

Prospective Property Valuations in the Context of Sustainable Environmental Development for Future Generations and Energy Renovation of Real Estate

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SUMMARY

Until now, in continental Europe, property market valuations have generally been based on sales prices observed in the past and projected to the present, at the date of the valuation.

However, climate change is accelerating and will have an impact on real estate. First of all, risks must be taken into account in the value of real estate.

Then there is the integration of the work that will prove indispensable, with in particular better insulation with a view to saving energy, reducing greenhouse gases, replacing lighting systems with LEDs, and renovating cooling and heating systems. Necessarily, these disparate works will have to be allocated with different payback periods. There will therefore be a differentiated impact on the market value, as a public or private investor will want to know the amount of future expenditure to be incurred on a property.

Furthermore, regulations tend to evolve very quickly. For example, buildings with the lowest energy performance ratings corresponding to "energy flats" will be prohibited from being rented out in the short term. But this is a regulatory response linked to the States and not to professional activity. However, professionals will have to take into account these eco-renovation and energy transition costs.

A first solution is provided by the analysis of statistics, either of sales, or of observation of sales prices with a correlation between the energy performance and greenhouse gas emission indices in order to transpose these statistical abatements to the market value or rental value of the properties.

Another solution seems preferable to us, namely to strengthen the appraisal reports, which will take

into account these energy audits and will have to integrate the costs of investment expenditure as well as the assessment of the corresponding rental charges.

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