Sustainability and residential property valuation (12625)

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SUMMARY

Residential property plays a vitally important role in society. In addition to its primary purpose of meeting the housing requirements of the population it is also a growing investment asset class. Occupation of residential property ranges from rental through intermediate forms of tenure, including shared ownership, through to full owner occupation. Residential property's use as an investment asset is growing rapidly. Direct investment is undertaken at all levels, ranging from large institutional investors through to private individuals.

At the same time, sustainability, which covers a broad range of physical, environmental and social factors, is playing an increasingly important role in legislation and patterns of economic behaviours and preferences. With extreme weather events, becoming increasingly common, this will have an impact on the valuation of a property.

This paper aims to help valuers consider sustainability issues and their implications when undertaking valuations of residential property in the United Kingdom ('UK'), though the principles established may be applicable to other jurisdictions.

It is vital that valuers of residential property are fully aware of the sustainability characteristics of buildings and the legislation, public policy and fiscal measures that may have an impact on their value. It is likely that residential markets, over time, will become progressively sensitised to sustainability considerations. Therefore, valuers are advised to keep abreast of trends and the changing views of stakeholders, and collect appropriate and sufficient sustainability data when inspecting property.

Valuation acts as a core pillar of financial reporting, investment analysis, public policy, secured lending and property purchasing /renting decisions. Its importance extends not just to those preparing valuations, but also to those who rely heavily on them, which includes investors, auditors, regulators, owner occupiers and renters.

Given the importance of housing in society, allied to the pace of change in technology playing a greater role in the residential valuation industry, continuing government intervention in the property market and continued housing shortages – having consistency in standards that underpin the valuation of sustainability considerations within residential property are therefore of immeasurable benefit to society as a whole.

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1. BACKGROUND

1.1 The Vancouver Valuation Accord of 2007 was an early international forum for discussing the valuation issues associated with the sustainability debate: "*a commitment by valuation standards organizations globally to begin the process to embed sustainability into valuation and appraisals*", to make it a mainstream consideration.

1.2 This paper builds on the findings of the *RICS, Sustainability and residential property valuation, 1st edition information paper (2011)*, with the aim to help valuers consider sustainability issues and their implications when undertaking valuations of residential property in the UK. It considers environmental factors including energy, waste, water and flooding, together with social factors such as accessibility and health and wellbeing.

1.3 This paper considers the importance of how increased awareness of such sustainability factors, partly assisted by better data and metrics and other schemes, may work through the marketplace into purchaser or tenant perceptions. This paper also comments on the investigations and considerations that may be relevant when preparing a valuation.

1.4 "*The twin pressures of economics and public policy have led to greater attention being paid to a range of resource issues, covered by the concept of sustainability. It can be expected that both regulation and market sentiment will make these issues of environmental performance and sustainability increasingly important to those concerned with property and buildings and so, where relevant, to valuation. Indeed, many larger corporate clients and those with ethical concerns look to meet rising standards with regard to sustainability and expect similar standards from those with whom they deal. They are likely to raise the matter when seeking valuation advice.*" European Valuation Standards 9th edition (2020).

1.5 In 2012, for the first time, Jones Lang LaSalle included sustainability in its real estate transparency index, a decision reflecting the growing importance of sustainability in making investment decisions about real estate. The *JLL Global Real Estate Transparency Index* is based on 28 national markets analysed with respect to the use of energy-efficient solutions and sustainable building rating systems. The index divides countries into four categories: highly-transparent markets, transparent markets, semi-transparent markets and low transparency and opaque markets. The most transparent markets regarding sustainability are those of the UK, Australia and France.

1.6 When gathering information to inform their professional judgement, valuers may wish to refer to sustainability metrics where available, and to gather specific sustainability information on the subject property. This will contribute to the growth of information and data available in the marketplace. It will also provide a framework for the analysis of comparable properties in order to inform valuations.

1.7 The type, size and location of the property will have a significant impact on value. This includes not only its general desirability from a design point of view, but also the cost and ease of adaptability to incorporate sustainable features, as this can vary significantly between different construction and design types.

2. EXISTING RELATED VALUATION STANDARDS

2.1 INTERNATIONAL VALUATION STANDARDS (JANUARY 2024)

Glossary

Environmental, Social and Governance (ESG)

The criteria that together establish the framework for assessing the impact of the sustainable and ethical practices, financial performance or operations of a company, asset or liability. ESG comprises three pillars, all of which may collectively impact performance, the wider markets and society.

Taken from IVS General Standards: *IVS 104 Data and Inputs Appendix*: *"ESG factors and the ESG regulatory environment should be considered in valuations to the extent that they are measurable and would be considered reasonable by the valuer applying professional judgement.*

2.2 RICS VALUATION – GLOBAL STANDARDS (2022)

There are numerous existing references to sustainability within the RICS Valuation – Global Standards (2022), these include.

Glossary

"Sustainability is, for the purpose of these standards, taken to mean the consideration of matters such as (but not restricted to) environment and climate change, health and wellbeing, and personal and corporate responsibility that can or do impact on the valuation of an asset. In broad terms it is a desire to carry out activities without depleting resources

or having harmful impacts. There is as yet no universally recognised and globally adopted definition of 'sustainability'. Therefore, members should exercise caution over the use of the term without additional appropriate explanation. In some jurisdictions, the term 'resilience' is being adopted to replace the term 'sustainability' when related to property assets. Sustainability may also be a factor in environmental, social and governance (ESG) considerations."

VPS 2 Inspections, investigations and records
Valuation records
3.3 Valuers should collect and record appropriate and sufficient sustainability and ESG data for the valuation.

VPGA 2 Valuation of interests for secured lending
6 Reporting and disclosures
Sustainability and ESG factors (see VPGA 8) can be a significant market influence and valuations for secured lending should always have appropriate regard to their relevance to the particular assignment.

VPGA 8 Valuation of real property interests
2.6 Sustainability, and environmental, social and governance (ESG) matters – includes a detailed commentary, see Appendix 1 for further information.

3. VALUATION APPROACH

3.1 Many of the issues covered by sustainability involve a long term perspective, such as expectations as to energy prices or handling environmental risk, while the necessary specific information may often be uncertain and the analytical tools still developing. However, those limitations do not make the questions any less important.

3.2 "*Valuers must act within the limits of their professional skills and current market expectations. This will usually mean that they will need to call on relevant expertise, certification and reports as to a property's sustainability rather than prepare them personally. This follows existing practice regarding environmental issues such as the assessment of contamination, asbestos, flood risk or soil erosion for which valuers need to be able to understand what the specialist reports might mean and judge what weight to give to them. Valuers can only value on the basis of the market as it is, not hypothesise about the future*."

3.3 *"One challenge in analysing this is to understand for each case whether addressing sustainability adds or subtracts value. It can be seen as a cost and a restriction. Equally, economic opportunities can be seen in green growth with its accompanying technical innovation, while meeting standards may protect or enhance value. Once a regulatory or market standard is seen as the norm, then failing to meet it may see the values of non-compliant properties penalised".*

3.4 *"Owners and occupiers of property may have a variety of motives for considering sustainability in general or specific aspects of it, such as energy efficiency in particular. These may range from personal commitment to cost-cutting, from complying with regulation to seeing it as an advantage with customers"*. European Valuation Standards 9th edition (2020)

4. THE ROLE OF THE VALUER

4.1 If sustainability features are identified and recognised as having an impact on value, they should be built into the calculations to the extent that a well-informed buyer and the market, as evidenced by comparable transactions, would account for them. If more detailed advice is to be given, valuers may wish to place the valuation within a wider context that may include the likelihood of sustainability issues gaining in importance over time. Where an investment value, or worth is being prepared, factors not yet reflected in Market Value may be included explicitly.

4.2 When collecting data on a property for valuation, valuers may wish to expand their basic data collection to include a record of any sustainability features, even if they do not currently have an impact on value. Through expanding the data available within the market, valuers are contributing to the improvement of knowledge within the profession by establishing an information base on the sustainability of market comparables. It is an essential exercise when valuing new-build properties. For example, when valuing second hand properties it is recognised that new-build properties may, as a result of more stringent building controls, have superior environmental sustainability performance features, which may result in an adjustment to the weight of the comparables against new-build properties.

4.3 In order to identify and assess sustainability features proficiently, valuers should continuously seek to improve their knowledge of sustainability so that they are fully aware of any new developments that may have an impact on value. This includes new technologies, legislation, public policy and fiscal measures, as well as the wider market's attitudes towards sustainability.

5. DATA LIMITATIONS

5.1 Limitations on data for sustainable building characteristics currently hinder the view of sustainability in the market. With a focus on cost saving, features such as insulation, an energy efficient boiler and draught proofing may be seen as the key sustainability building characteristics. However, the scope of identification and, so far as possible, quantification needs to be widened to include a range of functional, environmental and social issues. Further, as general purchaser and tenant awareness of sustainability increases, factors other than cost savings may have an impact on both Market Value and market rent. As improved information becomes available for new and existing buildings, valuers should routinely request, collect and store this for future comparable analysis data for valuation.

6. ENERGY PERFORMANCE CERTIFICATES

6.1 For existing dwellings the only compulsory metric, which also applies to new homes, is the Energy Performance Certificate (EPC). These metrics are designed to inform those in the marketplace when a property is offered for sale or rent, and increasingly control the aspirations of new-build standards.

6.2 The EPC, which is an EU requirement, is designed to inform a buyer or new occupant about the energy efficiency levels of a property, but they give no information about energy in use. Required to be commissioned whenever a building is first sold or let after the date at which the scheme was introduced, the certificate is then valid for a ten year period, unless alterations are carried out. It must be produced before contracts are exchanged for any letting or capital transaction. Ranging from A (the highest rating) to G (the lowest rating), it covers aspects such as location, wall construction and size of property, hot water and heating systems and insulation and glazing. This limitation to energy efficiency narrows the focus of sustainability to one aspect and does not address the wider issues of environmental and social aspects of sustainability. The EPC in Scotland differs from that in the rest of the UK.

6.3 While EPCs for existing buildings will be accompanied by a set of recommendations to improve efficiency, valuers should be aware that there is currently no requirement to follow these recommendations, although compulsion may possibly follow. In contrast, EPCs for new build properties are created through a detailed knowledge of the new-build specification. For both new and existing buildings, the impact of occupier behaviour may subsequently determine whether the property will perform to the EPC rating.

7. REFLECTING SUSTAINABILITY CHARACTERISTICS IN THE VALUATION

7.1 A valuation reflects the views of a well informed potential buyer or tenant using evidence of value found through the analysis of transactions of comparable properties. However, the valuer may be instructed to give further advice as to how the value sits within a market context. Therefore, when advising a purchaser, the advice may, in some circumstances, extend beyond the purchase price or rental value. For example, it may include an opinion of the level of risk to which the value may be susceptible under foreseeable market changes, with one of these areas of risk being the level of sustainability. It is therefore important that the valuer not only assesses the extent to which the subject property meets sustainability criteria, but also holds an informed view on the likelihood of environmental and social factors impacting values either positively or negatively over the short term.

7.2 Due to the current lack of information and data in the market, it is likely to take a considerable amount of time until sufficient information exists to empirically support a valuer's decision to differentiate values based on sustainability criteria. In some submarkets, for example low value properties in areas of below average income, the market may react more swiftly, particularly if supply exceeds demand. Elsewhere in high value areas of high demand, the market may take longer to differentiate.

7.3 Valuers are encouraged to gather such information routinely and provide explanations of their valuation adjustments in relation to the risks associated with less sustainable property, as well as the more subjective and intangible features in coming to a final value of the subject property. Notwithstanding this, the final valuation should be adjusted for sustainability factors only if there is evidence to support the adjustment.

7.4 To support this process and add to the data in the market, it is recommended that the valuation report, where the valuation instruction allows, includes the following:

• a clear description of the sustainability-related property characteristics and attributes, or lack thereof;

• a statement of the valuer's opinion on the benefits of these sustainability characteristics, or the risks associated with the presence of unsustainable property features; and

• a statement of the valuer's opinion on the impact of these benefits, and/or risks to relative property value over time. This will enable the valuer to give the client all material information relevant to the judgment on value.

7.5 The property age and type will have an impact on the likelihood of sustainability considerations affecting value. Some property construction types, such as those constructed in the 1960s and 1970s, may have very poor insulation qualities, while houses of solid wall construction may be more difficult to retrofit. Listed buildings may also present particular challenges that render them difficult, if not impossible, to bring up to sustainable standards at any economic cost. This can have an adverse impact on value if a property requires alteration to accommodate modern facilities. In addition, the ability to change the specification and thus performance of any individual property other than a detached dwelling may be limited.

7.6 The residential property market is far from homogeneous. The profile of people's expectations or requirements varies according to price bracket and style of property. For example, the impact of energy efficiency on running costs may be of very limited relevance for high value properties, but may be an important factor to the first-time buyer or tenant of a smaller, usually lower value, property.

7.7 It is important that valuers are well informed and knowledgeable about sustainability features, their costs and payback periods, and the implications for all parties involved in order to assess whether a value premium or discount applies by reference to market norms. To support the valuation, valuers should consider the following matters:

• analysis of sustainability characteristics of the subject property;

• the presence of environmental risks and their linkage to insurance and mortgageability;

• costs of incorporating sustainability features in an existing building that is below recognised or required standards, and associated risks;

• operating costs in relation to how the building is used, and the potential or risk of achieving cost savings;

• implications of sustainability characteristics for resale or reletting and ease of marketing;

• in the case of tenanted property, the likelihood that the tenant would use the lack of any sustainability feature, such as inefficient heating systems, poor insulation of walls and windows, etc., as a bargaining tool during rental negotiation;

• the presence of any local or national incentives or discounting schemes that reduce the costs of retro-fitting; and

• the subsector of the market and the likelihood that the typical potential buyer is 'sustainability aware'.

7.8 In considering these factors, it is recognised that currently most will not result in a significant impact on market rent or capital value. However, by systematically considering and collecting such information and advising clients of their likely future importance, valuers may more readily have the evidence to recognise and respond to market changes as they occur.

8. GREEN PREMIUM

8.1 Aspects of sustainability may affect value in different ways. 'Value add' features may be those that reduce expenditure on utilities, such as the installation of an energy-efficient boiler and water-saving features. Those that do not provide a value add feature, but do avoid a discount for being unsustainable, may be those that add to user comfort, such as insulation, or they may apply to property that has the potential to be easily upgraded. Valuers should seek to establish a detailed understanding of the features available, their costs and their payback periods, where applicable, in order to consider them in a valuation context.

8.2 A current barrier to evidencing the existence of any premium or discount for sustainable features is the lack of information and transparency in the market. Providing specific advice on these issues when a property is sold would highlight current sustainability features and any opportunities for improvements at a time when the property might be subject to change. In the same way that if a house has a leaking roof, a surveyor can direct a buyer to contractors who will offer competitive prices and effective solutions. Likewise if a house lacks user comfort or energy efficiency measures, a surveyor can highlight and comment on potential solutions.

8.3 *"Although the energy efficiency of a home is still not a major factor for the majority of people when choosing where to live, when home-owners were asked if it's worth paying more for an energy efficient home, only 6% disagreed. Latest analysis of 300,000 properties that have sold twice in the last fifteen years and have had a new EPC certificate issued, shows there is an additional 'green premium', on top of the local house price growth over time."*

8.4 "*A greener home continues to command an additional price premium on top of local house price growth, with an average of almost 15% or £56,000 more for homes that have improved from an EPC rating of F to a C. A property improving from an EPC rating of D to C, average increase in value of 3% or £11,157. A property improving from an EPC rating of an E to a C leads to an average increase in value of 7% or £26,033.*" Rightmove Greener Homes report, July 2023.

8.5 However, attributing this price increase solely to the improvement in EPC is difficult, as there may have been other improvements to the property and or local area which could have contributed to the price change.

8.6 There is also anecdotal evidence of an increase in awareness amongst vendors, recognising the increasing importance green features have on purchaser preference. The Rightmove report noted a 592% Increase in the number of listings that mention an electric car charging point since 2019. Also, property listings that highlight an EPC rating of A-C in the property description is up 24% on 2022 and up by 59% on 2019.

8.7 *13% of people looking to buy a property in the next 12 months say that its energy efficiency will be a major factor, and that rises to 19% for renters*, according to the Rightmove report, which will need to be factored in by valuers when assessing market sentiment. That said, the same report, also notes the overwhelming driving for home owners to make 'green improvements' is to save money on energy bills (78% of respondents), though depending on where purchasers are in the home owning cycle, could impact on their willingness to make the necessary improvements, for example first time buyers who know they only plan to stay in the house for a few years before upsizing have little incentive to make green improvements.

9. CONCLUSION

9.1 Education is key, for valuers and also consumers to help drive change more quickly. However, the immediate cost benefits are still the biggest driver for home-owners to consider making green changes, so more needs to be done to help people afford to make improvements, which in turn enable valuers to reflect these characteristics in their opinion of value.

9.2 The availability of consistent, trusted and transparent data in relation to energy efficient characteristics is vital to elevating the understanding of sustainability for valuers.

9.3 The role of valuers is to assess Market Value in the light of evidence normally obtained through analysis of comparable transactions. Valuers reflect, not lead, markets. Although awareness of sustainability has risen significantly, attention is currently primarily focused on energy efficiency and, to a lesser extent, carbon emissions and propensity to flood. However, the agenda is far wider than this, and a range of social and other environmental factors will potentially lead to changes in market demand. Further, increasingly stringent legislative requirements will change the specification of new buildings, and existing stock that cannot be retrofitted at economic cost to meet more demanding standards will be at risk of value depreciation. Conversely, some more experimental construction techniques and technologies may prove to be unattractive to funders and could negatively impact value.

9.4 When assessing the impact of sustainability on Market Value or in calculating worth to an individual, valuers should be aware of the variation in impact that is likely to arise depending on the type of building, which market sector it falls within, and the profile of potential purchasers or tenants. While some purchasers or tenants are likely to move towards requiring sustainability features based on cost savings, for others less tangible considerations may be of greater concern. In all cases it must be recognised that sustainability is not just a matter of environmental performance. Social aspects, including context, space, security, aesthetics and access to services and amenities, are all important. Currently some, though not all, of these may be routinely included in any estimate of value, but over time they are likely to be of increasing significance, depending on submarket.

9.5 Overall, residential markets can be expected to become increasingly sensitised to sustainability considerations. Therefore as part of establishing Market Value and market rent, residential valuers should seek to keep abreast of trends and ensure that they collect appropriate and sufficient sustainability data when inspecting property, as this will enable them to analyse and apply them to any property valuation.

Suggested reading

European Valuation Standards 9th edition (2020)

Kucharska-Stasiak E., Olbińska K., 2018, *Reflecting Sustainability in Property Valuation - Defining the Problem*, Real Estate Management and Valuation, vol. 26, no. 2, pp. 60-70.

Jones Lang LaSalle, *Global Real Estate Transparency Index*
The European Group of Valuer's Association, *European Valuation Standards 9th edition (2020).*

Rightmove, *Greener Homes report*, July 2023.

RICS, *Sustainability and ESG in commercial property valuation and strategic advice, 3rd Edition*, May 2023.

RICS, *Sustainability and residential property valuation*, 1st edition information paper (2011).

BIOGRAPHICAL NOTES

As part of the Professional Groups and Forums team at RICS, Nigel sits on a number of commercial property-related panels whose function is to shape industry best practice, raise standards and develop policy. He also has joint responsibility for (and input into) the guidance notes, journals, articles and forums produced and managed by these groups.

Nigel comes from a valuation background, having previously worked at Deloitte LLP. He has experience in valuation for secured lending, risk management and governance. Nigel has experience in the financial modelling of institutional investment in the residential sector and development/estate regeneration advice.

He is keen to drive standards within the industry and raise the profile of the RICS with the membership.

Nigel has been previously involved with the RICS in a number of different guises; as a former RICS Matrics UK Chair (2013-2014), the Matrics global representative on RICS International Governing Council (2013-2014) and the Matrics representative on the RICS Nominations Committee (2011-2013).

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APPENDIX

VPGA 8 Valuation of real property interests

2.6 Sustainability, and environmental, social and governance (ESG) matters

Potential or actual constraints on the enjoyment and use of property caused by sustainability and ESG factors may result from natural causes (such as flooding, severe storms and wildfires), from non-natural causes (such as contamination) or sometimes from a combination of the two (such as subsidence resulting from the historic extraction of minerals).

There may also be sustainability and ESG factors beyond the directly physical, such as carbon emissions. Despite the considerable diversity of circumstances, the key question is always the extent to which the factors identified affect value. Particular care should be taken when assessing or commenting on ESG factors, as valuers may not have the specialist knowledge and experience required.

In appropriate cases, the valuer may recommend making further enquiries and/or obtaining further specialist or expert advice in respect of these matters. The following paragraphs consider the matter in more detail.

a) Natural environmental constraints

i Some property will be affected by environmental factors that are an inherent feature either of the property itself or of the surrounding area, and which have an impact on the value of the property interest. Examples include ground instability issues (such as swelling and shrinking clay, subsidence consequent on historic or current mineral extraction, etc.) and the risk of flooding from any mechanism. Resilience protection measures may alleviate the impact of the factor.

ii Although detailed commentary on both the risks and the effects may be outside the realm of the valuer's direct knowledge and expertise, the presence, or potential presence, of these factors is something that can often be established in the course of a valuation inspection through normal enquiries or by local knowledge. Use of the relevant Property Observation Checklist from appendices A to C of the RICS guidance note Environmental risks and global real estate, 1st edition (2018), may be of assistance when undertaking inspections.

It is not just the risk of a particular event occurring that needs to be considered, but also the various consequences. For example, if the property has suffered a recent event such as flooding this may affect the availability of insurance cover, which, if material, should be reflected in the valuation.

iii The valuer should be careful to state the limits that will apply to the extent of the investigations and the assumptions that will be made in relation to environmental matters, and should state any sources of information relied upon.

b) Non-natural constraints (contamination and hazardous substances) i A valuer may not be competent to advise on the nature or risks of contamination or hazardous substances, or on any costs involved with their removal. However, a valuer who has prior knowledge of the locality and experience of the type of property being valued can reasonably be expected to comment on the potential that may exist for contamination and the impact that this could have on value and marketability.

ii The nature and risks may of course be directly attributable to the use of the property itself. For example, a number of businesses depend on activities that involve the use of hazardous substances or operate waste management activities that may be regarded as a nuisance by third parties.
Although detailed commentary on such effects may be outside the realm of the valuer's expertise, their presence, or potential presence, is something that can often be established in the course of a valuation inspection through normal enquiries or by local knowledge.

iii The valuer should state the limits on the investigations that will be undertaken and state any sources of information or assumptions that will be relied on. Any historic or existing use matters observed can again be recorded on the relevant Property Observation Checklist from appendices A to C of the RICS guidance note Environmental risks and global real estate, 1st edition (2018).

c) Sustainability and ESG – assessing the implications for value
i While not a term that has a universally recognised definition yet (see the RICS glossary in Part 2), in a valuation context sustainability encompasses a wide range of physical, social, environmental and economic factors that can affect value and of which valuers should be aware.

ii The range of issues includes, but is not limited to, key physical risks, such as flooding, heat, wildfires and severe storms, and transitional risks such as energy efficiency, carbon emissions and climate impact. The impact of these risks can be influenced by current and historic land use as well as matters of design, configuration, accessibility, legislation, management and fiscal considerations. Sustainability matters can impact occupier preferences and purchaser behaviour, and may also be a consideration for investors, secured lenders, insurers and public bodies.

iii The pace at which sustainability and ESG is feeding directly or indirectly into value has jurisdictional variations. In order to respond appropriately as markets change, valuers should continuously seek to enhance their knowledge. The role of valuers is to assess value in the light of evidence normally obtained through analysis of comparable transactions. While valuers should reflect markets, not lead them, they should be aware of sustainability features and the implications these could have on property values in the short, medium and longer term.

The issues may extend to:

• sustainability and ESG matters (see above) including, where applicable, climate change and resilience to climate change
• configuration and design including use of materials and concepts increasingly associated with 'wellness'
• accessibility and adaptability, including access and use by those with disabilities
• carbon emissions, energy efficiency, building 'intelligence' and other 'costs in use'
• fiscal considerations.

iv Valuers should identify and collect sustainability and ESG-related data. Where available, this might include details of rating schemes related to the asset.

v Only where existing market evidence would support this, or where in the valuer's judgement market participants would expressly reflect such matters in their bids, should sustainability characteristics directly influence value(s) reported.

vi Valuers are often asked to provide additional comment and strategic advice. In these cases, the valuer should, subject to their competence and expertise, consult with the client on the use and applicability of sustainability and ESG metrics and benchmarks that are applicable in each case.
For example, when preparing valuations on the basis of investment value or worth, sustainability and ESG factors that could influence investment decision-making may properly be incorporated, even though they are not directly evidenced through transactions. Such valuations may also be the principal place to consider the 'social' and 'governance' aspects of ESG.

vii Where appropriate, in order to comply with best practice in reporting, valuers should:

• assess the extent to which the subject property currently meets the sustainability and ESG criteria typically expected within the context of its market standing and arrive at an informed view on the likelihood of these impacting on value, e.g. how a well-informed purchaser would take account of them in making a decision as to offer price

• provide a description of the sustainability-related property characteristics and attributes that have been collected

• provide a statement of their opinion on the relationship between sustainability factors and the resultant valuation, including a comment on the current benefits/risks that are associated with these characteristics, or the lack of risks and

• provide an opinion on the potential impact of these benefits and/or risks to relative property values over time.

viii The latest edition of *Sustainability and ESG in commercial property valuation and strategic advice*, RICS guidance note provides guidance on the identification, assessment and impact of sustainability and ESG issues for commercial real estate valuations.