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## **Appraisal Institute issues guidance on green real estate valuation**

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Billing analysis, identification of equipment and components, and examination of results from engineering simulations are among the methods appraisers should use to assess energy cost and energy performance in buildings, according to a guide issued by the Appraisal Institute and the Institute for Market Transformation.

Seeking to enhance green real estate valuation credibility, the two organizations issued "Recognition of Energy Costs and Energy Performance in Real Property Valuation," an update of the first edition published in 2000. It was unveiled at the American Council for an Energy-Efficient Economy's Energy Efficiency Finance Forum in Boston.

"The Appraisal Institute is dedicated to helping appraisers and others find, understand and use available information on energy performance in buildings," said Appraisal Institute president Sara Stephens, MAI. "As green and energy efficient features play a larger role of the real estate industry, it's increasingly important that appraisers know how to value those properties."

The Appraisal Institute is a leader in the emerging field of green and energy efficient valuation:

- \* In January 2011, the Appraisal Institute announced its support for PV Value, a spreadsheet developed by Solar Power Electric and Sandia National Laboratories that assists appraisers and others seeking to establish the value of a property's solar-powered features.

- \* The Appraisal Institute in October 2011 sponsored a report that outlined ways to finance \$150 billion per year in energy efficiency projects that yield double-digit financial returns. "Energy Efficiency Financing: Models and Strategies" by Capital-E and partner organizations found that within 10 years, investment at this level would save U.S. businesses and households \$200 billion annually and would create more than 1 million new full-time jobs.

- \* In October 2011, the Appraisal Institute endorsed the federal Sensible Accounting to Value Energy (SAVE) Act, which would improve the mortgage underwriting process by ensuring energy costs are included. Sponsored by Sens. Michael Bennet, D-Colo., and Johnny Isakson, R-Ga., the SAVE Act would instruct federal loan agencies to assess a borrower's expected energy costs when financing a house. IMT also is among the bill's supporters.

- \* In September 2011, the Appraisal Institute released the Residential Green and Energy Efficient Addendum, the first form of its kind intended for appraisers' use. It is an optional addendum to Fannie Mae Form 1004, the appraisal industry's most widely used form for mortgage lending purposes. The Appraisal Institute's addendum allows appraisers to identify and describe a home's green features, from solar panels to energy-saving appliances.

- \* Since June 2008, the Appraisal Institute has offered more than 200 individual courses on green and energy efficient valuation, and nearly 2,800 attendees have participated.

- \* The Appraisal Institute in January 2011 launched the Valuation of Sustainable Buildings

Professional Development Program, educating appraisers on the intricacies of valuing high-performance residential and commercial buildings. All three courses have been approved for continuing education by the U.S. Green Building Council. The final course - on commercial case studies - will be unveiled in June.

- \* The Appraisal Institute was among the sponsors of the Vancouver Valuation Accord, an agreement to address the interrelationship of sustainability and valuation that was signed March 2007 in Vancouver, British Columbia, Canada.

- \* The Appraisal Institute contributed to the Green MLS Tool Kit, issued in April 2010. The tool kit was created to help Realtors add a green initiative to their local multiple listing service. The tool kit provides guidance on enhancing data in the MLS, empowering appraisers to make well-supported comparisons, analyses and adjustments.

- \* Published by the Appraisal Institute in June 2010, "An Introduction to Green Homes" by Alan Simmons, SRPA, LEED AP, provides the appraiser with an overview of programs, organizations and products that relate to environmentally responsible building and remodeling.

- \* Appraisal Institute leaders regularly speak on green valuation topics at events sponsored by organizations such as the United Nations Economic Commission for Europe and the U.S. Green Building Council.

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