

## Europe's Renovation Wave

**On behalf of real estate professionals in Europe, CEPI highlights what it considers should be the building blocks of the upcoming renovation wave and calls for particular attention to be paid to:**

**Finance** - *renovation funds to be made available to all parts of the residential housing sector.*

**Information** - *clear and accurate information for consumers.*

**Training** - *a greater pool of trained professionals to carry out affordable renovation.*

**Goals** - *easily achievable goals to be set and targeted for quick results.*

**Solutions for multi-apartment buildings** - *tailored to the renovation of co-ownerships.*

Europe is about to embark on an ambitious renovation wave initiative for the building sector as part of the EU's Green Deal to optimise the renovation of public and private buildings. We look forward to the details of the initiative but recognise the outstanding challenges in the renovation of the existing residential building stock for which we hope to see targeted action and support to overcome. These challenges create problems that must be solved in order to see a significant increase in the renovation rate. The necessary building blocks have to be put in place to find solutions. Real estate professionals have an important role to play in identifying current challenges and finding solutions. As they are involved with real estate transactions and the management of buildings on a daily basis they are in a unique position to recognise problems and provide solutions by connecting consumers with the right experts who can provide the necessary information and expertise to get renovation done effectively.

What then are the building blocks needed for a successful renovation wave in the private residential sector?

▪ **Block 1**      **Finance**

Finance is key to energy efficiency renovation calling for a dedicated renovation fund easy to access for those in the building sector including the private housing sector. We welcome the green ambition of the European Commission recovery package Next Generation EU, but would also welcome clarification on the allocation of funds targeted at building renovation. Member States should be encouraged to include support for the renovation of the private housing sector in their national recovery packages. Such support must be ambitious if it is to achieve the stated objective of doubling the annual renovation rate in Europe from the current rate of 1%. Whilst recognising the need to alleviate energy poverty in social and affordable housing there needs to be an allocation of funds for the private residential sector as a whole.

Renovation must be cost effective and affordable otherwise homeowners will struggle to meet energy efficiency requirements because of the expense and long payback times. Better ways need to be found of scaling up renovation work and matching finance with projects at national and local level. Green

mortgages and loans are a welcome initiative, but caution should be shown in increasing personal debt at a time of crisis. The EU should support national and local authorities in looking for innovative ways of providing finance for householders at different income levels. This is an informed decision for society to take in how to create more resilience and resistance to climate change. Inevitably public finance will be needed as well as private investment with a clear system of grants/loans.

***CEPI calls for renovation funds to be made available to all parts of the residential housing sector.***

▪ **Block 2**            **Information**

Information is key to effective renovation at all levels in the building sector. Real estate professionals are involved in communicating that information to consumers. Property managers in particular have to be able to communicate to co-owners the need for energy efficient renovation and requirements. They need to be able to reach agreement on such works by different co-owners. Raising awareness and access to information remain important. Therefore, these are roles that need to be supported by clear information and goals.

There are information tools that already exist in the building sector, but they are of limited value. Energy performance certificates remain limited in use and reliability. They still offer untapped potential and possibilities for better coverage and use. Other proposed initiatives such as building renovation passports offer potential subject to concerns about ensuring the accuracy and protection of data, but it needs to be clear what information is to be included for which there must be clear guidance from decision makers. There are already overlaps between the various tools which already exist and those being proposed which are confusing both for consumers and busy professionals. To be of real use data must be reliable and readily available in a clear and transparent manner so as to allow consumers to take informed ownership about decisions on renovation based on useful examples.

***CEPI calls for clear and accurate information for consumers.***

▪ **Block 3**            **Training**

Real estate professionals, and particularly property managers, need to have access to both technical experts and skilled tradesmen to ensure that renovation work can be carried out effectively. Real estate professionals need to identify those having the right skills and must be able to find the right experts when they are needed. There need to be enough skilled and knowledgeable professionals available to carry out the necessary work at affordable cost. This is not always the case, and shortages of trained skilled experts and tradesmen can result in delays and difficulties in the carrying out of renovation work. However, this also presents opportunities because there is enormous potential for increased employment. Creating new jobs at a time of economic crisis will also help promote a green and sustainable recovery. Investment in skills and training will benefit all those in the real estate sector.

***CEPI calls for a greater pool of trained professionals to carry out affordable renovation.***

▪ **Block 4**            **Goals**

It is important to focus on easily achieved goals such as the installation of simple insulation to lock in savings that can be made without too much cost and to overcome concerns about the costs of renovation making it unaffordable. Deep renovation is highly desirable and should be carried out whenever realistically possible. However, it is very expensive and usually has a payback time of many years which is unattractive to most private homeowners.

CEPI supports energy efficient standards to tackle climate change and measures to reduce or eliminate damaging fossil fuel use in our built environment. We look forward to further innovative changes and technologies to further reduce energy needs of our building stock however it is the view of CEPI that any future regulatory changes must be cognisant of renovation costs and general market conditions to ensure there is no negative unintended consequence for the marketplace. For example, any strict proposals to introduce mandatory requirements imposed on properties for sale or rent would be of concern for the property market. We believe that the open market should be the ultimate decider in respect of marketability and values and generally in a normal functioning market, the consumer will be attracted to and demand a comfortable and energy efficient property for their home.

Renovation needs to be cost efficient and this means making the best use of available funds by targeting work that can be done quickly and effectively so as to get quick results. This also presents opportunities because carrying out simple renovation works is a quick and easy way to increase the quality of the residential housing stock. Consideration needs to be given to the measurable reductions that can be made in the use of energy by works such as the installation of safe and effective insulation, the wider use of renewable energy and changes to heating and cooling systems.

***CEPI calls for easily achievable goals to be set and targeted for quick results.***

▪ **Block 5            Solutions for multi-apartment buildings**

Of all the challenges faced in the renovation of the private residential housing stock probably the greatest challenge is that of finding solutions for the renovation of multi-apartment buildings. There are many in urgent need of work, but obstacles exist to getting the necessary renovation done. Targeted attention must be paid to the particular problems of multi-apartment buildings and how the renovation of such buildings can be financed.

In multi-apartment buildings decisions on renovation work must be taken by co-owners in accordance with the requirements of national law, in what can often be a complex decision-making process. The use of new technologies needs to be promoted. There are issues concerning the availability of finance because, even if grants are available, grants for co-owners are based on individual incomes so limited in practice. In most instances energy-saving renovations have to be decided on by a majority of co-owners. In rare cases a property management may decide for the community of owners. Reaching agreement on renovation work and finding ways to finance it are a challenge for apartment complexes with many owners. The financial reserves of the building may not be sufficient and may result in challenges being made by some co-owners to decisions taken.

There are additional complications with different types of funding at national, federal and local levels. There may be conditions attached that are difficult to fulfil in the case of co-ownerships. For example they may be based on where the owner's main residence is (which may not be the property to be renovated). As mentioned in some cases grants also depend on income, and evidently the position of co-owners will be different. They may not qualify for grants that are in principle available, and if this applies to the majority, the entire property will not receive funding. This situation calls for special attention to the funding of renovation of multi-apartment buildings which is very different from that of single-family homes.

The renovation to be carried out may also not receive funding because not enough works can all be carried out at the same time to satisfy local conditions. The costs involved for the owners can be very high. There are additional problems in funding those costs by individual owners if private loans have to be taken out. Some owners may not qualify for loans (for example because they are retired). It may

be possible to obtain a loan for the entire property, but this increases the operating costs for years and property managers find it difficult to contain costs.

It should also be remembered that many apartment buildings are older and may be listed as being of historical value. This presents particular challenges for energy efficient renovation. Some energy-saving measures may not be possible, for example it may not be permitted to attach thermal insulation to the façade. Such older buildings are also more difficult and costly to adapt to the use of new technology such as for example heat pumps. The overall costs can be such as to make renovation unaffordable. The particular problems of renovating apartment buildings need to be solved using tailored solutions and financial arrangements.

***CEPI calls for solutions to be found to the particular problems of renovating apartment buildings.***

## **Conclusion**

These building blocks need to be constructed and connected securely in an integrated approach to better buildings. There are many different stakeholders involved in the building sector and they all need to work together and communicate to achieve the desired results of decarbonisation and increased energy efficiency. Actions to be taken in achieving these goals also present the bonus of the much-needed boost that a strong renovation wave will give to the recovery process in Europe after the coronavirus crisis by boosting jobs, investment and growth. As an additional bonus it should also improve the quality of the European building stock by using renovation to reduce energy poverty and increase the liveability and affordability of housing as is much needed in the residential sector. By investing in quality renovation, the European housing stock will be improved but homeowners and investors need to be able to see that their investment is well spent and that the best use is made of public money.

Renovating Europe's housing stock must be a collective effort involving all those in the built environment sector who must work together to achieve high quality results. We are concerned that at the moment the sector is fragmented. As well as the challenges already outlined there remain split incentives to be overcome particularly in the private rented residential sector when renovation work is carried out. In the renovation wave initiative, we hope to see a more integrated strategy including all stakeholders in a new ecosystem of building renovation.

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.*