

National Association of Home Builders

Appraisals Matter

Let's work together to get them right

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Mitchell & Best Homes, a leading homebuilder in the Washington DC – Baltimore metropolitan area. The company has been in business for 36 years and has developed over 60 new communities.



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Green Building

The home building industry coined the phrase green building in the late 1980s, turning a niche movement of resource-efficient homes into a quiet revolution – one that is increasingly becoming a preferred way to build and remodel.

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Green building means incorporating environmental considerations and resource efficiency into every step of the homebuilding and land development process to minimize environmental impact.



NAHBGreen

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Green Building means making intentional decisions about:

- **Energy efficiency** improvements such as high levels of insulation, efficient HVAC systems, high performance window, energy-efficient appliances and lighting and advanced caulking and sealing.
- **Water Conservation** measures such as water-efficient appliances and fixtures, filtration systems, and drought resistant or low-maintenance landscaping.
- **Resource Conservation** using materials and techniques such as engineered wood and wood alternatives, recycled building materials, sustainably harvested lumber, and more durable products.

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Green Building means making intentional decisions about:

- **Indoor environmental quality** considerations such as effective HVAC equipment, formaldehyde-free finishes, low-allergen materials, and products with minimum off-gassing or low volatile organic compounds (VOCs)
- **Site design** planning such as minimizing disruption and preserving open space
- **Homeowner education** through manuals and operating guides
- **Green business practices** that adopt ideas from other industries for saving resources and money.

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- The first official green home building program began in 1991 in Austin, Texas.
- The movement has been slow but new homes are significantly more energy and resource efficient.
- A past survey of NAHB members showed that more than two-thirds are incorporating at least some green features into the homes they build.
- With the 2009 ANSI approval of the ICC 700 National Green Building Standard, builders, remodelers, and homebuyers now have a clear definition of green residential construction and a credible third party certification.

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- While some of the impetus to build green is being dictated by policy makers, increased consumer awareness is also driving the growth in this sector, making green self fulfilling.
- NAHBGreen helps prepare the industry for the increasing interest in sustainable green construction by:
 - Educating and credentialing building professionals
 - Developing measures for green building
 - Advocating at the national level for credible market sensitive green building initiatives

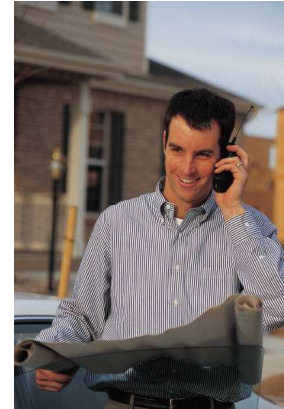
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Educating and Credentialing Building Professionals



Education is at the core of the National Association of Home Builders' mission and industry professionals recognize NAHB as a premier repository of housing knowledge.

- **Certified Green Professional (CGP)** – Curriculum and designation enables builders, remodelers, and other housing industry professionals to gain green experience.
- **Master Certified Green Professional (MCGP)** – Curriculum and designation expands on the CGP with course work on advanced green building science and green building project management.

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Developing Measures for Green Building

The National Green Building Standard

- The foremost green rating system for residential construction in the United States, the ICC 700 National Green Building Standard.
- It is the first and only such residential green rating system to have earned the approval of the American National Standards Institute (ANSI).
- As an ANSI-approved standard, the ICC 700 National Green Building Standard is subject to reviews and periods of public comment.

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Independent Verification

- The National Green Building Standard requires a qualified third-party inspect the property to verify the projects have met the criteria to meet the requirements of the standard.
- The NAHB Research Center provides independent, third-party certification for single-family homes, townhouse, duplexes and multi-family dwellings.
- The NAHB Research Center trains, tests, and accredits independent Verifiers. Currently there are more than 300 Verifiers nationwide.
- The NAHB Research Center, has operated for nearly 50 years as an independent, third-party testing and certification agency.

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Green Building Sounds Pretty Good!

- Important environmental considerations and resource efficiency has been incorporated in home building and land development.
- An ANSI-approved rating system National Green Building Standard was developed.
- A robust, industry wide, education and certification program about green building has been implemented.
- Incorporated a vigorous independent verification process.
- All these things are in concert with public policy.

So What is the Problem?

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Green Building Valuation Challenges & Issues

- As market interest in green homes grows, both buyers and builders are reporting unexpected challenges securing accurate appraisals and ultimately financing.
- Lenders rely on appraisers for informed opinions about the market value of a property.
- If an appraiser isn't instructed to identify green features, or isn't qualified to do so, it is likely green features will not adequately factor into the appraiser's assessment.

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Green Building Valuation Challenges & Issues (cont)

- Appraised values based on the sale price of non-green, but otherwise comparable properties, fail to recognize the operation cost benefits that green homes offer.
- Simply put the “comps” are not really comparable.
- Public policy supports green building but there is not enough market acceptance with the secondary market, Fannie Mae, Freddie Mac, the appraisal community and others.
- Building codes increase, as do the costs of construction, but the value of these improvements are not reflected in appraised values.

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How Do We Move Green Building Forward and Align with Public Policy If...

- A builder can not expect to recover many of the costs of green building features.
- Investors currently do not recognize green building and do not offer viable mortgage products that provide consumers incentives.
- Appraisers are not adequately trained or motivated to recognize the benefits of green building.
- We do not have the data necessary to support accurate values.
- Consumers are not educated on the cost saving benefits of green building.
- A timely appeals process does not exist if values come in without acknowledging the benefits of green building and energy efficiency

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What is NAHB and Builders Doing to Meet Today's Challenges?

- NAHB Residential Real Estate Appraisal Summits.
- Request the lender to select an appraiser qualified in green building.
- Meet with appraisers in advance to provide house/project information.
- Ensure all relevant information is provided to the appraiser prior to the opinion of market value.
- Share expertise in the area green building if house has more green materials than code.
- Be available to support the appraiser if they have additional questions.
- Support customary and reasonable fees for skilled appraisers.
- Support industry education and communication.

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Thank You & Questions

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