



Appraising green buildings

May 26, 2015 - Green Buildings

The Better Buildings Alliance site of the U.S. Department of Energy notified its member organizations of the upcoming position papers on appraising green buildings by the Appraisal Foundation, closing with "we encourage you to actively promote their availability to building owners and managers, brokers, appraisers...involved in assessing or promoting the value of your buildings" (emphasis is mine).

However, the final non-binding draft on competency and a first draft on offering appraisal guidance will not immediately solve all of green appraisal issues.

Significantly, it doesn't change the problem of estimating green performance, as overly cited in the BOMA 2007 model lease, particularly if a building will not have active tenant participation or have ongoing commissioning.

Guidance doesn't change the lack of data bases (an issue cited in an Oregon study). Changes in the metropolitan areas' energy codes have made all new construction, and most major retrofits, green construction. Site characteristics, building envelope, daylighting, water conservation solutions, efficient HVAC equipment, sensors, monitoring systems, etc. are straight forward issues. Other appraisal concerns are local issues such as tenant leases, lighting (Local Law 88 is already on the radar) and the overall use of efficient and sustainable design characteristics which may positively or negatively impact marketing, absorption and vacancy. However, the data that translates the physical characteristics into economic results, at least for non-trophy projects, is thin. The NYC annual benchmark data will help here, but it is only for large buildings and only identifies results, not systems, so the appraisers' use of benchmarking tables is constrained at this early stage.

Guidance doesn't change the lack of market acceptance for certain types of green buildings in the sales and rental markets. Guidance doesn't change the limited access by appraisers to stakeholders by some lenders. It does not quicken the pace young appraisers will have in learning about inspections and construction techniques as they are burdened with costly required courses for licensing.

Although appraisers' experiences are their most important credentials, acquiring the paper credentials from comprehensive programs offered by professional, college or private organizations is slowed by access and by the irregular offerings of courses.

Despite the Department of Energy's exuberance on the upcoming releases by the Appraisal Foundation, the members of the Better Buildings Alliance must understand the problems of appraising green buildings are not new to many experienced appraisers and that the new standards will take time to make a difference.

David Zucker is a vice president at Goodman Marks Associates, Inc., Mineola, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540