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Solar electric systems positively impact home values

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According to one of the nation's largest professional associations of real estate appraisers, solar photovoltaic systems typically increase market value and almost always decrease marketing time of single-family homes in the Denver metropolitan area.

The Appraisal Institute partnered with the Colorado Energy Office to provide an analysis of the impact of solar PV systems on the home-buying process. The study sought to better understand the impact, if any, that solar PV has on the sales transaction process. According to the study, homeowners in the Denver metro area over time increasingly have sought residential homes with PV systems.

"While the study shows that solar PV systems typically increase market value, appraisers with knowledge and experience in this area are uniquely positioned to provide credible, reliable opinions of value and accurately reflect what's happening in a particular market," said Appraisal Institute president Richard Borges II, MAI, SRA.

A PV system is a solar electric system that is designed to convert sunlight into electricity. The Appraisal Institute worked with the Colorado Energy Office to analyze 30 homes in the northwest Denver metropolitan area that sold and closed between January 1, 2011, and May 31, 2013, with properties ranging in sale price from \$200,000 to \$680,000. The 30 case studies each consisted of a single-family residential home that had a PV system installed at the time of sale.

This report was reviewed by professionals of the Colorado Chapter of the Appraisal Institute prior to the publication and dissemination to real estate transaction stakeholders. These reviewers provided both review and comments per the terms of a memorandum of understanding, signed in October 2012 by Colorado Gov. John Hickenlooper and Appraisal Institute CEO Frederick Grubbe, which seeks to address a need for data in valuing homes with green and energy-efficient features.

"As a thought leader in green valuation at the local and national level, we were glad to be part of this important study," Borges said. "Our organization takes pride in educating the public about the ways energy-efficient home features could impact home values."

Working with the Colorado Energy Office on this study is the most recent example of the Appraisal Institute's leadership in green valuation efforts:

- * Since June 2008, the Appraisal Institute has offered more than 380 individual programs on green and energy-efficient valuation, and more than 5,100 attendees have participated.
- * In February 2013, the Appraisal Institute added a new solar course to its Valuation of Sustainable Buildings Professional Development Program, which educates appraisers on the intricacies of valuing high-performance residential and commercial buildings, and consists of four courses: "Introduction to Green Buildings: Principles & Concepts;" "Case Studies in Appraising Residential Green Buildings;" "Case Studies in Appraising Commercial Green Buildings;" and "Residential and Commercial Value of Solar."

- * In March 2013, the Appraisal Institute released an update to 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 profession'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.
- In January 2012, 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 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.
- * The Appraisal Institute is scheduled to release a new book, "Residential Green Valuation Tools," by Sandra K. Adomatis, SRA, in February 2014.
- The Appraisal Institute and the Institute for Market Transformation issued guidance for green valuation - "Recognition of Energy Costs and Energy Performance in Real Property Valuation" - at a forum hosted in May 2012 by the American Council for an Energy-Efficient Economy.
- 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.