

Solar Power Offers Homeowners the Best Operating Return on Investment

Last week, to the consternation of many fellow solar enthusiasts, I shared the sad truth that appraisers and mortgage underwriters do not properly value solar improvements. My bottom line message was that you shouldn't invest in solar or other "green" improvements unless you're keeping your house for "a long time" — read "several years" — because you'll recover little or none of your investment when you sell your home.

Indeed, from a resale standpoint you recover less of your investment in green improvements upon resale than you do from virtually any other home improvement I can think of. That's just the sad truth.

What I didn't have space to say in last week's column, however, is that from an operating standpoint, green improvements offer the very best return on investment. So, if

you are indeed planning to keep your home for five or more years, I can't think of a better improvement to make.

In fact, no other home improvement I know offers any operating return on investment, because no other improvement actually reduces your home's operating cost.

Think of any other home improvement, and you quickly realize that you only recoup

your investment (and then only partially) when you sell the home. You can't even calculate how many years it takes to recoup an investment in hardwood flooring, slab granite countertops, or a new bathroom or kitchen. But install a solar system, or blow in insulation, and you can easily calculate how many years before those improvements have fully returned your investment — without selling.

For example, I spent about

\$15,000 after rebates and tax credits to install a 9.2 kW photovoltaic system on my home, and my electric bill dropped by \$200 per month. The system will have fully paid for itself in just over 6 years! At that point it won't matter if my home doesn't sell for more than a comparable home with a much higher electrical bill. Just don't install such a system unless you're planning to stay long enough to recoup your investment, because it won't significantly increase what your house will sell for. That's because in today's America, homebuyers will more readily pay a premium for a house with slab granite and hardwood flooring than they will for a home with Formica countertops, linoleum flooring, but no electricity costs. That's just the truth.

An extended discussion of this topic is taking place on LinkedIn. The link for it can be found on my website, www.JimSmithColumns.com.

REAL ESTATE TODAY



By JIM SMITH, Realtor®

Jeffco Real Estate Activity Surges

Sales in January Rebound to 2008 Levels

Based on my own analysis of Metrolist data, real estate activity and sales in Jeffco really surged in January 2010, beyond the expectations of most Realtors I know.

Condos and town homes going under contract was up 45% from December, and up 50% from January 2009. Single family home contracts increased by 64% from December and 15% from a year ago. In fact, both sales and median sale prices have rebounded to about what they were in January 2008, before the housing and credit crisis struck. Exact comparisons are not

yet possible, because most of the homes which went under contract in January have not yet closed, so we don't know the final sales prices. Some contracts could fall.

I knew something big was brewing from my own observations in January. I saw high-end homes and homes which had sat on the market for hundreds of days suddenly going under contract. And my showing service reported the most showing activity since last summer during what is usually a fairly quiet time of year.

Things are definitely heating up!

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