

Sustainability and Residential Property Valuation

Nigel Sellars (United Kingdom)

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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.

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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