



RenoValue

Drivers for change: strengthening the role of valuation professionals
in market transition

RenoValue Final Report

August 2016

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Reno Value is a 2-year project funded by the Intelligent Energy Europe Programme of the European Union.

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About RenoValue

RenoValue is a 2-year project funded by the Intelligent Energy Europe Programme of the European Union. The project developed a training toolkit for property valuation professionals on how to factor energy efficiency, renewable energy and other sustainability aspects into valuation practices, and consequently help valuation professionals better understand the relationship between building performance and property value and encourage them to advise their clients accordingly.

The project started in February 2014 and ended in June 2016. It was run by a consortium of companies and organisations, which together cover a broad range of real estate and construction stakeholders.

The RenoValue consortium consisted of: RICS, the Karlsruhe Institute of Technology, CBRE, the Polytechnic of Milan, the Polish National Energy Conservation Agency, Troostwijk Real Estate, Skanska and Business Solutions Europa. In addition, the partnership was supported by the Greek Institute for Nearly Zero Energy Building.

In addition the research project was assisted by a high level European Valuation Steering Group including representatives from the following organizations: Caisse des Dépôts, Cushman & Wakefield, Hermes Real Estate, European Group of Valuer's Associations (TEGoVA), United Nations Environment Programme's Sustainable Buildings and Climate Initiative (UNEP-SBCI), World Green Building Council.



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01

RenoValue against
the EU policy background





The subject of promoting energy efficiency (EE), the installation of renewable energy sources (RES) and the consideration of other sustainability aspects in buildings has become increasingly important for the EU over the past decade.

For many years, the EU has been at the forefront of this issue by setting long term plans to guide climate and energy policies that remain some of the most ambitious in the world.

The built environment plays a crucial role in reaching the long term EU energy and climate goals. Achieving a low carbon economy by 2050 will require a contribution by the building sector of approximately 40/50% cost efficient reduction of GHG by 2030 and approximately 90% by 2050¹. Meeting these targets will require 80% of the existing building stock to be refurbished: the equivalent of one building every minute for the next 40 years.

A vital aspect of the business case for investing in energy efficiency and renewable energy sources and for advocating nearly Zero Energy Buildings (nZEB) and sustainable buildings in general is the building's potentially increased future value, which is usually determined through a valuation of the property.

Unfortunately, among property owners there still is a prevailing lack of confidence regarding a reasonable return on capital.

For this to change, the business case for wide-scale investment into nearly Zero Energy Buildings and more sustainable buildings in new construction and refurbishment must be made, explained, disseminated and incorporated into real estate market decision making and daily valuation practice.

Developing, strengthening and communicating the link between energy performance and the value of buildings has an important part to play in the EU's energy efficiency and renewable energy strategy, offering a significant opportunity to meet the EU's 2020 and 2030 targets for energy efficiency and renewable energy.

This in return will create local jobs and economic growth in the European Union. It will also help European companies to keep their leadership in energy efficiency, renewable energy technologies and the development of new, sustainable construction materials and thus help to drive future innovation in the region.

02

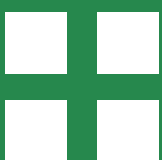
The RenoValue project rationale

02.1 Valuation and the Property Life Cycle

The use of property valuations is an essential aspect of the property lifecycle. This is particularly valid at the point of transaction, e.g. when buildings are being sold or when investment decisions are being taken; for example when a major refurbishment may need to be considered.

Accurate valuations are vital for a transparent property market and a stable economy. They form the basis of portfolio performance analysis, financing and investment decisions, transactions, and land development advice as well as dispute resolution and taxation. Valuations are carried out at almost every stage of the property life cycle.

There is an emerging body of empirical evidence from an increasing number of markets that sustainable buildings not only perform better in terms of energy efficiency but also financially: amongst other issues, they command higher rents or resale prices and/or they hold their value better over time.



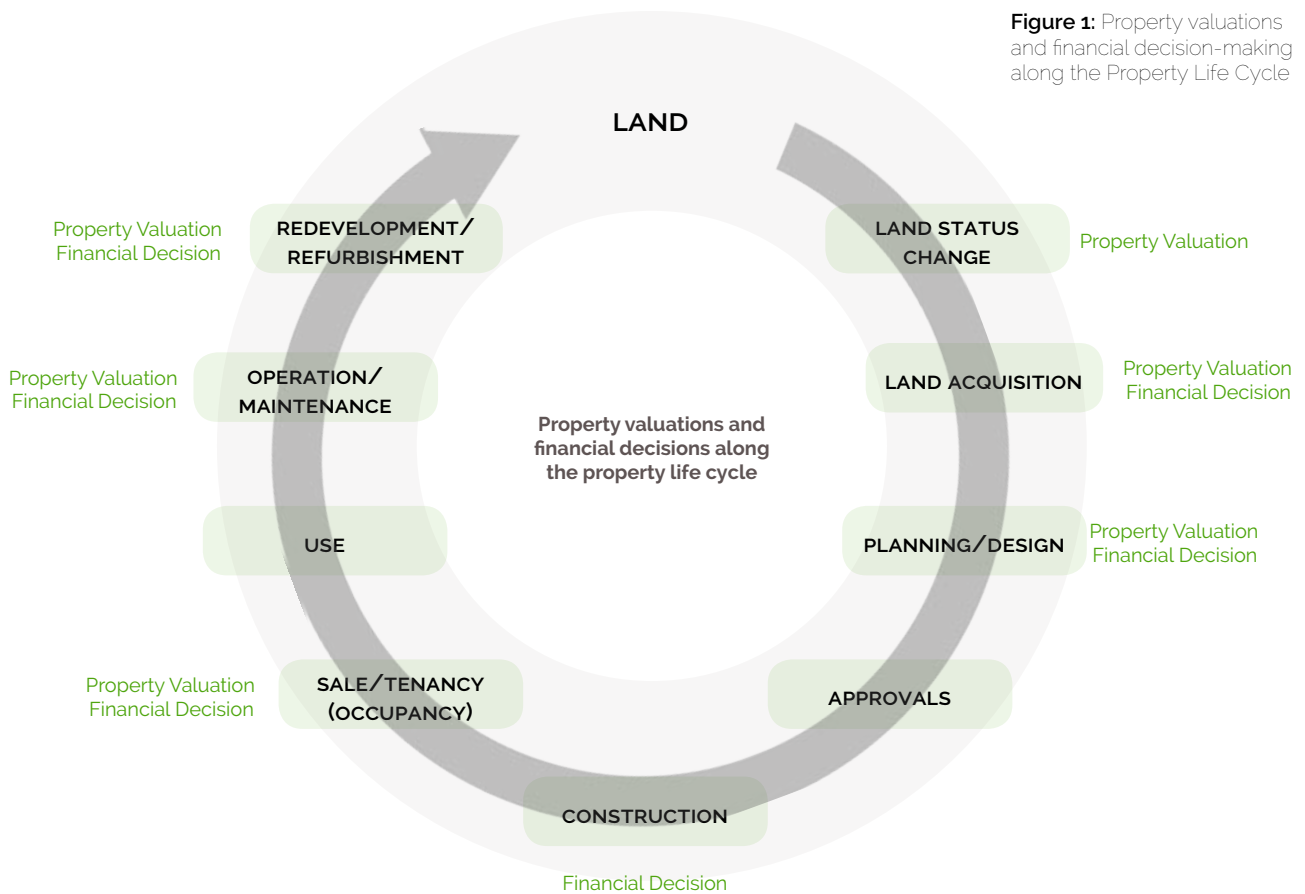


Figure 1: Property valuations and financial decision-making along the Property Life Cycle

Figure 1 clearly illustrates why incorporating energy efficiency, renewable energy and other sustainability aspects into valuation practices is essential to raise awareness on the value of investing in energy efficiency, renewable energy and other sustainability features amongst prospective buyers, sellers, lenders and investors. Being able to demonstrate the business case to these built environment stakeholders is a

prerequisite to accelerating the market transition towards Nearly Zero Energy Buildings (NZEB) in both new buildings and existing stock. The life cycle diagram mainly refers to the commercial market segment but, in principle, also applies for residential. However, as a rule, for owner-occupied residential dwellings there are fewer instances where a formal valuation would be required and necessary.

02.2 The role of the valuation professional

There are at least 70.000³ affiliated valuation professionals (and many more non-affiliated) in Europe. As part of their daily practice they comment on the financial impact of asset specific and wider market factors.

- Valuations are carried out in almost any phase of the building life cycle.
- Valuation professionals are the 'independent axis around which property information flows.
- Valuation professionals act as 'information managers' in often highly intransparent property markets.
- Arguments used in negotiations between the parties in a (commercial) transaction process are usually based on advice given by professionals acting on both sides.

While the role of valuation professionals is to reflect the market - in other words they do not 'make the market'- their advice and the nature and scope of their services do influence property market outcomes. If they were able to offer their clients evidence-based advice and transparent qualitative judgement on sustainability-related issues in addition to their customary reporting services during the transaction phase, this would have a significant market impact. Therefore, their expertise plays a crucial role in boosting the market for energy efficiency and renewable energy in buildings. Unfortunately, the valuation community is not yet fully engaged around the issues of energy efficiency, renewable energy and other sustainability related aspects. This lack of engagement formed the basis of the RenoValue project which started with the following assumptions:

1 Commitment of valuation professionals

Awareness and understanding among valuation professionals of their own role with regard to considering the aforesaid issues in valuations is still relatively low in most markets.

2 Data and information management sources

Valuation professionals are not in a position to consider energy efficient, renewable energy and sustainable building features as part of their standard valuation practice without existing market evidence. This creates a vicious circle (see Figure 2) whereby clients are not adequately advised about the value and long-term benefits of energy efficiency, renewable energy and sustainability solutions: therefore investment and demand for these remain stagnant.

Current market barriers to large-scale uptake of energy efficiency (EE) and renewable energy (RE) in buildings in the EU

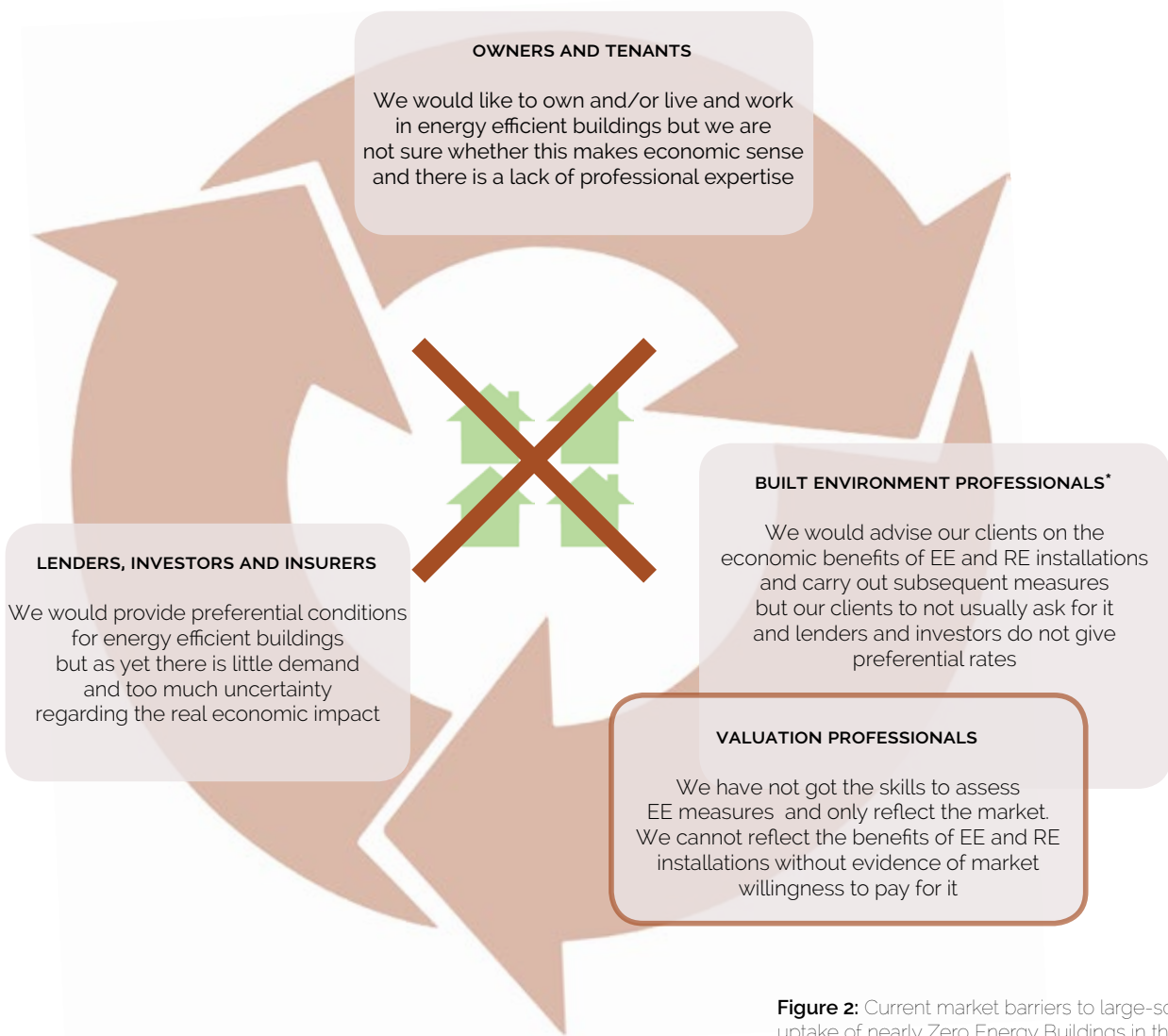


Figure 2: Current market barriers to large-scale uptake of nearly Zero Energy Buildings in the EU

03

RenoValue objectives and outcomes

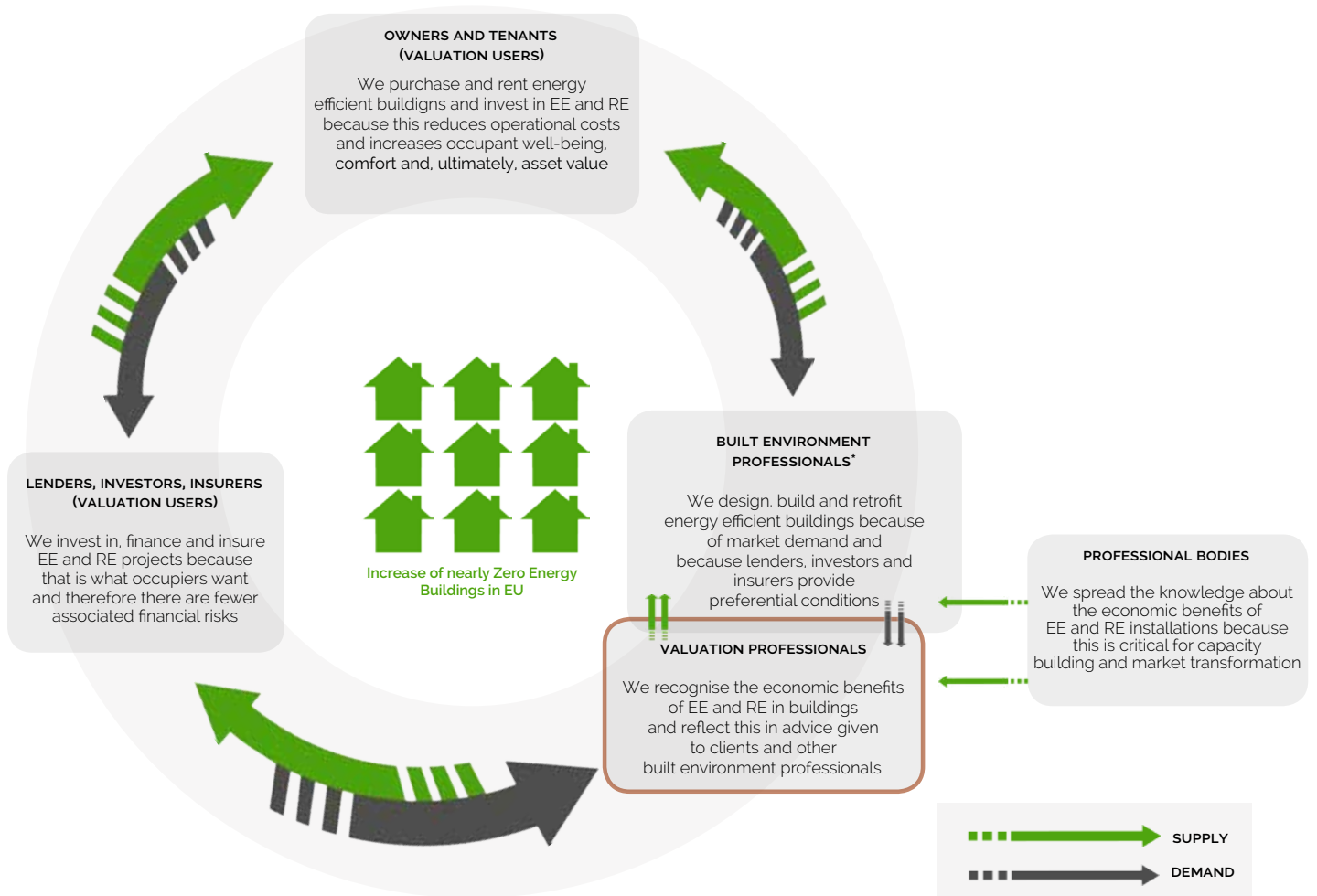
Whilst current valuation techniques have the capacity to reflect energy efficiency, renewable energy and sustainability aspects, at present there is still a lack of dedicated training for valuation professionals when it comes to understanding valuation users' requirements and the possible value impact of existing and emerging measures and technologies. Due to the often rather technical nature of energy efficiency measures, renewable energy and sustainable installations, arguably many valuation professionals may not even have the required knowledge to assess them. This type of knowledge usually falls more in the domain of building specialists such as architects, building controllers, building surveyors and facility managers.

The RenoValue objective was to analyse and assess needs concerning the integration of sustainability related aspects into property valuation practices and design dedicated training material for practising valuation professionals.

This would create a virtuous circle that will ultimately help the transition to a significantly improved energy performance of the building stock in the EU as illustrated in Figure 3.



RenoValue project outcome



Source: Hartenberger, U., Lorenz, D., 2013

*Designers, constructors, developers, valuation professionals, etc

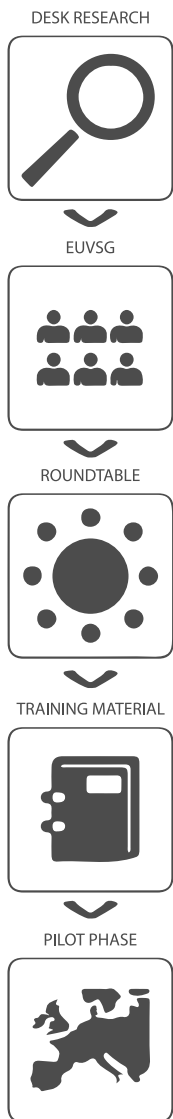
Figure 3: RenoValue project objectives and outcome

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04

RenoValue
approach and methodology





04.1 Research and processes

The ultimate goal of the RenoValue project was to develop a training toolkit for property valuation professionals on how to factor energy efficiency, renewable energy and other sustainability considerations into daily valuation practice.

Figure 2 illustrates what is widely considered to be the current situation: the circle of blame where investors, tenants, and developers refuse to take responsibility for the promotion of EU targets. It is anticipated that the training will help turn the same scenario into a positive, virtuous circle in time.

Before starting the work on the actual training toolkit, the project assessed:

- the current levels of awareness and knowledge with regard to energy efficiency and renewable energy installations amongst valuation professionals across a sample of countries within Europe;
- the market barriers currently hindering the consideration of energy and wider sustainability performance data by the valuation community;
- the sources currently available to valuation professionals and their training needs;

- the local market sentiment with regard to energy efficient and/or sustainable buildings potentially commanding higher sales or rental premiums.

The assessment was carried out through seven national roundtable workshops and the RenoValue survey. The findings from both the roundtables and the survey informed the content of the training material and were included in the RenoValue Market Insight Report, published in November 2015.

It is important to note that the research carried out in the framework of this project represents a snapshot of the current market situation in a number of EU member states at a specific point in time. Of course it did not allow for detailed conclusions to be drawn for other member states. It does however allow drawing some overarching conclusions beyond the particular context of the countries involved.

04.2 Roundtable workshops

In order to assess valuation professionals' training needs and valuation users' requirements regarding the integration of EE and RE features and other sustainability aspects into daily valuation practices, the RenoValue project organised a series of national valuation roundtable workshops in seven EU countries: Belgium (BE), Germany (DE), Italy (IT), the Netherlands (NL), Poland (PL), Sweden (SE) and the United Kingdom (UK).

To be able to get a comprehensive and representative overview, each roundtable involved approximately 20-35 participants representing valuation professionals and real estate firms offering valuation services, mortgage lenders and banks, insurers, private, public and institutional investors and landlords and other representatives from the built environment value chain including designers, planners, architects, civil engineers, construction economists and EE and RE products suppliers and solutions providers.

Summaries of the individual national roundtables for each of the seven countries were published in the [Renovalue Market Insight Report](#).



04.3 The RenoValue survey

The roundtable workshops were guided by the results of a survey circulated to roundtable participants prior to the workshops. The RenoValue survey had the following objectives:

- To understand the extent to which each participant was engaged in valuation activity and the type of property valuations they undertake;
- To identify the primary sources of information used when carrying out valuations;
- To assess the quality of information on property transaction data, whether held by a public or private source, and the quality of any publicly available information;
- To assess the accessibility of property operational cost data and the extent of information normally provided by clients instructing valuation work;
- To understand whether valuation professionals currently receive dedicated training regarding green labels or certification schemes.;
- To investigate the existence of public registers for Energy Performance Certificates and, if any, their accessibility, and whether the consideration of other green labels or certification schemes for buildings is standard practice.

04.4 The EU Valuation Steering Group

A dedicated EU Valuation Steering Group (EUVSG) was established by the RenoValue consortium to provide strategic input to assist with the research project.

The EUVSG comprises senior members from the finance, construction and real estate services side of the sector. The members of this group were selected on the basis of their expertise with regard to sustainability of the built environment in their day-to-day roles. They cover all markets across the EU.



04.5 Content development and pilot phase

Based on the findings of the valuation roundtables, the second part of the RenoValue project was dedicated to the development of the RenoValue training material and to the implementation of the pilot phase aimed to test the training material on valuation professionals across the seven project target countries. In addition to the seven project target countries, the piloting programme was conducted also in Greece, Cyprus and France. The training sessions were attended by 196 participants. 93% of participants considered the training helpful for their daily work and conversation with clients. 97% of the same participants would recommend the material to a colleague.

The training material developed consists of:

- 104 slides designed as support for professional trainers, valuers' associations and other stakeholders that organize face to face training sessions and CPD events. The slides are [downloadable](#) from the RenoValue website in eight languages.
- An [eLearning course](#) (6 modules in total plus self-test) for valuation professionals and other stakeholders accessible via the RICS Online Learning Academy in eight languages.
- [Supplementary material](#) consisting of an overview of EPCs in the core project target countries (Annex 1) as well as a list of suggested further reading (Annex 2).

The training material developed is available in Dutch, English, French, German, Greek, Italian, Polish, and Swedish.

Slides for professional trainers & Supplementary Material



eLearning Course

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Renovalue: Integrating Sustainability into Valuation Practice

A free training course on how to identify and apply energy efficiency and renewable energy factors into a valuation

£0.00

1.5 Hours Formal CPD

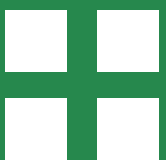
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Learning outcomes	Course information	Additional information
<ul style="list-style-type: none"> Recognise the impact of sustainability on the wider real estate market and the valuator professionals' critical role with regard to market transformation Understand the importance of buildings in relation to climate change and energy targets and its relevance to managing risk for 	<p>To enrol to this free course, add the product to your basket and proceed through the checkout. Once all your details are confirmed, the site will recognise the product as free and allow you to enrol without payment.</p> <p>The use of property valuation is an essential aspect of the property lifecycle and directly influences many of the decision-making that is why encouraging the consideration of energy efficiency and renewable energy needs to start here. Being able to demonstrate the business case to prospective buyers, sellers, lenders and investors is a prerequisite to accelerating the market transition towards Nearly Zero Energy Buildings (NZEBs).</p>	<p>Enrolment duration: 120 Days</p> <p>Language: English</p> <p>The course is fully CPD accredited</p> <p>Category: Property</p> <p>Member price: £0.00</p> <p>Price: £0.00</p> <p>Course Type: E-Learning</p>

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Contacts





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