



Commercial real estate appraisers must keep pace with green initiatives in New York City

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As a commercial real estate appraiser and the only one in New York City with a LEED-AP, I have long been both a proponent of green real estate best practices and in the forefront of valuing green real estate, a complex and relatively new area of appraisal.

It is heartening to see the progress made, in only a few short years, by the city's PlaNYC initiatives to make the city's buildings safer, healthier, more energy efficient and sustainable.

Energy efficiency was the focus of The Greener, Greater Buildings Plan, including four Local Laws: 84 (energy benchmarking), 85 (meeting NYC Energy Conservation Codes), 87 (energy audits & retro-commissioning) and 88 (lighting upgrades and sub-metering).

With the goal of reducing citywide greenhouse gas emissions (GHG) by 30% by 2030, it was discovered in early research that "roughly 75% of New York City's GHG emissions come from emissions attributable to the energy used in buildings, almost twice the national average, proportionally." Thus, it was New York City's stock of mostly older buildings that became the focus to improve energy efficiency.

The city council has also been progressive. On the recommendation of the New York City Green Codes Task Force (GCTF), a group of experts from the design and real estate community tapped by the Urban Green Council to recommend changes and improvements to the city's massive number of regulations including construction, electrical, building, mechanical and health codes, 51 of the 111 proposals made by the GCTF have been enacted.

The GCTF has, since its inception, recommended changes ranging from energy and water consumption to landscaping and reducing toxicity. According to PlaNYC, the GCTF proposals are "the most comprehensive effort of any U.S. city government to green the codes and regulations that impact buildings."

Among the GCTF proposals already enacted are those that address environmental protection in construction, streamlining approval for green technologies and projects; six that address building resiliency during floods and power outages; and the largest numbers addressing energy efficiency and carbon emissions and health and toxicity.

The latest green codes adopted at the end of April address reduction of asthma and allergies caused by mold in buildings; encouragement of exercise via more attractive stairways and reduction of spending time waiting for an elevator; energy-efficient lighting on construction sites (we all are familiar with those strings of naked bulbs); and insulating pipes during the construction process. While reducing toxicity is an obvious health-enhancing improvement, addressing the over-use and leakage of energy during construction is also an intelligent step forward.

With the city moving both smartly and swiftly in the direction of safer, healthier and more energy efficient buildings, the challenge for appraisers is to keep pace with this rapidly changing (and

improving) green landscape in order to understand both the why and how to value green and sustainable buildings.

The appraiser's job is to reflect the thought and actions of real estate investors who finance new construction, major renovation projects and property purchases in their analyses of what a building is worth.

Until recently, the "specialization" - if you will - of valuing green real estate was very much a self-educated area of expertise. Now, in tandem with the fast-paced reshaping of energy and green building codes and regulations, appraisers can look to organizations such as The Green Building Certification Institute, Green Building Research Institute and the Appraisal Institute for needed education. The Appraisal Institute, a global leader in education for valuation professionals, has met that need with its Valuation of Sustainable Buildings Professional Development Program.

It is heartening that "doing the right thing" has progressed to doing the wise thing with regard to committing to and investing in sustainability practices, whether required by new laws and codes or because sustainability practices have provided documented proof of cost savings and other valued-added benefits that enhance property value.

As I believe it is only a matter of time before lenders require that their due diligence underwriting consider financing risks associated with non-green assets, appraisers must keep pace with the market by learning how to accurately value green properties.

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