

Resources for Real Estate Professionals

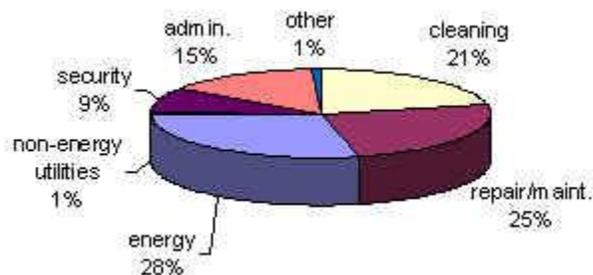
Background

IMT's Project on Energy Efficiency and Property Valuation seeks to develop and deliver new methods and approaches for appraisers and lenders to use in considering the influence of energy performance on commercial and residential property values. The following provides a brief background on [energy and operating costs](#), [building energy performance assessment methods](#), and provision of [technical and legal assurances](#) from energy documentation providers. IMT has developed a [continuing-education seminar](#) on "Energy Efficiency And Its Effect On Property Value."

Energy and Operating Costs

Energy costs are the single largest expense for commercial buildings.

Average Operating Costs in Downtown New York Office Buildings, 1998



Building Energy Performance Assessment Methods

Appraisers have told us that they commonly use the following existing methods of collecting energy cost information:

- Standard references such as BOMA and IREM
- Utility bills or operating statements from property owners
- Rule-of-thumb figures based on experience

The problem with these approaches is that owners' disclosures on past energy costs may be shaped by the owner's incentive to suppress the real magnitude of costs in order to obtain a higher valuation. Owners' records may also mask anomalous conditions such as deviant weather patterns, unusual building use or occupancy patterns, or temporarily broken or idle equipment. Under these conditions, appraisers are justifiably skeptical about owners' claims on energy performance. However, the methods above have traditionally been all that is available to appraisers.

IMT's program efforts seek to remedy this problem by delivering information to appraisers about enhanced energy cost assessment tools which are more accurate and more reliable.

Click [here](#) to learn more about the following specific enhanced energy performance assessment methods:

1) Verification of low costs by confirmation of the presence of energy-efficient equipment or features in the building

Marshall & Swift compiles cost data for new construction, reconstruction and repair and remodeling. Field research and an innovative and proprietary validation system assure that each published cost is tested in detail from its individual material and labor components to assemblies, systems and total building value. Costs are grouped based on their unique localities, and then assigned the appropriate 5-digit zip codes.



www.marshallswift.com

RS Means guides present contrasts between the annual cost of conventional versus energy-saving equipment, in terms of their annual energy consumption, their costs, expected lifetimes, as well as various lighting quality indices.

www.rsmeans.com/tsi/cwturn.html

2) Requesting of the building owner the results of **normalized billing**, which corrects for potential anomalies such as weather and occupant density

3) Requesting of the property owner the results of a computer simulation: a detailed engineering assessment of a building's energy performance, based on its built features, location, and other factors.

Technical and Legal Assurances from Preparers of Energy Documentation

The reliability of energy assessment and comparisons depends heavily on the competence of the person performing the analysis. Therefore, not only should an appraiser verify the technical basis of energy performance documentation as discussed in Section V; he or she should also seek assurances about the technical credibility and responsibility of the preparer. See Section V of the [Recommendations and Guidelines for Appraisers](#) to learn more about three types of such assurances:

1) Assurance of technical competence in the form of a professional license or other related training or experience

The Building Operator Certification (BOC) program is an incipient program for training and certifying building operators and facility managers responsible for the energy- and resource-efficient operation of building systems.

www.theboc.info

IFMA, the International Facility Management Association, is the largest professional association for facility management with more than 14,200 members throughout the world. Since its formation in 1980, IFMA has been meeting the needs of facility managers by conducting research, providing educational programs and assisting facility professionals in developing strategies to manage the human, structural and real estate assets of organizations.

www.ifma.org

BOMA, the Building Owners and Managers Association International, is a professional organization of building owners and managers. Its mission is to enhance the human, intellectual and physical assets of the commercial real estate industry through advocacy, education, research, standards and information.

www.boma.org

IREM, the Institute of Real Estate Management, provides training, information, research, analysis, and practical advice for professionals managing all types of income-producing real estate.

www.irem.org

2) Assurance of legal responsibility for the document contents in the form of a signed statement

3) Assurance of coverage by professional liability insurance

Back to [Efficiency, Green Building, and Property Value main page](#)