

Study warns new energy law will see prices plummet

Mark Tran

Tuesday August 1, 2006

[Guardian Unlimited](#)

New legislation on energy efficiency could sharply reduce the value of much of Britain's commercial property, an architecture firm warned today.

The government is scheduled to introduce new legislation next year, that will include an assessment of the energy efficiency of buildings, in a response to the EU's energy performance of buildings directive.

In a report published today, the international architects Gensler said 75% of property developers believe that the impending legislation will have a negative impact on the value of older, more energy inefficient buildings.

Chris Johnson, the managing principal of Gensler, said: "Property fund managers are effectively sitting on an investment time bomb. The introduction of energy performance certificates will shorten the lifespan of commercial buildings constructed before the new regulations, and we expect the capital value of inefficient buildings to fall as a result."

The new legislation could lead to a massive refurbishment exercise as older buildings are upgraded or destroyed in order to make offices greener, "destroying the urban fabric of the country", Gensler said.

"We expect to see a shake-up in the market, with investors disposing of inefficient stock, upgrading those buildings that can be adapted and demanding much higher energy efficiency from new buildings," Mr Johnson added.

Under the Kyoto protocol, Britain is committed to cutting its greenhouse gas emissions. The government anticipates making half of these carbon savings through greater business energy efficiency.

With commercial property accounting for a large part of the UK's carbon emissions - and with the commercial sector one of the fastest growing energy users, together with aviation, the government's energy review found that some of the largest emissions savings could come through improvements to buildings. Around 40% of energy consumption in the EU comes from the building sector.

In March, the government introduced tough new standards that apply to all new buildings and to work carried out in existing structures. The improved standards

mean that developers will need to make greater use of energy-saving insulation, more efficient boilers and consider the use of low carbon systems such as solar panels and mini-wind turbines.

Today's report, *Faulty Towers*, found businesses and property developers in a "you go first situation". Both groups believed in the desirability of energy-saving measures, but thought the onus lay with the other.

According to the report, based on the opinions of 50 property directors and 50 property developers, 57% of developers believed that although business would like energy-efficient buildings, business was not prepared to pay for the upfront costs.

Gensler said new legislation would have to be balanced, so as not to unduly penalise owners of old buildings. For example, owners of older buildings could be allowed to invest in projects, such as tree plantations, to offset the emissions.