

## **New guidelines good news for green home appraisals**

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As a homebuilder, I have participated in many real estate transactions in my career. Planning and constructing a home is the most exciting and fulfilling part of the process for me, and a homeowner's satisfaction becomes the affirmation that I have done my job well. But before a home sale can be completed, a real estate appraisal is required. This step can become an especially challenging hurdle to overcome, particularly when it is a "green," sustainably constructed home being appraised.

Dictionary.com defines appraisal as "the act of estimating or judging the nature or value of something or someone." Establishing the nature and the value of a home is complex. It requires a thorough knowledge of homes, home construction, communities, past sales and current trends, to name a few things. The market share for green-built homes has been steadily on the rise for more than a decade. With the growth of Energy Star, NAHB Green, LEED and other reputable certification programs, green home construction has become pervasive in the Piedmont and the nation. Across the country, real estate Multiple Listing Services now identify homes that have these certifications along with their notable green features.

A large piece of the appraisal process is comparing the subject property against similar properties in a given proximity. Recent sales of homes with comparable sizes and features become weighted data. Often subtle but significant aspects of a home are overlooked as a few very basic criteria become the overriding information determining a home's value. Kenneth R Harney described such a situation in his Nov. 19 article in the Washington Post: "Homebuilder John Nolde of Richmond recently found a buyer for a new green-certified house at \$199,500, only to see an out-of-area appraiser cut the value to \$169,000, a figure below Nolde's combined construction and land costs. The low-ball valuation killed the deal." This example of an appraisal hampering a real estate transaction is far from an isolated incident.

While appraisals can be quite subjective, most people will agree that comfort, health, durability and lower operating cost will add value to their homes. These are the cornerstones of the green building industry.

I am very pleased to report that the appraisal industry is responding to the changing marketplace. The Appraisal Institute (AI) now offers the "Residential Green and Energy Efficient Addendum." According to AI, "This is the first residential green and energy efficient appraisal report addendum made by appraisers, for appraisers."

Along with professional development programs to support appraisers in better evaluating green homes, this document is a giant step toward accurately assessing home values. Some of the items included in the addendum:

- Green certifications/energy ratings
- Heating and air conditioning equipment
- Insulation
- Windows
- Appliances
- Water efficiency
- Solar panels
- Energy audits and the work completed as a result of the audit.

With a hobbled construction industry in a struggling economy, we are all looking for positive motion. Consumers seeking new home purchases should have available to them the best product at a fair price. Green sustainable construction practices verified through third-party certification programs are, in my opinion, the number one way to achieve a superior product for the buyer. Identifying the attributes of these homes is critical for articulating and acknowledging the builder's efforts, and recent Appraisal Institute initiatives are excellent first steps toward this end.