

GREEN APPRAISAL: PARTNERING TO INCREASE VALUE

The NAR Green Designees aren't the only ones battling to get recognition for the dollar value of eco-friendly home features. It's an uphill battle for green appraisers too.

That's according to Sandy Adomatis of Adomatis Appraisal Service, Punta Gorda, Fla.

Adomatis, an appraiser with green expertise, outlines some of the challenges facing those doing green appraisals and talks about how real estate practitioners and appraisers can work in concert to advance the green real estate movement.

Two steps forward, one step back: Adomatis frequently sees the appraisal industry and the green movement as a whole, taking two steps forward and then one step back.

For one, though there's great opportunity for education and too few are taking advantage of it, she believes. She asks, "How can appraisers value something if they don't understand it?" Appraisers, lenders, real estate practitioners, and builders, for example, all have to understand green and have the tools to measure it.

Green appraisal challenges: Adomatis outlines some key challenges facing appraisers, along with simple ways that green real estate practitioners can ease those difficulties.

1. *Reading trends, finding comps:* Making apples-to-apples comparisons is crucial, but in many markets comparables are in short supply. It's also difficult for appraisers to identify green trends and the features consumers want.

Solution: "When you're writing descriptions, put in green features and show us the trends," she comments. Play up anything having to do with green, such as solar panels, efficient appliances, and green certifications to make it simple for appraisers to search for and identify green properties.

2. *Documentation:* She encounters the customary problems associated with greenwashing and of properties being labeled green that only have some green features or appliances. Appraisers waste lots of time chasing down paperwork to substantiate green claims.

Solution: Be watchful about properly distinguishing between properties with green features and those with certifications. Also have documentation at the ready that substantiates all green claims and be prepared to share it with appraisers. Adomatis applauds the green MLS systems, such as the one in Arizona, that require practitioners to upload green documentation along with their listings and how properties without such documentation are automatically deleted. "That should be a standard," she says. "It would stop greenwashing."

3. *Leverage the green MLS:* Some MLS systems require listing agents to include an exact HERS number. But when appraisers do data searches, they must plug in that exact number to get that HERS-rated house to pop up. It's arduous and inefficient. And an appraiser could miss out on a strong comparable.

Solution: If you're involved with your green MLS committee, keep tabs on the coding tweaks that can make locating certified properties easier for appraisers. Consider allowing practitioners to include HERS ranges, such as a range of 50 to 70. The exact HERS number could be included in the features and comments section.

4. *Cross training:* Real estate practitioners need to understand the appraisal process and its challenges, and appraisers need to understand real estate practitioners' business. Yet Adomatis sees too few getting such cross education.

Solution: Get professionals from all industries together. Include appraisers in green networking events and invite them to join green business groups and to talk at sales meetings and association events.

Adomatis conducted a seminar for builders, appraisers and lenders. As a result of face-to-face chats, members from the different professions found ways that they could better work together for mutual benefit. "Light bulbs went off," she recalls. Some builders realized they had valuable documents, such as green certification and HERS ratings that often never made it into the hands of appraisers.

The same aha moments can happen when real estate practitioners and appraisers get together, believes Adomatis.

And to learn more about green appraisals, Adomatis suggests two Appraisal Institute classes, "Introduction to Green Buildings: Principles & Concepts" and "Case Studies in Appraising Green Residential Buildings."

Future view

Believe it or not, there was a time in the appraisal industry when indoor plumbing was scoffed at, notes Adomatis. Some industry professionals didn't think people wanted such facilities and there even was talk about whether it was healthy. "I see the same with green. Once green starts catching on more, it'll be the norm," she comments.

Source: Green REsource Council Newsletter, July 2011

GREEN INSURANCE

The insurance industry plays a significant role in the green building process. But, according to Trent Massey, insurers and underwriters are a bit behind in getting up to speed with properly valuing and insuring green property.

Such was the subject of a GRC Webinar that Massey, LEED, a property programs instructor for Vale Training Solutions, conducted in February 2011.

Massey outlined some of the challenges facing the insurance industry in insuring green buildings.

He also emphasized the importance and challenges of properly valuing green elements to be sure that property owners don't buy too little coverage. Among the Webinar's highlights were:

- Like kind construction (LKC): Of particular concern with green buildings is the insurance industry concept of like kind construction. Insurers may opt to replace materials in a house with items it considers equivalent to the old material. But, says Massey, there may be no provisions in traditional policies to replace green aspects of a house with equivalent green materials. So the recycled wood a homeowner got 300 miles from home could be replaced with virgin material manufactured in China, for instance.
- Maintaining certifications: Maintaining green certifications after a loss poses additional challenges. Many insurers, Massey says, may balk at paying for the performance testing required by green certification programs.
- Green certifications: If there's damage or loss of a LEED home, will the LEED materials, systems and green rating be retained after rebuilding? Should such a house be insured with traditional homeowner's policy or a traditional policy with green endorsements?
- Green endorsements: Massey explained some of the ins and outs of green insurance endorsements that can be used to better insure green properties. He also provided a list of insurance companies that are making inroads on green coverage.
- High-ticket items: Of particular concern are properly valuing some of the more expensive green items in a property, such as solar and geothermal components, high-end landscaping, and finish materials, such as recycled glass countertops.
- Hidden elements: Another consideration is insuring items that aren't obviously green. Those could include everything from no-VOC paint, CFL bulbs, and recycled hardware to organic bedding, pillows, and furniture.