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The future of real estate valuations: the impact of ESG

Views from a European expert group

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The future of real estate valuations: the impact of ESG

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Foreword: the RICS Europe Leaders' Forum and Expert Group

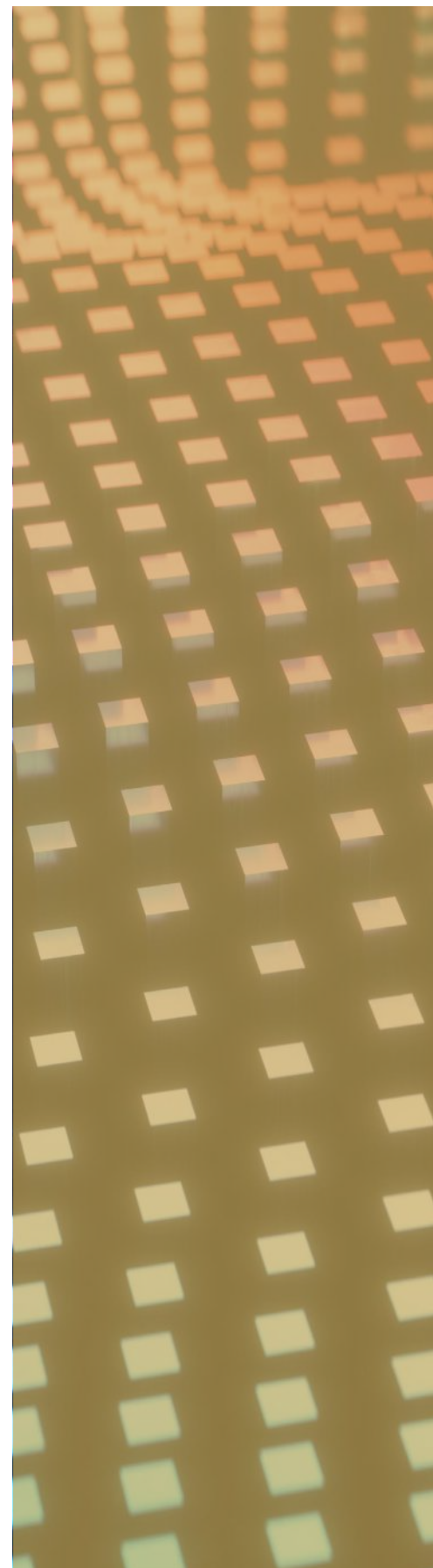
'Globally, around half of respondents believe that green/sustainable buildings achieve a rent and a price premium over comparable non-green/sustainable buildings [...] Furthermore, over 30% of respondents suggest that, even if there is no rent or price premium, buildings not classed as green or sustainable are subject to a brown discount' ([RICS Sustainability Report 2021](#)).

Given the huge climate and social challenges we are facing, we need to move from 'believe' and 'suggest' to data, facts, evidence and ultimately to a market where ESG is firmly embedded and reflected in valuations.

It is for this reason that on 12 October 2022, RICS in Europe established a Leaders' Forum, 'Future of Valuations: The Impact of ESG'. It is chaired by Joël Scherrenberg MRICS, chair of the RICS Dutch Advisory Board, and led by RICS staff members Sander Scheurwater and Gina Ding.

The aim of the Leaders' Forum is to 'embed ESG requirements into valuations and the valuation process'. To help facilitate this, it is important to understand both the composition of the Leaders' Forum and the workstreams.

To truly embed ESG requirements into real estate valuations, both valuers and financial clients need to have an open discussion on progress, challenges and opportunities. This is why the Leaders' Forum is composed of the main European actors, both at the corporate level and through their representative associations: valuation service providers, investors and banks, with the European Central Bank (ECB) and European Banking Authority (EBA) as observers.





To help both valuers and financial clients, the Leaders' Forum is focusing on four work strands:

- 1 an RICS member-led publication on the status of ESG and valuation in Europe
- 2 a digital content library on ESG and valuation, hosted by the RICS World Built Environment Forum (WBEF)
- 3 an ESG and valuation data list, and
- 4 education and training for both valuers and financial clients.

RICS member-led publication

To set the scene, as well as to understand the steps we still need to take to ensure ESG requirements become embedded in valuations, we need to understand the current state of play. RICS members in the Netherlands have taken the lead by composing the expert group responsible for writing this paper. The content is based on the views of the expert group, combined with conversations held with RICS valuers across Europe. The paper does not intend to be a research paper, but rather a starting point for further debate. It is complemented by separate national appendices on the current legislative situation and market drivers in various European countries.

Digital content library on ESG and valuation

The Leaders' Forum, through the RICS World Built Environment Forum (WBEF), will create a digital content library, which will be a one-stop shop for any research, market evidence or relevant opinion papers on the topic of ESG and valuation.

ESG and valuation data list

The Leaders' Forum is working on an ESG and valuation data list containing a list of **core indicators** that valuers can discuss with their financial clients and take up in their terms of reference and valuation report. The data list will not assume data availability, but is meant to raise awareness of ESG requirements and create consistency and transparency across Europe, following the 'comply or explain' principle. Next to the core indicators, there will also be a list of **future potential indicators** that valuers are not yet expected to discuss with their financial clients, but rather to familiarise themselves with, as we have reason to believe they will become relevant in the near future, such as through future EU legislative developments.



Education and training for both valuers and financial clients

Following production of the data list, the Leaders' Forum aims to further explain the rationale behind and technical background of the indicators.

This publication is the first tangible output of the Leaders' Forum. RICS is grateful to all members who have contributed. We look forward to the continued debate, and ultimately to seeing ESG fully taken up by the valuation profession and embedded into valuations.

Sander Scheurwater and Gina Ding
Brussels, December 2023





Executive summary

This paper highlights the increasing importance of sustainability, resilience and environmental, social and governance (ESG) factors in property valuation. ESG factors have become significant in property valuation due to regulatory requirements, stakeholder expectations and risk management needs. In some markets, properties with a strong ESG focus are seen as more likely to maintain their value, attract investors and support favourable financing terms for their investors.

The insights and expertise of the expert group and the Leaders' Forum suggest that valuers commonly consider external factors, such as fiscal and legislative considerations, and are aware of certification, rating and benchmarking systems like LEED, BREEAM and GRESB. Planning, zoning and development considerations, as well as ESG factors in leasing and finance, can also impact the valuation of commercial property. Governance plays a crucial role in meeting corporate and regulatory requirements, with RICS valuers adhering to [Red Book Global Standards](#) and the [RICS Rules of Conduct](#).

This paper sets the outline to support a new understanding of ESG indicators relevant for valuations, which is vital for assessing a company's sustainability and ethical practices in relation to financial performance and business operations. The scope of indicators and data points a valuer needs to take into account becomes broader when assessing real estate and its value. In property valuation, ESG factors play a crucial role in evaluating properties, which in turn may influence their market value, risk profile and cash flow. Property valuers also consider ESG aspects to potentially optimise property performance and minimise potential risks, which is expected to lead to more accurate and comprehensive valuations.

Depending on the kind of asset, the purpose of any valuation and the perspective of stakeholders, value drivers, risk drivers and cash flow drivers can all directly impact the price and therefore the market value of real estate. Value drivers include factors like energy efficiency, location, green certifications and building design. Risk drivers include climate change risks, regulatory risks and social risks. Cash flow drivers include factors such as rental income, operating expenses and cap rates.

The relevance and importance of each driver depends on the specific characteristics of the asset class, location, intended property use and investment goals, as well as the risk appetite of the investor or the intentions of an owner-occupier. Valuers and investors have



an opportunity to collaborate and exchange relevant information, which will enable them to adopt a holistic approach by analysing ESG factors and integrating them into valuation analysis. Adding ESG into the analysis might lead to a challenge if these factors lead to a different price (based on the worth) or even to a new market value.

The forthcoming data list on ESG and valuation primarily targets the asset level, but should also clarify the connections with the corporate and portfolio levels, following relevant EU legislation requirements. This initiative will function as a tool to ‘future-proof’ assets by determining their present value, and is expected to evolve over time.

Not all ESG considerations currently form an implicit part of valuation investigations and reporting. Valuers may inspect properties as part of their investigations, but they do not usually provide a building survey, any cost consultancy or a general report around environmental risks or property performance. RICS members and regulated firms can provide all of these services where they form part of an instruction – and there may be specialisms in each case (a building surveyors, quantity surveyor, environmental assessor, etc.). This report is limited to the provision of valuation services, but you can find out more about what RICS does around ESG [through our website](#), as well as through professional standards such as [ICMS 3](#) and our [responsible business framework](#).





1 Introduction to sustainability and ESG in property valuation

This paper discusses the growing importance of sustainability, resilience, and ESG factors in the valuation of real estate. Sustainability encompasses environmental, economic and social aspects. The [Paris Agreement](#) and the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#) serve as key references for countries and stakeholders in the field of sustainability and ESG. Valuers are encouraged to assess the relevance and the evidential weight of international rating and benchmarking schemes. This document is intended to raise the awareness of valuers about the relevance of ESG requirements and the potential impact on the valuations they undertake.

The TCFD, established by the Financial Stability Board (FSB) in 2015, is a global initiative aiming to create a consistent framework for disclosing climate-related financial risks and opportunities. Its recommendations target a variety of entities, including companies, investors, lenders, insurers and other stakeholders, in order to assess the possible effects on their assets and liabilities. While the recommendations are voluntary, their influence is steadily growing, and could have an impact on the work of the valuers, who are seeking ways to implement these developments into their daily practice.

ESG factors have taken on a greater significance in property valuation due to heightened regulatory requirements, evolving stakeholder expectations and the need for effective risk management. Stricter regulations promote higher sustainability standards, and growing awareness among stakeholders is driving demand for environmentally friendly properties, potentially leading to higher market values. By incorporating ESG factors into their analyses, valuers can identify potential risks and provide more accurate valuations. Some factors already have a direct impact on valuation, whereas others may have an impact at some time in the future.

Investors and banks with a strong focus on ESG are more likely to maintain the value of their properties, due to their increased resilience to our changing climate and lower operating costs. Such properties may facilitate easier access to capital, attract more investors and potentially allow more favourable financing terms. It is critical for a valuer to understand whether this is true across a market or for a specific buyer. Although insight points towards a market impact, this has to be referenced.

Companies that prioritise ESG in their property portfolios can enhance their reputation, strengthen stakeholder relationships and contribute to long-term value creation. The real estate valuer can play their role by considering ESG factors directly relating to real estate. This can help valuers produce comprehensive and forward-looking valuations that meet the evolving needs of modern stakeholders.



2 Professional standards and valuation purpose

RICS valuers must adhere to RICS' *Red Book Global Standards* and consider the asset to be valued for the purpose and basis of the valuation, particularly when considering sustainability and ESG. The relevant ESG factors could then be implemented in the entire valuation process, starting with the terms of engagement, as required by RICS' *Red Book Global Standards*. Ensuring clients are aware of relevant sustainability and ESG issues is a requirement in inspection and investigation (VPS 2) and reporting (VPS 3). Valuers have to be aware of market variations and location-specific risks, and they can obtain sustainability data from various sources. The terms of engagement and assumptions are supposed to be tailored to the purpose of the valuation, taking into consideration potential factors not yet reflected in the market value.

Next to the standards, RICS valuers must also adhere to relevant law and regulation. The expert group suggests that this could be supported by a better understanding of the potential impact of ESG factors on property values, including both physical and transitional risks. *Red Book Global Standards* also makes it clear that, where necessary, valuers should recognise their limitations. If the member does not have the level of expertise required to deal with any aspects of the valuation, they should decide what assistance is needed. With the express agreement of the client where appropriate, the member should then commission, assemble and interpret relevant information from other professionals, such as specialist valuers, environmental surveyors, accountants and lawyers (PS 2 section 2.4). Valuations for regulatory purposes may require explicit articulation of sustainability and ESG assumptions, which is common in scenarios such as secured lending and financial reporting.

Valuations typically centre on market value or fair value, but clients may request investment value (calculations of worth) to align with their specific needs. The significance of sustainability and ESG factors can vary among stakeholders, influenced by individual requirements, market participants and jurisdiction-specific regulations. The terms of engagement and assumptions should be customised to the asset type, valuation purpose and basis.



3 Valuation process and considerations

Part of a valuer's role usually means staying aware of market variations and location-specific environmental risks that influence the ESG aspects of property values. Current market analysis, long-term obsolescence and risks such as the capital expenditure required to maintain asset utility can all be key considerations in valuation.

Valuers may be called upon to provide strategic advice beyond valuation reporting engagements, addressing sustainability and ESG considerations in both occupier and investor markets, or assessing long-term physical and environmental risks. In these scenarios, they can evaluate an asset's current sustainability criteria and the potential future impacts of ESG on values, employing techniques like scenario testing and sensitivity analysis.

The expert group encourages valuers to engage in consultation with clients on sustainability and ESG metrics and benchmarks. This not only clarifies strategic advice but also educates clients on pertinent considerations. When providing strategic advice, valuers must adhere to relevant law, regulations and standards; ensure they possess the necessary competence; and have the appropriate resources. [Sustainability and ESG in commercial property valuation and strategic advice](#), RICS professional standard, covers this in further detail.

Insight provided to the expert group suggests the process of obtaining sustainability data from clients, tools and public sources, and providing evidence-based judgments on sustainability and ESG factors, is poised to gain increasing importance. Property performance systems and metrics are now informing some valuations, with due consideration given to the data's time period and a healthy degree of professional scepticism.



4 External factors and compliance

When reporting a valuation, the expert group stated that valuers typically undertake the following, in line with the requirements of *Red Book Global Standards*, VPGA 8:

- illustrate how they consider ESG factors
- evaluate the property's compliance with ESG legislation/regulation
- estimate the potential impacts on value
- outline ESG-related characteristics
- provide opinions on the relationship between ESG factors and the valuation
- discuss potential impacts over time
- address obsolescence risks and
- take into account regulatory deadlines, efficiency standards and carbon emissions, and their potential effects on value.

The diversity of market participants and jurisdictions may mean that the explicit impact of near-term ESG factors on valuation might be less pronounced. However, the expert group were of the view that valuers will need to stay informed about relevant escalating regulatory reforms and the expanding expectations of stakeholders regarding ESG, which may be considered differently dependent on the basis of valuation. This is not evident as relevant legislation is aimed towards the client (e.g. investor or bank) and not directly at the valuer.

Fiscal and legislative considerations differ between countries, often focusing on aspects such as reaching net zero carbon emissions. These considerations may be at a macro/national level, or relate to companies or individual assets. Where at a national level, they may not be directly perceptible at a company or asset level. Valuers should be cognisant of existing measures and anticipate potential future ones. Sustainable development goals might be connected to fiscal initiatives, and companies and assets that are non-compliant may face penalties and depreciation.

Certification, rating and benchmarking systems, such as LEED, BREEAM and GRESB, evaluate the sustainability and ESG credentials of properties. When assessing overall characteristics, valuers may need to consider the age and details of certifications. Governmental and regulatory codes can also influence sustainability accreditation.

Considerations related to planning, zoning and development can influence the valuation of commercial properties. Sustainability standards might affect the costs and potential rental or capital value of development projects. ESG considerations in leasing and finance may involve arrangements like green leases, accessibility provisions and the inclusion of social value.



5 Defining ESG

ESG stands for environmental, social and governance. This concept is vital for a broad array of policymakers, as it evaluates the impact of a company's sustainable and ethical practices on its financial performance and business operations.

The three aspects of ESG contribute to effective performance, benefiting market forces, society and the world at large. ESG is relevant to both property-related aspects and organisational/strategic policies. Therefore, it is essential to clarify the definition concerning individual real estate assets.

5.1 ESG and property

The property sector needs to consider how to address ESG factors because it is a societal good, for ethical reasons, to comply with regulatory requirements and to keep up with market demand. Consequently, property valuers are expected to assess the impact of ESG and incorporate it into their valuation reports. To achieve this, clear guidelines are necessary to determine how ESG applies to property and its valuation.

The European Leaders' Forum is producing a data list. Together with their work so far and the insights of the working group, we provide the relevant property aspects for each pillar.

Several drivers can affect a property's performance and risk profile in relation to ESG and property market value:

- **Value drivers:** factors that can directly impact the property's market value, such as energy efficiency, sustainable design and green certifications. Properties with robust ESG credentials may command higher rents and lower vacancy rates, increasing their market value. Examples include:
 - energy efficiency metrics, such as energy consumption and carbon emissions
 - sustainable design features, including the use of renewable materials and efficient HVAC systems
 - green certifications like LEED, BREEAM or WELL
 - proximity to public transportation such as bus or subway stations, and
 - access to outdoor spaces, including parks and green roofs.
- **Risk drivers:** Factors that elevate the property's risk profile, including environmental hazards, social conflict and poor governance among market participants in general.



Properties with higher ESG risks may face increased regulation, legal liability and reputational damage (for the property itself, the occupant and / or the owner), potentially decreasing their market value. Examples include:

- Environmental hazards, including flood zones, contaminated soil and air pollution.
- Social conflict, such as community opposition to developments and labour disputes.
- Governance issues, like lack of transparency, poor stakeholder engagement and corruption.
- Regulatory compliance, including building codes and environmental regulations.
- Reputational risk, such as negative publicity or brand damage from ESG issues and a lack of transparency.
- **Cash flow drivers:** Factors that influence a property's generated cash flow, such as tenant demand, operating costs, and financing costs. Properties with strong ESG credentials may benefit from lower operating costs, higher tenant retention rates, and access to lower-cost financing, resulting in higher cash flows and increased market value. Examples include:
 - Tenant demand, including occupancy rates, lease durations and the creditworthiness of tenants in the market.
 - Operating costs, such as utilities, maintenance and insurance.
 - Property financing costs, including interest rates, loan terms and lender requirements.
 - Property tax incentives, like credits for energy-efficient upgrades and green building certifications. Note that tax incentives relating to an individual company or investor may not impact the market value of property.
 - Market trends, such as competition from nearby properties, changing tenant preferences and shifts in economic conditions.

5.1.1 Environmental

A property influences the environment, with specific impacts including:

- carbon footprint
- soil and soil environment
- air quality
- water supply and usage
- materials used and their environmental impact
- energy consumption
- technical and design aspects, and
- climate risk.



5.1.2 Social

A property affects social well-being and can contribute directly to society. Key factors in social impact include:

- flexibility of property use
- user experience
- occupancy rate
- surrounding environment
- well-being of users and community, and
- corporate social responsibility (CSR) policies.

5.1.3 Governance

Governance, in the context of ESG, refers to corporate policies and practices addressing the societal role of property. How does a specific real estate asset comply with regulations and market demand, and how does this affect its value?

A second governance aspect is relevant legislation. Central to this is the [EU Taxonomy for sustainable activities](#), of which derived legislation imposes several obligations on property investors. These obligations are detailed in section 6.2. Often, investors act as landlords or property managers, where they need to handle governance aspects such as tenant relations. Specific governance factors related to property include:

- service level agreements (SLAs)
- zoning and permits
- tenant relations
- energy scores (NTA, BREEAM or similar) and
- safety.

SLAs assist companies by ensuring that users or tenants can influence a property's ESG characteristics through responsible collaboration with property managers. Zoning encompasses the building's usage, zoning plan legislation and companies' contribution to governance. Tenant relations focus on the service level provided to tenants. Energy scores measure the property's contribution to reducing tenant energy consumption. Safety evaluates the building's contribution to safety objectives.

5.1.4 Measuring ESG aspects

Assessing ESG involves both quantitative and qualitative aspects. A dashboard can be utilised to define and present the data, improving visualisation of the scores. Scores can be displayed at the highest level (overall), as well as for each individual topic.



5.2 ESG drivers of value

This paper aims to facilitate the further integration of ESG into valuations and the valuation process for both valuers and financial clients. This includes looking into ESG indicators without imposing a mandate. The geographical scope of this effort is the EU, with the goals being to raise awareness, increase both valuers' and financial clients' knowledge of ESG, and provide insight that complements existing national initiatives.

This process will also hopefully improve data collection, understanding and interpretation, recognising that data may not be available for all indicators and that market differences exist. Ultimately, the Leaders' Forum aspires to facilitate the incorporation of all EU-specific ESG factors into valuations and the valuation process, supporting RICS' existing ESG standards.

The forthcoming data list primarily targets the asset level, but should also clarify the connections with corporate, portfolio and potentially levels, taking into account relevant EU legislation. This initiative functions as a tool to future-proof assets by determining their present value and is expected to evolve over time.

Valuers will limit themselves to factors that may affect the value of real estate. Aspects that may only impact the owner or the company are out of scope.

Drivers can have different impact depending on the asset class. The expert group has identified several quantitative ESG factors as an example that can serve as value drivers for different property asset classes.

- **Office buildings:** energy and water efficiency, carbon footprint, access to public transportation and regulatory compliance.
- **Residential properties:** energy and water efficiency, access to essential services, safety and security, and affordability.
- **Retail properties:** energy efficiency, community engagement, social diversity and social sustainability.
- **Industrial properties:** environmental impact, waste management and regulatory compliance.
- **Logistics properties:** energy and water efficiency, access to transportation and regulatory compliance.
- **Hospitality properties:** energy and water efficiency, access to essential services and regulatory compliance.

It is important to consider that the relevance and importance of each factor will depend on the specific characteristics of the asset class, location, intended property use, investment goals, risk appetite of investors or intentions of owner-occupiers.

In summary, a property's ESG performance can significantly impact its market value and the associated risks and opportunities. By considering ESG factors, valuers can observe



the property's performance and minimise potential risks, resulting in a more accurate and comprehensive valuation.

It is crucial to note that the specific data required will vary depending on the location, property type and intended use of the property. The data required for each driver may overlap with or indirectly impact other drivers. The expert group suggests the adoption of a holistic approach to analysing ESG factors and integrating them into valuation analysis.

5.2.1 Do these factors directly impact market value?

The drivers as mentioned in the previous paragraph impact various aspects of the valuation process. This section gives an indication how to divide the different risks further.

Value drivers can be divided into:

- 1 **Energy efficiency:** more energy-efficient buildings may be more valuable to potential buyers or tenants, as they can help reduce operating costs and contribute to sustainability goals.
- 2 **Location:** A property's location can significantly impact its value, as properties in highly desirable areas may command a premium in the market. Compliance with ESG market demand can add value above the regular location impact on valuation.
- 3 **Green certifications:** Properties with third-party certifications like LEED or BREEAM may be more attractive to tenants and investors seeking sustainable and socially responsible property investments.
- 4 **Building design:** buildings designed with sustainability and ESG principles in mind may be more valuable to tenants and investors pursuing properties.

Risk drivers can be divided into:

- 1 **Climate change risks:** properties in areas prone to flooding or other climate-related hazards may be viewed as higher risk by market participants, possibly leading to a lower market value.
- 2 **Regulatory risks:** owners and occupiers of properties not in compliance with environmental regulations may face penalties or fines, potentially creating a negative perception of these properties in the market.
- 3 **Social risks:** Properties with negative social reputations, such as those associated with poor labour practices or environmental damage, may be viewed as higher risk by investors and other market participants, and therefore may command a lower market value.

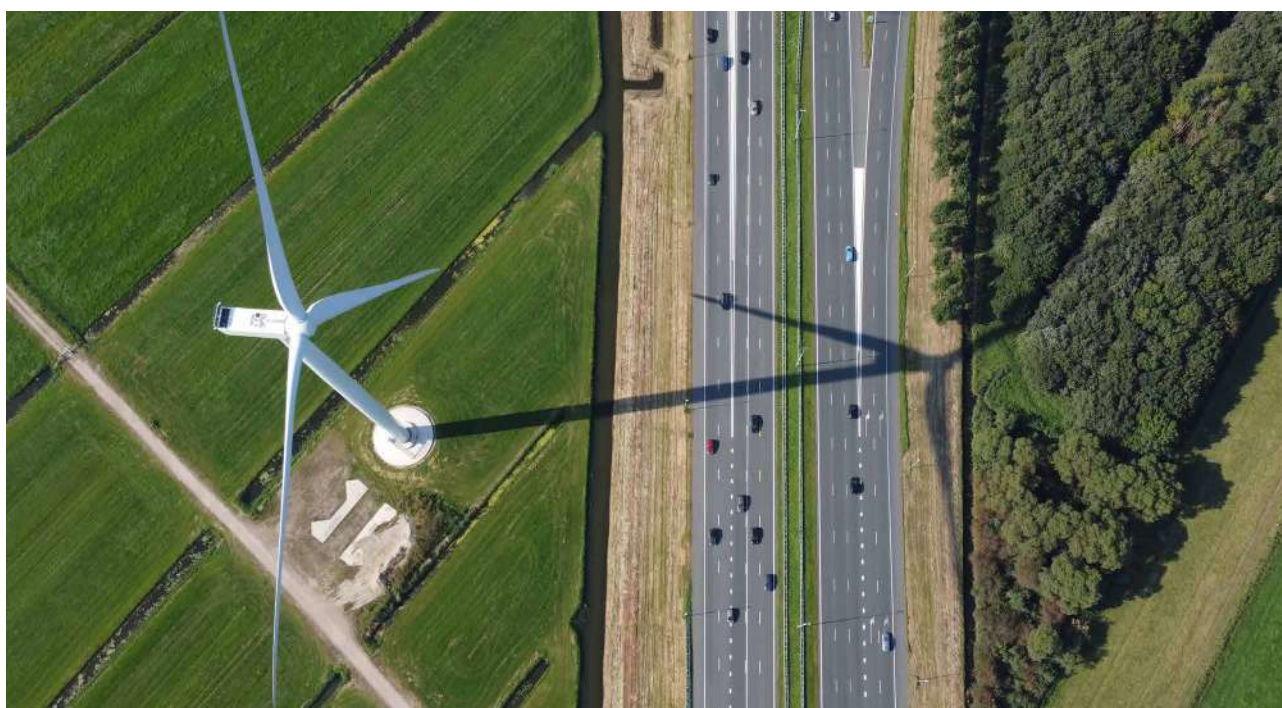


Cash flow drivers can be divided into:

- 1 **Rental income:** the rental income a property generates can directly impact its market value, as higher rental income can increase the property's net operating income (NOI) and ultimately its market value. ESG factors can have a direct impact on the market rent.
- 2 **Operating expenses:** lower operating expenses can increase a property's NOI and ultimately its market value. A more sustainable building will often have lower operating expenses.
- 3 **Cap rate:** the cap rate, or the rate of return on a property, can directly impact its market value, as properties with higher cap rates may be viewed as riskier investments and may command a lower market value. Compliance with ESG principles seems to increasingly affect cap rates.

The Leaders' Forum is developing the ESG and valuation data list as a useful reference for the valuation process. It is being designed so that the valuer can go through the list and reflect on relevant parts of it in their terms of engagement, inspection and investigations reporting and documentation. The data list will provide a reference point by incorporating the relevant driver for each ESG indicator. In appropriate circumstances, the valuer could, for example, change the cash flow (income or cost), alter the initial yield or reflect differently on the comparable transactions referred to.

The expert group recognises that there is a division between aspects that will have a direct impact and aspects that will have an indirect impact. There are certain factors that can be qualified but not yet quantified. There are also impacts that are specific to an individual investor or company and may not be relevant to the market value of a property, although they could be part of the evidence base.





6 Relevant European legislation

Awareness of the impact of regulation on valuation is a crucial element in understanding the current state of the EU property market. In recent years, the EU has introduced various regulations and directives to address the ESG aspects of real estate, which will affect the valuation of properties in a number of cases. Some of the legislation targets companies, investors and investment products rather than individual property assets or portfolios. The valuer will therefore make appropriate judgments around the relevance and impact of the regulations. Those instructing valuations will also need to consider whether an impact on them as an investor or company needs to be considered in the valuation of individual properties or portfolios, and instruct the purpose and resultant basis of value accordingly.

In July 2021, the European Commission adopted a package of legislative and policy proposals to make the EU's climate, energy, land use, transport and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. The package is the practical implementation of a series of goals that make up the European Green Deal. Through this Green Deal, the EU has set itself different goals, including mobilising industry towards a clean and circular economy, maintaining a zero-pollution ambition for a 'toxic-free' environment, and building and renovating in an energy- and resource-efficient way.

With the publication of the [Communication on The European Green Deal](#) and through the proposals that followed, the important role of the construction and property sectors became clear. The EU aims to engage in a 'renovation wave' of public and private buildings, to be achieved through enforcing legislation on the energy performance of buildings, including emissions from buildings through an expanded European Emissions Trading System, and designing and renovating buildings in line with ambitions around the circular economy and climate-proofing the building stock.

In the end, a number of cross-cutting legislative proposals came out. The most relevant are discussed in the following sections. These proposals are all in different stages of the legislative process, which usually sees the proposal go from EU Commission to Parliament and Council, where they are discussed and amended, before the different institutions come together to agree on the final text.



6.1 EU Taxonomy for sustainable activities

Overview: The EU Taxonomy establishes a framework to facilitate sustainable investment in the EU by setting up a classification system that determines what economic activities are deemed environmentally sustainable. The Taxonomy also serves as a legal basis for labels (EU Ecolabel), standards (EU Green Bonds) and links to reporting obligations (CSRD).

Impact on property: Article 9 of the Regulation sets out its environmental objectives. This includes 'transition to a circular economy'. The building sector is called out specifically as an economic activity that has the potential to prevent or reduce waste – especially waste from the construction and demolition of buildings – in line with the Regulation. Reducing the use of building materials and moving to their reuse are also considered sustainable under the Taxonomy.

The [Complementary Climate Delegated Act to the Taxonomy Regulation](#) – setting out the technical screening criteria for economic activities to contribute to climate change objectives – has specific requirements for property. These include 'climate contribution criteria' around construction, renovation, acquisition and ownership of buildings.

Impact on valuation: The process for assessing alignment with the EU Taxonomy includes measuring whether a business activity makes a substantial contribution to the Taxonomy's objectives, such as climate change mitigation. The substantial contribution criteria for climate change mitigation in the valuation of buildings indicates that buildings should at least have an EPC class A when built before 2021 (or alternative criteria depending on the jurisdiction). Non-residential buildings need to comply with efficient operation of heating and cooling systems through energy performance monitoring.

Physical climate risks and vulnerability assessment need to be part of the purchasing and ownership process for property. This includes screening for climate-related hazards such as heat stress, extreme weather, soil erosion and heavy precipitation.

State of play: The EU Taxonomy came into force in July 2020. A number of Delegated Acts have been published since then, with the most recent on 27 June 2023 on 'economic activities', contributing to the objectives of:

- transition to a circular economy
- pollution prevention and control, and
- protection and restoration of biodiversity and ecosystems.



6.2 Energy Performance of Buildings Directive (EPBD)

Overview: The EPBD aims to tackle the energy inefficiency of the EU's building stock by introducing energy efficiency requirements for refurbishments and new buildings, as well as making energy efficiency visible through Energy Performance Certificates (EPCs).

The current proposed revision of the Directive's core measure is the introduction of minimum energy performance standards (MEPS). Other measures in this revision include:

- the transformation of long-term renovation strategies into more enforceable national building renovation plans
- the definition of zero-emission building
- a review of the methodology for energy performance calculations or an obligation for new buildings to be zero-emission buildings by 2030
- improving information on whole life cycle emissions in new construction and
- establishing a legal basis for the national bans of boilers based on fossil fuels and improving provisions on EPCs.

Impact on valuation: Valuation is likely to be directly impacted due to the costs of fulfilling the environmental requirements. An increase of around 3–8% in the price of residential assets as a result of energy efficiency improvements can be seen. For commercial buildings, that increase is around 10%.

Other elements, such as comfort, safety and building maintenance, will also influence the value of a property. Energy performance is becoming an increasingly important factor in valuation, so the approach the EU and Member States take in assessing this performance will impact valuation.

State of play: At the time of writing, an EPBD update was still in the final stages of discussion ('trialogue') between the European Commission, European Council and European Parliament.

6.3 Energy Efficiency Directive (EED)

Overview: Together with the EPBD, the EED is meant to improve the energy performance of buildings in the EU. The EED will impose the minimum requirements necessary to achieve the EU's overarching energy efficiency targets. This will be the blueprint for the more detailed EU legislative initiatives set out in a variety of other implementing legislation, such as the EPBD.

The Commission put forward a reduction in energy use by 9% in 2030 compared to the 2020 reference scenario – this is equivalent to raising the energy efficiency targets for primary and final energy consumption to 39% and 36%, respectively, compared to the 2007 reference scenario. Under this directive, Member States will contribute to achieving this target



according to the calculated national contributions. The REPowerEU package from May 2022 includes a legislative proposal to increase the target from 9% to 13%.

Impact on property: In addition to establishing the energy efficiency first principle (taking utmost account of cost-efficient energy efficiency measures in shaping energy policy and making relevant investment decisions), on which more specific legislation in the building sector is based (notably the EPBD), the EED also sets specific targets for energy efficiency in the built environment.

Impact on valuation: The impact of the EED on valuation is likely to be twofold. A direct impact may be seen through the EPBD, which builds on the EED with more practical rules for the building sector. Indirectly, the EED and the targets in the final text will determine the approach different Member States will take to improving energy efficiency.

State of play: The Directive has been revised and was published on 20 September 2023.

6.4 Renewable Energy Directive

Overview: The Renewable Energy Directive establishes a common framework for the recognition, production and promotion of energy from renewable sources in the EU.

Impact on property: The revised Renewable Energy Directive, which entered into force on 20 November 2023, sets a binding renewable energy target of 42,5% by 2030, but aiming for 45%.

Impact on valuation: Member States will have to introduce measures in their building regulations and codes to increase the share of renewable electricity, heating and cooling. This includes national measures relating to renewables self-consumption, energy efficiency and (nearly) zero-energy buildings. The impact of these measures on valuation is predicted by their creators to be significant, albeit dependent on the measures chosen by individual Member States.

State of play: Directive EU/2023/2413 entered into force on 20 November 2023, with an 18-month period for EU Member States to transport most of the Directive's provisions into national law.



6.5 Corporate Sustainability Reporting Directive (CSRD)

Overview: This Directive, which considerably extends the range of companies covered by the NFRD (Non-Financial Reporting Directive), introduces auditable European Sustainability Reporting Standards (ESRS) covering ESG aspects as well as sector-specific provisions.

Impact on property: The Directive will increase the quantity and quality of data used by companies, which will in turn help financial services firms submit their disclosures about property or infrastructure assets under the SFDR. It is expected that most property companies will be covered by the CSRD, and that they will need to consider the 'double materiality' concept, which refers to both the impact of climate-related risks and opportunities on the company's value, and the external impacts of the company's activities on the environment.

State of play: The CSRD came into force on 5 January 2023. The first companies will have to apply the new rules for the first time in the 2024 financial year, for reports published in 2025.





6.6 Sustainable Finance Disclosure Regulation (SFDR)

Overview: The SFDR mandates that financial market participants with over 500 employees must disclose the ESG performance of the companies/assets underlying their investments. The ESG performance of investments is determined on the basis of:

- 1 principal adverse impact (PAI) indicators on ESG factors, and
- 2 pre-contractual disclosures, website disclosures and periodic reports for SFDR Articles 8 and 9. In addition, taxonomy-related product disclosures outline how products contribute to the EU Taxonomy's objectives.

The purpose of the SFDR is to allow investors to make better-informed decisions, avoid greenwashing and harmonise disclosure requirements across the EU.

A distinctive part of the SFDR concerns the 'classification requirement of financial products'. A financial product should be classified as:

- a financial product without a sustainability ambition (Article 6)
- a financial product that promotes environmental or social characteristics ('light green products') (Article 8) or
- a financial product that has sustainability and/or social investment as its objective ('dark green products') (Article 9).

The more ambitious the product, the stricter the disclosure requirements.

Impact on property: Property or infrastructure assets will be assessed on the extent to which they comply with mandatory adverse sustainability indicators mainly related to:

- 1 climate and
- 2 social and governance factors.

Even if SFDR is not a 'label', real estate funds can be compliant to article 8 or 9. There is a challenge with real estate in transition (refurbishment or planned refurbishment).

State of play: SFDR came into force on 20 February 2023.



6.7 Capital Requirements Regulation (CRR)

Overview: The proposal to review the Capital Requirements Regulation (CRR) was presented by the European Commission in October 2021 as the step needed to finalise the implementation of the Basel III agreement in the EU. Among different elements related to banks' soundness when facing economic shocks and the transition to climate neutrality, the review includes a new prudent property valuation approach, articulated in Article 229 of the proposal.

Impact on valuation: The proposal includes a requirement to report a property value based on 'prudential conservative valuation criteria' across EU Member States for secured lending purposes. The proposed approach would be difficult to implement in a harmonised way across Europe.

State of play: The proposal is in the trialogue phase of the EU legislative process. RICS has issued a position in October 2023, together with the European Mortgage Federation, CREFC Europe, the International Valuation Standards Council, the European AVM Alliance, ASSOVI B and the Spanish Association of Valuers, to provide assistance to EU decision makers on the implementation of property value, and to inform and educate RICS members.

6.8 Mortgage Credit Directive

Overview: The European Commission is currently assessing the elements of the current legislation that are most appropriate to revise. The Commission's objective is to preserve consumer protection, competitive internal markets and financial stability. ESG factors seem to be on course to become part of this Directive, but this has not been confirmed yet.

Impact on valuation: The current Directive refers to RICS' *Red Book Global Standards* as reliable valuation standards that contain high-level principles requiring creditors, among others, to adopt and adhere to adequate internal risk management and securities management processes.

State of play: The Directive is expected to be under review in the near future.



6.9 EBA report on environmental and social risks

Overview: On 12 October 2023, the European Banking Authority (EBA) published a report on the role of environmental and social risks in the prudential framework of credit institutions and investment firms.

Impact on valuation:

- RICS' *Red Book Global Standards* is one of the recommended standards to use.
- The EBA recommends that institutions account for relevant environmental factors in the prudent valuation of immovable property collateral.
- Institutions should make necessary adjustments when the current market value of the collateral does not adequately address relevant risks associated with environmental factors. These considerations should include climate-related transition risk and physical risk.
- The EBA will continue to monitor how environmental factors and broader ESG factors are reflected in the value of collateral, with due consideration of national specifications.



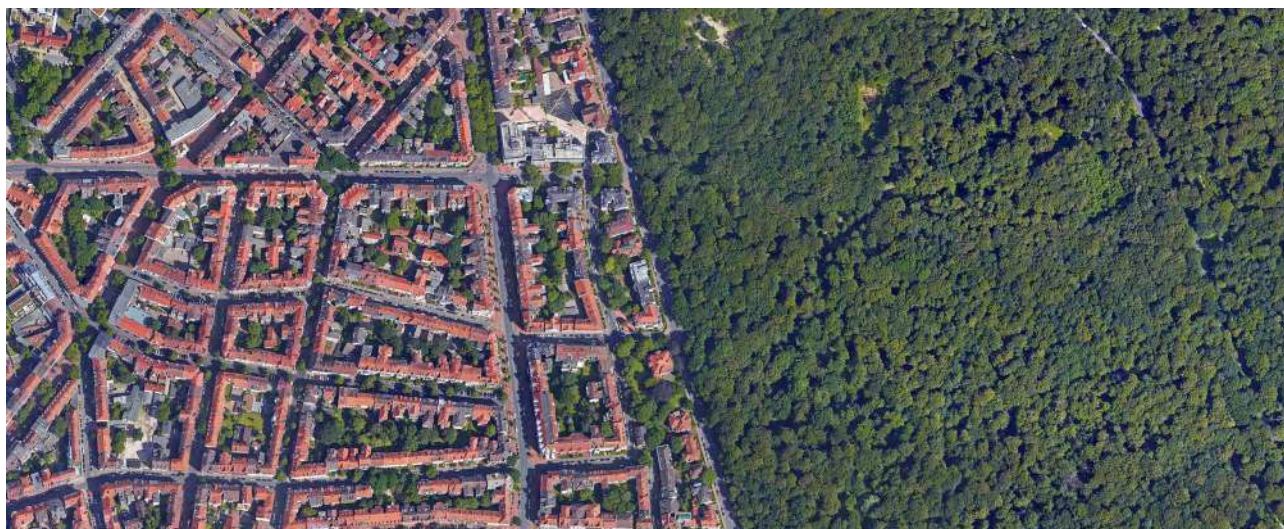
7 Conclusions and recommendations

This paper underscores the pivotal role of ESG elements in property valuation, with frameworks like the Paris Agreement and TCFD as benchmarks. Driven by evolving regulatory standards, stakeholder expectations and risk management needs, ESG-focused properties are increasingly valued and investor-attractive.

Valuers integrate diverse external factors, including fiscal and legislative considerations, as well as certification standards like LEED and BREEAM. These, coupled with adherence to governance standards such as RICS' *Red Book Global Standards*, profoundly shape property valuations. The valuer's role is expanding to assess assets more holistically, reflecting the growing importance of ESG considerations in optimising property performance, mitigating risks and achieving comprehensive valuations.

Initiatives aligned with EU legislation aim to illuminate asset-level connections and future-proof asset value. The relevance of ESG factors, identified as significant drivers across diverse property asset classes, is contingent on each asset's unique characteristics, investment goals and stakeholder risk propensity. However, the universal integration of ESG into valuation investigations remains a work in progress, with entities like RICS offering specialised services and fostering ESG integration across the EU through initiatives like the RICS European Leaders' Forum.

The expert group advocates for a collaborative and holistic approach, aligning valuations with sustainability goals and stakeholder expectations. The nuanced integration of ESG considerations is crucial for optimising property value and fostering accuracy in valuations. Emerging initiatives and frameworks are poised to further embed ESG factors, adapting to diverse asset requirements and reshaping the property investment and valuation landscape.





Appendix A National variations

This appendix provides a concise overview of national variations in legislation, regulations and market standards (besides RICS and other professional standards) in the following EU countries:

- The Netherlands
- Greece
- Italy
- Portugal
- Spain

The differences between these countries may pertain to property, compliance levels or the competencies of chartered valuation surveyors. Additionally, regional building and construction practices may vary due to climatic factors. These differences can ultimately influence the significance attributed to the ESG indicators and drivers described in this paper.

The information on each country is organised as follows:

- 1 specific national legislation
- 2 national market standards
- 3 legislation and market standards under development (these may become obsolete quickly and require regular updates)
- 4 required competencies and
- 5 specific approach/difference in weighting of measuring points.

The Netherlands

Specific national legislation

In the Netherlands, there are two relevant pieces of legislation at the national level.

- [Label-C verplichting](#): To use an office building in the Netherlands since January 1 2023, it must meet at least EPBD level C. There are a few exceptions, but these are minimal. An interesting publication is [DGBC geeft taxateurs handleiding bij energielabel C-plicht kantoren](#).
- [Activiteitenbesluit](#): any owner and/or user of a non-residential property must assess energy consumption when the average energy use of the location is higher than 50,000



kWh per year. Any energy reduction measure that will pay for itself within 5 years has to be implemented directly.

National market standards

Investors and financial institutions are increasingly implementing new, stricter requirements on ESG, often with minimum standards as part of investment decisions. When an office does not achieve at least energy efficiency label C, office owners won't be able to access finance for it anymore.

Legislation and market standards under development

The Dutch government's aim is that all office buildings will meet EPBD level A by 2030. This is not yet set in legislation, but is already commonly accepted as a required standard.

In cooperation with the NVB (Dutch association of banks), duurzaamheidsparagraaf (DUPA) 2.0 has been developed. This is a standardised approach (checklist) used to assess the sustainability of a building as part of any valuation.

Required competencies

A Dutch valuer has to be registered at the [NRVT](#), the Dutch national register for property valuers. Every year, all valuers have to undertake mandatory education, where sustainability is a regular topic.

Specific approach/difference in weight of measuring points

We see a clear development where more energy-efficient buildings have a higher value than buildings that score poorly. Markets and financial institutions are driving demand for making energy efficiency easier to measure and more comparable between buildings.

Greece

Specific national legislation

Non-Financial Reporting Directive: The Non-Financial Reporting Directive (NFRD 2014/95/EU) sets the requirements for the disclosure of non-financial and diversity information by large companies. Greek Law no. 4548/2018 on non-financial reporting, and Circular no. 62784/06-06-2017 from the Ministry of Economy and Development, which have been



developed according to the provisions of the NFRD, require large companies to disclose specific information regarding the way they operate and manage environmental and social challenges. Similar to the NFRD, large undertakings that are public-interest entities must include a non-financial statement in their management reports on the development, performance, position and impact of their activity relating to environmental, social, employee, human rights, supply chain, anti-corruption and antibribery matters.

Hellenic Corporate Governance Code: The new Hellenic Corporate Governance Code was drafted in accordance with Article 17 of Greek Law no. 4706/2020. The code applies to companies with securities listed on the stock market. It is based on the principle of 'comply or explain' and does not impose obligations, but rather provides guidance to these companies on how to adopt good practices while also facilitating the formulation of corporate governance policies and practices tailored to each company's approach. For the first time, the new code clearly refers to sustainability and ESG issues in various sections of the text, and makes specific references to a company's impact based on material ESG factors.

National Climate Law 4936/2022 'Transition to climate neutrality and adaptation to climate change, urgent provisions to address the energy crisis and protect the environment': The Greek Climate Law is part of the Greek and European climate change legislation. It sets as its long-term goal the gradual transition of the country to climate neutrality by the year 2050, in the most environmentally sustainable, socially fair and cost-effective way. In order to pursue the goal of climate neutrality, this law intervenes with legislative measures in the following areas:

- 1 The drafting and adoption of a national strategy and regional plans for adaptation to climate change, as well as sectoral carbon budgets.
- 2 The establishment of governance institutions for the transition towards climate neutrality, in particular the creation of a carbon budgeting mechanism for the key sectors of the economy and a system of governance and citizen participation for climate action.
- 3 Policies and measures to mitigate emissions from electricity generation, the building sector, transport and businesses.

Energy performance of buildings

Existing legislation for improving the energy efficiency of buildings includes:

- 1 Law 4122/2013 on the energy efficiency of buildings, which incorporated Directive 2010/31/EU of the European Union (with article 9), and
- 2 Law 4342/2015 on energy efficiency, which incorporated Directive 2012/27/EU of the European Union.

The Ministry of Economy and Development has implemented the following plans:

- National Energy and Climate Plan (NECP)



- Building Energy Performance Plan of the Regions and Municipalities, and
- National Almost Zero Energy Buildings Plan.

The NECP has been validated with no. 4/23.12.2019 Decision of the Governmental Economic Policy Council (Government Gazette B'4893). It is essentially a strategic plan for achieving specific energy and climate goals by 2030. At the same time, the NECP is also developing the Long-Term Strategy 2050 (LTS), which has a reference point in the year 2030 and presupposes the achievement of the goals of the NECP.

The Building Energy Performance Plan of the Regions and Municipalities (Law 4342/2015, article 7, para. 12) aims to improve the energy efficiency of buildings under the jurisdiction of Municipalities and Regions. The National Almost Zero Energy Buildings Plan (Law 4122/2013, article 9, par. 2) came into effect on 1 January 2021 and Clarifications on the implementation of Law 4122/2013 (DEPEA/111748/705/19.11.2020) analyses the new rules in relation to the Energy Performance of Buildings, the Minimum Energy Performance Requirements, the Energy Performance Certificate (PEA), the Energy Performance Study (EEA) and the briefing of tenants/buyers, but also the obligations of brokers, advertisers, press and property owners for each property listing.

National market standards

Companies in Greece mainly use global market standards and reporting frameworks such as GRI, SASB, IR and TCFD.

The Greek Sustainability Code: The Greek Sustainability Code is linked to the German Sustainability Code and constitutes an official framework with regards to non-financial data according to EU guidelines. It responds to the requirements of Greek legislation as depicted in provisions N.4403/2016 in combination with Circular no. 62784/06-06-2017 of the Ministry of Economy and Development. It is based on international standards (such as the Global Reporting Initiative, United Nations Global Compact, OECD Directives for multi-national companies, EFFAS and EMAS) and management systems already applied by organisations (such as ISO 26000, 9000, 14000).

Legislation and market standards under development

At the time of writing, there are no standards under development. However, the Greek Sustainability Code is based on EU guidelines and could form the basis of discussion for Greek market standards.



Required competencies from valuers

There is nothing that is purely country-specific.

Specific approach/difference in weight of measuring points

There is nothing that is purely country-specific.

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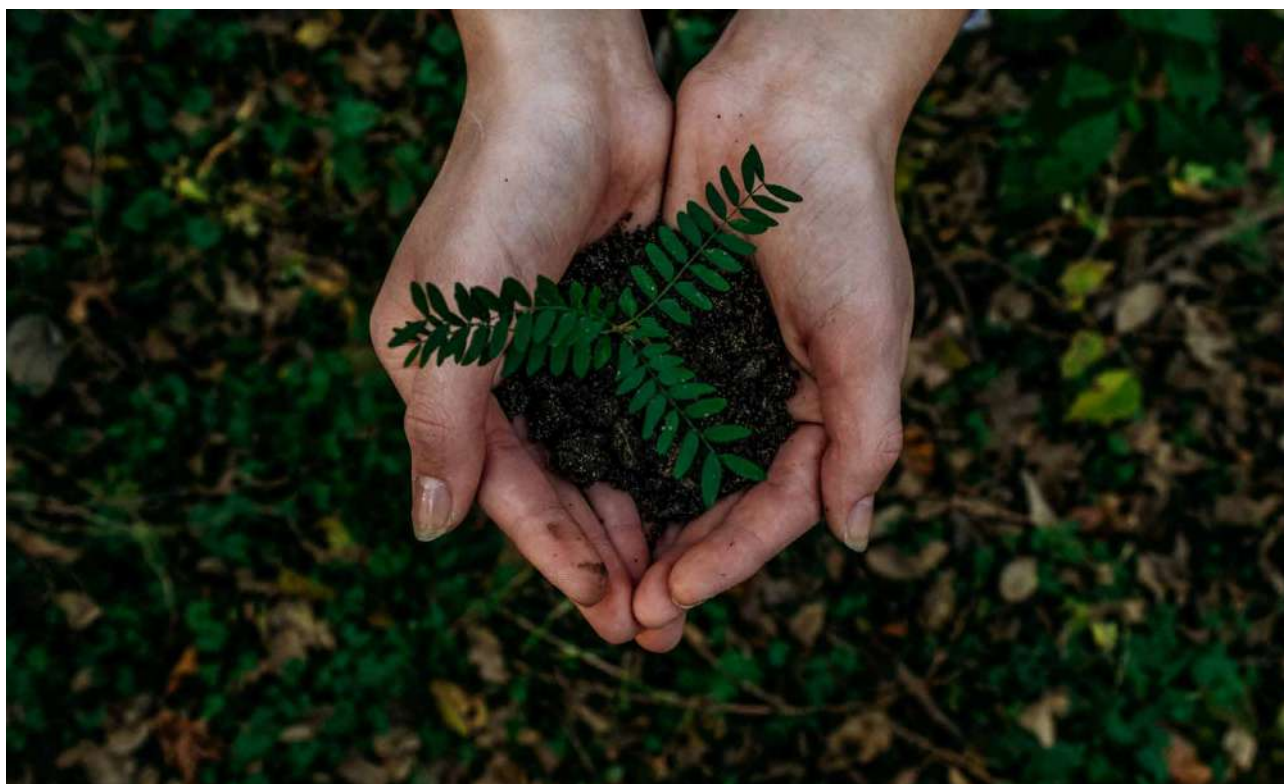
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Italy

Specific national legislation

DL ('Decreto Legge') 63/2013: Adopts Directive 2010/31/EU of the European Parliament and Council on the energy performance of buildings. It establishes an obligation to provide APE ('Attestato di Prestazione Energetica', Energy Performance Certification) for sales (since 1 July 2009) and leases (since 1 July 2010). Following the most recent amendments, providing an APE is mandatory for:

- sale and purchase agreements, and all kinds of transfers against payment
- donations without payments
- lease of buildings or sub-units
- property listings for sale or lease
- newly built buildings once construction is completed
- major refurbishments (works on over 25% of wall and ceiling areas of the whole building)
- application for public contributions and/or tax rebates when implementing renovation projects for energy efficiency
- buildings (>250 sqm) owned by public entities and open to the general public, and
- new or renewed management agreements for heating and conditioning systems in public buildings.

DLgs ('Decreto Legislativo') 48/2020: Adopts Directive 2018/844/EU of the European Parliament and Council on the energy performance of buildings. It provides a long-term strategy to support the renovation of the national stock of both residential and non-residential buildings, both private and publicly owned, with the aim to have a decarbonised and energy-efficient property stock by 2050.

It establishes that all newly-built buildings after 1 January 2021 must be nearly-zero-emission buildings (NZEBS). This also applies to major renovations (works on over 25% of wall and ceiling areas of the whole building) for existing buildings. These obligations have already been in force for buildings owned by public entities (new construction or major renovations) since 31 December 2018.

Municipalities' building codes ('Regolamenti Edilizi'): In compliance with all relevant laws, these codes assess all technical guidelines and parameters with regard to the appearance, architecture, hygiene/healthcare, safety and habitability features of buildings and new constructions. The building codes of some municipalities (such as Milan) provide strict requirements with regard to energy performance and/or technical building solutions that all new buildings or major renovations must comply with.



Italian Recovery Plan ('PNRR'): There is a specific chapter of the PNRR (chapter M2C3) that is dedicated to 'Energy Efficiency and Building Renovation'. As general goals, it focuses on:

- 1 increasing the energy efficiency of both public and private property stock, and
- 2 fostering investment in territories, new job creation, promoting social resilience and renewable energy integration.

There are three projected investment lines:

- 1 efficiency for buildings owned by public entities: a) renovation plan for educational buildings complexes and energy upgrading, b) efficiency for justice buildings complexes, c) simplifying and speeding up procedures for energy efficiency interventions
- 2 energy and seismic efficiency for both public and private property stock, and
- 3 development of district heating systems.

National market standards

Currently there are no national-level standards but in the market, at an institutional level, there is increasing attention from most property market investors in trading in 'ESG-compliant' assets. As there is no specific and common framework in place, building certifications (such as LEED, BREEAM and WELL) and energy performance are features that are being taken in consideration. Many investors are enhancing their own ESG policies, mostly focusing on the physical and transitional risks of assets.

Required competencies

Currently there are no specific requirements in place.

Specific approach/difference in weight of measuring points

With regards to the whole discipline, ranging from SFDR and EU Taxonomy to possible frameworks for measuring ESG impacts on property valuation, an issue arises when discussing the case of historic buildings in city centres and historical towns. These are frequently classified as historical buildings, so are subject to a number of limitations through laws and regulations. Therefore, the possibility of refurbishment to achieve a better level of sustainability is limited, and it is likely they have a stranding date 'capped' by the regulations, which in the current technical and legal framework cannot be extended further. Such limitations should then be carefully assessed in order to provide a fair valuation analysis.



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Specific national legislation

Decreto-Lei no. 102/2021: Establishes requirements for access and exercise of activity by technicians of the Energy Certification System for Buildings.

Decreto-Lei no. 101-D/2020: Establishes requirements applicable to buildings to improve their energy performance, and regulates the Energy Certification System for Buildings, transposing Directive (EU) 2018/844 and partially Directive (EU) 2019/944.

Portaria no. 28/2022: Regulates the content and assessment criteria of the exams to be carried out by technicians in relation to the Energy Certification System for Buildings.

Portaria no. 138-G/2021: Establishes the requirement to assess indoor air quality in commercial and service buildings, including protection thresholds, reference conditions and compliance criteria, and the methodologies for measuring pollutants and monitoring compliance with approved standards.

Portaria no. 138-H/2021: Regulates the activities of technicians and the powers of the managing body of the Energy Certification System for Buildings, and sets the values for registering energy certificates.

Portaria no. 138-I/2021: Regulates the minimum energy performance requirements relating to the surroundings of buildings and technical systems, and their application, depending on their type of use and specific technical characteristics.

Despacho no. 6476-A/2021: Determines the remaining mandatory content of energy certificates, according to the provisions of Article 20(4) of Decreto-lei no. 101-D/2020.

Despacho no. 9017/2021: Amendment to Despacho no. 6476-A/2021.



Despacho no. 6476-B/2021: Approves the selection criteria and methodologies applicable to the processes for verifying the quality of the information produced under the Energy Certification System for Buildings.

Despacho no. 9067/2021: Amendment to Despacho no. 6476-B/2021, approving the selection criteria and methodologies applicable to the verification processes of the quality of information produced within the scope of the Energy Certification System for Buildings.

Despacho no. 6476-C/2021: Approves the conditions relating to the maintenance of technical systems installed in buildings, the periodicity and conditions for carrying out the periodic inspection of technical systems, and the report model.

Declaração de rectificação no. 611/2021: Amendment to Despacho no. 6476-C/2021 of 29 June, published in the Diário da República, 2nd series, No. 126, of 1 July 2021.

Despacho no. 6476-D/2021: Approves the requirements for drawing up the Energy Performance Improvement Plan for Buildings.

Despacho no. 6476-E/2021: Approves the minimum requirements for thermal comfort and energy performance applicable to the design and renovation of buildings.

Despacho no. 6476-H/2021: Approves the Guidance Book for the Energy Certification System for Buildings.

Despacho no. 9216/2021: Amendment of Despacho no. 6476-H/2021, which approves the Guidance Book for the Energy Certification System for Buildings.

Despacho no. 1618/2022: Air quality inside buildings – procedures for recording the obligations provided for in paragraphs 3 to 6 of Article 16 of Decreto-Lei no. 101-D/2020, in its current wording, and the regime's annual simplified assessment of requirements related to indoor air quality.

National market standards

There is increasing attention and investment from institutional investors (Portuguese funds, private developers and institutional developers) in the development and acquisition of ESG-compliant buildings. Also, there is increasing concern for the enhancement of energy performance and sustainability right from the design phase of new projects, especially regarding services and tourist constructions.

Many large institutions and companies are also committed to enhancing their own ESG policies, such as by changing the entire transportation fleet to electric vehicles, reducing paper consumption and moving from non-ESG-compliant buildings to compliant buildings.



Private consumers are also increasingly paying attention to this matter when searching for houses or buying household appliances.

Legislation and market standards under development

There are no new legislative changes or market standards under development.

Required competencies

- Decreto-Lei no. 102/2021: Establishes the requirements of access and exercise of activity by technicians of the Energy Certification System for Buildings.
- No specific requirement for valuers.

Specific approach/difference in weight of measuring points

There is nothing specific to Portugal in this category.

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Spain

Specific national legislation

Real Decreto-Ley 14:2022 (1 August 2022): This law, which seeks to promote energy management for large consumers, also includes industries such as property. It seeks to reduce energy consumption by 2035, among other objectives.

Spanish Building Code: The Código Técnico de la Edificación (CTE) provides for an energy saving document, Documento Básico de Ahorro de Energía (DB-HE). This document seeks to ensure that the comfort of occupants is achieved via reasonable energy consumption.

In the CTE, the DB-HS Health Standard document, section HS-3 for interior air quality, ventilation requirements are included. This has an impact on energy consumption and therefore impacts DB-HE.



Royal Decree 853/2021 (5 October 2021): Regulations for grants in relation to residential and home rehabilitation (Social Plan for Recovery, Transformation and Resilience). This programme is important as it regulates potentially significant direct grants for refurbishment projects linked to energy efficiency.

National market standards

Currently there is no specific national standard; however, working groups are being formed to develop such standards.

For institutional investors (many being SOCIMIs/ Spanish REITs), ESG certification and reduction of their carbon footprint are a core objective. For existing buildings, and especially for new builds, the highest levels of building certification are normally targeted by investors and companies target the highest GRESB classifications for themselves.

Legislation and market standards under development

Legislation is evolving rapidly. We expect further specific requirements for the property sector to enter into effect shortly.

Required competencies

There are no specific requirements for valuers, although we expect new requirements very soon.

Specific approach/difference in weight of measuring points

We have not detected any significant changes in approach. However, when analysing and benchmarking comparables, it is becoming more important to ensure certifications and energy efficiency levels are similar, as investors are becoming more aware of them.

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Delivering confidence

We are RICS. Everything we do is designed to effect positive change in the built and natural environments. Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

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