

## CEPI's Views on Energy

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### **The European Green Deal and “renovation wave initiative” What next for the real estate sector?**

CEPI represents real estate professionals who have a key role as an interface between the energy experts and the consumer. This role needs to be expanded and developed so that best case examples of how to deal with the energy efficient renovation may be shared and a greater understanding developed of how best to work together to achieve energy efficient savings in the real estate sector.

Our professionals want to see a strong focus on:

- Measurable reductions in the use of energy in the residential building stock by ensuring the installation of safe, effective and affordable **insulation** to meet the best current standards.
- Wider use of **renewable energy** including solar panels and heat pumps. New products need to be brought to the market taking account of the different types of buildings in the residential sector including multi- apartment buildings.
- Real **reductions in emissions** by making effective changes to heating and cooling systems. Many residential buildings have outdated systems in urgent need of replacement. Cost-effective ways of updating these systems need to be found.

Real estate is a long-term investment and investors need security to invest for the future. Affordable ways need to be found to make the changes needed with a view to the long-term health of the real estate market. A healthy and informed realistic approach to the built environment is vital to ensure a fair transition to climate neutrality both for consumers and for the protection of jobs and growth in Europe as well as the stability of the real estate market.

#### **Energy impacts on the real estate market**

The impact of the energy crisis on the real estate market is increasing. Heating and cooling in buildings and industry accounts for half of the EU's energy consumption. Buildings are responsible for approximately 40% of energy consumption and 36% of CO2 emissions in the EU. The EU has taken action on energy to meet its energy savings commitments and has now adopted a large body of legislation on energy. Some of this legislation impacts directly on the real estate sector, in particular the Energy Performance of Buildings Directive (EPBD) and the Energy Efficiency Directive (EED). In December 2019 the European Commission published a Green Deal for Europe, a roadmap outlining a number of key actions including initiatives aimed at promoting building renovation and a first Climate Law which was published in March 2020. The European Commission has announced its intention to launch a new 'renovation wave' initiative, as part of the European Green Deal.

There are complex issues involved that call for credible solutions that will really deliver on the plan to achieve climate neutrality by 2050. The volume of existing regulation on energy means that effects are

now being seen on the real estate market that should be taken into account in housing policy and additional energy efficiency requirements before further legislation is put in place. Real estate professionals are concerned about the effect on property values and prices, the need to consider possible costs for owners and investors and to keep a sense of proportion about the extent of the work and investment required. There is also an effect on the availability of properties with a need for support for the private residential rental sector in particular and to avoid creating disincentives for investors making investment less attractive.

### **Energy efficient renovation needs to be affordable for private owners**

Member States across the EU are now implementing European legislation concerning the energy efficiency of buildings, the EPBD and the EED. Many are experiencing difficulties in achieving targets in their national plans and it is important to understand the reasons for this. Climate change means that pressure to save energy will continue but there needs to be a clear uniform message concerning the renovation of the existing residential building stock. The current building stock continues to present opportunities for greater energy savings but the upfront costs can be great which risks making the cost of renovation unaffordable for the private residential sector.

Concerns are being raised by real estate professionals that obligations placed on owners and landlords are increasing the cost of buying or renting property. Attention needs to be paid to ensuring the cost effectiveness of works by recognising the extensive investment required. There is already some evidence that increased energy efficiency requirements risk making property ownership less affordable and increasing rents for tenants. The energy efficiency of a property may also add to its value, but the current evidence available on this is uneven. The impact on vulnerable households needs to be considered. The effect on the markets for sale and rental needs to be taken into account in long-term planning when energy efficiency related measures are introduced.

Member States now need time to implement legislation in cooperation with stakeholders before further measures are considered. Better coordination and a realistic targeted approach is called for with support for owners and real estate professionals taking into account the conditions in local markets. That is why it is important to focus on the most important and measurable elements in the built environment. Incentives for owners need to be found to increase the affordability of energy efficient renovation and achieve the desired results.

### **Challenges in the renovation of multi-apartment buildings**

The renovation of multi-apartment buildings presents certain challenges, for property managers in particular. There may be difficulties in obtaining the necessary finance and also reaching agreement between different owners. The costs involved are particularly high in such buildings and may well be beyond the means of individual owners. There also remains the issue of split incentives, such as exist between landlord and tenant, as the person who pays the cost does not always directly benefit. These problems need particular solutions.

### **Real estate professionals need support in the energy transition**

Particular skills are needed to deal with renovation and ensuring that the best results are achieved when implementing energy saving measures. In general real estate professionals are not renovation managers and need help to comply with new requirements. In organising work they often face shortages of materials and qualified workmen which are difficult to overcome. Greater investment needs to be made in the training of professionals equipped to guide real estate professionals and consumers in the energy transition and ensure that works are carried out to the required standards.

Therefore CEPI calls for the impact on the real estate market to be taken into account in the implementation of legislation on energy. There must be a realistic assessment of energy efficiency requirements to ensure the availability and affordability of a good all round quality building stock. This means focusing on affordable solutions for works that will make a real difference and result in a building stock better suited to the demands of consumers and the climate.

CEPI aisbl  
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### ***Connecting European Real Estate Professionals Across Europe***

*The mission of CEPI, the European Association of Real Estate Professions, is to support the European real estate market and cross-border transactions by enhancing and strengthening the work and activities of real estate professionals. We represent twenty six national professional organisations of estate agents and property managers based in eighteen EU and EFTA countries. Their individual members are active in all sectors of the residential real estate market on a daily basis involving both sales transactions and long-term management.*