



# The Art and Science of Appraising Green Buildings

Better Buildings Summit, May 27-29, 2015

# Better Buildings Summit: Valuing Energy Efficiency

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May 27, 2015



# Beyond the Empire State Building



[www.imt.org/resources/detail/green-building-and-property-value](http://www.imt.org/resources/detail/green-building-and-property-value)

Continental Plaza  
1330 W 76<sup>th</sup> St, Chicago, IL

Multifamily





Self-Help

122 North Elm St, Greensboro, NC

Office



Self-Help

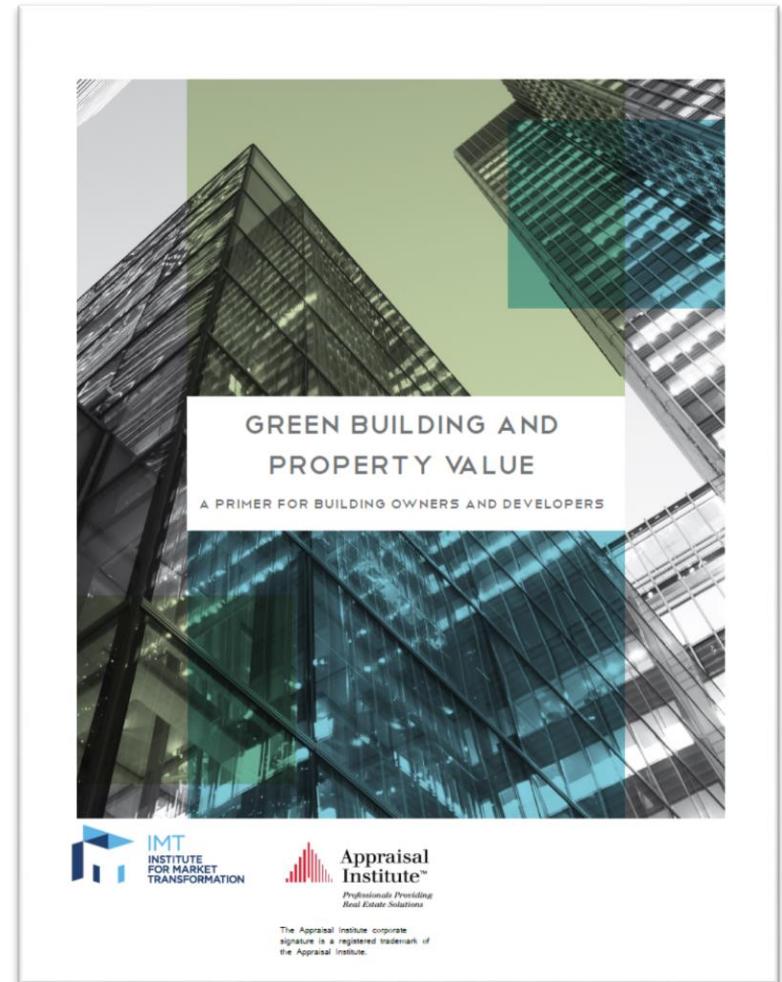
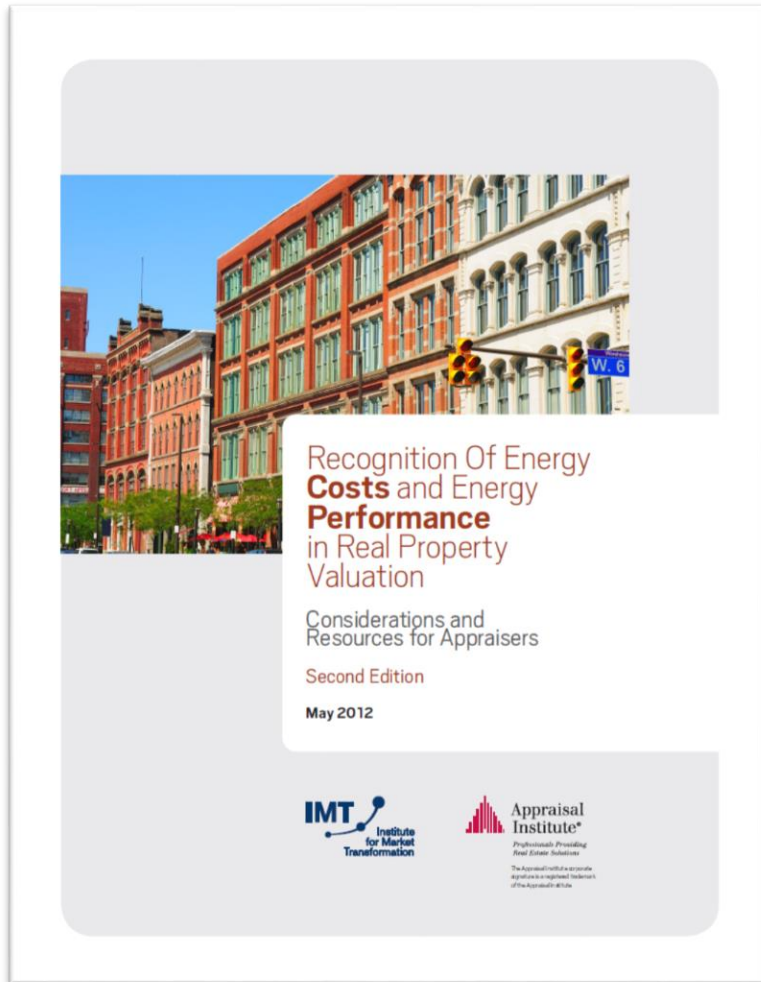
272 North Front St, Wilmington, NC

Mixed-Use



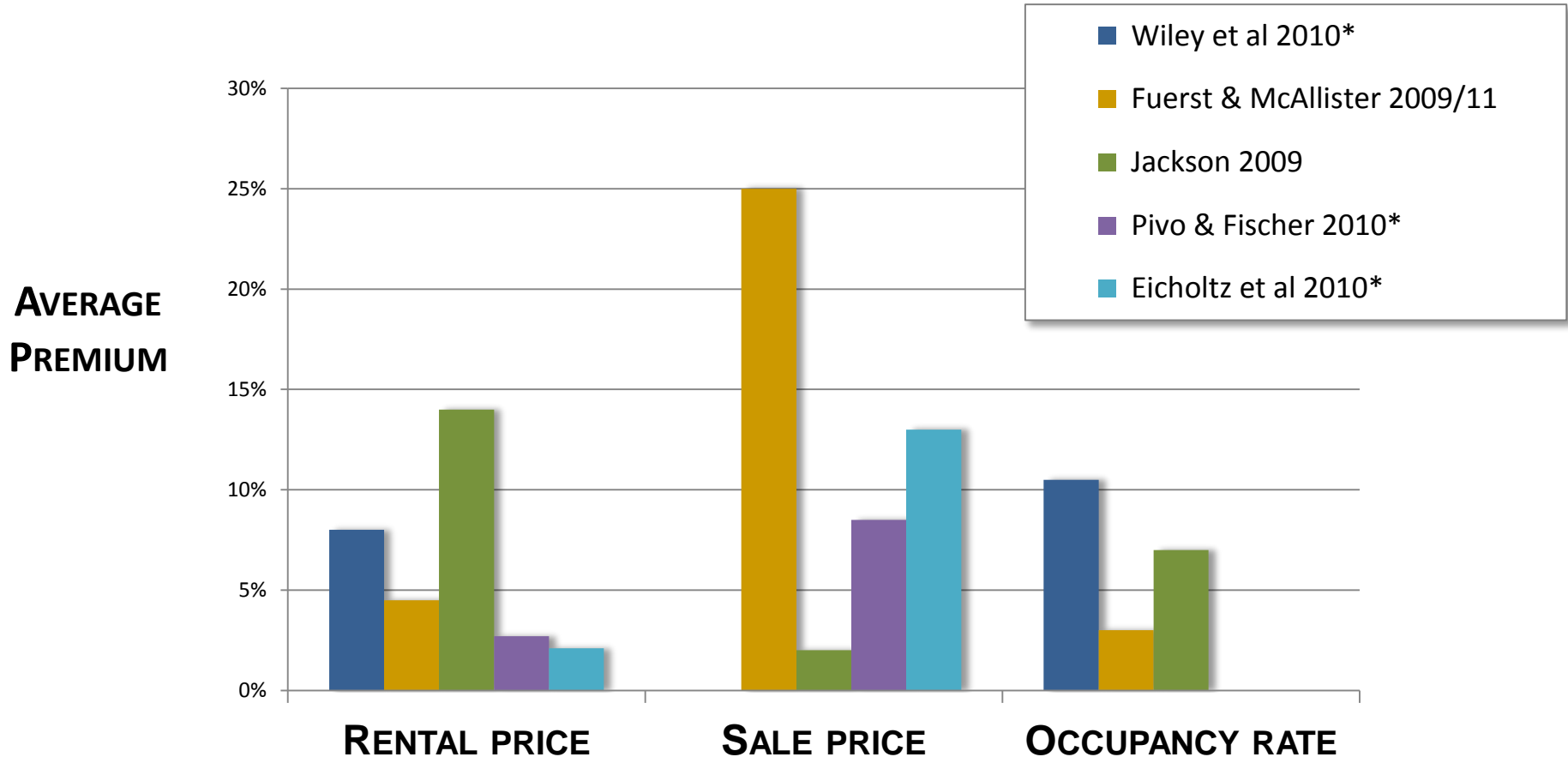


# Valuing High-Performance Buildings



[www.imt.org/resources/detail/green-building-and-property-value](http://www.imt.org/resources/detail/green-building-and-property-value)

# Financial Benefits of High-Performance Buildings



[www.imt.org/resources/detail/green-building-and-property-value](http://www.imt.org/resources/detail/green-building-and-property-value)



# Thank You!

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# Commercial Building Appraisals

## Impact of C-PACE Financing

5/2715




# Connecticut Green Bank

## Attract and Deploy Capital



Attract and deploy capital to finance the clean energy goals for Connecticut

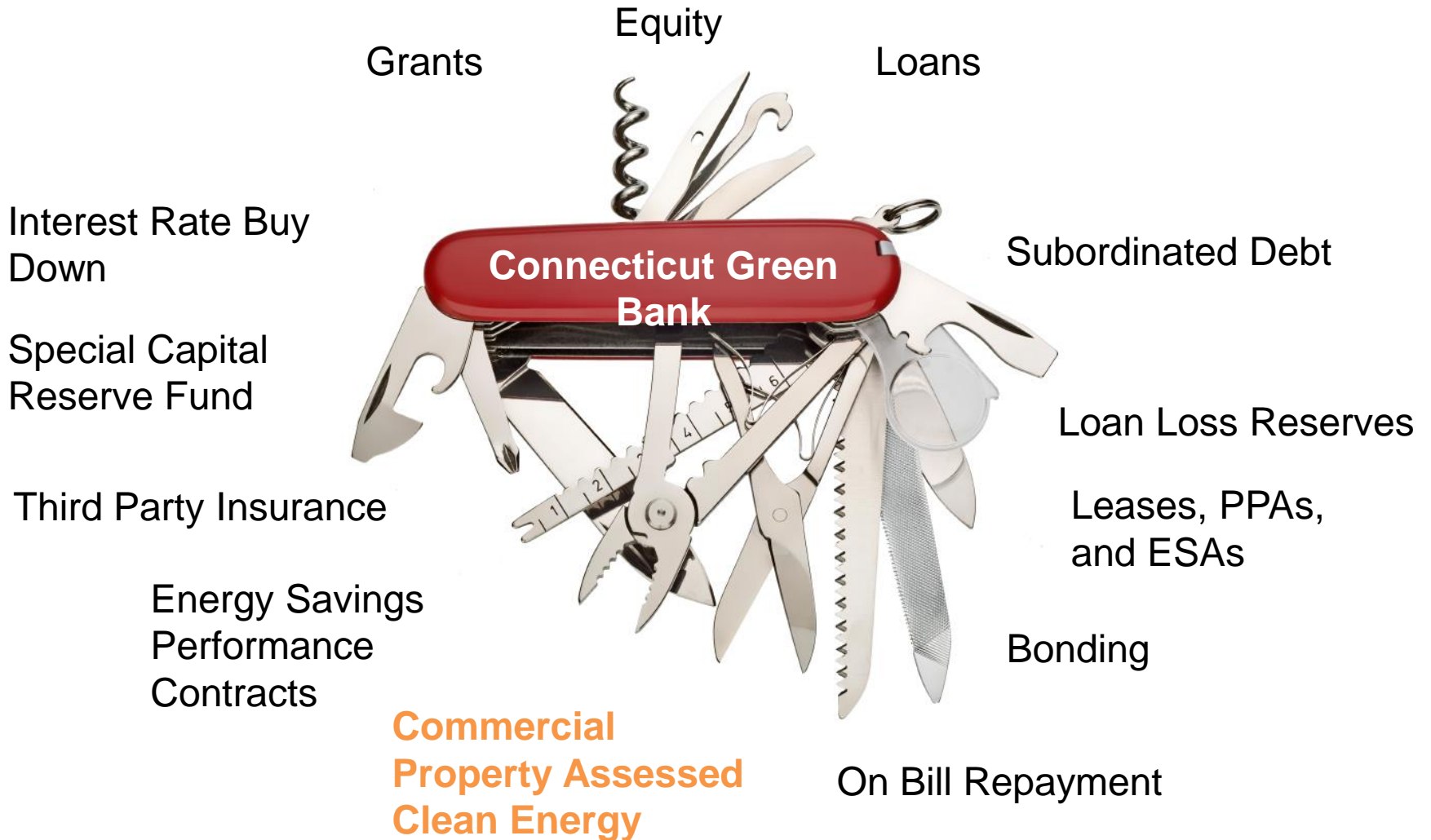


Increase the attractiveness to capital providers



Increase the attractiveness to consumers

# Green Bank Financial Tools





# Context: C-PACE Financing



100% financing for energy efficiency or clean energy upgrades.

Using money saved on energy bills, the building owner repays C-PACE financing through an annual benefit assessment charge on the building's property tax bill.

With additional savings to spare, property owners enjoy increased cash-flow while their building is improved.

# Valuation Challenge



Security of senior lien means underlying property value most important financial underwriting criteria

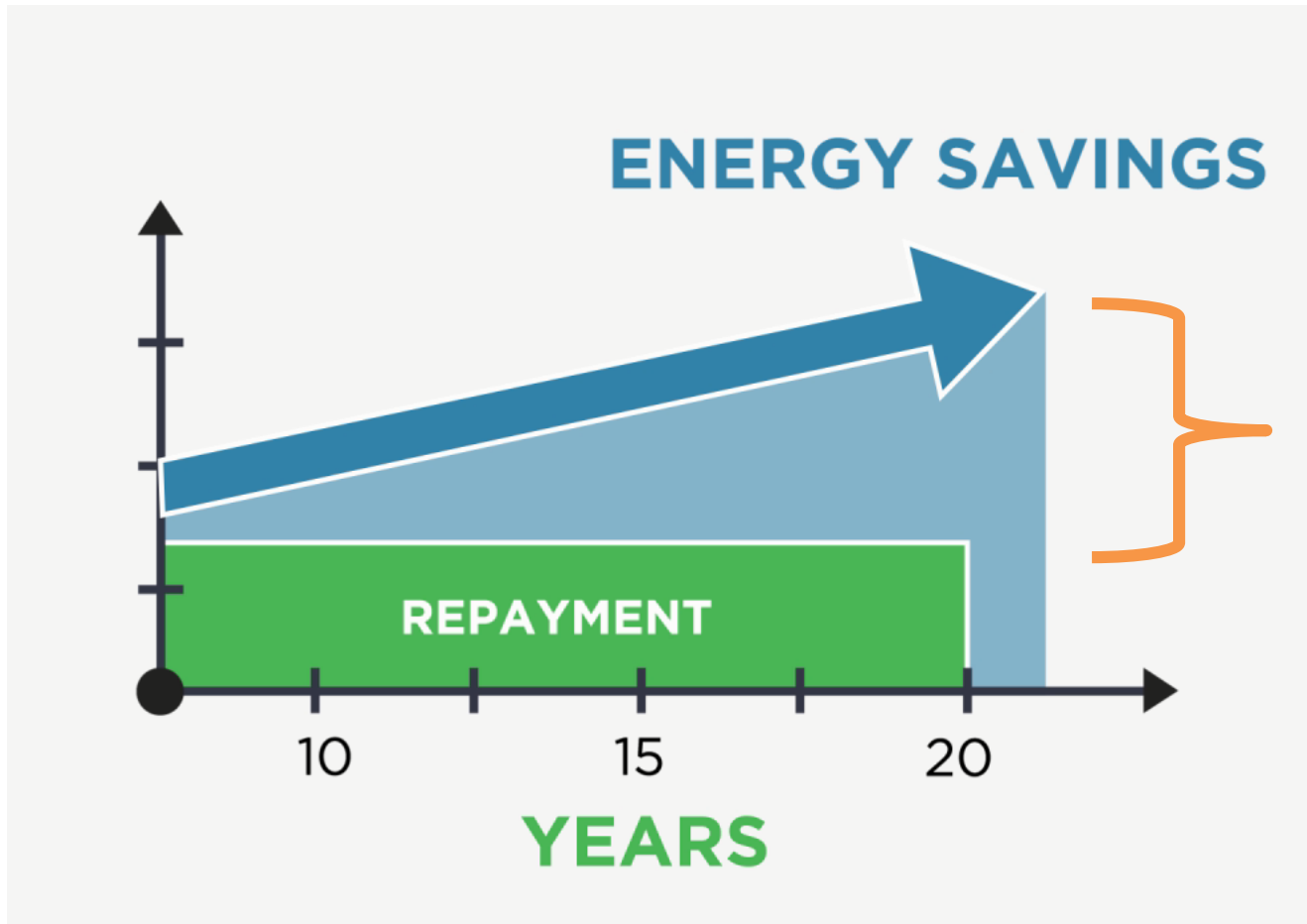
C-PACE calls for:

- Max 80% LTV
- Max 35% LiTV (lien to value)

Both are often exceeded

- Commercial real estate highly leveraged
- Industrial properties need renewable energy (expensive) ; most of their asset value is in equipment, not real estate

# Incremental increase in asset value



↑ NOI

÷ Cap rate =  
Incremental  
increase in  
asset value

# Valuation Challenge



## Example 1:

Precision manufacturer has secured mortgage with national commercial bank at 90% appraised value. Seeks C-PACE financing for 1 MW solar PV facility. Existing mortgage lender orders new, 'as complete' appraisal. Solar increases 'as is' estimate by **30%**

## Example 2:

Existing industrial/office space refinances mortgage with regional commercial bank. Seeks C-PACE financing for 250 kW solar PV facility. Existing mortgage lender orders, 'as complete' appraisal. Solar increases 'as is' estimate by nearly **50%**

**Big change in asset value but no clear methodology**



Thank you!

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[www.c-pace.com](http://www.c-pace.com)