

# Monetization of qualitative impact factors <sup>SP 3.4</sup>

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## Description

### Context:

The project idea is based on the study "Value-enhancing and value-maintaining investments in extensive refurbishment", which was developed with the support of the SFOE and FHO federal offices and in exchange with the Swiss Homeowners' Association (HEV Schweiz) and the Swiss Tenants' Association (Schweizerischer Mieterinnen- und Mieterverband).

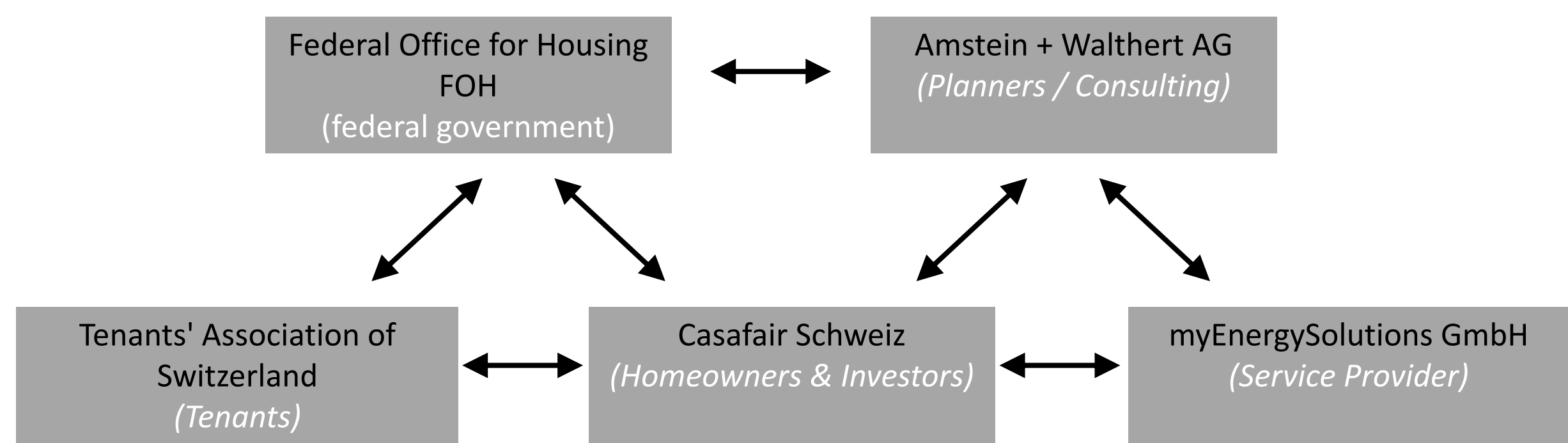
Objective: Qualitative (soft) criteria such as comfort and well-being of a property do not offer any direct, financial benefit, e.g. savings in energy costs. Nevertheless, they have a significant influence on the market value of a property and thus on investment decisions. The goal is to be able to better evaluate the value of these soft criteria in quantitative terms.

### Methods (based on the work packages):

- WP1: Basic evaluation of value-adding components from the perspective of tenancy law, tax law and economic efficiency (workshops, qualitative interviews, literature research)
- WP2: Allocation of qualitative factors to value-adding renovation measures in the construction cost plan (BKP)
- WP3: Catalogue of requirements for value-adding investments in connection with qualitative factors
- WP4: Consolidation and plausibility check of the instruments (practical check)
- WP5: Implementation in tool myEnergyGuide
- WP6: A practical tool for assessing qualitative criteria to support energy efficiency renovation/refurbishment and measure it.

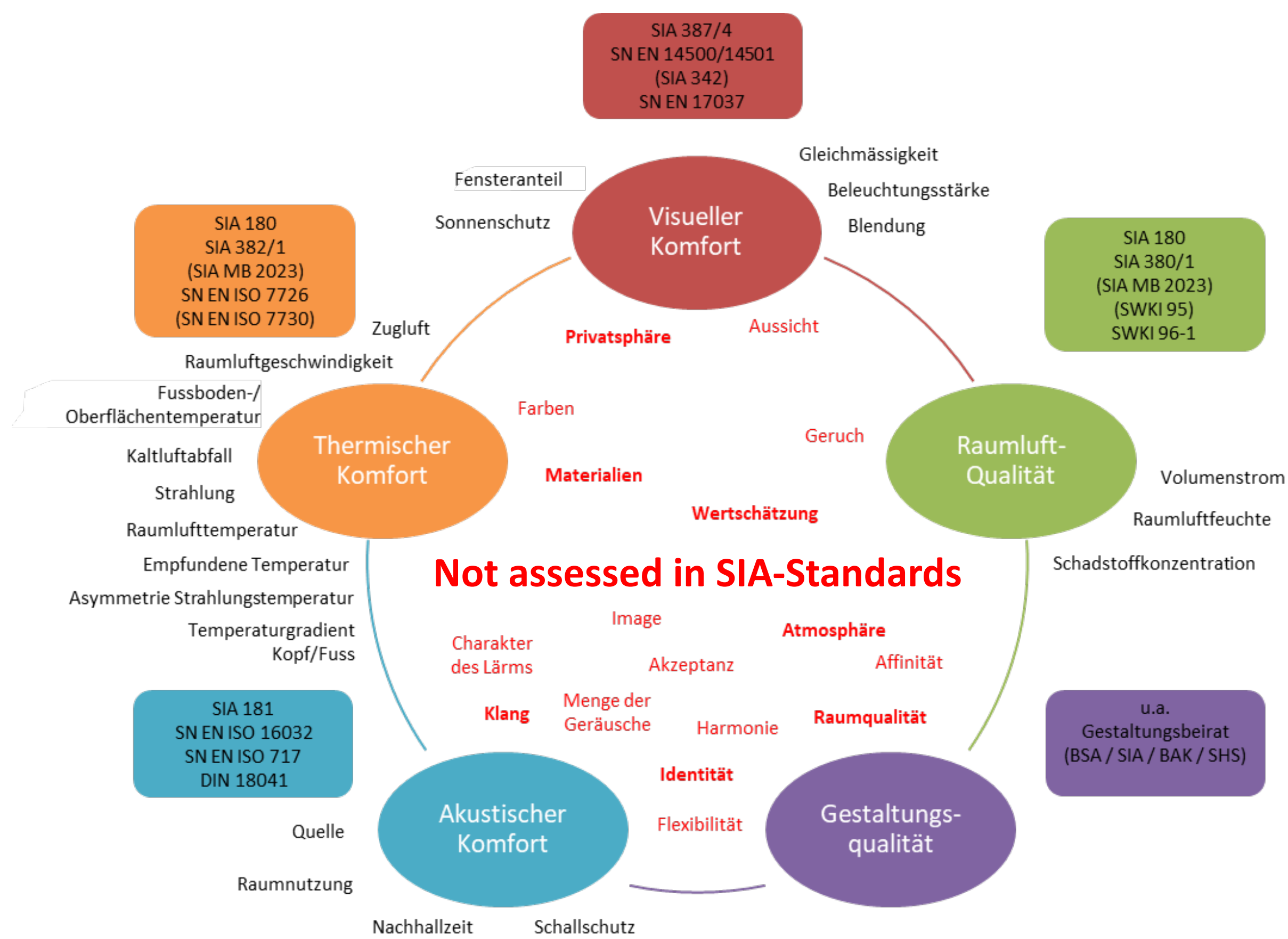
### Interim Results:

- "Quality" cannot currently be monetized from the perspective of tenancy law (well-being, comfort, health, etc.).
- Internal renovations are more accepted by tenants, because the added value is visible. Tenants are often not aware of the benefits of energy-saving renovations of the building envelope.
- Total renovations: Monetary advantages for the building owners, but less interesting for the tenants. Example: Kitchen renovations alone cannot be passed on, but kitchen renovations as part of an overall renovation can.
- Opportunity: Further developing the BKP Triage as an instrument, if applicable, creating a "Parity Recommendation" for energy-efficient refurbishments as a legal basis.



Thesis: The stakeholders' motivation is directly related to their participation in the project.

Graphic: The role model of the involved stakeholders



Graphic: Quantify and monetize the "normed factors" and expand the "soft / non-normed factors" (written in red)

## Added-Value

Excursus on value-added benefits ("Mehrleistungen" Art. 14 VMWG):

- Value-adding improvements exist due to the installation of new, previously non-existent facilities that increase the value of the rental object and improve its quality or practical value.
- The quality of building components has generally decreased, notable among others are energy-saving kitchen appliances (service life 6-8 years), but also the service life of the building envelope (ETICS 30 years, triple glazing's, higher weight).
- As value-adding are not only new, previously non-existent facilities, but also qualitatively higher replacement as well as energetic modifications (see Final report BFE/BWO, statement HEV Switzerland, 26.05.2018 WSII).

### Added-Value:

- Equitable allocation of costs for climate policy requirements between landlords and tenants
- Creation of a consolidated instrument for the declaration of immaterial values through the involvement of various stakeholder associations
- Better legal clarity in practice for the calculation of the value-adding elements
- Less case-by-case decisions regarding the allocation of value-enhancing investments in law courts.
- By combining cost data and qualitative factors, the developed instruments could provide a basis for decision-making on the assessment of the value-enhancing investments and serve as an additional motivation for the involved stakeholders to revitalize the buildings.

## Challenges

- Refurbishment costs of buildings are related to the location and the quality or standard, the costs are dominated by the strategy of the owners (see Final Report 2019, chapter 4.6).
- The evaluation of the value-adding components in the expert group varies depending on the interests involved in the qualitative factors (Final Report 2019, chapter 4.2, Feedback from the associations: Adaptations to comfort / to legal specifications or standards or recommendations / to the state of the art)

The following questions are currently being examined in depth:

- How do we achieve a universally accepted "Quality Label" for refurbishments?
- How can we promote the dissemination of this potential label?
- How can "Awards for quality renovations" increase the refurbishment rate?
- What approaches are most promising for quickly establishing a common understanding within the sectors in terms of value preservation / value enhancement and pass-through to rental rates?