

Midwest Specific Market Trends Toward Energy Efficiency

Presented by: Sandra K. Adomatis, SRA, LEED Green Assoc., Green

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ICAP Conference

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Housing Cycle For New Construction & Existing Homes

The Cycle of Market Transformation

Homeowners invest in high-performance upgrades.

Homeowners enjoy the immediate benefits of a high-performing home.



Homeowners enjoy the long-term benefit: a home with a higher selling price.

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More are becoming aware of health hazards in our everyday environment. Social change means changes in housing and valuation.

INDOOR AIR QUALITY

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Agent and Buyer Focus Groups

Realizing the Value:
An Appraiser-Led Analysis of the High-Performing Home Premium in Leading Midwest Markets

PAMELA BROOKSTEIN, MPH
KEY CONTRIBUTOR:
SANDRA K. ADOMATIS, SRA,
LEED GREEN ASSOCIATE, GREEN

<https://www.elevatenp.org/publications/realizing-the-value-an-appraiser-led-analysis-of-the-high-performing-home-premium-in-leading-midwest-markets/>

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Real Estate Agent High-Performing Homes Survey

- Emailed by the Chicago area's MLS to their 45,000 members in the Chicago metro area



<https://www.elevatenp.org/publications/>

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Real Estate Agent High-Performing Homes Survey - Chicago

- "The **consumer doesn't know the meaning behind the energy-efficient terms** such as HERS, etc. so it is hard to talk about because the convo becomes more about education than presenting a positive feature of the property."
- "I would love to **learn more about the features, and how to market them** more effectively."
- "I would love to know more. I have a hard time confidently directing clients because I just don't know what is available."
- "I have noticed that homes in my area **sell faster** and have more buyer interest than others when sustainability features, energy efficiency, and health **benefits are mentioned in the listing and pointed out in the home's advertising.**"
- <https://www.elevatenp.org/publications/>

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“Are more homeowners interested in energy efficient homes?” Chicago

- It is here that our data shows a disconnect between what real estate agents think buyers want and what buyers want;

50% of real estate agents say “no” to the question.



Homebuyers said they **were** very interested in energy efficiency.



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Older homebuyer's energy efficiency expectations differ from millennials - Chicago

“The older homebuyers seemed to expect energy bills to be high and their homes to be uncomfortable, believing that was the way it was supposed to be.”



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Millennial Homebuyers' Focus Group-Chicago

- Millennials said they would have placed more value on a home that had energy efficient features *if they understood the benefits* of the features.
- Most interested in utility bills and energy efficiency of a home, none of them asked their agents for that information.

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Appraiser Analysis

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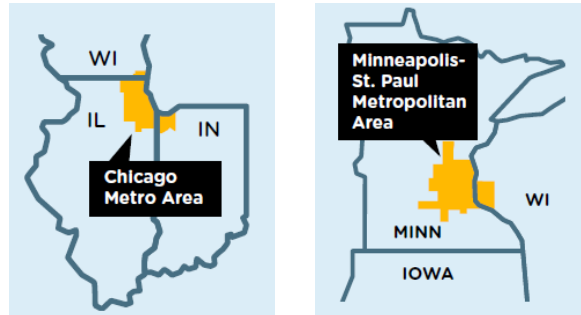
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A first time look at these Midwest Metro Areas

- Analyze Two Midwestern metropolitan areas



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What was the purpose of the analysis?

- Assess visibility of high-performing homes in MLSs
- Determine if a high-performing home premium exists
- Outline recommendations to improve sales price premiums



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Real estate agents' questions & answers

- In recent years have you noticed an increase in the number of clients who are interested in energy efficiency?

	Illinois	Minnesota
Yes	51%	64%
No	49%	36%

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Real estate agents' questions & answers

- Many market studies have found that homes that are marketed as high-performing or energy efficient sell for more money. In your opinion, is this true in your market?

	Illinois	Minnesota
Yes	20%	41%
No	63%	42%
Maybe	17%	27%

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Appraiser Questions and Answers

	Percent of appraisers that believe there are over 5,000 high-performing homes in the state	Actual number of third-party verified homes
Illinois	31%	28,174
Minnesota	33%	40,279

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Resources at the end of this presentation will give numbers for Indiana and Missouri.

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Question for Chicago appraisers

- Are you more likely to analyze green features if you are provided a certificate from a recognized certifying third-party organization (Ex: ENERGY STAR, Home Energy Rating System (HERS), LEED)?


Yes	74%
No	26%

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Demonstrating Financial Feasibility of Energy Efficient Features




- Added cost to purchase and mortgage to implement high-performance
- **Less** Energy Savings Monthly

If the answer is cash positive, it is financially feasible.

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Period to recoup added EE cost



- Added cost to implement high-performance
- **Divided by annual savings**

$\$15,000 / \$1,500 = 10 \text{ years}$

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Proving market reaction to Energy Efficiency

- Fannie Mae and Freddie Mac appraisal guidelines for Accessory Dwelling Units allow the use of dated sales, listings, expired, and/or new construction counts to show market reaction. Wouldn't the same apply to energy efficient homes?
- RESNET Portal or Green Building Registry can be most helpful in providing a count for your city or state!

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Energy Efficiency Upgrades in older homes may bring a sale price premium!



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Chicagoland Case Study - Pearl Gold Home Certification



High-Performing Home Highlights

Features:

- Advanced insulation and air sealing in the attic and exterior walls
- Air sealing throughout the home
- High-efficiency HVAC system
- Ceiling fans in all rooms
- High efficiency appliances
- High efficiency windows

1936 Bungalow – Upgraded

Listed during early stages of Pandemic

Sold in 28 days at full offer with a backup offer

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Chicagoland Case Study – Keys to Success – Appraised – Closed – 10% Sales Price Premium

- Certification of high performing features
- Knowledgeable real estate agent
- Good marketing of the features and their benefits
- AI Residential Green & Energy Efficient Addendum (AIRGEEA)
- Appraiser was supplied with the complete Pearl documentation and AIRGEEA

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Minneapolis, MN – Case Study – Success!




12% Sales Price Premium

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Minneapolis, MN – Case Study – Energy Fit™ Certified



100-Year-Old – Upgraded Home

Listed at \$388,000

Sold at \$400,000 with 3 offers over list

Days on the market – 17 days

High-Performing Highlights

Features:

- Solar PV System
- Solar hot air heating system
- New Hi-Eff. Heating/cooling
- Energy Eff. Windows
- Energy Eff. Appliances
- Metal Roof
- Average monthly electric bill - \$60
- Landscaping – Environmentally friendly-edible plantings

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Additional Findings in the Midwest

- Utility Companies, private partnerships, and municipalities have programs that incentivize homeowners to upgrade the energy efficient features in their homes.
 - These are invisible in the market to agents, appraisers, and the general buying market.
 - MLSs do not all have fields that allow these private programs to be showcased.
 - The features are not visible in the MLS and sellers are not proactive about disclosing those upgrades.

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Resources free to appraisers, agents, buyers/sellers, and lenders



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Elevate Energy Study of Midwest

ELEVATE

What We Do Who We Serve Resources

Realizing the Value: An Appraiser-Led Analysis of the High-Performing Home Premium in Leading Midwest Markets

October 5, 2020

<https://www.elevatenp.org/publications/realizing-the-value-an-appraiser-led-analysis-of-the-high-performing-home-premium-in-leading-midwest-markets/>

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Missouri has 6,185 HERS Rated Homes with an average HERS of 68 Dec. 2020

Source: RESNET.US

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Green Building Registry®

A Single-Source for Home Performance Data

For the real estate market to recognize the value

Increase data accuracy and transparency, reduce liability, and help buyers make a more informed decision.

The Green Building Registry® (GBR) was created to provide a single-source of home performance data in North America.

When a home appears in the GBR, it has been evaluated by a certified third party professional for its energy efficiency. There are a variety of national and regional programs that are included in GBR and each has a unique way to evaluate and rate a home. This information allows a potential buyer to make a more informed purchasing decision regarding the home's green assets and its annual estimated energy costs. GBR data can help assess if a home is:

- More comfortable
- Has better indoor air quality

<https://www.greenbuildingregistry.com/>

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Green Building Registry - Illinois

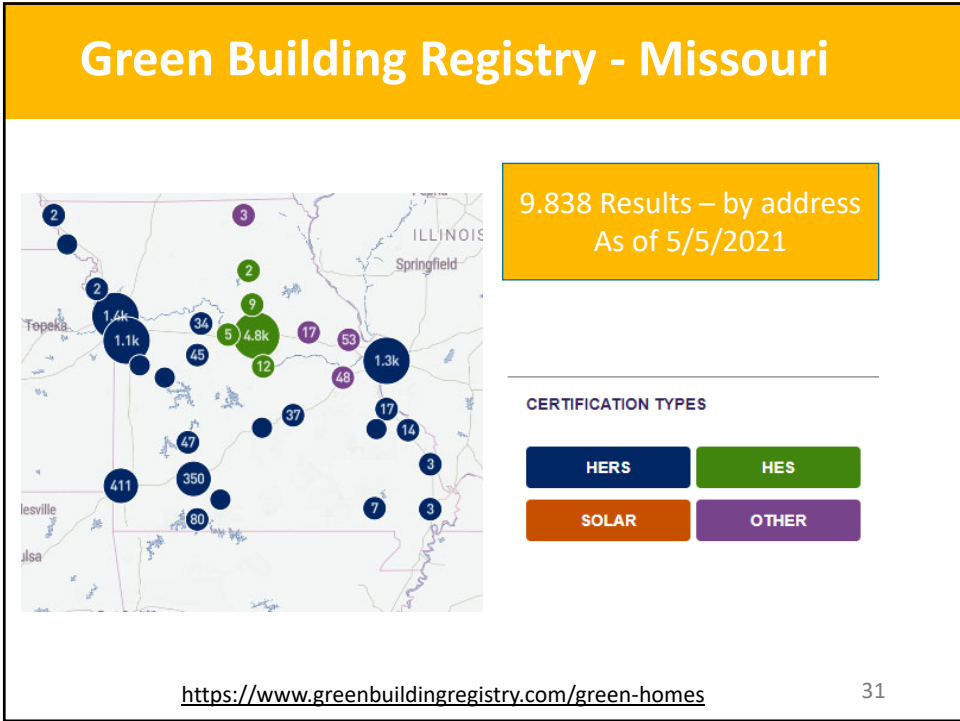
19,312 Results – by address
As of 5/5/2021

CERTIFICATION TYPES

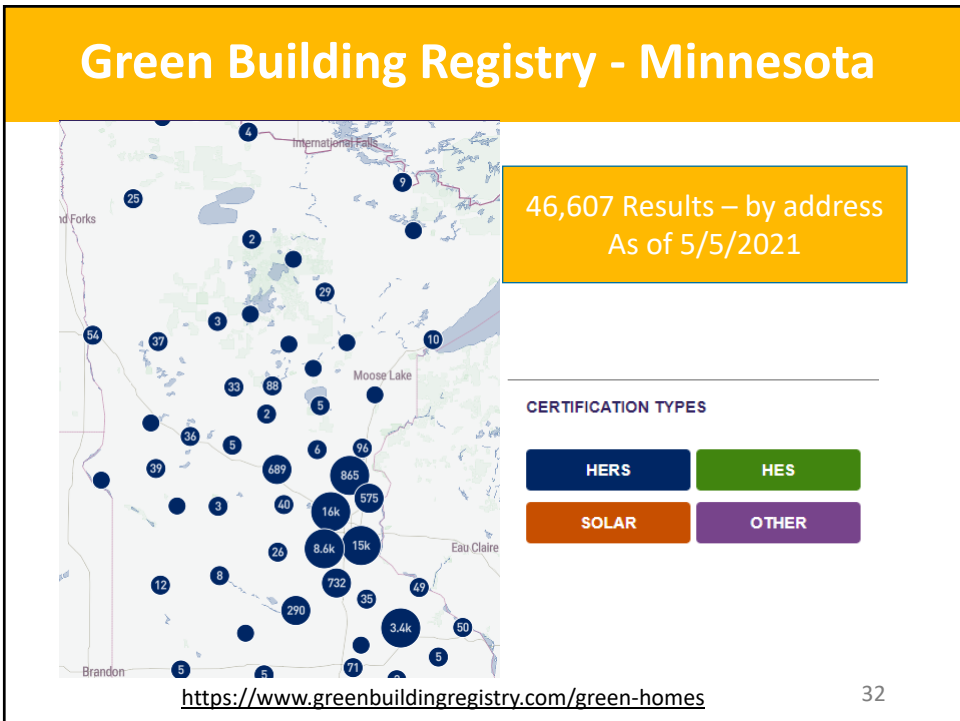
- HERS HES
- SOLAR OTHER

<https://www.greenbuildingregistry.com/green-homes>

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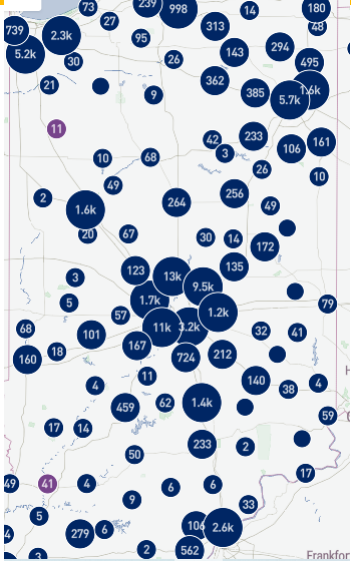


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Green Building Registry - Indiana



<https://www.greenbuildingregistry.com/green-homes>

73,294 Results – by address
As of 5/5/2021

CERTIFICATION TYPES

HERS

HES

SOLAR

OTHER

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Fall of 2019 Release

White Paper by Freddie Mac

Summary of Findings

Using a national random sample, we conducted an analysis of energy-efficient homes rated between 2013 and 2017 and found:

- From the property value analysis, rated homes are sold for, on average, 2.7% more than comparable unrated homes
- Better-rated homes are sold for 3-5% more than lesser-rated homes.
- From the loan performance analysis, the default risk of rated homes is not, on average, different from unrated homes, once borrower and underwriting characteristics are considered.
- Loans in the high debt-to-income (DTI) bucket (45% and above) that have ratings, however, appear to have a lower delinquency rate than unrated homes.

• Source: **Energy Efficiency: Valued Added to Properties and Loan Performance**, Freddie Mac, Dated October 2019

<https://sf.freddie.com/articles/insights/energy-efficient-home-improvements-can-increase-home-value>

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RESNET Portal for Appraisers - FREE

RESNET☰

Home > RESNET HERS Index Search Tool

RESNET HERS Index Search Tool

The tool allows appraisers to search for home HERS Index scores by state, city, zip code or address. Simply start your search below.

By State/City
State

By Zip Code
Zip Code

By Address
Address

<https://portal.resnet.us/APS/HERSIndexSearch>

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- Sandra Adomatis, SRA
- adomatis@hotmail.com
- 941-456-0804
- www.adomatisappraisalservice.com

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