

Are there benefits to green property investing?

Blog

12.09.24



Green property investment is gaining the attention of investors as environmental concerns become a significant factor in the property market. In this blog, we will explore what makes a property green, why it could be a good investment in terms of resale value, rental demands and financial initiatives, as well as the potential risks and considerations that investors should bear in mind when evaluating these properties.

What makes a property green?

A green property is characterised by features designed to be environmentally friendly and energy-efficient. These may include solar panels, advanced insulation and high-performance windows, all of

which help reduce the energy required for heating and cooling. The use of sustainable materials, such as recycled or low-impact products also plays a significant role. Water conservation features, like rainwater harvesting systems and low-flow fixtures, further contribute to the property's eco-friendly credentials. However, the initial costs of incorporating these features can be significant, and investors must assess whether these expenses will be offset by future savings and value appreciation.

Why should investors consider green properties?

Investing in green properties can offer significant benefits. They often lead to lower energy bills, appeal to the growing market for sustainable living and may boost property values over time. Plus, aligning with ESG goals can enhance your reputation and open doors to favourable financing options, for example, TAB's [green mortgage](#) provides discounts to those who can demonstrate ESG improvements to their investment properties. However, the initial costs can be high and the return on investment isn't always immediate. Demand for green features varies by location and evolving regulations can add uncertainty.

How does green property investment impact resale value and rental demand?

Green properties are showing positive trends in both re-sale value and rental demand. The property market indicates that green properties often command higher prices and are rented out more promptly compared to traditional properties. This increased demand reflects a growing consumer preference for energy-efficient and sustainable living options. However, it's important to note that the higher initial cost of green features may not always translate into proportionate increases in resale value. Market demand for green properties can vary significantly by region, and in areas where green living is not a priority, investors might find it challenging to recoup their investments. Additionally, green technologies and features can become outdated as new innovations emerge, potentially leading to depreciation if properties are not regularly upgraded.

What are the financial incentives for investing in green properties?

There are several financial incentives available for those investing in green properties. These may include tax benefits such as credits and deductions for energy-efficient features, government grants, meeting the terms of ESG policies and potentially lower mortgage rates offered by lenders who recognise the lower environmental impact of green properties. While these incentives are appealing,

they often come with specific eligibility criteria that can be complex to navigate. Some grants may be subject to change or discontinuation as government policies evolve, which could impact the financial return on investment. Furthermore, the upfront costs of qualifying for these incentives, such as obtaining certifications or making required upgrades, might outweigh the potential savings, especially in the short term.

What should investors look for when choosing a green property?

Before investing in a green property, it's crucial to evaluate several key factors. Look for properties that have recognised green certifications, such as [L.E.E.D](#) (Leadership in Energy and Environmental Design) or [B.R.E.E.A.M](#) (Building Research Establishment Environmental Assessment Methodology), which indicate a verified level of sustainability. The location is also crucial, as properties in areas with high demand for eco-friendly features are likely to perform better. Additionally, consider the potential for future upgrades and how well the property can adapt to evolving environmental regulations. However, obtaining green certifications can be costly and time-consuming, and not all properties will qualify. Location risk is another critical factor; market preferences can shift even in areas with current demand for green properties, leaving some green properties less desirable over time. Investors must also consider the risk of obsolescence, as ongoing maintenance and upgrades are often required to keep a property in line with the latest environmental standards and regulations.

Investing in green properties offers a range of benefits, including cost savings, increased property value, and alignment with environmental goals. However, it's important to approach this investment with a balanced perspective. The initial costs, potential market variability, and ongoing maintenance requirements all pose risks that should be carefully weighed against the potential rewards. As interest in eco-friendly properties continues to rise, they present a valuable opportunity for investors, but only when the risks are fully understood and managed effectively.

For more information about TAB's [ESG Mortgage](#), you can speak to one of the sales team at 0208 057 9070.

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