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AGRICULTURAL VALUATION IN A CHANGING WORLD

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EDITORIAL

Europe's transformation in the face of change

There is a common thread to much of this issue: Europe's transformation in the face of perilous change – climate change, of course, but also geopolitical change in the most primal sense, challenging Europeans' capacity to provide for their most basic needs.

Agriculture – the first common policy now sixty years old – encapsulates all of this. A policy originally devised by a generation that had known hunger is now pivotal to combating every one of the Biblical scourges facing the Union: hunger, drought, floods and war.

Today, Europeans have a renewed consciousness that satisfying the most basic of human needs is not a given in a hostile world and that food sovereignty is not negotiable. Of course, the EU is already an agricultural superpower, exporting even more massively than it imports and shaping farming worldwide. "EU laws determine how timber is harvested in Indonesia, how honey is produced in Brazil, what pesticides cocoa farmers use in Cameroon, what equipment is installed in dairy factories in China…[1]". That kind of soft power looked good in gentler times, less so as war rages in Europe's bread basket. The EU is striving for secure borders and ecological and technological excellence, and agriculture is part of that:

- Ukraine's accession to the EU will not only ensure freedom, security and prosperity for all citizens of the Union, old and new, it will be a giant leap for European food sovereignty.
- The greening of agriculture is one of the most crucial challenges of climate change. There will be no net zero without an EU-led agronomical revolution.
- Technology is crucial to the quality, yields and greening of European agriculture. It, too, is a question of sovereignty.

As agriculture returns to centre stage, so does its valuation. EVS 2025 will contain Guidance on agricultural valuation for the first time in twenty years and it will be more comprehensive, more sensitive to diversity of markets and valuation practice, greener and more high-tech than ever before.

A first complete draft of the Guidance will be presented at the TEGOVA-ASAVAL-CAAV agricultural valuation conference in Lisbon on 22 March. It is open to all, participants will be able to discuss and debate the draft with all the main authors while it is still modifiable, and an array of experts from across Europe will cover all the key valuation challenges for a sector that, perhaps more than any other, exemplifies a Europe "United in diversity".

"EU laws determine how timber is harvested in Indonesia, how honey is produced in Brazil, what pesticides cocoa farmers use in Cameroon, what equipment is installed in dairy factories in China…"

There is another transformation underway with immense impact on Europe's rural environment: the plethoric construction megaprojects serving to transfer electricity from renewable energy to points of use. In the first of a series, this issue's article describes the reshaping of owners' rights, of the public interest and of compensation that these projects entail and explores the valuation challenges and opportunities that ensue.

Michael MacBrien, Editor

[1] Anu Bradford, "The Brussels Effect – How the European Union Rules the World, p. xiv, par. 2, Oxford University Press 2020"

LISBON AGRICULTURAL VALUATION CONFERENCE 22 MARCH 2024

Agricultural valuation in a changing world

Registration and programme

#14 Functional obsolescence of real estate

Dmytro Rudenko
Mykola Ovsyanko

Functional obsolescence is not simply a matter of computation but can certainly be considered in cases where property's design does not generate sufficient profit or incurs excessive cost.

1. Factors affecting the functional obsolescence of real estate

Generally, these attributes of functional obsolescence are:

1. excess capital cost;
2. excess operating cost of subject individual.

Both factors are caused by obsolete design and lack of the latest technical improvements.

Functional obsolescence is therefore an loss in value of a property due to inadequacies caused by age, outmoded design and other factors that affect the value of a property in a negative manner.

Functional obsolescence is a loss in value of a property due to inadequacies caused by age, outmoded design and other factors that affect the value of a property in a negative manner. Functional obsolescence is not always a result of a poor design, but it is a result of a design that was acceptable when it was created but is now considered outdated. Functional obsolescence can be caused by a lack of modern amenities or by a design that is no longer desirable.

Inadequacies. Functional obsolescence can be caused by inadequacies in the property, such as a lack of modern amenities or a design that is no longer desirable. These inadequacies can make the property less attractive to potential buyers and lower its value.

Age. Functional obsolescence can also be caused by the age of the property. As a property ages, it may become outdated and less desirable to potential buyers. This can lead to a decrease in the property's value.

Other factors. There are other factors that can affect the functional obsolescence of a property, such as the location of the property and the surrounding neighborhood. These factors can affect the desirability of the property and its value.

Functional obsolescence is not simply a matter of computation but can certainly be considered in cases where a property's design does not generate sufficient profit or incurs excessive cost.

The difference in the building's energy performance must be accounted taken into account in the valuation.

Energy inefficiency. Old buildings may have outdated heating and cooling systems, poor insulation, and other energy-inefficient features that can lead to high energy costs. These inefficiencies can make the building less attractive to potential buyers and lower its value. The difference in the building's energy performance must be accounted taken into account in the valuation. Functional obsolescence can also be caused by the need for costly upgrades to bring the property up to a higher potential market value or to meet modern building codes.

Variable functional obsolescence is a type of functional obsolescence that is not constant and can change over time or in response to specific factors. It is a type of functional obsolescence that can be caused by a lack of modern amenities or by a design that is no longer desirable. Variable functional obsolescence can be caused by a lack of modern amenities or by a design that is no longer desirable. It can also be caused by a lack of maintenance or by a design that is no longer desirable.

2. Types of Functional Obsolescence

Functional obsolescence may be curable or incurable, depending on the specific situation of a property valuation. In general, functional obsolescence:

- **Curable functional obsolescence** refers to functional obsolescence that can be corrected or improved upon through the operation, functionality or design of a property. It is a type of functional obsolescence that can be corrected or improved upon through the operation, functionality or design of a property. It is a type of functional obsolescence that can be corrected or improved upon through the operation, functionality or design of a property.
- **Incurable functional obsolescence** refers to functional obsolescence that cannot be corrected or improved upon through the operation, functionality or design of a property. It is a type of functional obsolescence that cannot be corrected or improved upon through the operation, functionality or design of a property. It can also be a result of a design that is no longer desirable.

3. Functional obsolescence in the cost approach

Replacement cost is based on the assumption that the property is being valued is a new structure, built to the same specifications and with the same functional utility as the existing building, assuming that the existing building is in its current condition. This concept is known as depreciated replacement cost.

Functional obsolescence is typically caused by additional investment, or lack thereof, in the property since its initial construction. This can be a result of the latest technical advances. This is an important factor in the valuation of a property, as it can affect the property's value and its ability to generate income. The cost of any necessary improvements to address functional obsolescence should be taken into account when valuing the property, as it can have a significant impact on the property's value and its ability to generate income. The cost of any necessary improvements to address functional obsolescence should be taken into account when valuing the property, as it can have a significant impact on the property's value and its ability to generate income. It is also worth considering the impact of any planned improvements or upgrades to address functional obsolescence when valuing the property, as these can have a significant impact on the property's value and its ability to generate income. It is also worth considering the impact of any planned improvements or upgrades to address functional obsolescence when valuing the property, as these can have a significant impact on the property's value and its ability to generate income.

Functional obsolescence is not simply a matter of computation but can certainly be considered in cases where a property's design does not generate sufficient profit or incurs excessive cost. For example, if a property's design does not allow for the installation of modern amenities or the use of modern technology, it may be considered functionally obsolete and may have a lower market value than a similar property that does have these features. The cost of any necessary improvements to address functional obsolescence should be taken into account when valuing the property, as it can have a significant impact on the property's value and its ability to generate income. It is also worth considering the impact of any planned improvements or upgrades to address functional obsolescence when valuing the property, as these can have a significant impact on the property's value and its ability to generate income.

The cost of any necessary improvements to address functional obsolescence should be taken into account when valuing the property, as it can have a significant impact on the property's value and its ability to generate income.

4. Examples of functional obsolescence

4.1. Example 1a - Assessment of functional obsolescence of a property not complied with modern energy standards

Assume that we have an office building with a total area of 1000 sq. m. and a building. We obtained data on the rental rates and operating costs of similar properties in the market, as shown in the table below:

Annual Rental Rate per m²/sq.	EUR 120
Operating Expenses per m²/sq.	EUR 40
Capital Expenses per m²/sq.	EUR 5
Net Operating Income per m²/sq.	EUR 75

Assume that the property's design does not meet the requirements of modern energy standards, which affects its value.

4.1. Example 1b - Assessment of functional obsolescence of a property not complied with modern energy standards

Assume that the property's design does not meet the requirements of modern energy standards, which affects its value. The cost of upgrading the property to meet these standards is EUR 10 per m². The expected increase in rental rate after the upgrade is EUR 5 per m². The expected increase in operating expenses is EUR 2 per m². The expected increase in capital expenses is EUR 1 per m². The expected increase in net operating income is EUR 2 per m².

In this case, the functional obsolescence of the property is EUR 10 per m² - EUR 5 per m² = EUR 5 per m². The expected increase in net operating income is EUR 2 per m².

4.2. Example 2 - Assessment of functional obsolescence due to the construction of a nearby shopping mall

Assume that we have an office building with a total area of 1000 sq. m. and a building. We obtained data on the rental rates and operating costs of similar properties in the market, as shown in the table below:

Annual Rental Rate per m²/sq.	EUR 120
Operating Expenses per m²/sq.	EUR 40
Capital Expenses per m²/sq.	EUR 5
Net Operating Income per m²/sq.	EUR 75

Assume that the construction of a nearby shopping mall has caused a decrease in the property's value and its ability to generate income.

4.2. Example 2b - Assessment of functional obsolescence due to the construction of a nearby shopping mall

Assume that the construction of a nearby shopping mall has caused a decrease in the property's value and its ability to generate income. The expected decrease in rental rate after the construction of the shopping mall is EUR 5 per m². The expected decrease in operating expenses is EUR 2 per m². The expected decrease in capital expenses is EUR 1 per m². The expected decrease in net operating income is EUR 2 per m².

In this case, the functional obsolescence of the property is EUR 5 per m² - EUR 2 per m² = EUR 3 per m². The expected decrease in net operating income is EUR 2 per m².

5. Conclusion

Functional obsolescence is a key factor in the valuation of a property, as it can affect the property's value and its ability to generate income or capital gain. It is a complex concept that can be curable or incurable.

In the context of the cost approach, it is therefore, and many efficiency, of functional obsolescence is important to consider the impact of any planned improvements or upgrades to address functional obsolescence when valuing the property, as these can have a significant impact on the property's value and its ability to generate income. It is also worth considering the impact of any planned improvements or upgrades to address functional obsolescence when valuing the property, as these can have a significant impact on the property's value and its ability to generate income.

"In the context of the cost approach, the cost of any necessary improvements to address functional obsolescence should be taken into account when valuing the property, as it can have a significant impact on the property's value and its ability to generate income."

6. Resources and literature

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Ernst & Young. Depreciation/Obsolescence. Valuation Guidance, accessed at: https://www.ey.com/en_gl/assurance/valuation-guidance/depreciation-obsolescence

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#02 Valuing in non-transparent markets

Isabela Bajko

A constantly determining the value of a property is crucial for the various parties operating in the real estate market: buyers and sellers, owners and investors, developers and brokers, as well as banks, the state and local authorities, and tax authorities.

The practice of appraisal is not universal, but valuers, regardless of the country in which they operate, seem to access the best market evidence to serve the basis for the valuation. However, in each country, one can find legislation, case law, standards and recommendations from professional bodies indicating what comparable market evidence is considered the best.

Equity market analysis for property valuation is based on transaction prices and characteristics of comparable properties sold contracts or other documents. This is supposed to be commonplace since most property prices are officially recorded.

The transaction price of a property is the reliable and actual (real) price of the property sold, derived from the most reliable source, the notarial deed. Property transaction prices are recorded in land registers.

The transaction price results from the equation of property supply and demand. **Supply** is usually determined by the size of the number of available sales offers, that can be caused by the real estate sale is collected by public institutions, which usually only record the transfer of the real estate. The supply of real estate is influenced by demographic factors, economic factors, institutional factors (which concern prime properties in key locations), and other factors (such as the timing of building permits, the level of construction costs, etc.). The supply of real estate is influenced by the demand. **Demand** for real estate is measured by the number of transactions and the transaction prices. The main factors shaping real estate demand include: price (rents, interest rates), specific needs and the level of their satisfaction, economic factors, the state of the labour market, demographic factors, migration processes, preferences, etc.

Unfortunately, real estate markets are not transparent in all countries. In transparent markets, valuers have access to direct transactional evidence, often obviously tendency to dominate office prime information. In non-transparent markets, valuers often prices should be treated with caution. However, in markets where prices are not transparent, valuers often difficult to assess the quality of the transaction price. Sometimes, the transaction price may be "spurious". Actual prices primarily include market prices, but "amateur prices" also appear, i.e. the actual amounts that are paid for the property, which may be the subjectivity of the seller and the buyer. Spurious prices, on the other hand, occur when the parties to a transaction agree to undertake or overstate the transaction price. Underpricing may occur when the tax base associated with the purchase of the property and the property may suggest an overvaluation of the mortgage security or a relatively low value, which is required to obtain a loan.

In addition, the information contained in notarial deeds is limited to basic address data and basic transaction details, which makes it impossible to identify the differentiating features of the property and the circumstances of the sale and purchase of individual features to price formation. Transaction prices are recorded in land registers with a time lag and this is known, making it difficult to analyze price changes over time. There are instances when the market is static and then the transaction prices remains unchanged, but the market prices are falling or rise.

The disadvantages of using only transaction prices for market analysis and property valuation encourage the use of other prices. The lack of market transparency causes not disclosing the true consistency of sales prices makes it necessary to supplement the use offers as a comparative element of the sale and purchase of real estate.

The offer price of a property is the price that is determined by the seller and the potential acceptance of a valuer, real estate agent or other intermediary. The offer price is usually higher than the prices on the market, the amount of demand, the technical and usable condition of the property, its location and other property characteristics. When the seller intends to sell the property or to be able to lower it during negotiations with the potential buyer. The offer price is not fluctuate over time, e.g. decrease if there is little interest in the property or increase if there is strong interest in the offer.

Observation of hidden transaction shows that in some market sections there is a quite minimal gap between the demand for decision to sell or, for sellers not in a forced situation, to postpone the decision to sell at an unsatisfactory price.

Due to the diversity of properties and sellers' expectations, the range of offer prices is large, often greater than that of transaction prices.

A buyer's market will correspond to a non-competitive market. This means a lower number of properties currently offered for sale than the number of property transactions. In such cases, a small or decreasing difference between asking and transaction prices may occur. In a seller's market, the number of properties offered for sale is higher than the number of transactions concluded. A large or increasing difference between transaction and offer prices means a favourable position for sellers. In such a situation, potential buyers will expect price discounts (especially customers financing the purchase with their own funds). Sellers must then decide to reduce the price or postpone the sale. In such a situation, the offer price and transaction prices, combined with the reluctance of sellers to reduce the price or procrastination in doing so, prolongs the time required for the property on the market.

It should be noted that asking prices are not a tangible result of the forces of supply and demand and are therefore not a fully reliable source of information about the market. Transaction prices are more likely to reflect the expectations of the supply side of the market. Through comparison with transaction prices, however, they are helpful in identifying the phase of the market cycle.

In the case of a seller's market, we may also observe a gap between the offer price and the asking price, which is a result of the time-consuming process of transaction price (which is a known phenomenon of the prevalence of asking prices over transaction prices). In addition, in periods of boom or the occurrence of "price bubbles" in the real estate market, some (few) properties may be sold at prices higher than the asking price, which results, for example, from multi-offer "bidding war".

A buyer's market will correspond to a recessionary phase (temporary prevalence of asking prices over transaction prices) or depressed phase (continuous or permanent prevalence of asking prices over transaction prices).

The price of real estate is subject to the cyclical nature of the market and is also influenced by factors, among other things, by the stability of prices. The longer the phenomenon of the high level of asking prices in a situation of excess supply causes long-term imbalances.

There are two types of market imbalance: overdemand (seller's market) and oversupply (buyer's market).

A buyer's market occurs when the demand for properties is higher than the supply. This means a lower number of properties currently offered for sale than the number of property transactions. In such cases, a small or decreasing difference between asking and transaction prices may occur. In a seller's market, the number of properties offered for sale is higher than the number of transactions concluded. A large or increasing difference between transaction and offer prices means a favourable position for sellers. In such a situation, potential buyers will expect price discounts (especially customers financing the purchase with their own funds). Sellers must then decide to reduce the price or postpone the sale. In such a situation, the offer price and transaction prices, combined with the reluctance of sellers to reduce the price or procrastination in doing so, prolongs the time required for the property on the market.

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The state of transactions in the market relative to the size of the offer determines whether the market is in equilibrium or a seller's or buyer's market. Some analysts consider property market to be relative equilibrium when the current number of listings equals the number of transactions completed in the last four quarters. Others define the equilibrium in a different way. Even in permanent disturbances, caused among other things, by the stability of prices. The longer the phenomenon of the high level of asking prices in a situation of excess supply causes long-term imbalances.

Isabela Bajko PhD BSc is a Certified Valuer, Lecturer at the University of Katowice/Poland, Member of the Property House and Member of the European Valuation Standards Board.

#03 Residential EPC assessor and valuer in Brussels – Two complementary activities

Eric De Keyzer

In Belgium, energy policy is regionalised the energy performance certificate (EPC) is a regional matter, with three different regimes: Flanders, Wallonia and Brussels and Walloria. Not only are the ratings A to G, but the methodology, the software and the calculation method also differ. It is impossible therefore to compare certificates from the three regions, and Brussels cannot be the pioneer in EPC directives.

This poses a problem in terms of transparency for prospective tenants or buyers in Brussels, who cannot compare the rating of the Flanders Energiezuinig or the Walloon Bonsoir very lines to each other and, in prospect, to the rating of the Brussels certificate. The regional energy model is a **lose-lose**.

The regional energy model is a **lose-lose**, which unnecessarily is the training ground for unrelated consumption, depending on the region.

Brussels, 30 to 210 kWh/m² per year

Wallonia, 205 to 1.000 kWh/m² per year

Flanders, 30 to 400 kWh/m² per year

Energy performance scale by region kWh/m² an

The rules are much stricter in Brussels because the city predominantly consists of apartments and semi-detached houses (Brussels, 30 to 210 kWh/m² per year) houses, which are less numerous in Flanders and Wallonia. In theory, therefore, the average rating is higher, even though the figures were calculated before the first certificates were produced.

If the calculation procedures were similar, the rating would be comparable, but it was not for different ratings, but this is for from being the case. It is impossible to compare the ratings of the three regions, which is many was epidemic Belgian surrealism!

Imagine a comparative buyer looking for a detached house in the southern suburbs of Brussels and considering a property in Wallonia within 0.5 km radius. Invested in Uccle, Brussels-Capital Region). Dirt Gemeuzen Tolle (Flanders) and Gerpinnes (Wallonia).

Even if the three houses are of similar construction, it is impossible to compare the EPCs and thus their energy performance. Unfortunately, the Brussels-Capital Region has been subsidised and rating the three entirely different methods, which makes any comparison impossible.

As an assessor in the Brussels-Capital Region, I can only compare the energy performance of a detached apartment in Brussels. In addition to **residential certificates** (houses and apartments), I can also carry out apartments) there are also two procedures for the tertiary sector (offices with an area of more than 100 m² and public buildings, which are not supplied in Wallonia and Flanders, and procedures for construction and renovation work (if I wanted). In this case, an **EPC advisor** will be required, which is a different job, related to the so-called Office Visit and the EPC session.

Let's look at a residential EPC assessor in 2011, when the EPC became a legal requirement. Back then, it was a very lucrative perk as it was relatively simple, easy, accredited as a training provider after putting together a portfolio and passing a trainers' exam. Surveyor-valuers were also allowed to do the training and exam and the opportunities for energy certification represented for their business.

At the time, you did not need a degree or even a secondary education, and the company a 40-year-old surveyor could set up in seven. Once there, the two-day training events as a result of which, some assessors weren't even visiting the properties they were supposed to be assessing.

You now need an architectural or engineering degree, and the training course is supposed to be a field training to develop energy-general manual and have to go on a course before taking a central exam.

In 2019, an assessment had to undergo a technical and professional interview, which I passed with flying colours. I have over currently 22% accredited residential assessors in Brussels, down from around 1.041 in 2019.

The assessor must specify the floor area and the U-value of the Protected Volume of their home or otherwise (roofs, facades, walls to unheated spaces, windows frames, doors, etc.) which their in-house software calculates the energy saving and hot water systems are also specified, as well as any cooling systems, solar panels, etc.

The software automatically generates the EPC certificate and the recommendations, or combinations/combinations, depending, as well as a specification report containing the U-values, the calculation sheets and all the specified data. The assessor has no influence over the content of the certificate (although the specified data).

The limitations of the software represent a significant workload for the assessors. Although some large firms charge flat rates, the majority of assessors charge same clients as freelancers willing to pay for an assessor to do a thorough assessment, and the time spent on the property. This advice goes far beyond the general recommendations generated by the software, for example, the cost of isolation, the assessor advises which facades are easiest to insulate and how to insulate them, which is important because insulation is not always possible, and it offers the benefits of installing controlled mechanical ventilation and heat recovery. However, is most all buyers, this is in the case of a house, the cost of the work which improvements offer the best payoff for money, striving for the best performance, taking into account the constraints, the difficulty of carrying out certain work and external constraints such as the Brussels Regional Planning Authority or condominium/co-ownership assembly.

Clients used to see the certificate as a formality that had to be completed before they could sell or let their property. However, most clients now realise how important it is, particularly as it has to be presented when selling or letting a property. The number of checks has also increased. Estate agents have generally been supplied with a copy of the EPC certificate before requesting a property. Clients want advice on how to improve their property's energy efficiency, which is a regulatory requirement and prompts and any external constraints such as the Brussels Regional Planning Authority or condominium/co-ownership assembly.

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In 2022, the regional authority passed a decree stipulating that the EPC must be higher outside the A-G ratings (A+ and A+ for accommodation in Brussels. An E rating means that rents cost the EU index-linked, in the indexation rate. EU1 that the property is worth more than the rent of the property. The number of checks has also increased. Estate agents have generally been supplied with a copy of the EPC certificate before requesting a property. Clients want advice on how to improve their property's energy efficiency, which is a regulatory requirement and prompts and any external constraints such as the Brussels Regional Planning Authority or condominium/co-ownership assembly.

"There are several reasons why clients like the fact that valuers are also EPC assessors"

Banks also very their conditions for granting a mortgage loan depending on the EPC.

There are several reasons why clients like the fact that valuers are also EPC assessors:

- They have the ability to assess the energy performance of the property and, thanks to the EPC, can give the property visits, they can give tailored advice on how to improve energy performance, regulatory requirements, in existing certificates by non-valuers, and recommendations, and, in prospect, everything for everyone with the free area. Sometimes the assessor has to contact the owner to gain access of inspection. A no-show and other default values, which are extremely rare, mean that the assessor must use the information about insulation or wall insulation for myself, which improves the result.
- The valuer assessor can produce the EPC certificate and valuation report at the same time for the same client. Given the growing importance of energy performance, the valuer can seen the property and can see, visually significant. The valuer has the advantage of being able to give possible improvements and calculate the resulting costs.

A certificate for an average-sized apartment usually requires an hour of on-site work and one to two hours of calculation and specification report. Preparing a valuation is complex and it can take three to four hours longer. The price charged therefore has to reflect the complexity of the task and the surface of each property. For apartments, this will depend on the heating system, especially if it is a collective heating system in a building (in which case the costs would have to be inspected and information obtained about the heating and hot water system producer specifications, number of apartments and the number of non-insulated components, etc.).

EPCs currently account for around a third of my work, and I charge the same rates as I do for valuations. They have gained positive with those of EPC assessors, but I have to be more flexible with the EPC assessor who does a thorough job and, more importantly, gives them useful tips on how to improve performance. Yet the certificate is physically recommend, the data, and the software, and the software is possible therefore to inform the client of the exact benefits of each proposed improvement.

A surge in demand is expected in the near future, as the deadline for the EPC assessors to be accredited in Brussels (even if they are not sold or rented) probably from 2026.

"My fees aren't competitive with those of EPC assessors, but some clients are prepared to pay for an assessor who does a thorough job and, more importantly, gives them useful tips on how to improve performance"

Renovation works will also become more important, as the regulations and processes facilitate a substantial over five years to achieve a theoretical consumption of 100 kWh/m² per year. This is an ambitious target, and it will not be impossible to achieve for some properties, but it will require major improvements and it has to be carried out without achieving the desired result. Generous grants are available to help clients carry out the work. The measures have yet to materialise.

There are also plans to harmonise the energy performance certificate (EPC) and the technical inspection (TI) certificate, for works, etc) by creating a new ratio of EPC and TI, the EPB certificate, which is to carry out all EPC assessors. Further training will be necessary in order to qualify as an EPC Expert.

Personally, I will have to decide whether to continue as an EPC assessor or to focus other activities, in particular energy optimisation and use my skills in this field for other services, such as property valuation, in a tough choice.

Brussels is a city-region the Brussels-Capital Region (Brussels Hoofdstedelijk Gewest, Brussels Hauptstadt Region and EPC) it is the only in Europe that has its own EPC certificate and software.

Note: Uccle and Tervuren are in Brussels-Capital Region (Brussels Hoofdstedelijk Gewest, Brussels Hauptstadt Region and EPC) it is the only in Europe that has its own EPC certificate and software.

The Protected Volume is the volume taken into account to calculate the certificate. It is the volume of the building, including the attached and basement. There is a dome, which is the volume of the building, including the attached and basement. There is a dome, because certain parts of the building can be considered as a protected volume, because they are not heated, or because certain surfaces without protection certificates or the protected volume, for example, in the attic.

The assessor simply inserts the data and the software does the rest. It is based on an algorithm that takes into account the priorities (security, health, hygiene). There are various structures to facilitate data entry, for example, for a gable wall.

Eric De Keyzer RICS has been a property surveyor-valuer since 1991. He is a member of the Bureau of Experts Belgium. Geographical coordinator of the Belgian Chapter of the RICS and a member of the CNEB (a.o. Commission EPC assessor) for Brussels-Capital Region and European Building Institute.

#04 The specificities of real estate valuation in the agricultural sector

Angelo Donato Berloco

European agriculture is facing increasingly complex challenges matched only by the new development opportunities they create. It is a top EU priority to make European agriculture increasingly modern, innovative and sustainable, all of which must be matched by objective real estate valuations because in the agricultural sector just as much as elsewhere, quality valuation provides a solid basis for financial decisions, investments and real estate transactions. It requires compliance with a series of estimation postulates among which the application of the comparative method is fundamental.

There is an intuitive simplicity to the comparative method. However, though it is simple and intuitive to understand **why** it is necessary to compare, the same cannot be said about **how** to concretely apply this principle in estimation practice, especially in the agricultural field[1]. This is because agricultural properties have "*strong individual characteristics*"[2]. As prof. Giuseppe Medici observed, valuers in the agricultural sector frequently find themselves verifying how complicated the valuation procedure is as we move from the few uniform and standardised properties to the many highly differentiated ones. In addition, agricultural values find themselves operating with 'uncontemporary' sales data compared to the date of valuation.

> *"It is a top EU priority to make European agriculture increasingly modern, innovative and sustainable, all of which must be matched by objective real estate valuations"*

As a consequence, there is a need to "adapt" the *law of price indifference* to real situations, using all the tools made available by valuation methodology (quotations, procedures, valuation standards, etc.). The law of price indifference (also known as *Jevons' law*) is general and can be summarised as "*Identical goods, at the same time and in the same (perfect) market, can only have the same price.*"

It must be said that this theoretical valuation approach is not always put into practice correctly, with the resulting operational uncertainty often producing expertise rather than scientific valuation proper.

More specifically, **expertise** is a professional practice that estimates the market value of real estate through a synthetic and subjective judgment, without the detection of a sample of market prices and consequently is neither demonstrable nor verifiable.

On the other hand, **professional valuation** is that carried out by a qualified valuer, i.e. a professional who knows the phenomena investigated and is able to measure them, to detect market data and arrive at estimations of value made objective (verifiable) by using recognised valuation standards such as EVS as a yardstick.

The special characteristics of agricultural property

Agricultural properties are complex assets, as they consist of the original land and the endowments of buildings, infrastructures, temporary and permanent crops, plant and machinery, livestock and agricultural industries for the processing of agricultural products.

In general terms, the characteristics of agricultural real estate can be divided into quantitative (e.g. usable agricultural area) and qualitative (e.g. degree of soil fertility) characteristics.

> *"Agricultural properties are complex assets"*

Some groups of agricultural real estate features are:

1. **surface characteristics** (distinguished by type of crop, annual or perennial);
2. **location** (relating to the location of the property in the territorial context, in relation to infrastructures, services, etc.);
3. **positional characteristics** (relating to altitude, slope, position and exposure of the terrain);
4. **typological characteristics** (relating to soil fertility, presence of irrigation water, land investments, topsoil, presence of livestock and processing industries);
5. **contractual characteristics** (relating to conditions and limitations of use of the property - e.g. vacant or rented).

Good valuations for informed decisions in a context of higher scarcity of comparables

In the agricultural sector as elsewhere, estimation of value means predicting what probability the market value has of occurring in the context of two extreme situations ranging from 0 (no probability that the value to be estimated coincides with the selling price) to 1 (exact coincidence).

An estimate as close as possible to 1 must incorporate appropriate procedures and real estate data (consisting of the prices and real estate characteristics of the reference sample) representative of the investigated property. Through the judicious use of appropriate procedures, agricultural valuers operating in a context of scarcity of information higher than that of residential or commercial valuation are able to objectively apply the comparative method, measuring the effect on the formation of the price of the main real estate characteristics.

Having objective and clear assessments enables clients (farmers, banks, funds, etc.) to make informed decisions consistent with the economic and financial context in which they operate. This applies both to entrepreneurs envisaging a new investment and to public and private financiers supporting entrepreneurs in this journey.

The high impact of geopolitics on agriculture and its valuation

Even more than in other sectors, agricultural valuers are faced with growing uncertainty. The actual and foreseeable agricultural macroeconomic impacts of the current extraordinary geo-political situation are even higher than macroeconomic impacts generally and this necessarily shrouds estimates of value in greater uncertainty as by definition valuations are "forward looking". Yet the valuation report must incorporate the elements known and knowable at the specific date of the valuation (which is necessarily a "point in time").

Agriculture in EVS 2025

Clearly, the dissemination and application of these procedures requires an unequivocal description and catalogizing of the real estate characteristics to be used in investigating the variability of market prices. Precisely to encourage the dissemination at a European level of a common language for agricultural valuation, TEGOVA has fostered the European Valuation Standards Boards drafting of specific guidance in EVS 2025. An outline of the work was presented at the TEGOVA General Assembly last October in Bologna, but the key event will be the "EVS 2025 European Agricultural Valuation Conference" on 22 March 2024 in Lisbon. That conference will be the first structured presentation of a draft of the EVS 2025 Guidance Note on Agricultural Valuation and an opportunity for conference participants to debate and influence the final outcome. I hope to see you there.

[1] The transition from the theory of the comparative principle to professional practice has also been discussed in A. D. Berloco and G. Ertani, 1989. La comparazione quale presupposto logico dei giudizi di stima, Genio Rurale n. 9, pp. 37-46.

[2] In 1934 Prof. Medici published his famous Introduzione to Agricultural Appraisal, which led to the Principles of Appraisal of 1944, a text that went through many editions and was adapted in numerous schools. His studies in the field of appraisal also made him known abroad and many foreign universities invited him to hold courses and conferences.

Angelo Donato Berloco is an agronomist, President of e-valuations Institute of Appraisal and Valuations – Italy (a TEGOVA member association) and Member of the European Valuation Standards Board co-opted for agriculture.

AVCS Sustainable Framework for Agricultural Land market valuation

A tested Bulgarian model

Marija Georgieva

"The model described... enables better justification of the valuation approaches and methods chosen."

Such a model is also an important method for objective decisions by themselves, by other stakeholders and by third parties. Indeed, Kuhn's theory of scientific revolutions (1962) underlines that the factors that determine them are necessary and sufficient for the emergence of a new paradigm. Some of the agricultural land market and the real estate market in Bulgaria are in a state of scientific revolution, which is characterized by the emergence of new models, methods, valuation approaches and methods. Moreover, the emergence of new models and methods is a necessary condition for the emergence of a new paradigm. The model described... enables better justification of the valuation approaches and methods chosen.

"Land suitability analysis is primarily the analysis of data about the land in terms of realistic alternatives for different types of land use."

Land suitability analysis for agricultural purposes is a multi-criteria analysis of climatic, hydrology, topography, soils and other factors, which determines the land's suitability for different types of land use. The analysis is based on the assumption that there is a relationship between the needs for a particular type of land use and the characteristics of the land. Agricultural land. The land is used to determine the optimal land use conditions for different types of agricultural production. Land suitability analysis is primarily the analysis of data about the land in terms of realistic alternatives for different types of land use. The suitability of particular areas primarily depends on the characteristics of the land and on climatic factors. Land suitability analysis

FIG

Your engineering my land Property and value issues in electricity grids

The special characteristics of agricultural property

Introduction – As an urbanised society, we have forgotten that our ancestors were brought to all parts of Europe in the Neolithic Age by farmers who had learned how to cultivate the soil. Agriculture in all parts of Europe, with all that works entailed, underpinned the rise of our society. Agriculture is based on the unrestricted use of land, water, air, sunlight and the use of electricity all the time. It has been transformed from being a labour intensive occupation to a capital intensive one, with the use of machinery, fertilisers, pesticides, etc. In generations of 25 years and 8 generations, it has been transformed.

Across Europe and much further afield, farmers have been and are being encouraged to use more and more sophisticated energy projects to where it will be used most. The use of land, water, air, sunlight and electricity is being encouraged by the use of subsidies, tax breaks, grants, etc. In years as they wait for connections, it is the farmer who has to pay the costs of the connection, the costs of the wayleaves and the costs of the compensation.

"Valuation positions follow, whether for the value of rights needed for the cables, compensation for any loss in value of land and property affected, or later losses from the fact of a power cut, or its maintenance and consequent abandonment of burdened property."

Transmission – Not as urbanised as the Netherlands, Belgium and Germany, we have brought in all parts of Europe to the Neolithic Age by farmers who had learned how to cultivate the soil. Agriculture in all parts of Europe, with all that works entailed, underpinned the rise of our society. Agriculture is based on the unrestricted use of land, water, air, sunlight and the use of electricity all the time. It has been transformed from being a labour intensive occupation to a capital intensive one, with the use of machinery, fertilisers, pesticides, etc. In generations of 25 years and 8 generations, it has been transformed.

Across Europe and much further afield, farmers have been and are being encouraged to use more and more sophisticated energy projects to where it will be used most. The use of land, water, air, sunlight and electricity is being encouraged by the use of subsidies, tax breaks, grants, etc. In years as they wait for connections, it is the farmer who has to pay the costs of the connection, the costs of the wayleaves and the costs of the compensation.

The Transformation of Generation – The electricity engineers changed energy sources from coal to nuclear and gas. Nuclear was the cheapest, but was not acceptable to the public. Gas was cheap, but was not as easy as coal to use. Nuclear is a very capital intensive form of generation, but it is very labour intensive. Gas is a very capital intensive form of generation, but it is very flexible, quickly on/off, and is a form of generation that can be used to balance the system. Nuclear is good for some situations, meaning average or base load, but not good for others, meeting peak demand. Gas is good for meeting peak demand, but not good for meeting average or base load. Coal is good for meeting average or base load, but not good for meeting peak demand. Nuclear is a very capital intensive form of generation, but it is very labour intensive. Gas is a very capital intensive form of generation, but it is very flexible, quickly on/off, and is a form of generation that can be used to balance the system. Coal is good for some situations, meaning average or base load, but not good for others, meeting peak demand. Gas is good for meeting peak demand, but not good for meeting average or base load. Coal is good for meeting average or base load, but not good for meeting peak demand.

Nuclear and coal are good for underpinning a capital intensive power industry, but not good for meeting peak demand. Gas is good for meeting peak demand, but not good for underpinning a capital intensive power industry.

The Transformation of Power Networks – Power networks were developed to meet the demand for electricity. Demand was the principal key – meeting electricity demand was the principal key.

Electricity demand was a function of population and economic growth. Population growth was a function of birth rate and immigration. Economic growth was a function of education, connectivity with other economies, and the investment of power. All these factors were in flux. Birth rate was in flux because of the impact of the contraception pill, the impact of the contraception pill on the aspirations of education, connectivity with other economies, and the investment of power. All these factors were in flux because of the impact of the contraception pill, the impact of the contraception pill on the aspirations of education, connectivity with other economies, and the investment of power. Demand was a function of population and economic growth. Population growth was a function of birth rate and immigration. Economic growth was a function of education, connectivity with other economies, and the investment of power. All these factors were in flux because of the impact of the contraception pill, the impact of the contraception pill on the aspirations of education, connectivity with other economies, and the investment of power.

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Nuclear and coal are good for underpinning a capital intensive power industry, but not good for meeting peak demand. Gas is good for meeting peak demand, but not good for underpinning a capital intensive power industry.

In other countries there are governments with similar requirements. Electricity engineers in other countries have to meet the requirements of their governments. Electricity engineers in other countries have to meet the requirements of their governments. Electricity engineers in other countries have to meet the requirements of their governments.

Policy is now impending. Large zones are being created in which it is the job of the electricity engineers to meet the demand by connecting the consumers that are going to be there. Electricity engineers are being asked to connect the consumers that are going to be there. Electricity engineers are being asked to connect the consumers that are going to be there.

The grid as a constraint on development

Inadequate power networks are not only a constraint on economic development but also on the ability of farmers to use their property especially for electricity and also wayleaves. Farmers are being encouraged to use their property for electricity and wayleaves development. The large power demand is being created in the Mediterranean and North Africa. Large power demand is being created in the Mediterranean and North Africa. Large power demand is being created in a 1,750 km zone in Morocco and Algeria. Large power demand is being created in a 1,750 km zone in Morocco and Algeria. Large power demand is being created in a 1,750 km zone in Morocco and Algeria. Future development will accelerate and will be in the Mediterranean and North Africa. Future development will accelerate and will be in the Mediterranean and North Africa. Future development will accelerate and will be in the Mediterranean and North Africa.

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Future development will accelerate and will be in the Mediterranean and North Africa. Future development will accelerate and will be in the Mediterranean and North Africa. Future development will accelerate and will be in the Mediterranean and North Africa.

Overground or underground?

Some communities can accept overhead lines, but not underground lines. Some communities can accept overhead lines, but not underground. However, underground power cables are being installed in Europe. Underground power cables are being installed in Europe. However, underground power cables are being installed in Europe. However, underground power cables are being installed in Europe. However,

Michael MacBrien

Nikos Sotiriadis, 2002 Contemporary art collection of the European Parliament
© EP 2021

#07 Energy Performance of Buildings Directive – *Massive certification and renovation of the building stock will transform property markets and valuation*

Council and Parliament reached agreement on 7 December. Parliament still needs to vote in plenary, but that's a formality. The text will then go through legal and linguistic toilettage in the 24 EU languages and will then be published in the OJEU, most likely in the second quarter. It will enter into force twenty days after publication and from that date member states will have two years to transpose its provisions into national law.

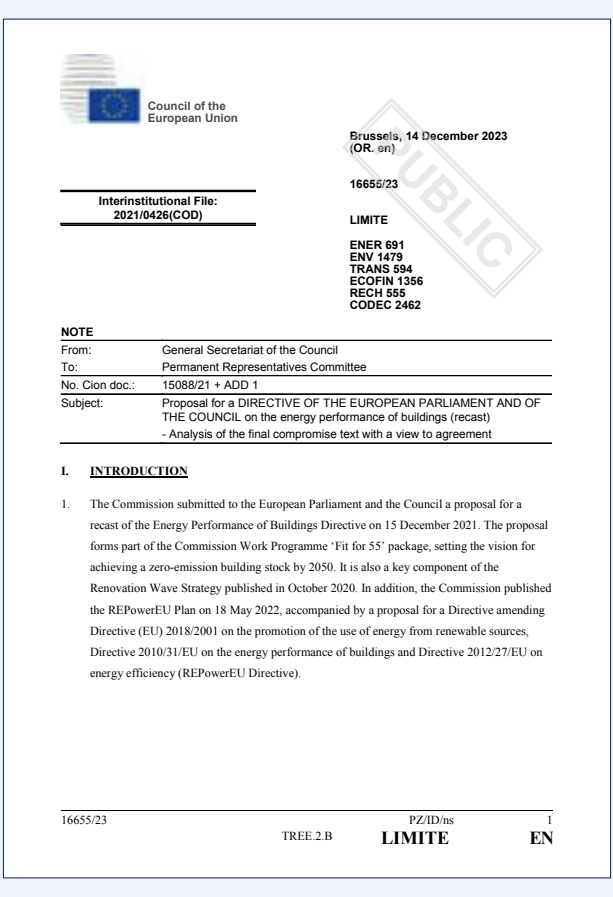
The Directive has existed in different iterations for over twenty years, yet until now none of its obligations caused a step-change to the rate of renovation, stuck stubbornly at 1-2% of the building stock per annum. The reason was owner sovereignty. None of the renovation obligations kicked in unless and until the owner freely decided to do a major renovation – defined by the Directive as either costing more than 25% of the value of the building or covering more than 25% of the building envelope, according to member state choice. The new Directive requires member states to organise the staged renovation of the building stock whether owners like it or not.

For the non-residential sector, the Directive's rules will lead to renovating the 16% worst-performing buildings by 2030 and the 26% worst-performing buildings by 2033. For residential, member states must establish a national trajectory that leads to reducing the average primary energy use of the residential building stock by 16% by 2030 and by a range of 20-22% by 2035.

Compliance by individual buildings with the percentage thresholds will mostly be checked on the basis of energy performance certificates (EPCs).

Each member state must produce a **national building renovation plan** with targets and measurable indicators for 2030, 2040 and 2050 regarding the annual energy renovation rate.

New buildings, which under the existing Directive have had to be near-zero energy since 2021, will have to be zero-emission by 2030 (by 2028 for public buildings).



Council of the European Union

Brussels, 14 December 2023 (OR. en)

16655/23

Interinstitutional File: 2021/0426(COD)

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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee
No. Cion doc.:	15088/21 + ADD 1
Subject:	Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the energy performance of buildings (recast) - Analysis of the final compromise text with a view to agreement

I. INTRODUCTION

1. The Commission submitted to the European Parliament and the Council a proposal for a recast of the Energy Performance of Buildings Directive on 15 December 2021. The proposal forms part of the Commission Work Programme 'Fit for 55' package, setting the vision for achieving a zero-emission building stock by 2050. It is also a key component of the Renovation Wave Strategy published in October 2020. In addition, the Commission published the REPowerEU Plan on 18 May 2022, accompanied by a proposal for a Directive amending Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources, Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency (REPowerEU Directive).

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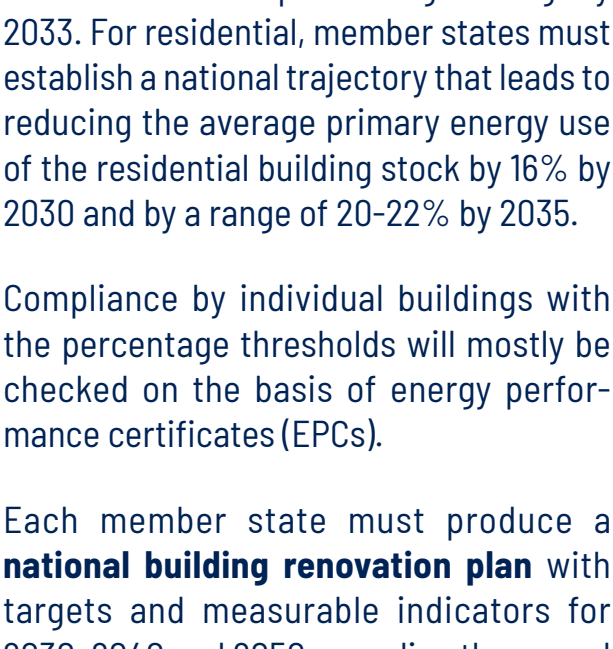


Solar energy deployment is now required by dates ranging from 2026 to 2029:

- for all new buildings public and private, non-residential and residential
- on all new roofed carparks physically adjacent to buildings
- for existing public buildings over 250m²
- for existing non-residential buildings over 500m² undergoing major renovation

Member states must introduce a **renovation passport** scheme based on a common framework set out in the Directive. Member states are free to decide whether to impose them on building owners and whether they must be issued jointly with the EPC. If they do so, it will be very useful for valuing energy efficiency impacts because there will be:

- an optimal sequencing of renovation steps
- the estimated costs for carrying out each step (unfortunately optional for member state schemes)
- and the estimated energy performance class of the EPC to be achieved following completion of the step

There are **recharging point and ducting** installation obligations for buildings varying according to building type, but these are likely to be surpassed by events.

The prevalence of EPCs is greatly increased. The existing obligation to issue EPCs when buildings or building units are constructed, sold or rented out to a new tenant is now extended to those that have undergone a major renovation or for which a rental contract is renewed. This will be very helpful for energy efficiency valuation.

#08

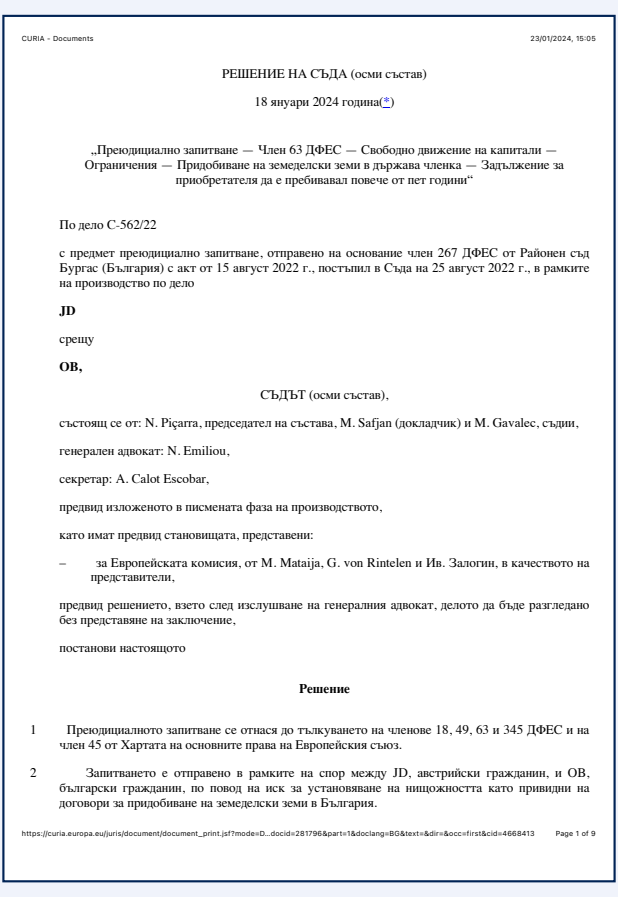
CJEU upholds the right of EU citizens to acquire agricultural land in a member state without restriction – *Judgment of the Court of 18 January 2024 Case C-562/22*

The "Four Freedoms" underpinning the EU internal market are free movement of people, goods, services and capital. The free movement of capital encompasses the freedom of all EU citizens to buy and sell land and buildings, urban and rural, without restriction anywhere in the Union.

Yet it is a politically sensitive issue and many countries have tried to get around it, resulting in myriad judgments of the Court upholding the freedom. When negotiating their accession to the EU, many countries obtained transition periods for secondary residences (usually five years after accession) and for farmland (usually seven years), but all that is now over.

Bulgaria has a law restricting the right to acquire ownership of agricultural land to natural or legal persons who have been resident or established in Bulgaria for more than five years. In a case in which this question arose, the District Court of Burgas, Bulgaria, stayed the proceedings and referred the case to the CJEU.

In its judgment, as always, the European Court states that "a measure such as the national legislation at issue in the main proceedings, which restricts the free movement of capital, is permissible only if it is justified by overriding reasons in the public interest and observes the principle of proportionality, a condition that requires the measure to be appropriate for ensuring the attainment of the legitimate objective which it pursues and not to go beyond what is necessary in order for it to be attained".



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РЕШЕНИЕ НА СЪДА (осми състав)

18 януари 2024 година(*)

„Преюдициално запитване — Член 63 ДФЕС — Свободно движение на капитали — Ограничения — Придобиване на земеделски земи в държава членка — Задължение за приобретателя да е пребивавал повече от пет години"

По дело C-562/22

с предмет преюдициално запитване, отправено на основание член 267 ДФЕС от Районен съд Бургас (България) с акт от 15 август 2022 г., постъпил в Съда на 25 август 2022 г., в рамките на производство по дело

JD

срещу

OB,

СЪДЪТ (осми състав),

състоящ се от: N. Piçarra, председател на състава, M. Safjan (докладчик) и M. Gavalec, съдии,

генерален адвокат: N. Emiliou,

секретар: A. Calot Escobar,

предвид изложеното в писмената фаза на производството,

като имат предвид становищата, представени:

– за Европейската комисия, от M. Mataija, G. von Rintelen и Ив. Залогин, в качеството на представители,

предвид решението, взето след изслушване на генералния адвокат, делото да бъде разгледано без представяне на заключение,

постанови настоящото

Решение

1 Преюдициалното запитване се отнася до тълкуването на членове 18, 49, 63 и 345 ДФЕС и на член 45 от Хартата на основните права на Европейския съюз.

2 Запитването е отправено в рамките на спор между JD, австрийски гражданин, и OB, български гражданин, по повод на иск за установяване на нищожността като привидни на договори за придобиване на земеделски земи в България.

https://curia.europa.eu/juris/document/document_print.jsf?mode=D...docid=281796&part=1&doclang=BG&text=&dir=&occ=first&cid=4668413 Page 1 of 9

When the European Court asked the referring court for information on the objectives pursued by the law, the referring court stated that the law "seeks to ensure that that agricultural land continues to be used in accordance with its purpose", the motivation being that speculative transactions relating to such agricultural land and the sale of that land to foreign investors who intend to use the land for other purposes, would lead to a significant reduction in arable land, together with the corresponding disappearance of large and small Bulgarian agricultural producers.

The CJEU judged that the residence requirement in the Bulgarian law constitutes an infringement of EU law on free movement of capital as it goes beyond what is necessary to attain the objectives pursued by that legislation because the objectives could have been pursued in manners less harmful to European free movement of capital:

"As the Commission pointed out in its written observations, the objectives pursued by the legislation at issue in the main proceedings relating, first, to agricultural land continuing to be used in accordance with its purpose and, second, to the prevention of the acquisition of such land for speculative purposes could be attained through the use of measures introducing, inter alia, higher taxation on resale of agricultural land occurring shortly after acquisition, or even the requirement of a substantial minimum duration for leases of agricultural land... Another measure that is less restrictive of the free movement of capital is the introduction of a right of first refusal to farming tenants, which would make it possible, where the latter do not acquire the property, for title to be acquired by natural or legal persons whose activity does not fall within the agricultural sector, but who must nevertheless maintain the agricultural use of the property in question."

TEGOVA

To contribute an article or to send a letter to the editor commenting on one, contact info@tegova.org

Editor: Michael MacBrien

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