



The RentalCal Project: Speeding energy efficiency investment in the rented housing sector of eight EU Member States

Iris Behr – IWU

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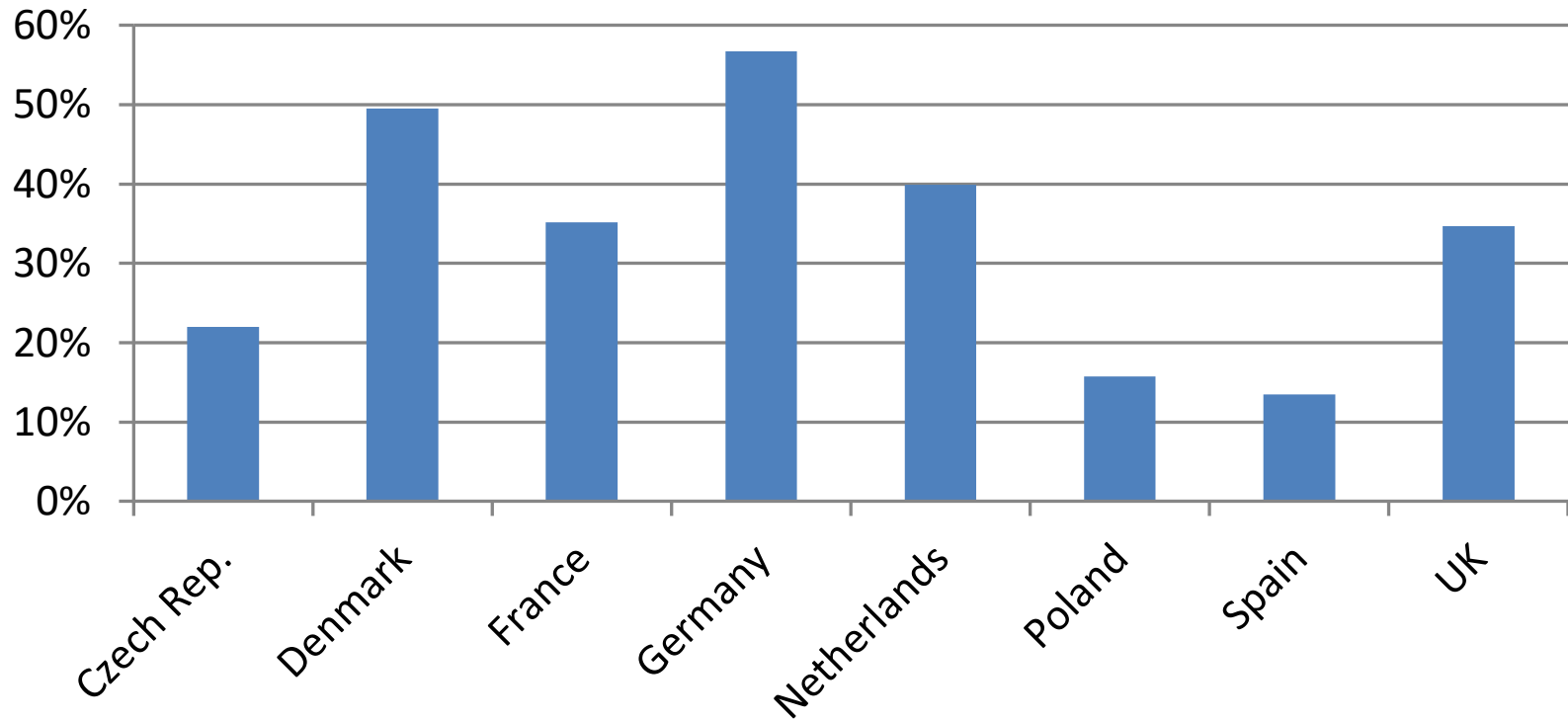
Energy efficiency investment needs

1. Landlords' perspective
2. Profitability of EE investment => www.rentalcal.tool
3. Increased transparency of national investment conditions to reduce investor related, rental and taxation barriers
4. Governance: investors' impact on EE investments
5. Awareness raising: impact of green/ sustainable investment within the housing sector

Landlords' perspective: preparing the EE investment

- Size, age and energy performance of rental housing stocks vary widely across the RentalCal countries
- Analysis based on TABULA www.tabula.eu and
- Definition of the rental housing stock per country (according to building type and building age)
- TABULA is used to estimate energy saving potentials and investment costs

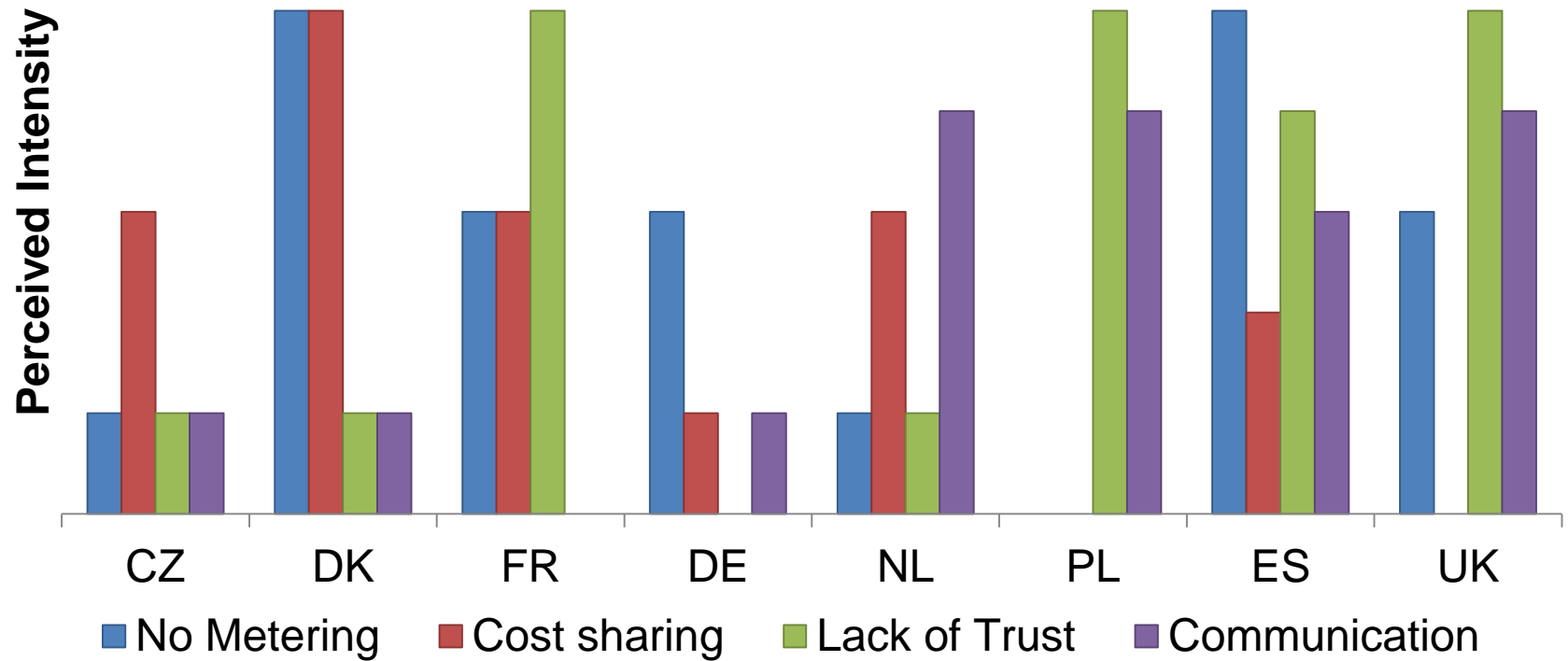
Share of rental dwelling units (of total housing stock)



Split incentives

- Landlord's investment needs long pay back period for recovery
- Green value shows some effects in rent and sales price
- Tenants pay: maintenance costs ,heat & hot water
- No full compensation of rent increase by decrease of heating costs
- EE modernization investment refinanced via rent increases in all countries

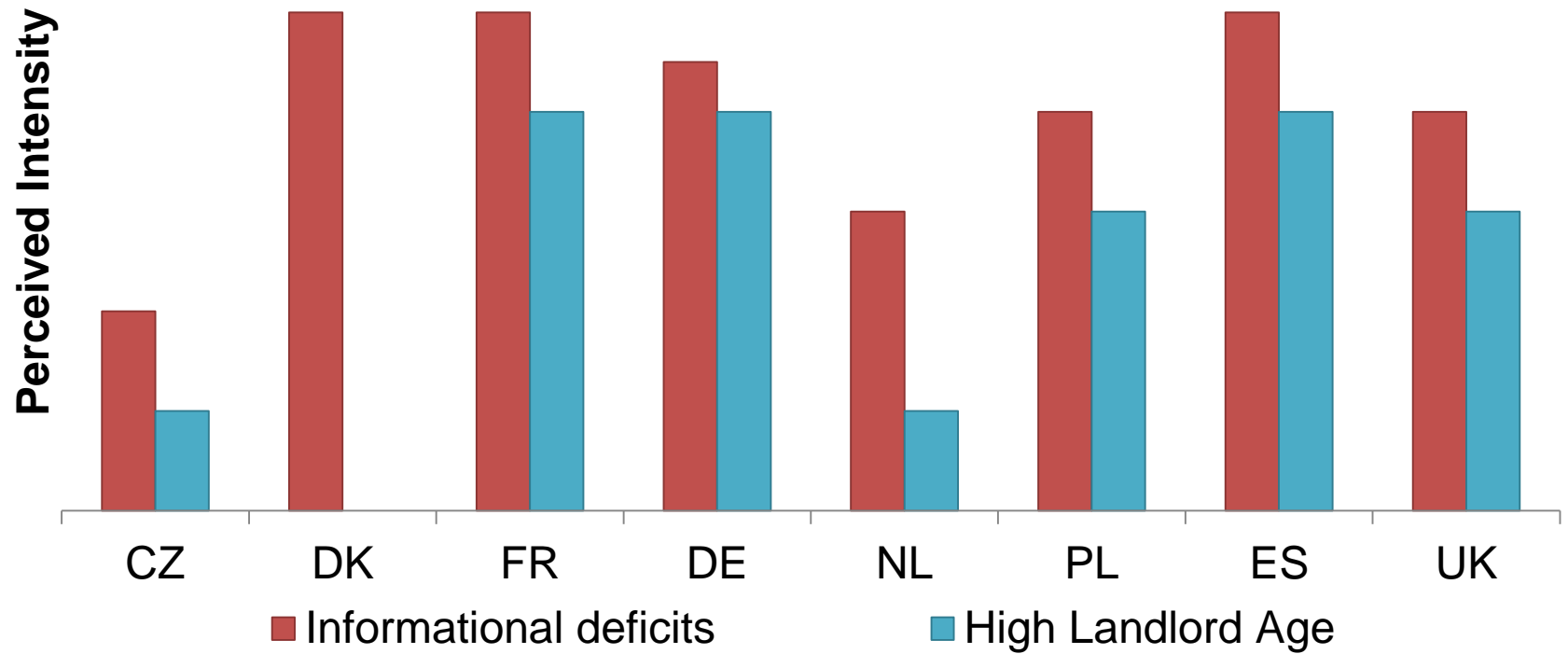
Soft barriers



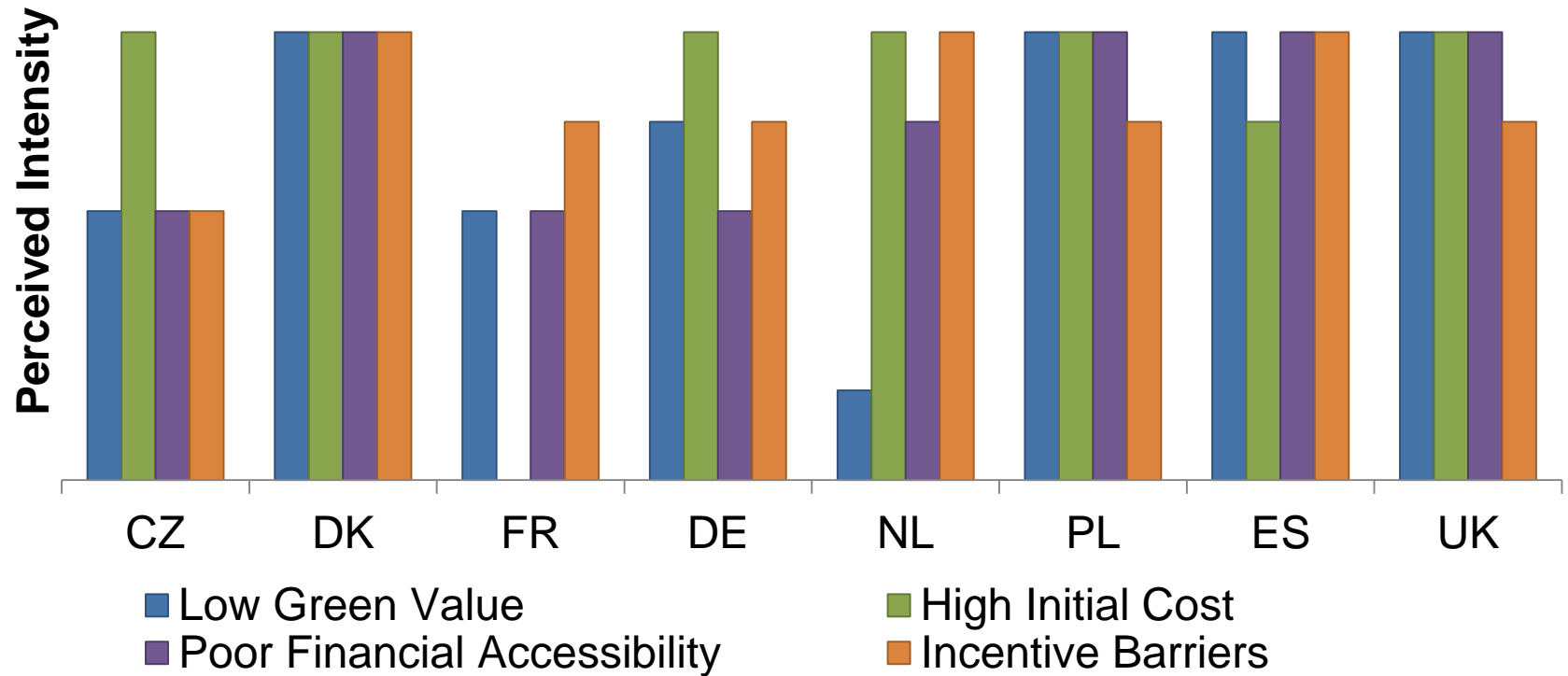
Country specific „soft“ barriers

- No metering - this barrier is most prominent in *DK* (legislation change by the end of 2016) and *Spain*
- Lack of trust - *UK, France and PL*, less so in *Spain*
- Communication issues - significant institutional barrier in *NL, PL, Spain, UK*
- Cost sharing of energy efficiency retrofits - a significant barrier in *DK, France, NL*

Investors' impact on EE investment

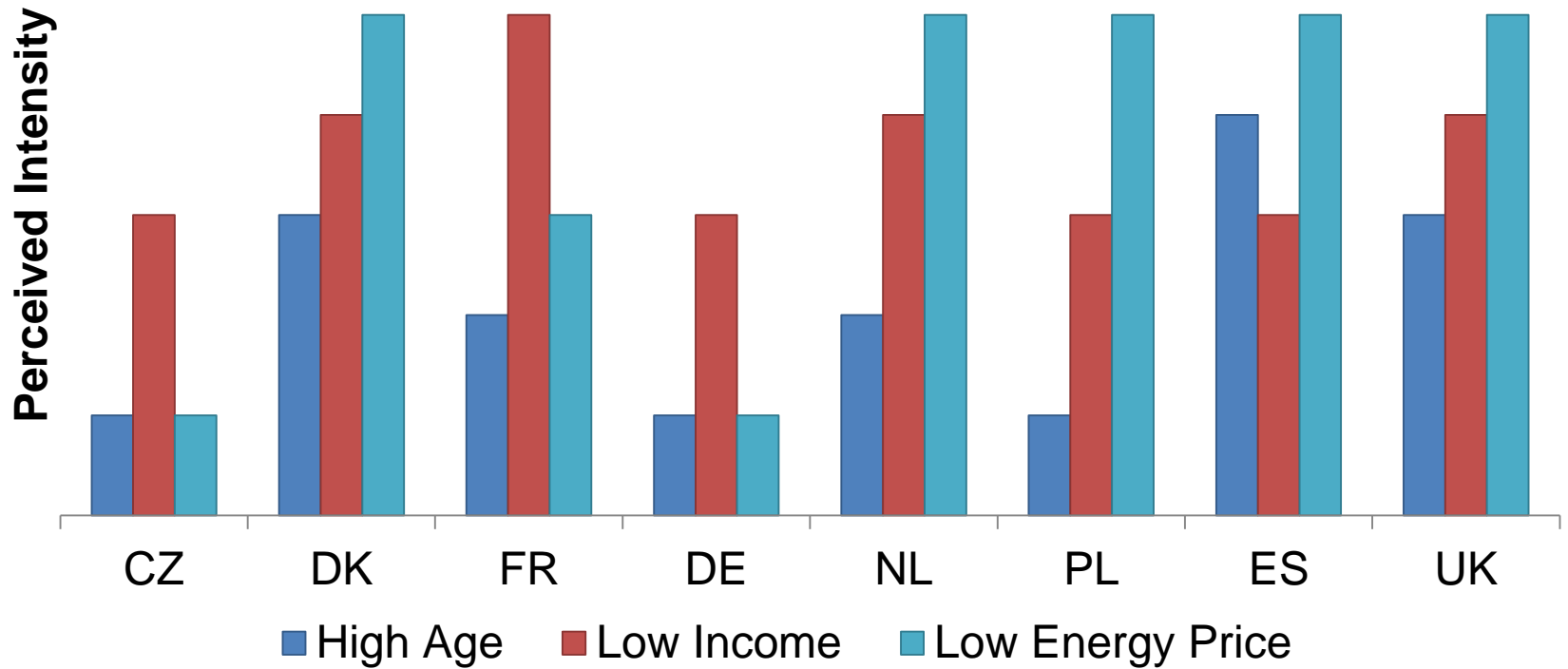


Financial impact on EE investment



- Green value is not clearly reflected in the property value
- least noticeable in *NL*, followed by *CZ* and *France*
- Informational barriers in all countries, with the *exception CZ*
- Need for high initial capital is a clear barrier across the majority of countries; *exception France*
- Poor access to financial support detrimental to energy efficiency take-up
- Old landlords are less motivated to adapt to technological change

Tenants related barriers



Conclusion

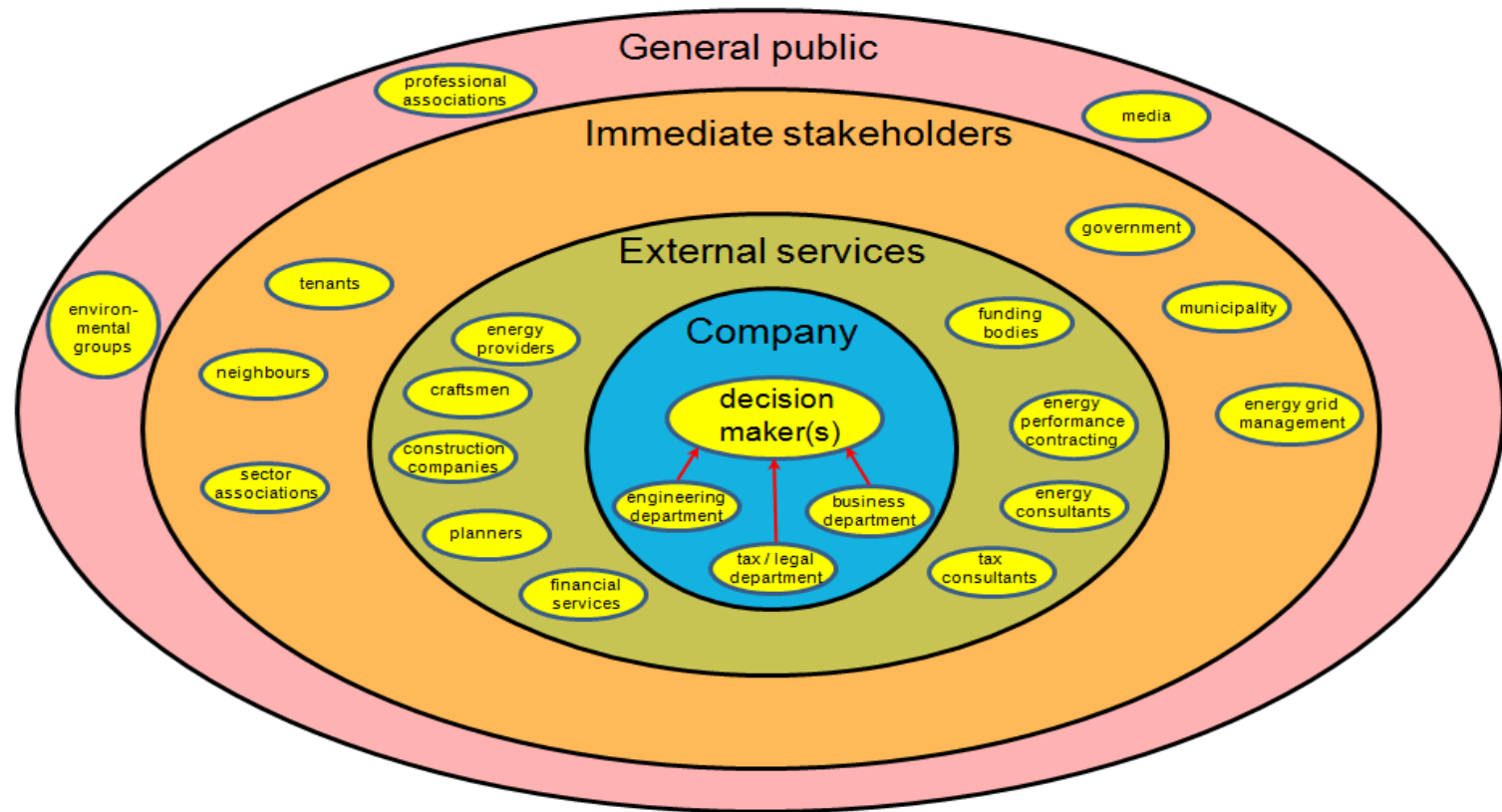
- Demographic barriers and limited spending ability of tenants- most prominent in *Spain, the UK, Denmark*
- Low income, as a barrier to invest in green initiatives, seems to be consistent across all of the countries
- Energy efficiency retrofits are perceived as a secondary priority by tenants in the majority of the countries, with the *exception of Denmark*
- Low stable energy prices – with the exception of *Germany, CZ*

Investor typology (market based rental housing stock)

legal forms		A		B			C		D
		individual entrepreneur	partner-ship	cooperative / housing corporation	no n-profit firm (legal form)	state-owned entities	limited liability company	public limited company	European Enterprise
I	I a) non-professional private landlord								
	I b) professional private landlord								
II	II a) small housing cooperative								
	II b) large housing cooperative								
III	III a) non-profit firm / association / social housing company								
	III b) ecclesiastical housing company								
IV	IV a) municipal social housing company								
	IV b) municipal housing company (for profits)								
V	V) housing company								
VI	VI a) occasional institutional investor								
	VI b) financial Institutional investor for their own property								
	VI c) financial Institutional investor for their customers								
VII	VII) other investor types								

Complex constellation of decision making

- Constellations for decision making - corporate decision maker



Barriers: Rent setting*

- Rent setting after EE investment based on “market” situation (contractual freedom)
- EE investment refinanced via rent increases in all countries
- Ceiling: rent increase linked to increase in energy efficiency: France and Germany
- Green premium mechanism “Rental table” allows rental surcharge for measurable energy efficiency
- Rent control happens via court supervision initiated by the tenants

*seen as barriers: F, G, NL, UK, “neutral” :CZ, G, P, “facilitator” E, GB of energy efficiency investments

- Basis : personal rental income (with other earned income sources, incl. capital gains)
- Flat corporate income tax on companies profits in all countries
- Local property and transaction taxation in all countries with different taxation basis: property value, modernization as municipal add on, *except Denmark*, Spain: local charging of urban land value increases on the sale's occasion

Depreciation rules

- Unified depreciation rules (and their relation to balance-sheet value of real estate)
- No depreciation rules for building components
- Poor harmonisation of tax related rules
- Similar practices on:
 - Maintenance expenses: tax-deductible costs
 - Investments leading to improvements: increase green/ sustainable investment balance-sheet value of the property
 - No clear distinction between those expenditures

Increase of return on equity by means of

- Zero or low interest rates (*France Zero % eco loans, Germany very low interest rates for green investment*)
- Grants linked to high (binding) energy efficiency standards
- Visible rent increases related to visible energy efficiency investment
- Tax exemption
- Green value representation in rent/ property value

Speed EE investment - Policy recommendations

- Easy access to funding schemes
- Transparency & increase of trust
- Mandatory retrofit packages, affordable to all national income groups
- Green value research and monitoring
- Evaluation of existing programmes to establish a framework for future policy considerations



European Rental Housing Framework for the Profitability
Calculation of Energetic Retrofitting Investments

Thank you for your attention
Iris Behr



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Network (EGCN)



International Real Estate Business School
Universität Regensburg

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