

The aim of the Red Book, as set out in the introduction, is to “engender confidence, and to provide assurance to clients and recognised users alike, that a valuation provided by a RICS-qualified valuer anywhere in the world will be undertaken to the highest professional standards overall” (RICS, 2017: p3). It follows from this that the contents are high level; importantly, the Red Book is not a manual or instruction book on how a valuer should undertake their commission, although it does extensively cover competence, due diligence, the basis of the valuation in definitional terms and in terms of what the valuer may reasonably assume. Furthermore, the extant edition of the Red Book introduced a short section on methodology, requiring the valuer to ensure that they choose an appropriate method – but it still does not dictate what method to use.

The Red Book is arranged in six parts, although Part 6 is simply a reproduction of the IVS:

Part 1: Introduction setting out the overall aims of the book

Part 2: Glossary which for the first time includes a definition of sustainability, thus highlighting its importance to the valuer

Part 3: Professional standards governing the behaviours and qualifications:

- PS 1 Compliance with standards where a written valuation is provided ; and
- PS 2 Ethics, competency, objectivity and disclosures

Part 4: Valuation technical and performance standards. These provide the main provisions to safeguard the client and ensure consistency of approach and that the valuer provides a report in accordance with instruction.

- VPS 1 Terms of engagement (scope of work)
- VPS 2 Inspections, investigations and records
- VPS 3 Valuation reports
- VPS 4 Bases of value, assumptions and special assumptions
- VPS 5 Valuation approaches and methods

Part 5: Valuation applications, which primarily relate to specific purposes or types of property

- VPGA 1 Valuation for inclusion in financial statements
- VPGA 2 Valuation of interests for secured lending
- VPGA 3 Valuation of businesses and business interests
- VPGA 4 Valuation of individual trade related properties
- VPGA 5 Valuation of plant and equipment
- VPGA 6 Valuation of intangible assets
- VPGA 7 Valuation of personal property, including arts and antiques
- VPGA 8 Valuation of real property interests
- VPGA 9 Identification of portfolios, collections and groups of properties
- VPGA 10 Matters that may give rise to material valuation uncertainty

It should be noted that whilst Parts 3 and 4 are mandatory on valuers, part 5 is recommended best practice but is not mandated. The applications are critically important in that they add detail to the more generalised and high level statements and requirements of the earlier sections. Of particular general relevance to the valuation of residential assets is VPGA 8 although even that does not distinguish between residential and commercial properties.

## 3.2 Red Book and Energy Efficiency

The 2014 edition of the Red Book was the first that made any explicit mention of sustainability. In this edition, under the standard relating to bases of value, assumptions and special assumptions it advised valuers that:

“While not a defined term, sustainability encompasses a wide range of physical, social, environmental and economic factors that can impact on value and of which valuers should be aware. The range of issues includes, but is not limited to, key environmental risks, such as flooding, energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management and fiscal considerations. As commercial markets become more sensitive to sustainability matters, so they may begin to complement traditional value drivers, both in terms of occupier preferences and in terms of purchaser behaviour.” (RICS, 2014, p.59)

It went on to advise valuers to “collect appropriate and sufficient sustainability data, as and when it becomes available, for future comparability, even if it does not currently impact on value” but only “where market evidence would support this” include sustainability characteristics into their reporting. This instruction, contained in the mandatory section made it very clear that the expectation was that, in many cases, sustainability features (which were themselves not detailed) were not yet impacting on market valuations. As such, whilst valuers were advised to collect data to feed into their future analyses of market conditions and comparability of properties, they should not report on sustainability unless there was direct evidence that it was influencing pricing.

The RICS standards have always aimed to drive forward standards in valuation practice and the Red Book 2014, although not requiring specific reporting of sustainability, recognised that in addition to supplying opinions of likely transaction pricing, valuers supply strategic advice, notably to investment owners or potential investment purchasers. In recognition of this, the 2014 edition required valuers to consult regarding the use and application of any sustainability metrics and benchmarks which could inform decision-making. In such cases, they were obliged to report on the likelihood that sustainability features would be taken into account through the purchase decision and the likely risks/benefits of such features moving forward.



Finally, the Red Book made cross-reference to additional guidance. This is discussed below.

The 2014 edition made no specific reference to energy efficiency or EPCs as was appropriate for a global edition. However, in the UK edition, mention was made of the valuer being required to consider the EPC “if it is available” (Appendix 10, para 3.7). The requirement to ‘consider’ however places no requirement to adjust a valuation in the light of the certificate: that, it was clear, was a matter of evidence in the market place.

One of the ambitions of the REVALUE project is that it would result in stronger guidance to valuers in relation to energy efficiency. Bearing in mind that the Red Book is essentially high level and global, it was also acknowledged that the authority to change lies with the RICS, not any project team.

Nonetheless, the REVALUE project and other streams of policy and research work have informed the relevant committees as a result of which in the 2017 edition of the Red Book, the position in relation to sustainability matters in general have been significantly strengthened.

The changes to the Red Book in 2017 in relation to sustainability in general can be summarised as follows:

**1. Introduction:**

The introduction, which sets out the aims of the Red Book has added that, in addition to having the experience and insight necessary to interpret and review real estate market dynamics and trends, valuers should recognise “the growing relevance of sustainability factors as a market influence” thus implying that markets have moved on since 2014.

**2. Glossary:**

A definition of sustainability has been included in the glossary of terms for the first time. For Red Book purposes, it is defined as “the consideration of matters such as (but not restricted to) environment and climate change, health and well-being and corporate responsibility that can or do impact on the valuation of an asset. In broad terms it is a desire to carry out activities without depleting resources or having harmful impacts.” This is considered important as it focuses the valuer’s attention on the matter and highlights that it is of central concern.

**3. The Due Diligence process:**

Valuers are normally required to undertake inspections and other investigations in order to obtain the evidence on which their value judgements will be based. The requirements for this are set out in Valuation Professional Standard 2 (VPS 2), as augmented by an application (VPGA 8). The Red Book now provides greater clarity to the valuer by stating that valuation and environmental factors are growing in importance “in terms of market perception and influence and it is therefore essential that valuers have proper regard to their relevance and significance in relation to individual valuation assignments”. Whilst not a seismic shift from the previous edition, it does underscore the stated view that “sustainability factors are becoming a more significant market influence”; it further states that “valuations for secured lending should always have appropriate regard to their relevance to the particular assignment.”

**4. Recording Data:**

In terms of collecting and recording data, the previous edition recommended that sustainability data be collected. The current edition more strongly emphasises the recommendation to collect data and points out that this could be particularly beneficial where the valuer is retained to provide regular reports to a client.

**5. Reporting:**

In general, reporting provisions have not changed, but in relation to secured lending valuations in which consideration must be given to the maintainability of income over the life of the loan, risks may need to be “considered in a broader sustainability context”.

### 3.3 Summary

The Red Book is an evolving document. Its purpose is not to instruct valuers how to undertake a specific commission. Instead it aims to better ensure due consistent process are adopted by valuers in ways which reflect markets accurately and dynamically whatever the purpose of the valuation and the basis adapted. In most cases, the basis will be founded

on evidence from the market and, however much they may personally and/or professionally consider the importance of energy efficiency and sustainability, they must report on the matters as they find them; in short, they reflect, not make, markets although they do provide additional advice around purchases and other strategic decisions. The last two editions have sought to make valuers increasingly aware of the need to assess the market in sustainability, as well as other, terms. Even within the three years since 2014, the language in the guidance has been tightened to give importance to sustainability matters. Perhaps the best summing up is in GVPA (Global Valuation Practice Application) 8, where it states that, in order to comply with best practice in reporting, valuers are recommended to:

- assess the extent to which the subject property currently meets sustainability criteria typically expected within the context of its market standing and arrive at an informed view on the likelihood of these impacting on value, i.e. how a well-informed purchaser would take account of them in making a decision as to offer price;
- provide a description of the sustainability-related property characteristics and attributes that have been collected, which may, where appropriate, include items not directly reflected in the final advice as to value;
- provide a statement of their opinion on the relationship between sustainability factors and the resultant valuation, including a comment on the current benefits/risks that are associated with these sustainability characteristics, or the lack of risks and;
- provide an opinion on the potential impact of these benefits and/or risks to relative property values over time.

Whilst very little mention is made of energy efficiency per se, various references are included which clarify that energy efficiency is a key factor within the assessment of sustainability. At the time of writing, no national guidance to supplement Red Book 2017 has been issued, though, as noted above, that relating to the UK is under consultation. However of relevance to the REVALUE project, it should be noted that Europe-wide guidance is not part of the Red Book.

### 3.4 Valuation Guidance

To support the Red Book, RICS issues more specific and targeted advice to valuers in the shape of Guidance Notes (GNs) and Insight Papers (IPs). GNs, whilst not mandatory, are regarded as 'best practice' documents giving advice to practitioners on all aspects of the profession. The RICS state that "All practitioners must inform themselves of new and updated guidance notes within a reasonable time of their promulgation in order to remain professionally competent. When an allegation of professional negligence is made against a surveyor, the court is likely to take into account any relevant guidance notes published by RICS in deciding whether or not the surveyor acted with reasonable competence." This is important as it provides a 'virtual' mandated status to such documents.

Insight Papers (and their predecessor Information Papers), on the other hand cover topical issues in order to promote understanding of the profession, aid knowledge transfer and stimulate debate. They therefore lack the standing of a GN but nonetheless alert valuers and other surveyors to matters of emerging importance to their practice.

Currently, there is no GN which addresses the incorporation of sustainability concerns in residential valuations; the only GN relating to sustainability relates specifically and exclusively to commercial property. However, RICS is in the process of forming a Global Valuation Sustainability Task Group, which, inter alia, will seek to update and widen the scope of the guidance note.

In terms of IPs, a predecessor Information Paper on 'Sustainability and Residential Property Valuation', published in 2011, although outdated and entirely UK focused, remains the only guidance. Whilst there are no plans to update this in its current format, an EU focused IP on 'Energy and Property Valuation' is approved for development with a projected publication date in late summer 2018. The findings from the REVALUE project will provide significant content for the IP, combined with findings from other EU projects.

The intention of the revised guidance is to stimulate both interest and knowledge of energy efficiency and wider sustainability matters such that, combined with associated training will better enable valuers to support their clients' strategic decision making in relation to the value risks of energy inefficiency in their building stock, whilst recognising that occupiers may well have different motivations for placing higher demands on the need for more energy efficient stock, be that as tenant or owner-occupier.

In summary, the RICS portfolio still lacks support for valuers within the area of energy efficiency and residential stock. Whilst firmly within the 'high level' requirements of the Red Book, at the more specific level, the planned GN and IP are still needed.

## Chapter 4 European Valuation Standards

---

### 4.1 Introduction to European Valuation Standards: the Blue Book

The European Group of Valuers' Associations, TEGoVA, is the European umbrella organization of 63 VPOs (Valuation Professional Organizations) spanning some 35 countries. Its main objectives are to represent the interests of its members, provide a conduit for business, produce standards, set education requirements to which its member VPOs must abide as a minimum and to represent the views of its members to the European Union institutions during the policy making legislative process. TEGoVA therefore differs from RICS in various ways: it is not strictly a public interest body, as it seeks member advantage and it cannot enforce any of its standards directly: it must work through its members.

What RICS and TEGoVA have in common is that they both set standards and they have professional designations aligned to educational standards. In the case of TEGoVA they operate the enforcement of standards through their member organisations, not directly. However, TEGoVA does have an individual recognition system based on qualification and experience - the Recognised European Valuer (REV) - and it has recently introduced a scheme specifically for residential valuers: the TEGoVA Residential Valuer (TRV) based on slightly lower educational attainment standards. Monitoring of standards, through continuing professional development (CPD) is primarily through member organisations and TEGoVA does not act in an enforcement role.

The standards produced by TEGoVA are the European Valuation Standards (EVS), colloquially known as the Blue Book. The latest edition (8th) was published in 2016 and is described by TEGoVA as "a professional practice manual which is effectively a summary of the accumulated knowledge and experience of European practice and valuation. However, it does not provide practical information on how to conduct a property valuation nor does it provide associated training material".

The Blue Book is therefore essentially different in purpose to the Red Book as it is a practice manual – not a set of enforceable standards. However, it does additionally have the stated aim of setting down standards and it has many similarities with the Red Book. It also covers definitions and bases of valuation and the due diligence process of investigation and reporting. Where it differs is that within the one document, it contains all the guidance notes and a series of technical papers. It therefore provides in one point the overarching advisory documentation for valuers operating under its registration schemes (REV and TRV).

The Blue Book is structured in parts as follows:

Part 1: the European Valuation Standards and Guidance Notes

Part 1A: Standards covering definitions and due diligence and reporting

Part 1B: Guidance Notes: a total of ten notes, mainly concerned with valuation purpose but including one on valuation and energy efficiency

Part 2: Codes of Conduct and Measurement

Part 3: EU legislation: a summary of legislation affecting real estate

Part 4: Technical Documents: a total of eight covering matters such as methodology but including one on sustainability and valuation.

The Blue Book is therefore more focused on detailing specific market matters, not just concentrating on high level principles.

### 4.2 Blue Book and Energy Efficiency

As indicated above, the Blue Book contains two sections specifically relevant to energy efficiency: one Guidance Note (GN) and one Technical Document (TD).

These are discussed briefly below but in addition to these, the Blue Book makes mention of the need to consider energy matters in the normal course of inspection and reporting. Like the Red Book however, it takes the stance that whilst the

EVS can help raise awareness of the issue and of EU initiatives it “upholds the scientific and professional obligation on the valuer to value energy efficiency on the basis that values set must reflect verifiable market reality.”

European Valuation Guidance Notes (EVGN) 8 on property valuation and energy efficiency provides the valuer with a range of specific information on EU requirements in relation to energy efficiency and buildings. It is therefore a useful information tool. In terms of advice or instruction to the valuer, the guidance is that the valuer should report under the terms of instruction and on the basis of evidence available. Whether the energy efficiency of the building will be relevant to value will, it states, depend on whether “it is appreciated in the market place or because of regulatory issues, as where a particular EPC rating may affect the current or future use of a property. Those issues, with the associated energy costs, will be only one factor in this assessment.” (TEGoVA, 2016 p:152)

Thus, the guidance essentially does not differ in substance from that given in the Red Book: energy efficiency may/may not influence value depending on market and regulatory matters. However, it is more specific in that it places an obligation to report on the EPC rating and any recommendations, but these are only to be taken into account as the valuer “considers appropriate” (TEGoVA, 2016 p:152).

Part 3 of the Blue Book is a useful summary information source on energy matters, containing as it does, extensive details of EU targets and Directives affecting energy and buildings as at 2016.

Within Part 4 – technical documents, Information Paper 1 (EVIP 1) concerns sustainability and property valuation. This provides a very useful summary of some of the sustainability issues – including the need for a reduction of energy use – that are of concern today and of some of the moves that have been made to change behaviours in the real estate sector, such as the development of green leases and rating systems. To the less informed valuer, the EVIP provides an extremely useful ‘primer’ on sustainability issues and tools available to assess buildings. However, it points out very firmly that, whilst these matters may be of extreme concern to society – the role of the valuer is to provide an opinion of value “on the basis of evidence and so reflecting the experience of the marketplace. That opinion cannot state that something should have a value, just that it has a value assessed from a judgment of the available data” (TEGoVA, 2016 p.259). Further it is clear that the incorporation of sustainability matters in a valuation does not require any new method; indeed it states that “Comparable transactions are the best proof of the market’s willingness to pay for certain building features” and that whilst statistical analyses such as hedonic regression “may persuade more sophisticated clients” these “can risk producing results that are uncertain, unduly sensitive to changing assumptions, with large ranges and that are not obviously supported by the market place” (TEGoVA, 2016 p.263).

In summary, the advice to valuers is to be informed on sustainability and energy matters, recognise the sub-market in which the property is situated and the motivations and levels of sophistication of the likely market players. The Blue Book provides a high level of information regarding the European context and regulatory framework; in essence its guidance to valuers is entirely consistent with that of RICS: valuers should consider energy efficiency and energy efficiency data where it is available and build it into their opinion of value in line with the actions of market players.

## Conclusions

---

Professional valuers operate within the constraints of standards developed by their professional organisations. Over time there has been a drive towards ensuring that the standards developed are consistent across borders and between practitioners, to better serve the client base. The result has been the development of international groupings of organisations and the International Valuations Standards (IVS) are now recognised as the leading set of global standards, whilst the European Valuation Standards (EVS) are adopted by a number of primarily European organisations.

RICS, who were the first valuation professional organisation (VPO) to produce guidance for valuers over 40 years ago, adopt the IVS and provide the enforcement mechanism and monitoring process by which standards are assured; they also (through the Red Book) provide guidance and detail to support the IVS but maintain a high level 'principles' approach which does not instruct valuers in methodology. The Red Book is supported by guidance and information (insight) papers to give more detailed guidance. The EVS do not adopt IVS although their definitions of Market Value and Market Rent are shared, and other definitions are similar. TEGoVA has a registration scheme but does not monitor and enforce standards – that is for the individual VPOs.

In terms of instruction to valuers in relation to energy efficiency, the first guidance to valuers of residential property was issued in the form of information only in 2011, and subsequently the gathering and reporting of sustainability data was incorporated as recommendations in the 2014 edition of the Red Book. During the course of the REVALUE project, the Red Book has been re-issued and the advice has been strengthened. However, the Red Book does continue to stress that sustainability characteristics (including energy efficiency) should only be included within the valuation to the extent that there is evidence from the market that it is a value factor. At the time of writing there are plans to review the accompanying guidance and to provide insight to valuers regarding energy efficiency and value specifically in the light of market changes and research findings.

The EVS contain guidance as well as high level principles including explicit explanation of the EU regulatory framework relating to energy efficiency as at 2016. However, in common with Red Book standards, the Blue Book is quite clear that energy efficiency should only be factored in where supported by evidence.

In conclusion, guidance to valuers in relation to sustainability matters is part of accepted standards. The guidance has been gradually strengthened and there is now a clear obligation for valuers to consider energy efficiency when undertaking valuations, but not to report it separately unless so instructed. Furthermore, all extant guidance is that energy and sustainability will only impact on the reported figure if there is evidence that market players deem it to be a financial decision factor. Over time, this is emerging in some markets but not to the point that valuers necessarily have the evidence to specifically report it. Valuations are holistic judgements: energy efficiency is one factor within that judgement.