

Professional Real Estate Appraisal Perspectives on Residential Energy Efficiency

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Introduction:

**APPRAISING
ENERGY EFFICIENT HOUSING**

**BEWARE
OF
DOG**

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INTRODUCTION

- **ENERGY EFFICIENT HOUSES** are essential for our future
- There is a notable disconnect from the what is said, and what is real
- **BRIDGING THE GAP:** How do we bridge the gap and break down the barriers between appraisers, realtors, buyers, sellers, lenders, builders, suppliers, educators, governmental agencies, and the consumer?

I.) THE APPRAISAL

(a quick overview)

- An appraisal answers questions about a real estate parcel's value, marketability, usefulness and/or suitability. (an appraisal **REFLECTS** the market)

I.) THE APPRAISAL

(a quick overview)

- **An appraisal provides an objective third-party opinion. The appraiser does not have a vested interest in the transaction.**

I.) THE APPRAISAL

(a quick overview)

- **Appraisers analyze local social, economic, governmental and environmental factors**

I.) THE APPRAISAL

(a quick overview)

- **They investigate a property's characteristics (i.e. energy efficient items)**
- **(Source: the Green MLS Tool Kit – NAR, AI, and others)**

The following is an example of six fields with their pick list options that could be considered. These lists are not meant to be exhaustive, but rather representative of the types of generic options you might include in your MLS:

(1) Energy Efficient:

Construction

Insulation

Windows

Doors

Roofing

(2) Energy Generation:

Solar

Wind

Geothermal

(3) Sustainability

(4) Water Conservation:

Landscaping

Flow Control

Reclamation

(5) Indoor Air Quality:

Exposure/Shade

Appliances

HVAC

Thermostat/Controllers

Water Heater

Electrical/Lighting

Incentives & Other

(6) Indoor Air Quality:

Recycled Materials

Renewable Materials

Recyclable Materials

Biodegradable Materials

Conserving Materials/Methods

Filtration

Ventilation

Contaminants

No or Low VOC Materials

I.) THE APPRAISAL

(a quick overview)

- **They look at market factors (such as supply & demand)**

I.) THE APPRAISAL

(a quick overview)

- **They determine the best course for approaching value**

(i.e. 3 approaches to value / Cost vs. Market)....

II.) APPRAISING ENERGY EFFICIENT HOUSES

- GREEN has different meaning to different people (LEED, Energy Star, HERS, NGBS, GBS, EPS, Walkscore, GAPScore, HomeStar, ETC....)
- GREEN means the property is more energy efficient than a conventional home.
- Green homes are designed to save money in the long run, and better serve the environment.

II.) APPRAISING ENERGY EFFICIENT HOUSES

- Green homes may include features such as:

High efficiency furnace,
zoned heating and air condition,
solar heat,
high efficiency water heaters, tankless water heater,
solar hot water heat,
sealed duct work, upgraded insulation,
double or triple pane windows, low emittance doors
and windows,
energy efficient appliances, and programmable
thermostat.

(just to mention a few green items).

II.) APPRAISING ENERGY EFFICIENT HOUSES

- A May 2009 study in Portland and Seattle have shown there is a sale price premium and marketing time advantage for homes with a green certification. (Source: the Green MLS Tool Kit – page 9).

HOWEVER, this is a small sampling

II.) APPRAISING ENERGY EFFICIENT HOUSES

- **Cash benefits from government agencies, or electric companies have enhanced the financial gain for going GREEN.**

II.) APPRAISING ENERGY EFFICIENT HOUSES

- **But, in practice, GREEN is seldom seen. Out of my personal appraisal experience, less than ½ of 1 percent have been green. So, obviously, there is a gap between the benefits of energy efficient housing and the market's response to energy efficient housing. If you talked to most residential appraisers, they are not familiar with, or have had very little experience with green.**

II.) APPRAISING ENERGY EFFICIENT HOUSES

- **Two key problems:**
 - 1) Confusing terms**
 - 2) Overwhelming information**

III.) BRIDGING the GAP

- **An Introduction to Green Home by Alan Simmons, SRPA, LEED AP, Published by the Appraisal Institute.**
- **The AI is the nation's largest organization of real estate appraisers. AI is an innovative leader in green valuation and has several GREEN courses and classes (go to AppraisalInstitute.org).**

III.) BRIDGING the GAP

WOW material.....

- **The Green MLS Service Tool Kit (www.greenthemls.org) provides guidance on enhancing data in the MLS which will empower appraisers to make well – supported comparisons, analyses, and adjustments.**
- **Besides NAR, the Appraisal Institute, the National Association of Home Builders, and the US Green Building Council. & other organizations collaborated on the tool kit**

III.) BRIDGING the GAP

- **The great thing about this tool kit, is that it provides a checklist of energy efficient features. This type of checklist will allow appraisers to QUANTIFY the market's response to energy efficient items.**

III.) BRIDGING the GAP

- We have the greatest technology in the world and yet we are terrible communicators!
- Relevant information needs to go to organizations that can have a positive impact on energy efficient housing.

Conclusion

- Appraisers REFLECT the market. If you want energy efficient housing to be reflected in an appraisal, it has to FIRST be accepted by the consumers.

Conclusion

- **Energy Efficient Housing is essential for our future.**
- **Lower costs and a better environment benefits everyone.**

Conclusion

- To bridge the gap we need to **educate** the real estate industry and the consumer.

• **Which way do we go?**





Conclusion

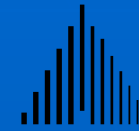
The Road Less Traveled



**ROAD
NARROWS**



The Appraisal Institute



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 - Once there, search for designated members by your location
 - Residential (SRA) or Commercial (MAI, SRPA)
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