

What You Need to Know Before Investing In Solar for Your Current Home

If you have been reading me for awhile, you know that I am a big proponent of solar power. My home has 9.2 kW of photovoltaic power and a 2-panel solar thermal system for hot water. And my real estate office is the only one I know of which satisfies its entire electrical needs from solar PV panels.

So it pains me to report that solar is, for now, the worst investment you can make for your home in terms of resale value.

Last Friday, I closed on the sale of my latest solar-powered listing. It had a 2009 photovoltaic system which cost \$45,000, yet it sold for little or no more than it would have sold for without that system — even though the system saves the homeowner \$200 per month in electricity costs.

How can that be, you ask? It has to do with the appraisal process.

I called an appraiser and asked her how much value she would assign to the system if she were appraising the home. Her answer

shocked me. She said that if it detracted from the appearance of the house, she would subtract \$5,000 from the home's value. If it didn't, she would add \$5,000 in value.

"That's all?" I asked. "Why?" She explained that she couldn't get a higher value past the mortgage underwrit-

ers. The reason? Lack of comparable sales. "To assign greater value, you have to show previous sales where such a system added more value than that — and there simply aren't any."

Worse than that, my own sale, closed last Friday, is yet another comp proving, in effect, that a \$45,000 PV system adds no value to a home! Pretty sad, isn't it?

"What about the value of the savings on electric bills?" I asked the appraiser. "The seller can prove \$2,400 per year in savings. Isn't that worth something? Doesn't that add value?"

The appraiser's answer was, essentially, that on a residential property, you don't make calculations based on income. She reiterated: comps are all that matter.

All that being said, I can now answer the question implied by my headline above. What you need to know is that solar improvements could help your home sell more quickly — IF the buyer happens to like everything else about the home already, but you will NOT recover what you spent on installing those improvements nearly as much as you will recover, say, the cost of a new kitchen or new master bathroom. The bottom line is this: don't install solar improvements unless you plan to keep the home for a long time.

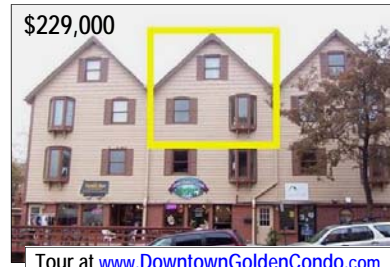
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