



## **The Impact of Solar Panels on the Price of a House in the UK – Some Considerations**

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### **Summary**

You have gone to the expense of installing a solar photovoltaic (PV) system on your house. You need to put your house on the property market. Will you recoup what you paid for the installation? Surprisingly, perhaps, there are many issues surrounding this seemingly simple question.

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In the United States some studies have suggested that for every \$1 decrease in annual electricity bills a home's value can increase by \$15-\$20. However, many states use net metering as an incentive to home owners. This gives credit for each unit of electricity exported, and is set against the imported electricity charges. In high sunshine states this makes it relatively easy to quantify the annual benefits.

The situation in the UK is not as straightforward. The UK has a feed-in tariff (FIT) which estimates the amount of electricity exported (assumed to be 50% of what is generated). The export rate is relatively small and the rate for generated electricity is about the same as for imported electricity. Estimates of savings are given by a Standard Assessment Procedure which uses insolation data for central England. So, in the UK there are many other factors which have to be balanced against each other to assess whether the value of a property is enhanced or not.

### **The feed in tariff rate**

Most home owners would not want to take down a solar PV system and put it elsewhere as the feed in tariff ceases and they have to make good the property. So, assuming that the PV system stays with the property a prospective buyer would take over the FIT payments, at the original rate, for the remainder of the term. Would someone pay more because of this? They might be persuaded for a system installed before April 2012 as the tariff is nearly three times the current rate and is guaranteed for 25 years compared to 20 years now. Another favourable consideration might be if there is an identical house for sale in your neighbourhood which doesn't have solar PV and so has no FIT income to offer.

### **Energy Performance Certificate (EPC) assessment**

Any property with solar PV will have a higher EPC rating than an equivalent property without. This might well add to the 'saleability' of the property.

### **Guidelines for house valuers**

There are no official guidelines to advise valuers how to take a solar PV Installation into account. Consequently, they are not likely to add any meaningful premium to the value of a property. A common trend is to treat a PV system as a 'fixture', the same as for a boiler for example. This is not particularly ideal as boilers don't generate any income!

### **Excluding the solar PV installation from the sale price**

This would enable the seller to negotiate a 'fair price' for the PV system taking into account what was paid for the system and the income benefits for the remaining tariff term. This might work in an area where the sellers' market is buoyant. In a weak market the buyer might call your bluff, knowing you stand to lose more if you have to remove the system to get a sale.

### **Buyer awareness of the benefits of having solar PV**

A small study of house buyers in Oxford came up with some interesting findings. Just over half agreed that they might be influenced by a lower fuel bill but were unaware of the greater benefits of the feed in tariff. Perhaps, more significantly, 75% of estate agents failed to mention solar in their sale particulars.

### **Conclusions**

As a seller you may have to be quite proactive in the way your home is marketed. Create your own factsheet summarising the benefits of solar PV and the feed in tariff. (A template can be found on the Green Energy Net website.) Customise it with details of your PV system, how much electricity you have produced and how much income has been generated. Insist that the estate agent properly markets your house and includes your factsheet in any communications with prospective buyers.

### **References**

- <http://www.oxford.gov.uk/Direct/SolarValueStudyFinalReport.pdf>

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