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Appraisers must educate themselves about going green

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One of the newest trends in the housing market is green and sustainable housing. These building practices have caught the attention of not only home owners but also builders and lenders. Going green has become fashionable. Appraisers must educate themselves about these properties so that they are prepared to appraise them competently.

The Scope of Work Rule of the Uniform Standards of Professional Appraisal Practice (USPAP) requires that appraisers identify the problem to be solved and determine and perform the scope of work necessary to develop credit assignment results. The Competency Rule of USPAP requires appraisers to not only identify the problem, but also "to have the knowledge and experience to complete the assignment competently."

Competency in appraising green and sustainable buildings involves more than locational competence and knowledge of the appropriate techniques and methodologies. It requires that the appraiser be able to recognize the components that make a green or sustainable building and the ability to support any adjustments made. We must recognize and accurately measure the buying public's reaction to these buildings.

There is a difference between sustainable and green buildings. Sustainable buildings are designed to produce energy that is required to operate the building. The goal is to achieve as close as possible to zero energy costs. Green buildings are designed to use less energy and to take advantage of recycled and renewable products.

The Green Resource Guide lists five principles of sustainability: 1) optimizing the use of the sun; 2) improving indoor air quality; 3) using the land responsibly; 4) creating high-performance; 5) using the earth's natural resources wisely. Appraisers should develop an understanding of each of these principles if they are appraising sustainable buildings.

Green building focuses on energy efficiency, water efficiency, the use of recyclable materials, indoor environmental quality, and resource efficiency. The impact of various green features can be hard to measure since many, such as using recycled materials, may make a buyer feel good but they may not be willing to pay more for the feature.

Some lenders are beginning to recognize the benefits of energy-efficient homes both to the home owner and to society. They recognize that potentially lower energy costs can translate into lower costs of ownership. Some are allowing a buyer a higher mortgage, called energy-efficient mortgages or EEMs, for an energy efficient home. Fannie Mae guidelines allow approved lenders to increase ratios by 2% on the debt-to-income ratios required for EEMs.

Appraisers are required to have support for the adjustments that they make. An adjustment made for energy-efficiency must be supported by data from the market place. Finding green sales data can be a problem. At this time most multiple listing services do not have a good method of highlighting energy-efficient components thus making it hard for an appraiser to support an

adjustment. There are national web sites that list green properties including properties in Mass. and N.E.: www.greenhomesforsale.com; www.listedgreen.com; www.greenbuilder.com

It may not be easy to find support for energy-efficient adjustments, but the lack of evidence may indicate that the market is not willing to pay a premium for that particular feature. This may occur when a home is advertised as energy-efficient

Appraisers must have the knowledge and experience to complete each assignment competently. In the case of energy-efficient properties that includes the ability to recognize such properties and the development of supported measurements of their impact on value. This highlights the advantage of belonging to the MBREA. A professional trade association makes information such as information on the subject, seminars, or contact with experts in the field available to members.

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