VALUING SUSTAINABILITY & ENERGY EFFICIENCY, then Sell it

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Florida Green Building Coalition
Partnership for Improved Residential Construction
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• Key drivers to sustainability – Why?
• Learn how to sell/value the benefits of energy efficiency – “If you build it they will come, but…”
• Successful Marketing Practices of 30% Community Scale Builders

Homebuyers who ranked energy efficiency as "very important" purchased homes that had a median price $12,400 higher than those who ranked it "somewhat" or "not important." National Association of Realtors
About Me…

• Native Floridian
• MSc Energy Efficient Design
• Research Architect FSEC, team member of DOE Building America
• Co–author “Eco-House: A Design Guide”
• Past Board Member FGBC
• Domesticated Engineer of 2 small & 1 large heat engines and cyclone creators, avid runner and outdoorsy person
• BA is a research program partners with industry to bring cutting-edge innovations and resources to market.
• One of 10 teams
• Initiated in September 1999
• FSEC’s team - Fl-Hero, Calcs-Plus, RESNET + over 50 builders, home manufacturers and suppliers
• BAPIRC works in all U.S. housing sectors -- factory and site built, single and multifamily, new and retrofit housing.
Why encourage sustainable design & how to fend off naysayers?

• Green costs more
  • Life cycle costs vs. initial costs
• No health benefit
  • Safe, healthy, comfortable = productivity, reduced absence
• Resources are plentiful –
  • Resource conservation = minimal environmental impact
• Global warming is a hoax – regardless why waste?

Is there cause for concern?
Global Warming…Is it a Hoax?
Surface Melt on Greenland

Melt descending into a moulin, a vertical shaft carrying water to ice sheet base.

Source: Roger Braithwaite, University of Manchester (UK)
What is Green and how do you verify it?

• Green buildings reduce the overall impact on the environment by efficiently using energy, water, and other resources without compromising human health, safety or comfort

• Is it a fad?
Nearly 40% of home buyers consider high-efficiency heating and cooling features to be "very important,"¹ and two-thirds of state governments have currently implemented green building policies.²

¹Source: Profile of Home Buyers and Sellers 2010, National Association of Realtors®

• Avoid “greenwashing” by using certifications validate and quantify economic and environmental benefits utilizing independent, third-party verification

• Looks at all aspects of building/site/environment from cradle to grave
What is HERS Index?

The HERS® Index is a rating for homes based on their energy efficiency. It compares a home's energy performance to that of a reference home. The index is based on a scale from 0 to 150, where 0 represents a zero energy home and values closer to 150 indicate homes that use more energy. EnergyStar and Challenge Home are certified by the US Environmental Protection Agency (EPA).
HI-PERFORMANCE

3rd Party testing and commissioning

HERS Index Chart
an MPG Rating for homes

HERS Index

Valuing Sustainability & Energy Efficiency, then Sell it
<table>
<thead>
<tr>
<th>Florida</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
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<tbody>
<tr>
<td>New Housing Units</td>
<td>287,250</td>
<td>203,238</td>
<td>102,551</td>
<td>61,042</td>
<td>35,239</td>
<td>38,679</td>
<td>37,054</td>
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<tr>
<td>FGBC Certified</td>
<td>170</td>
<td>532</td>
<td>759</td>
<td>282</td>
<td>394</td>
<td>694</td>
<td>1200</td>
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<tr>
<td>Energy Star HERS Level</td>
<td>1215</td>
<td>1625</td>
<td>1548</td>
<td>1533</td>
<td>1824</td>
<td>3997</td>
<td>6897</td>
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Sources:
- New Housing Units: US Census Bureau
- FGBC homes certified: FGBC
- Energy Star: Florida Solar Energy Center
Green Trends in Florida

Certified Green Homes in Florida

<table>
<thead>
<tr>
<th>Agency</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>FGBC</td>
<td>6522</td>
</tr>
<tr>
<td>NAHB</td>
<td>581</td>
</tr>
<tr>
<td>LEED</td>
<td>422</td>
</tr>
</tbody>
</table>
GREEN TRENDS

**New Units**

- 2005: 350,000
- 2006: 250,000
- 2007: 150,000
- 2008: 100,000
- 2009: 50,000
- 2010: 50,000
- 2011: 50,000

Source: New Housing Units: US Census Bureau

**FGBC Certified Homes**

- As of 12/31/12

**2001:** 2  
**2002:** 3  
**2003:** 10  
**2004:** 65  
**2005:** 170  
**2006:** 532  
**2007:** 749  
**2008:** 282  
**2009:** 394  
**2010:** 694  
**2011:** 1,200  
**2012:** 1,345
More homebuyers willing to pay for 'green' features

Todd Louis, broker associate with Tommy Williams Homes, watches as Mark Nichols installs an air conditioning duct into a new home, placing it within the controlled temperatures beneath the attic to keep the air from being heated to attic temperatures on May 17, 2012 in the Longleaf subdivision in southwest Gainesville.

*Erica Brough/The Gainesville Sun*
Green Building Future

By 2017 Green Building Market = $173.5 Billion

Source: McGraw Hill Construction
Know your audience

• “Generation X – young families and adults ages 31 to 45 – are likely to lead the home buying recovery as it gets underway

• 75% said that they were willing to pay $5,000 more for a green home, but those responding to the survey said that they expected new homes to already have many green technology features.”

Source: National Association of Homebuilders, March 2011

• Employed Millennials (account for 25% of population) want to work in LEED or EnergyStar certified buildings
The Rules of Real Estate

- “Location, Location, Location”
- Neighborhood
- Floor Plan & Exterior Design
- Builder Commitment to Quality (new)
- Resale potential
- Performance?
The Rules of High Performance/Green

- Healthy
- Comfortable
- Safe
- Durable
- Resource Efficient
- (Verifiably) Energy Efficient
If you build it…they will come
But will they buy?

Selling
Successful Marketing^ Practices
High Performance Alone Will Not Sell Homes

- Builders need differentiation
  - Consumers are more educated
  - Consumers are not as educated

“...fact that bringing a genuinely superior product to the market would be doing the right thing for our customers was the deciding factor in initiating our energy efficiency program.”
Successful Marketing Practices

Systems Engineering Approach doesn’t sell to the masses…
Marketing is Key to Selling

- Show Feature Has Benefit
- Educated Sales Team/Show & Sell
- Creative Marketing/Advertising
- Incentives
- Branding (differentiating from the competition)
Successful Marketing Practices

1. Show Feature Has Benefit

What if this…

Allowed you to do more of this
Successful Marketing Practices

1. Show Feature Has Benefit

What if this...

Allowed you to afford this
Successful Marketing Practices

1. Show Feature Has Benefit (without saying the words IAQ)
Successful Marketing Practices

Don’t scare consumer, scare the builder

THIS child has ENVIRONMENTALLY-INDUCED ASTHMA and ATTENTION DEFICIT DISORDER.

Even WORSE, he has a LAWYER.
Successful Marketing Practices

2. Don’t educate consumer, connect them to the real, underlying benefits of efficient homes.

Health

Savings

Comfort
Successful Marketing Practices

2. Engage with emotion & logic (make it visual)

Show & sell

‘See for yourself’

A chance to bond
Successful Marketing Practices

3. “creative” Advertising

[Image of an advertisement for a hybrid home, titled "The Hybrid Home."]

Starting at $189,900
*lotus flower extra*

Test drive a Tommy Williams Home Today

[Image of another advertisement with the text "WHAT WILL THOSE HIPPIES THINK OF NEXT?"]

When environmentalism meets building science the result is a home that runs on less fuel, is more comfortable, has healthier air, and saves you money - month after month, year after year (so you can buy more tie-dye of course).
Successful Marketing Practices

3. “creative” (catchy) Advertising
Successful Marketing Practices

3. “creative” Advertising
Successful Marketing Practices

4. Incentives – builder/utility/state/federal (both homeowner and builder)
Successful Marketing Practices

5. Branding
GAINESVILLE, FLORIDA MULTIPLE LISTING SERVICE (MLS) NOW CONTAINS HERS INDEX SCORE OF HOME - GAME CHANGER IN THE MARKETING AND VALUATION OF HOMES

<table>
<thead>
<tr>
<th>2755 NW 147th Street</th>
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<tbody>
<tr>
<td>Newberry, FL 32669</td>
</tr>
<tr>
<td>L$279,900</td>
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**Detached / Not Mobile Home**
**MLS # 333512 Active**

<table>
<thead>
<tr>
<th>Feature</th>
<th>Details</th>
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<tbody>
<tr>
<td>Area</td>
<td>710-North Jonesville Area</td>
</tr>
<tr>
<td>Style</td>
<td>Craftsman, Traditional</td>
</tr>
<tr>
<td>Beds</td>
<td>3</td>
</tr>
<tr>
<td>Full Baths</td>
<td>2</td>
</tr>
<tr>
<td>Half-Baths</td>
<td>1</td>
</tr>
<tr>
<td>HERS Rating (Year Tested)</td>
<td>49 (2011)</td>
</tr>
<tr>
<td>Split BR Plan</td>
<td>Yes</td>
</tr>
<tr>
<td>Year Built</td>
<td>2010</td>
</tr>
<tr>
<td>Total H/Cool SF</td>
<td>2,250</td>
</tr>
<tr>
<td>Total SF Under Roof</td>
<td>3,008</td>
</tr>
<tr>
<td>Basin Rating</td>
<td>85</td>
</tr>
<tr>
<td>Sect-Twp-Rng</td>
<td>27-9-18</td>
</tr>
<tr>
<td>Assoc. Fee</td>
<td>Yes</td>
</tr>
<tr>
<td>Assoc. Fee $</td>
<td>32</td>
</tr>
<tr>
<td>Assoc. Fee Pd</td>
<td>Monthly</td>
</tr>
<tr>
<td>Parcel Size</td>
<td>20 Acres</td>
</tr>
<tr>
<td>Bank Owned</td>
<td>No</td>
</tr>
<tr>
<td>Apx Lot Dim</td>
<td>60x110</td>
</tr>
<tr>
<td>HOA Name</td>
<td>Belmont HOA</td>
</tr>
<tr>
<td>HOA Phone</td>
<td>3622243681</td>
</tr>
<tr>
<td>Builder Name</td>
<td>Tommy Williams Homes</td>
</tr>
<tr>
<td>Model</td>
<td>The Galloway</td>
</tr>
<tr>
<td>Legal</td>
<td>Belmont Phase III Lot 173</td>
</tr>
<tr>
<td>Taxes Annual</td>
<td>$0</td>
</tr>
<tr>
<td>Tax Jurisdiction</td>
<td>Alachua County</td>
</tr>
<tr>
<td>Zoning</td>
<td>PUD</td>
</tr>
<tr>
<td>Homestead Exemp (Last Yr Appl)</td>
<td>n/a</td>
</tr>
<tr>
<td>Remarks</td>
<td>Tommy Williams backs up the energy efficiency of this home by PAYING YOUR ELECTRIC BILL FOR ONE YEAR! 3 bedroom plus a Study, 2 full baths and an awesome deco 1/2 bath. All Granite Kitchen &amp; Baths, Stainless appliances, Hand-Scraped Hardwood floors, formal dining room w/gorgeous tongue &amp; groove wood ceiling, crown moulding, Fenced Yard, TANKLESS water heater, Heat-Block roof &amp; windows, 16 SEER AC &amp; more! Belmont has: DOG PARK, tennis &amp; basketball, BIG pool, pavilion &amp; walking trail. Builder pays CLOSING COSTS w/approved lender. Home is Zero-Energy ready and is surrounded by 3 other Zero-Energy homes. A Zero-Energy home uses solar to provide 100% of the homes electric and permanently eliminate your electric bill.</td>
</tr>
</tbody>
</table>

**Nearest Main St/Rd:**
NW 143rd St/CR 241 (1/2 way between NW 39th Ave & Newberry Pk)

**Directions:**
From I-75/NW 39th Ave, West on 39th Ave (approx 3 miles) to CR 241, Left to Belmont entrance on right (NW 27th Ave) to end then right to 3rd home on right.

**Equip./Appl.:**
Cable TV/Prewired, Dishwasher, Disposal, Electric Cooktop, Microwave, Oven Electric

**Subdivision Info:**
Green Space, Mandatory HOA, Park/Playground, Pool, Sidewalks, Street Lights, Sub/Deed Restrictions, Tennis Courts, Underground Utilities

**Exterior Misc.:**
Covered Patio, FL-Friendly Yard Criteria, Irrigation w/Sensors, Lanai/Covered Porch, Native Vegetation Landscape

VALUING SUSTAINABILITY & ENERGY EFFICIENCY, then Sell it
Successful Marketing Practices

Results = SALES in less time

Sold in 2 Weeks!!!!
Successful Marketing Practices

Results = SALES over competition +$/sq.ft (8%) & faster sales

<table>
<thead>
<tr>
<th></th>
<th>TW</th>
<th>Competitor</th>
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</thead>
<tbody>
<tr>
<td>12/06–05/08 Sales Price</td>
<td>$161/ft²</td>
<td>$148/ft²</td>
</tr>
<tr>
<td>12/06–05/08 Sales</td>
<td>44 homes</td>
<td>22 homes</td>
</tr>
<tr>
<td>01/09–02/11 Sales Price</td>
<td>$130/ft²</td>
<td>$120/ft²</td>
</tr>
<tr>
<td>2009</td>
<td>Data n/a</td>
<td>Data n/a</td>
</tr>
<tr>
<td>2010</td>
<td>32–36</td>
<td>Data n/a</td>
</tr>
<tr>
<td>2011</td>
<td>19</td>
<td>15</td>
</tr>
<tr>
<td>2012 Sales price</td>
<td>$137/ft²</td>
<td>$114/ft²</td>
</tr>
<tr>
<td>2012 (May)</td>
<td>27</td>
<td>5</td>
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</table>
Longleaf ZEH, Gainesville

2250 sqft - HERS -2 - $367,000

SOLD in 2 weeks!
Belmont, Gainesville - “1st time buyer” ZEH

- 1546 sqft
- 5.4 kW PV system
- 64 sqft drainback SDHW
- HERS -1

- $262,000 (appr. $270,000)
- Sold (spec +2 more)
Success Factors

- Motivated sales staff
- Great model center displays
- Significant marketing $s spent on regular advertisements in newspapers and magazines
- In 2006, before these efforts, the lower priced product indeed outsold high performance homes (40 vs. 26)
Hurdles – Lending/Comps/Appraisals

Congressional Bill 1737 (S. 1106)
Sensible Accounting to Value Energy Act of 2013
• improve the accuracy of mortgage underwriting used by Federal mortgage agencies to include energy costs

Home Valuation Code of Conduct (2009)
When bank says no, borrower must rebut (not appraiser)

Appraising - Form 820.04: Residential Green and Energy Efficient Addendum

Appraising Green – Sandy Adomatis

• Finding Comparables
  – When realtors write descriptions, put in green features and show trends so appraisers can search for and identify green properties such as solar panels, energy-efficient appliances, and green certifications.

• Documentation
  – Avoid greenwashing by distinguishing between green features and green certifications.

• Green MLS
  – if applicable keep current on the coding tweaks that can make locating certified properties easier for appraisers, like a number range for HERS® ratings. The exact HERS® rating can appear in the features and comments section.

• Cross training
  – Get professionals from all industries together.
Thank You

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