

Stories and insights from members in the field



By **Sandra K. Adomatis, SRA**



SEEING GREEN

The six elements of green building and tips for supporting appraisals

IN MANY MARKETS, A HOME VALUE STORM has been occurring for the last seven years: double-digit increases followed by double-digit decreases, resulting in foreclosures and short sales.

The growing green and energy efficiency movement also has created a mild storm for appraisers. This storm became evident when homebuilders encouraged lawmakers to pass legislation mandating that appraisers formally recognize the value of “green” as it relates to properties. Appraisers likely will find themselves caught in an increasingly powerful green-building valuation storm once construction is back on target.

ELEMENTS OF GREEN BUILDING

The following six elements are intended to provide appraisers with a general understanding of green building and assist them in identifying the factors that make a property “green.” Identifying these elements and properly describing them in a report is the first step in the analysis process; a red flag will be raised on the appraisal report when such properties have not been properly described. These details also provide a basis for the client’s rebuttal of value.

1. Element of Site

The element of site in green building incorporates many ideas, from how the site is planned to

how it is developed. It occurs before and during the design phase of the construction project. Site planning and development includes protecting and restoring habitat, maximizing open space, and providing social and environmental benefits. Site planning and development also considers the location, solar access, shading, landscaping and wind. Green landscaping plans include indigenous plants that minimize water usage.

2. Element of Water

The element of water includes consideration of not only supplied water for consumption and management of stormwater and wastewater, but also the reuse of these types of water.

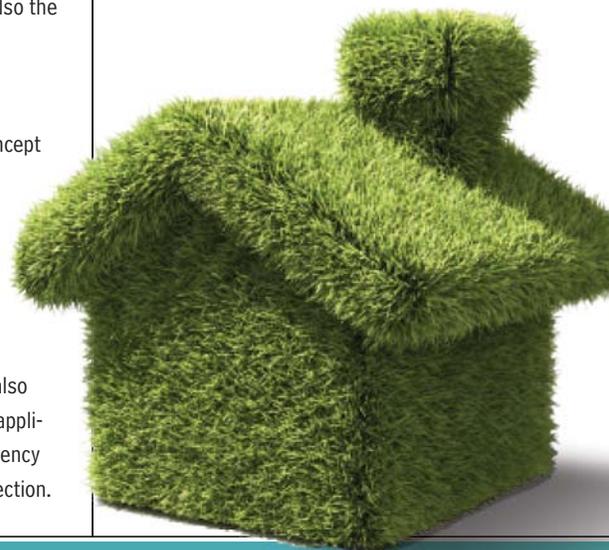
3. Element of Energy

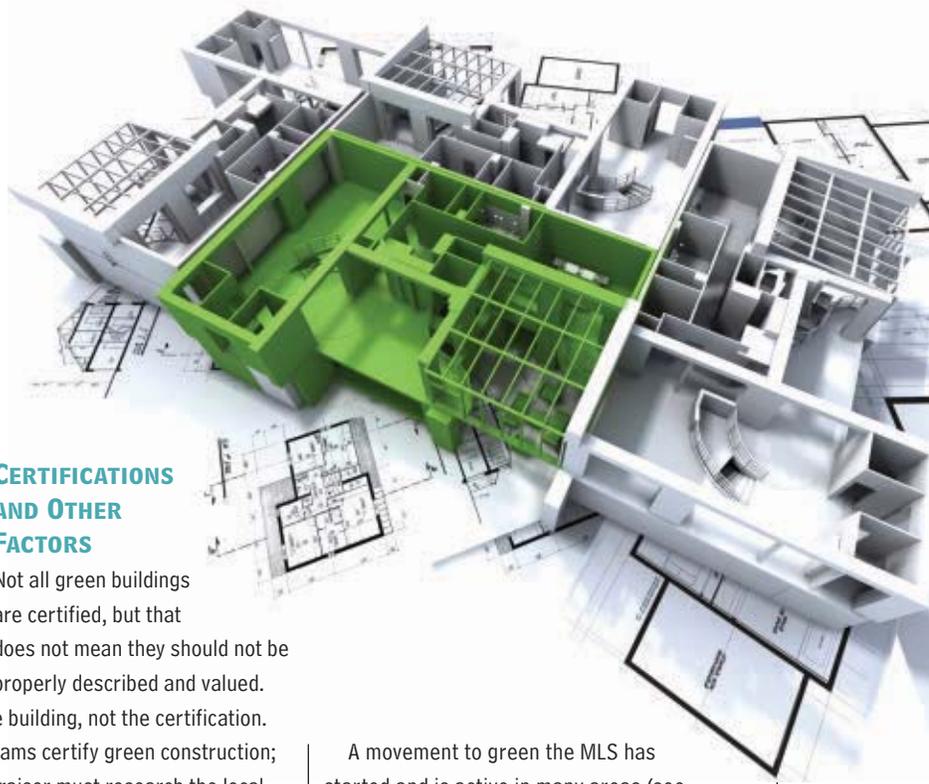
Energy is a big part of the green building concept and a growing cost of homeownership. Energy efficiency is measurable; thus, an adjustment for this feature can be more easily developed. To incorporate energy efficiency in green construction, the sealed envelope is the first step to providing high-energy efficiency. Energy efficiency is also gained using energy-efficient light fixtures, appliances, windows and insulation. Energy efficiency should be an identifiable element upon inspection.

4. Element of Indoor Air Quality

We spend 90 percent of our time indoors and breathe all the off-gassing from appliances and moisture that compromise indoor air quality. Green building design is focused on mitigating the negative effects of off-gassing. In the sealed envelope, the air movement is controlled and filtered mechanically as needed. The fans and clothes dryers used inside a house pull air out of the house and require a controlled air replacement in the sealed-envelope concept.

Care is given to use products that do not have toxic materials that emit gas into the house. Floor coverings are made with materials that wear well, have no toxic products (dyes or glues) and are biodegradable.





View a one-hour “green” valuation presentation by Sandra K. Adomatis, SRA, to the Charlotte County (Fla.) Building and Growth Department at <https://appraisalinstitute.box.net/shared/f8g5yjj3sg>.

5. Element of Materials

Construction materials can have a large impact on the building’s indoor air quality and the sustainability of the building. When appraisers inspect a building, they should consider the type of material used, where it originated and how it was manufactured. The sense of smell is important. If you open the cabinet doors and detect that new-product smell, you probably smell formaldehyde. Solid wood cabinets should not have a formaldehyde smell. The right building materials do not use materials that will end up in a landfill.

The builder or property owner should have the documentation to provide support of the building’s green status. The appraiser should ask for the documentation and include it in the appraisal report.

6. Element of Maintenance and Operation

Trimming the maintenance and operating costs is directly related to the materials used in construction and the resulting energy efficiency. A properly operated and maintained building should result in more money in the pocket of the property owner. Energy costs may be considered in qualifying a buyer for a mortgage in the near future. Learn more at www.imt.org/save-act.

CERTIFICATIONS AND OTHER FACTORS

Not all green buildings are certified, but that does not mean they should not be properly described and valued.

We are valuing the building, not the certification. Hundreds of programs certify green construction; therefore, the appraiser must research the local market to determine what programs are prevalent.

A green-certified building will have a paper trail. The builder or property owner should have the documentation to provide support of the green status. The appraiser should ask for the documentation and include it in the appraisal report.

A green building is usually more energy efficient than an Energy Star home. The third-party rater that certifies the energy efficiency will provide a Home Energy Rating System Rating. The HERS Rating is another supporting document to assist in measuring an adjustment for energy efficiency. The typical code-built house has a rating of 100, and Energy Star or green homes are at least 15 percent more energy efficient or have ratings at 85 or less. The lower ratings indicate more energy efficiency. An energy-efficient house results in lower utility bills and more cash in the pocket of the homeowner. Did you realize that 46 percent of homeownership costs in 2007 and 2008 were attributed to the energy bill? With the rising costs of energy, the energy feature will become more prevalent in buyers’ choices.

A movement to green the MLS has started and is active in many areas (see www.greenthemls.org). Adding searchable data fields for green and energy efficient features will materially assist appraisers in finding comparable properties. However, there is a problem with agents incorrectly marking the field, so sales must be verified to assure they are truly green or energy efficient. My recent experience trying to verify MLS search results determined there were no green-certified sales out of the four that had been marked as green sales. Some MLS systems require the agents to submit the green certification or Energy Star Rating prior to allowing the box to be checked, which is a good MLS rule to implement.

The basic information identified here is only the beginning step for understanding how to value green buildings. To stay informed on this issue, be proactive, learn more about building technology and offer your client the best analysis. And, of course, meet the USPAP competency

requirements by taking classes, researching the relevant topics, and evaluating the data for green and energy efficiency trends. ■

The Appraisal Institute has taken a leadership role in green valuation by creating a new professional development program. Two courses, “Introduction to Green Buildings: Principles and Concepts” and “Case Studies in Appraising Green Residential Buildings,” are offered. Learn more at www.appraisalinstitute.org/education/green_offerings.aspx.

Sandra K. Adomatis, SRA, appraiser and owner of Adomatis Appraisal Service, is actively involved in residential appraising in Punta Gorda, Fla. She is the developer of AI’s Case Studies for Appraising Green Residential Buildings and vice chair of AI’s Education Committee. She can be reached at 941-505-8783 or adomatis@hotmail.com.

PAPERLESS TRAIL

The Internet offers some valuable resources for appraisers on the topic of green building. In particular, Sandra K. Adomatis, SRA, recommends the following:

- Videos of green construction on www.50green.com
- Energy Star information on www.energystar.gov
- Free utility estimator on www.hespro.lbl.gov/pro
- Energy retrofit measures and costs on www.nrel.gov/ap/retrofits/about.cfm