

Market Trends Edition

Volume 3 Issue 5 September/October 2007

The Greener Side of Commercial Real Estate Investment: Increase Your Profits with Sustainable Commercial Building

By Elaine VonCannon

In 2007 green building practices are gaining popularity at an accelerated rate. The American consciousness of environmental issues has changed and the financial benefits of building, living and working green are becoming more attractive to residential and commercial real estate investors. Green design spotlights a variety of environmental and human health concerns.

- Reduction of exposure to toxic materials
- Conservation of non-renewable energy and materials
- Minimization of the ecological impact of building
- Utilization of renewable energy and recycled or earth-friendly materials
- Protection of local water, air, soil, plants and animals
- Support of transportation alternatives including walking, bicycles, mass transit and alternative fuels



Many people are also surprised to discover that in 2007 green design and building often costs the same as building more traditional designs. According to the July 2007 issue of Today's Buyer's Rep, in an article entitled Housing Trends Worth Watching by editor Julie Collins, a recent survey by the National Association of Home Builders (NAHB) shows that 97,000 homes have been built and certified by green building programs around the U.S. This is a 50% increase from the last survey conducted in 2004. The Santa Monica Green Building Program, <http://greenbuildings.santa-monica.org/index.html>, reports, "Buildings have impacts on health as well as the environment. It is estimated that half of all commercial buildings suffer from air quality problems, resulting in poorer health of workers and other occupants".

Green Building and Design Options for Commercial Property Investments

In the commercial real estate industry economics and financial profit play an important part in green building. Businesses, corporations and investors are more likely to invest in green building if they know it will increase their bottom line. According to Commercial Investment Real Estate Magazine, http://www.ciremagazine.com/article.php?article_id=80, "When analyzing green economics, commercial real estate professionals should consider long-term operating and maintenance costs. These factors are beginning to affect leases, insurance rates, loans, and other real estate practices as tenants, owners, banks, and communities recognize energy efficiency's value". As technology advances and improves the performance of lighting, heating, cooling and water systems the operating costs of buildings will decrease. This will attract tenants and increase the value of your commercial property to future investors. When building or purchasing a green commercial design look for the following:

1. Energy Efficient Lighting Systems
2. High Performance Glazing
3. Ventilation Systems
4. Water Efficiency Systems
5. Green building materials (i.e. recycled materials or materials from renewable resources)

Incentives for Commercial Green Building

Increased profitability is the number one reason commercial real estate investors are moving towards more green building and



The Greener Side continued . . .

design features. According to Building Momentum: National Trends For High Performance Green Buildings, a report prepared by the US Green Building Council for the US Senate Committee on Environment and Public Works, "Design features that enhance energy efficiency and indoor air quality are cost effective strategies for improving worker productivity and product quality. An increase of 1 percent in productivity (measured by production rate, production quality, or absenteeism) can provide savings to a facility that exceeds its entire energy bill". The report provides examples such as Lockheed, an engineering development and design facility in Sunnyvale, California and the Postal Sorting Facility in Reno, Nevada. Lockheed built a high performance green facility and experienced a 15% decrease in employee absenteeism that recuperated the extra costs of their facility within the first year. The Postal Sorting Facility in Reno experienced a 6% increase in the number of items sorted per hour when an alternative lighting system was installed.

In addition federal, state and local governments are now also offering incentives to commercial builders and investors interested in a green approach. According to the Building Momentum report "public and private entities offer financial and regulatory incentives. New York, Maryland and Oregon offer tax credits for LEED (Leadership in Energy and Environmental Design) certified buildings. Portland (OR) and Seattle (WA) offer grants for energy modeling, commissioning and related costs." The report continues to explain that, "Arlington County (VA) links preferred zoning considerations for LEED projects. Santa Barbara (CA) and Scottsdale (AZ) are some of the first jurisdictions to offer expedited permit reviews for buildings with certain high performance features. Tax credits and other incentives are part of broader green building assistance programs offered by a growing number of state and local governments across the country." Green building programs have been developed in California, Colorado, Maryland, New York, Pennsylvania and Wisconsin. As the green building and commercial investment trend continues tax incentives will increase and green building and design will continue to pay for themselves in more ways than one. For more information about green building and strategies for green commercial property investment visit <http://www.voncannonrealestate.com>.

*** If you would like to see all of the properties that have sold in your zip code in the past month, please email me or call me at (757) 564-1557. This is a great way to see how the market is doing in your area, especially if you are considering listing your home for sale in the near future. I am more than happy to offer you this complimentary service, so please let me know if you are interested in receiving this information. ***

ELAINE'S PICKS



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What You Should Look for in a Newly Constructed Homes

By Jonathan Lammers



Communities, neighborhoods and modern conveniences are just a few of the reasons homebuyers choose new homes. But before deciding on your new dream house, make sure to do your homework and find the right builder for your needs and budget.

Finding a Builder

Look for an experienced builder with a reputation for quality workmanship and customer satisfaction. A great way to find a builder is to ask your real estate agent for a recommendation. Your agent can also guide you through tours of homes in new subdivisions, and help you make notes about your favorite

houses and who built them. Once you've made a list, try contacting homeowners who previously worked with the builder and find out how satisfied they are with their homes.

Remember, too, that the model homes builders use to showcase their work may differ from other homes in the same development. For this reason, speak with the builder early on so you can find out exactly what options you'll have for appliances, cabinets, trim work, landscaping, paint colors, etc. Your builder will want you to enjoy your new home, so don't be afraid to ask about adding personal touches to get exactly what you want.

Choosing the Location or Lot

Try to find a location that suits both your lifestyle and budget. While factors like access to work and shopping are important no matter where you live, bear in mind that even lots within the same development can have drastically different prices. For example, a lot overlooking the 18th hole of a championship golf course will likely cost more than an interior lot a few blocks away. It's also important to find out whether your location is subject to any restrictions, homeowner's covenants or special assessments such as sewer and road fees.

Negotiating a Price and Upgrades

When it comes to negotiating a price for your new home, it's wise to have a real estate agent representing you. Though deals can sometimes be found at the beginning or end of a new development, it takes an experienced agent to help evaluate different prices and handle the negotiation. One area where you may have the most room to negotiate is for construction upgrades. For example, you might agree to pay the full asking price in exchange for a custom fireplace and higher quality kitchen cabinets.

Your Warranty

Virtually all new homes come with warranties covering structural defects and major systems such as the plumbing, heating, cooling and electrical systems. Make sure to speak with the builder beforehand about exactly what is covered and for how long. Another good idea is having the house inspected by a professional before construction is complete. Even the best builders occasionally make mistakes, but an experienced inspector can help identify problems during construction when they're easier to fix. To find a new house inspector, ask your agent for a recommendation.

Important Factors for Choosing the Right Location

- Access to employment, shopping and transit
- Convenience to recreation and parks
- Quality of the local schools
- Fire, police and utility services
- Nearby zoning
- Covenants, restrictions and special assessments

Summary Points

1. Look for an experienced builder with a good reputation.
2. Use your budget and how long you plan to stay in the home as helpful guides.
3. Find out what options are available for your home.
4. Choose a location that fits your needs and budget.



The Benefits of Buying Real Estate in a Bad Neighborhood By Kimbrough Gray

When people call me, typically one of the first requests they make is for a house in a "nice" neighborhood. And this makes sense to want a neighborhood that is safe and enjoyable. But there are some benefits to buying real estate in the rough part of town or on the wrong side of the tracks. This article highlights some of them.



- There is less worry of your neighborhood going downhill because it is already downhill. Good neighborhoods can go bad and bad neighborhoods can get better. Because the price usually reflects the current condition, buying in a neighborhood that has room for improvement might be a good idea.
- If you are buying a rental, you usually get better cash flow in rough neighborhoods. If you are renting your property, there are more renters and they stay longer. It's difficult to rent in good neighborhoods because fewer people are looking to rent and those who do are generally there short-term.
- You can look better in comparison to other landlords. Landlords in rough areas frequently don't maintain their properties as well as people in nice areas. Therefore, if you maintain your properties, you can blow away your competition, and charge more for it.
- If you are in a rough neighborhood, you can propose that your property change will improve the neighborhood and you have a better chance of getting a different zoning. Conversely, if you are in a good neighborhood, it's hard to make the same argument.
- You can buy more property. If you want to spend \$500k, you can either buy one house in an upscale neighborhood or six or seven houses in a rougher neighborhood.
- They are more recession proof. When the economy goes south, real estate in rough neighborhoods is less affected.

In summary, I am not saying you have to buy in a bad neighborhood. But simply, if you are looking for long-term investments sometimes it's a good idea to wander over the tracks and look around a bit.



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