



The Demand For Green Homes

Melina Duggal, AICP, Senior Principal, RCLCO | July 26, 2012



MARKET RESPONSE TO GREEN DEVELOPMENT

AGENDA

- ▶ The Active Market
- ▶ The Market for Green
- ▶ Importance of Green Features
- ▶ Implications for Homebuilders





The Active Market

WHO IS IN THE MARKET?

- ▶ 2010 – 50% 1st-time buyers
- ▶ 2011 – 37% 1st-time buyers
- ▶ Median income = \$80,900
 - Translates to \$250K-\$300K house
- ▶ Married couples (64%)
- ▶ No children under 18 (64%)
- ▶ 42% were renters
- ▶ Foreigners



Image: digitalart / FreeDigitalPhotos.net



Image: digitalart / FreeDigitalPhotos.net

SOURCE: RCLCO; 2010 and 2011 NAR Profile of Home Buyers and Sellers; U.S. Census Bureau, Associated Designs

AGE DRIVES HOUSING CHOICES – THE ACTIVE MARKET DRIVES DECISIONS

Generation	2011 Age	2011 Pop. US	2011 % Over 10 Pop.	% of Buyers in 2011	% of Renters in 2011
Eisenhowers	66+	37M	14%	8%	4%
Baby Boomers	47 – 65	<u>75M</u>	29%	30%	18%
Gen X	31 – 46	64M	25%	37%	31%
Gen Y	12 – 30	<u>80M</u>	31%	25%	47%
Gen Z (?)	0 – 11	50M			

SOURCE: U.S. Census Current Population Survey (2011); 2011 NAR Profile of Home Buyers and Sellers

WHAT ARE THEY BUYING?

- ▶ 84% are buying existing homes
- ▶ Value
- ▶ Home features
 - Flex space
 - Outdoor living
 - **Energy efficient**
 - Luxury touches
 - Less formal
- ▶ Small lot SFD versus attached product



Photo courtesy of LWR Communities



C. 2011 James F. Wilson / Courtesy Builder magazine

HOW CAN NEW COMPETE?

New	Resale
76% SFD	78% SFD
61% suburban area	49% suburban area
12% urban area	19% urban area
\$230K median price	\$180K median price
2,250 SF median	1,800 SF median
3B/2b median	3B/2b median
Biggest compromise – lot size	Biggest compromise – price & condition

SOURCE: RCLCO; 2010 and 2011 NAR Profile of Home Buyers and Sellers

TRENDS

BABY BOOMERS

- ▶ Leading edge (56-65 years old) – starting to hit retirement age
- ▶ Trailing edge (47-55 years old) – mature families, second homes
- ▶ Themes:
 - Work as part of their retirement (home office)
 - Downsize
 - Acceptance of two level homes – master down
 - **Natural light**
 - Entertaining space
- ▶ Seeking:
 - Recreation
 - Enriching experiences
 - Ideal lifestyle
 - Original and authentic places



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TRENDS

GEN X

- ▶ 31-46 years old – prime home buying and family stage
- ▶ Large impact on new home communities
- ▶ Themes:
 - Single-family detached
 - Suburbs
 - Larger lots
 - In the market for 2nd homes
 - Big kitchens
 - Family spaces
- ▶ Seeking:
 - **Kid and pet friendly**
 - **Healthy, active lifestyle**



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TRENDS

GEN Y

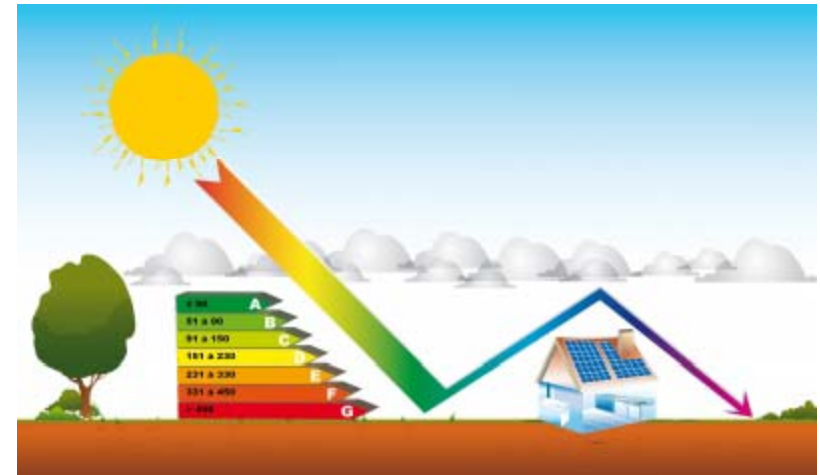
- ▶ 12-30 years old – first time home buyers and renters
- ▶ Diverse group
- ▶ Themes:
 - More open to urban areas than other generations (likely age-related)
 - More accepting of attached product, but still prefer SFD
 - Community space important
 - **Walkable** neighborhoods
 - Affordability
 - Flexible spaces to accommodate future lifestyle
- ▶ Seeking:
 - Places to connect (party spaces)
 - **Sustainability**
 - Technology



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TRENDS – OVERALL

- ▶ Multigenerational housing
- ▶ Cultural preferences
- ▶ Energy efficiency
- ▶ Right-sized homes





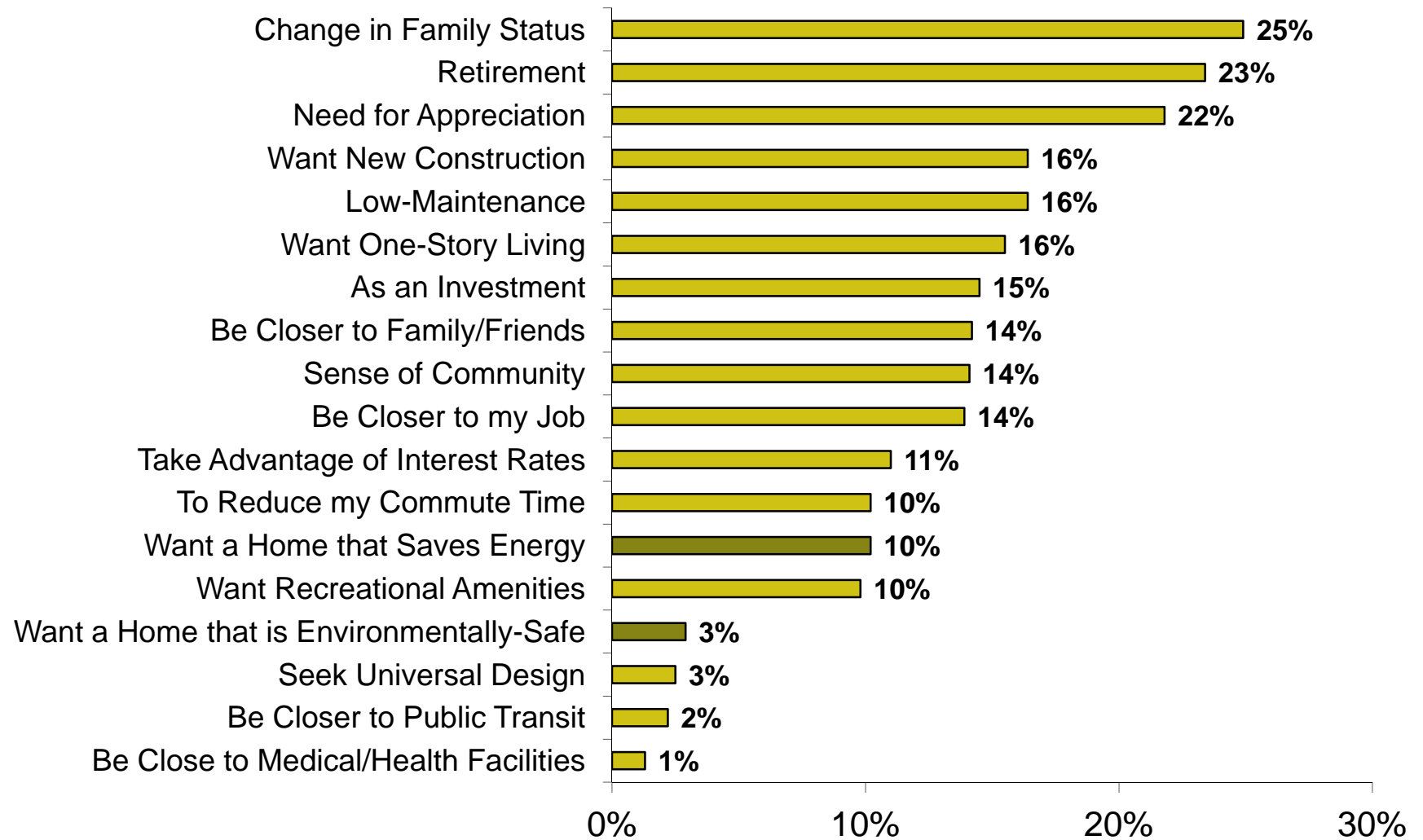
The Market For Green

WHY CONSIDER GREEN

- ▶ Can't compete with resales on price, therefore need a different product
- ▶ Buyers have changed and so have their expectations
- ▶ Products and technology have changed
- ▶ Intense competition for new buyers – creates a unique selling point



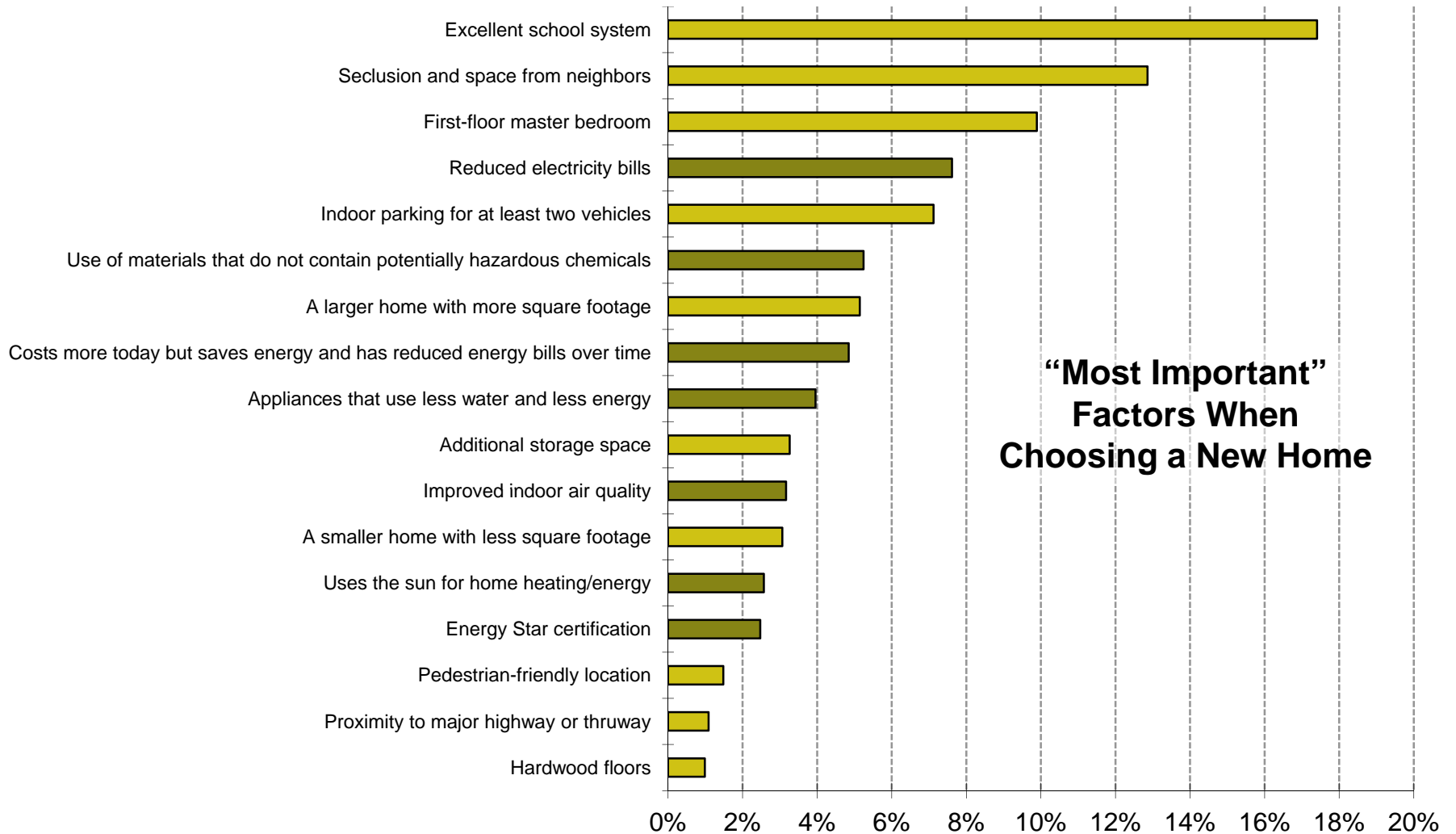
MANY REASONS TO BUY A NEW HOME



SOURCE: RCLCO Consumer Research

“GREEN” COMPETES IN CROWDED FIELD

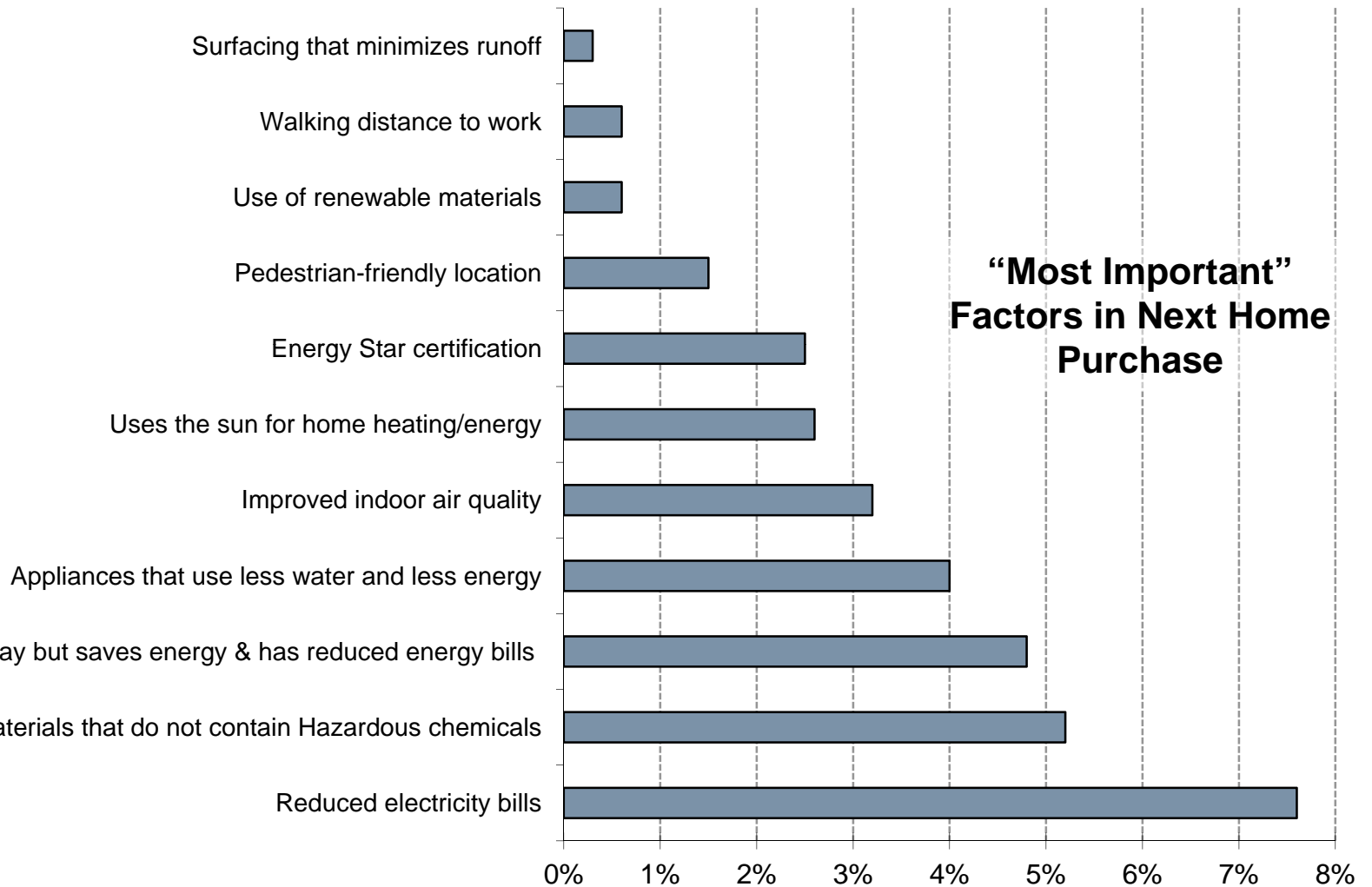
SCHOOLS, SPACE, SIZE MORE IMPORTANT



SOURCE: RCLCO Consumer Research

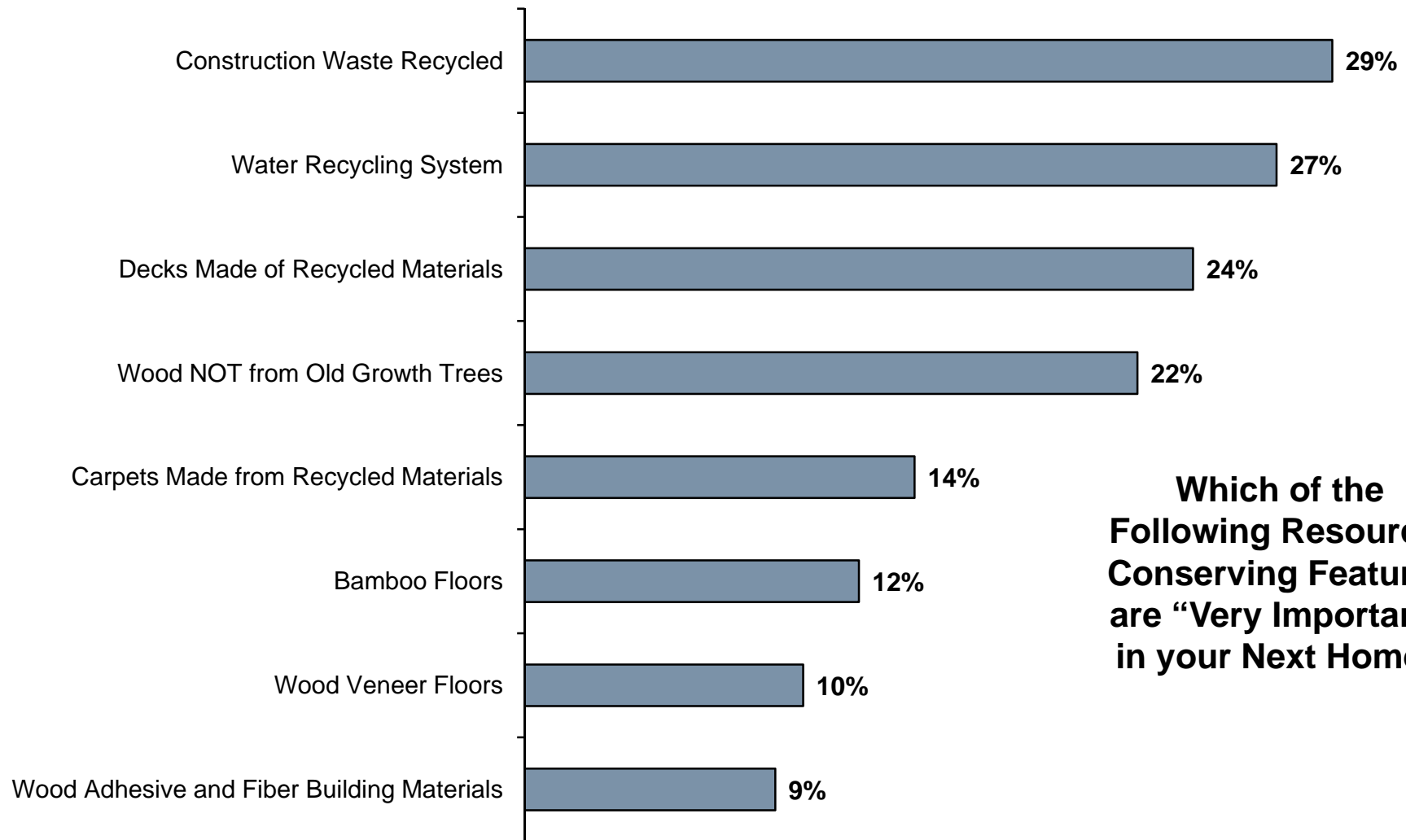
DEMAND FOR “GREEN” BENEFITS

ENERGY SAVINGS AND HEALTH BENEFITS



SOURCE: RCLCO Consumer Research

IMPORTANCE OF RESOURCE CONSERVING FEATURES

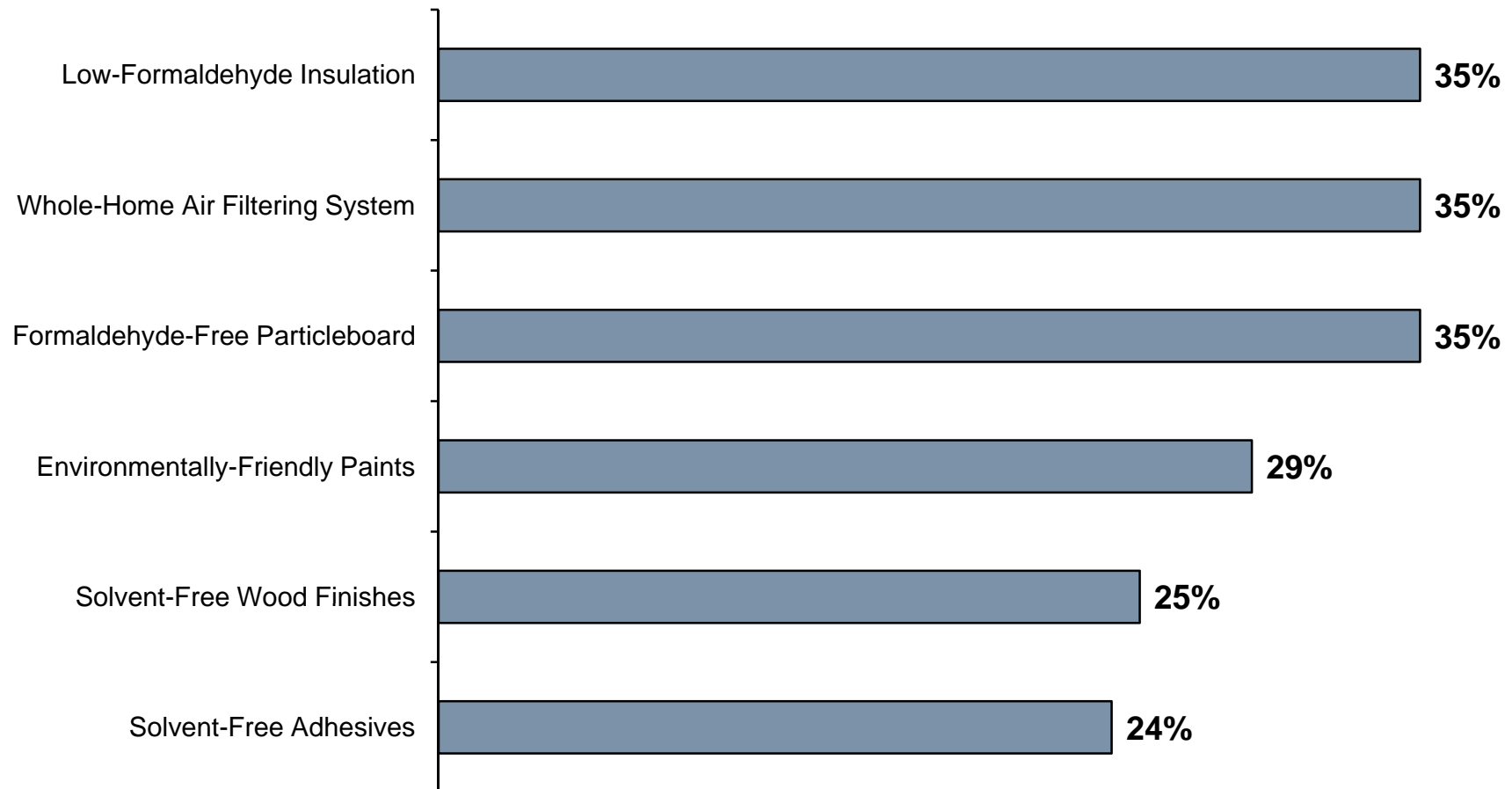


Which of the Following Resource-Conserving Features are “Very Important” in your Next Home?

SOURCE: RCLCO Consumer Research

DEMAND FOR HEALTH-IMPROVING FEATURES

Which of the Following Indoor Air Quality Improving Amenities, Features, and Benefits are “Very Important” in Your Next Home?



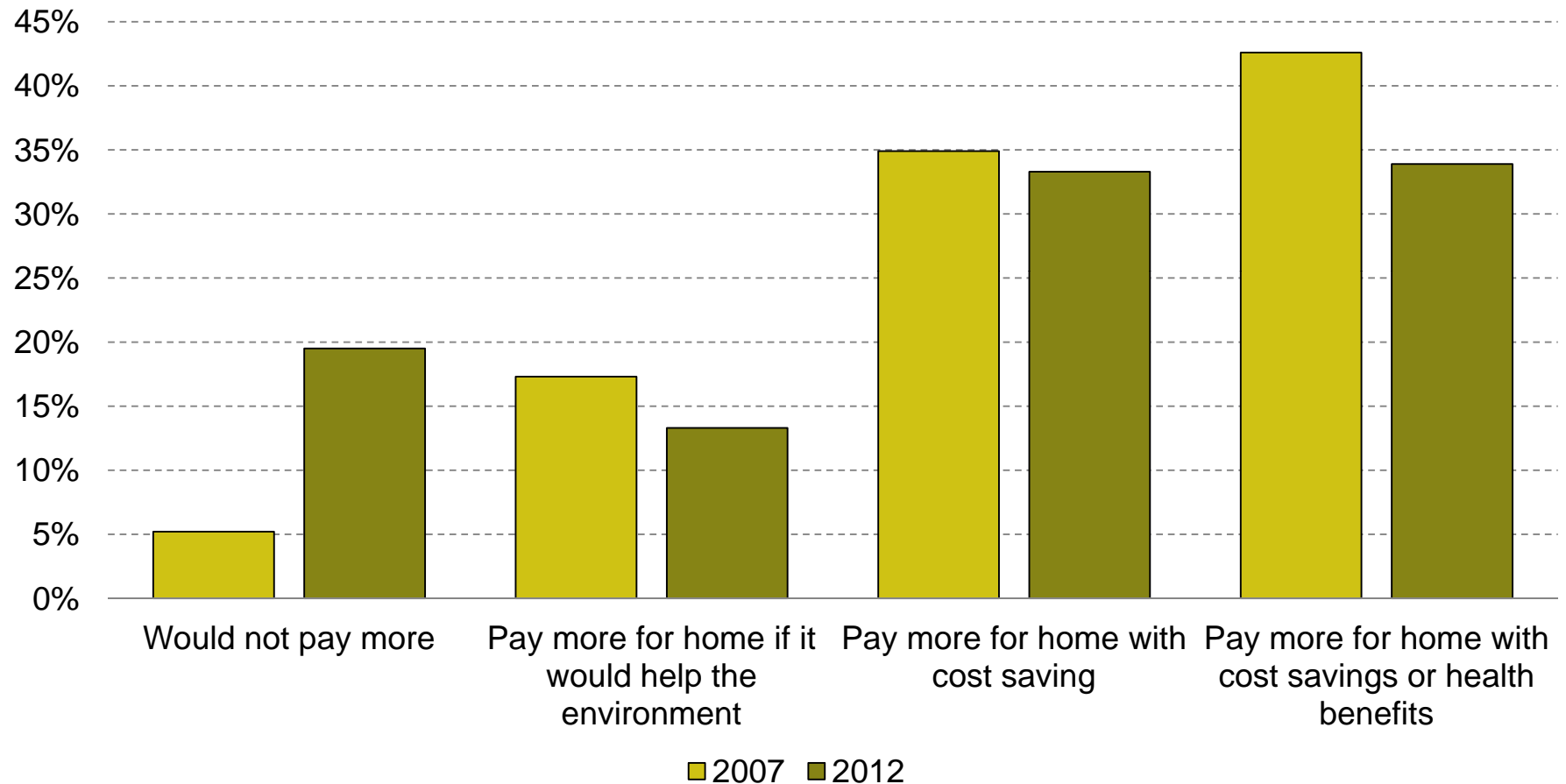
SOURCE: RCLCO Consumer Research



Demand for Green

MAJORITY WILL PAY MORE FOR ENV. FEATURES WITH MONEY BACK OR HEALTH BENEFITS

Willingness to Pay More for Environmental Features



SOURCE: RCLCO Consumer Research

THREE PRIMARY MOTIVATIONS BASED ON BENEFITS, NOT FEATURES



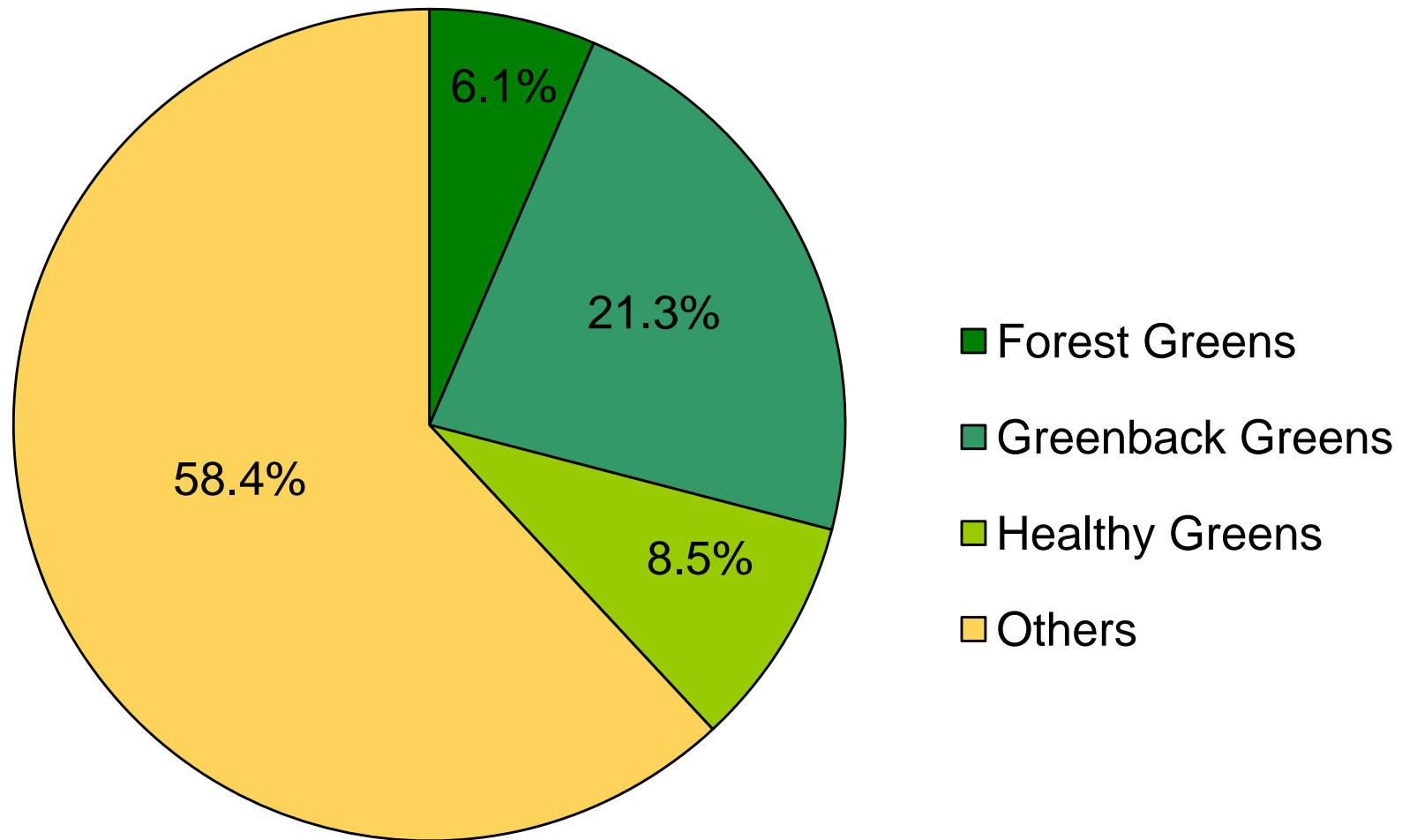
Green homes are better for “the environment”

Green homes save energy (and have lower utility bills)

Living in a green home is better for my health and that of my family

“GREEN” BUYERS- THREE CLASSIFICATIONS

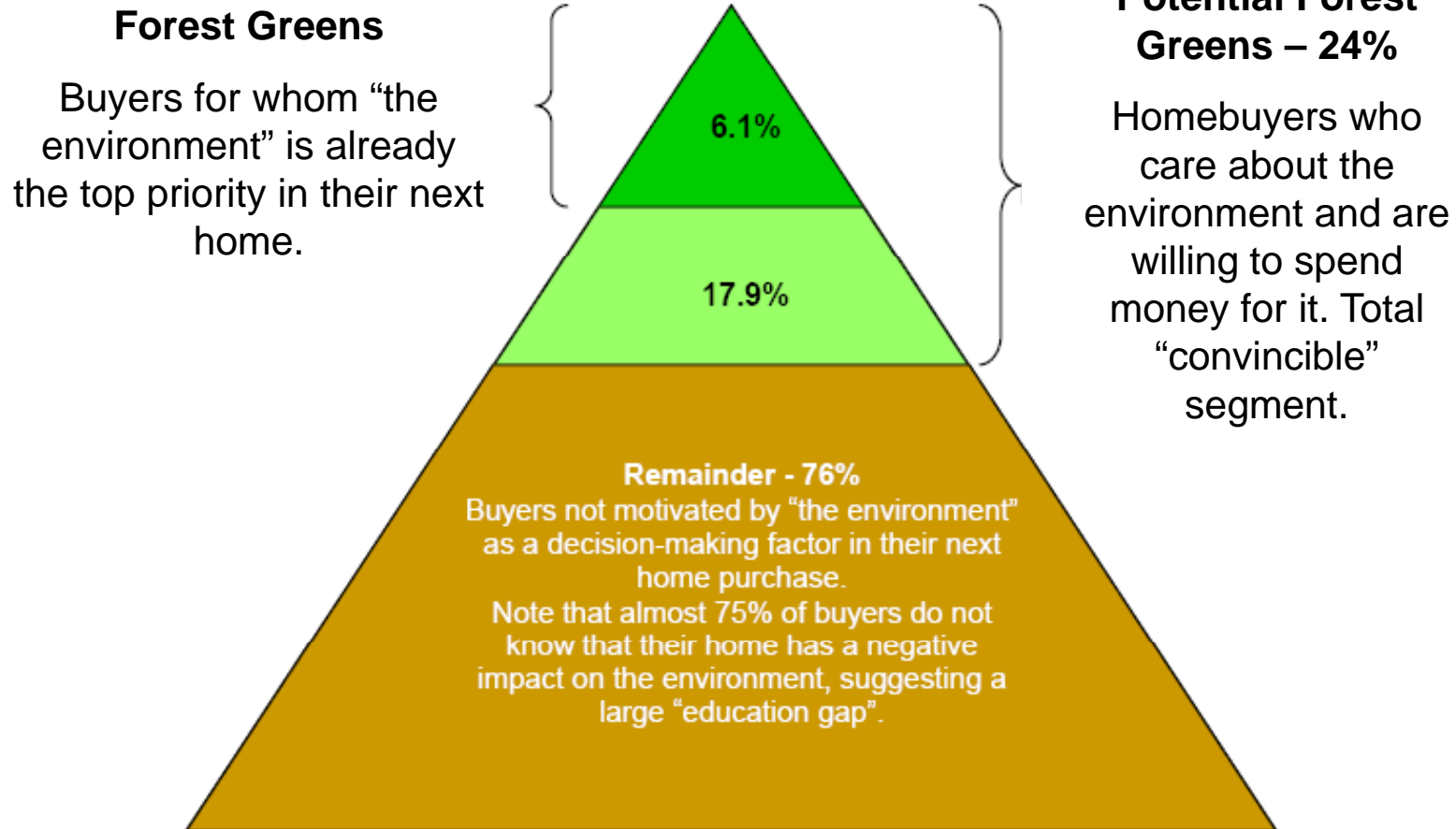
FOREST GREENS, GREENBACK GREENS, & HEALTHY GREENS



SOURCE: RCLCO Consumer Research

“BECAUSE IT IS THE RIGHT THING TO DO”

Environmental Responsibility

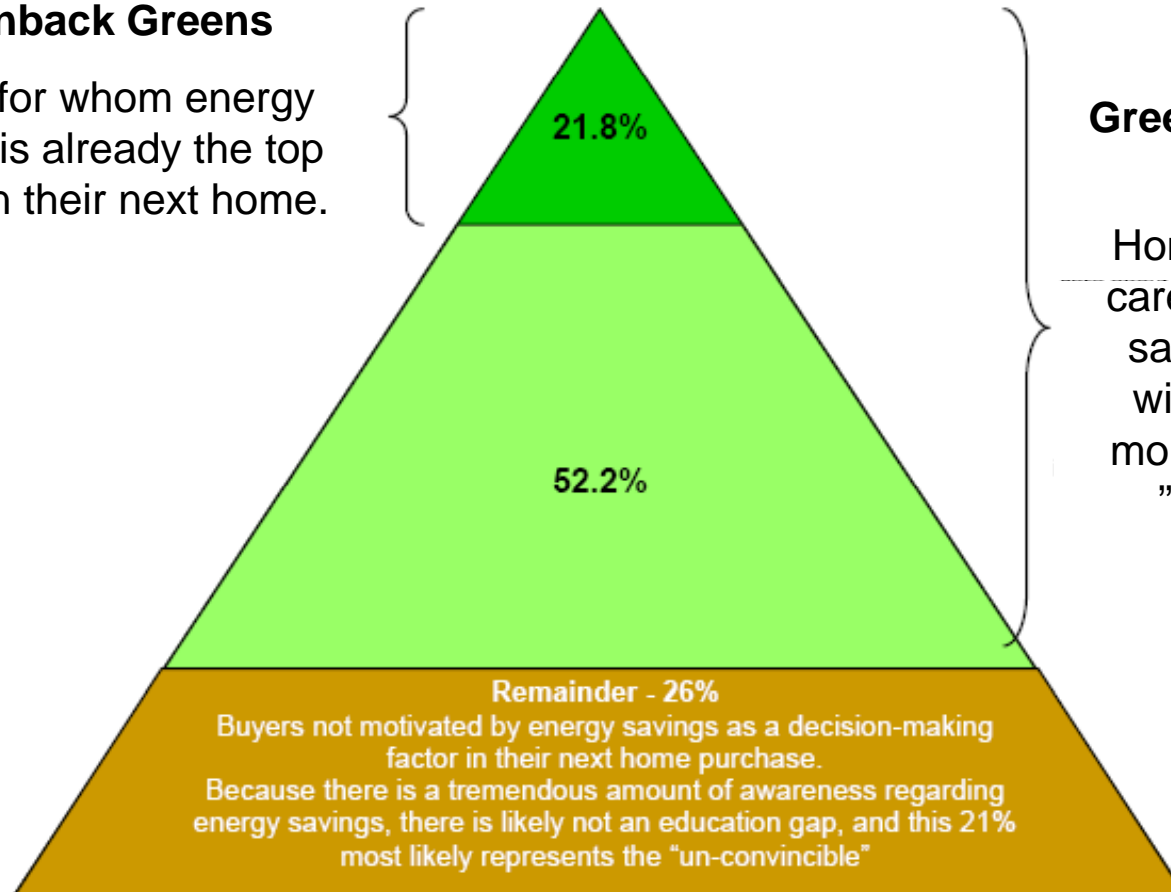


SOURCE: RCLCO Consumer Research

GREENBACK GREENS SEEK ENERGY SAVINGS

Energy Savings

Greenback Greens
Buyers for whom energy savings is already the top priority in their next home.



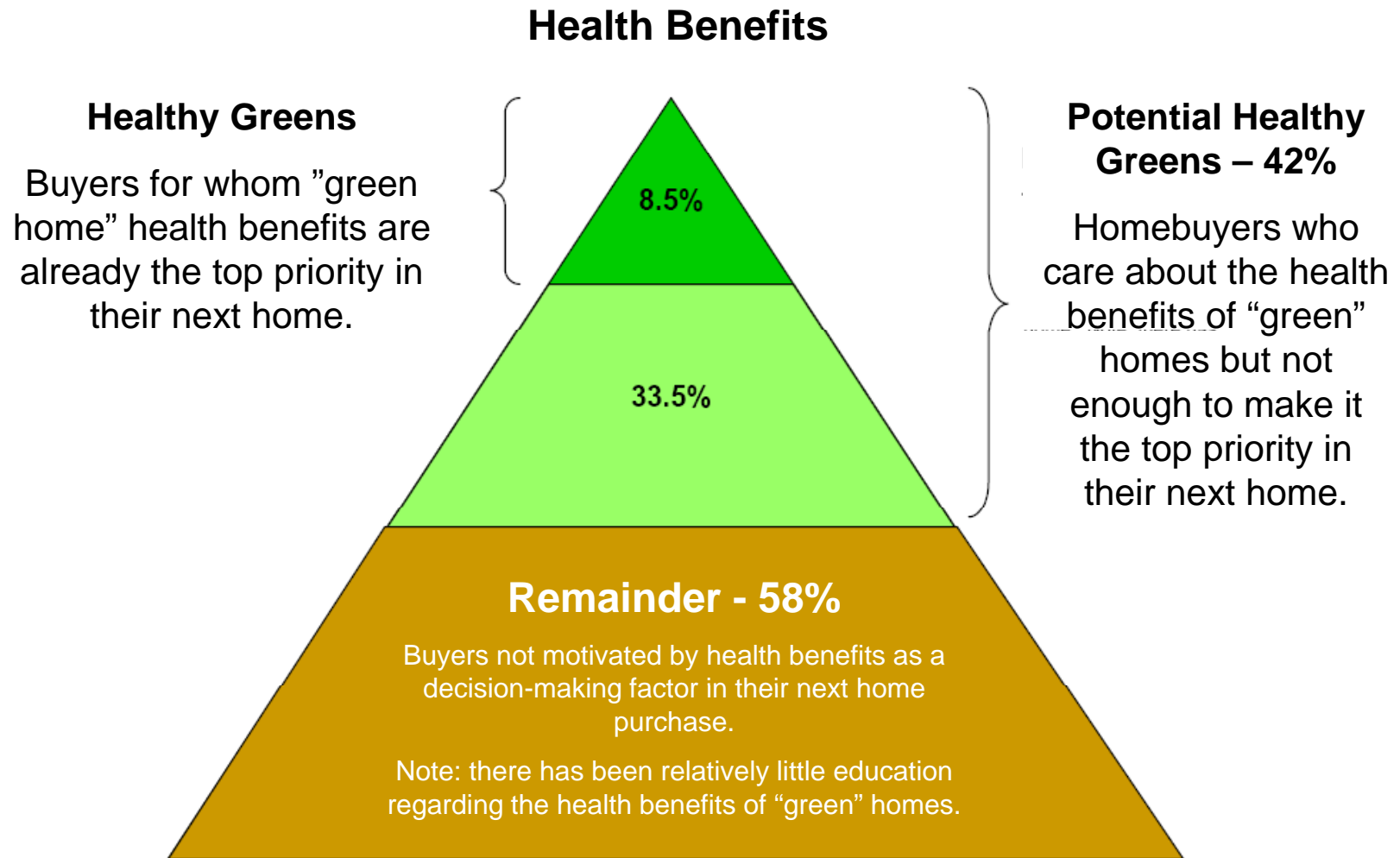
Potential Greenback Greens
– 74%

Homebuyers who care about energy savings and are willing to spend money for it. Total "convincible" segment.

SOURCE: RCLCO Consumer Research

HEALTHY GREENS

POTENTIAL POOL OF BUYERS NOT ALWAYS ASSOCIATED WITH "GREEN"



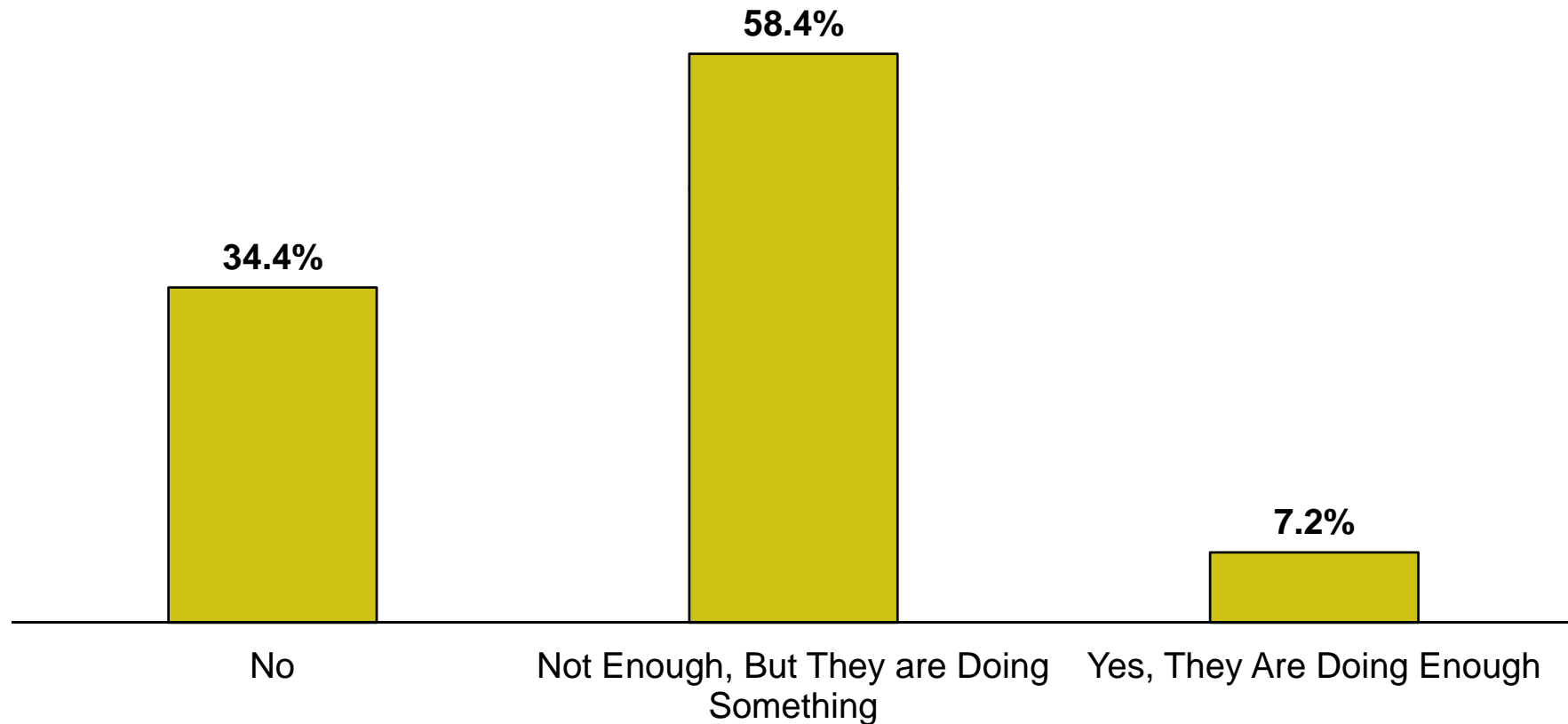
SOURCE: RCLCO Consumer Research



Implications

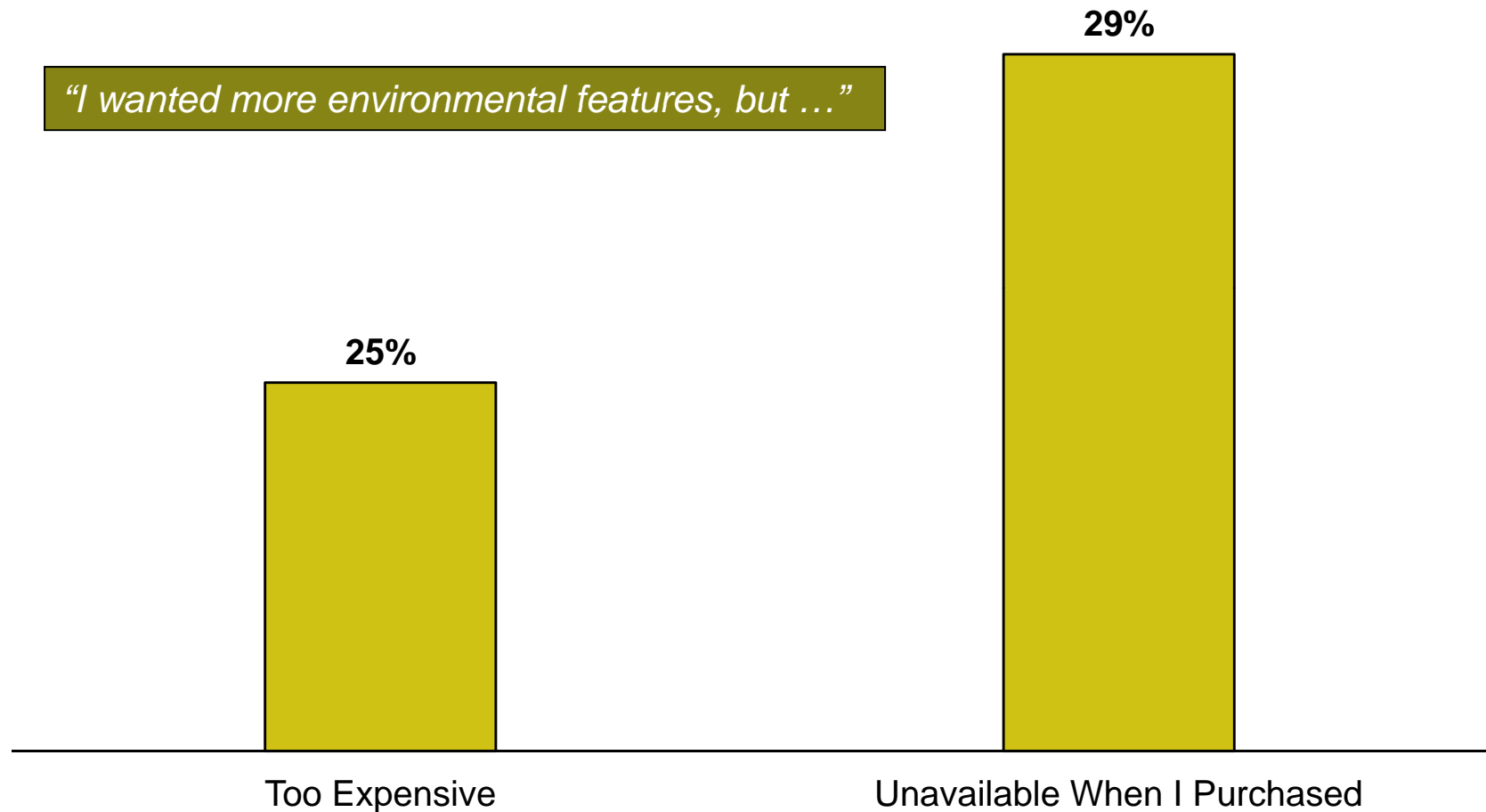
HOMEBUYERS BELIEVE DEVELOPERS CAN DO MORE

Are developers paying enough attention to the environment?



SOURCE: RCLCO Consumer Research

ONE IN FOUR CONSUMER'S NEEDS NOT MET ON PRICE/AVAILABILITY



SOURCE: RCLCO Consumer Research

CLOSE THE EDUCATION GAP

CREATE LEARNING EXPERIENCES

- ▶ Contractor and subcontractor education critical to maintaining cost control and maximizing community quality
- ▶ All sales agents should undergo mandatory educational programs so that they know *what* they are selling
- ▶ Sales experience for buyers should be educational experience and one that involves buyer-builder discussions about what to build and why



Meritage Homes



SHIFT FROM “DEVELOPER” TO “LAND STEWARD” COMMANDS BUYER INTEREST AND CONFIRMS AUTHENTICITY

- ▶ Pay meticulous attention to land, soil, water restoration
- ▶ Consider native or adapted species, and limiting the amount of turf within each lot
- ▶ Buyers drawn to builder/developer efforts to restore/preserve habitat
- ▶ Compelling story and “hidden” amenity – land conservation provides recreational amenity
- ▶ Slow food movement and community gardens



HAVE FLEXIBLE GREEN PROGRAM

AVOID MANDATED CHECKLIST OR BUILDING CERTIFICATION

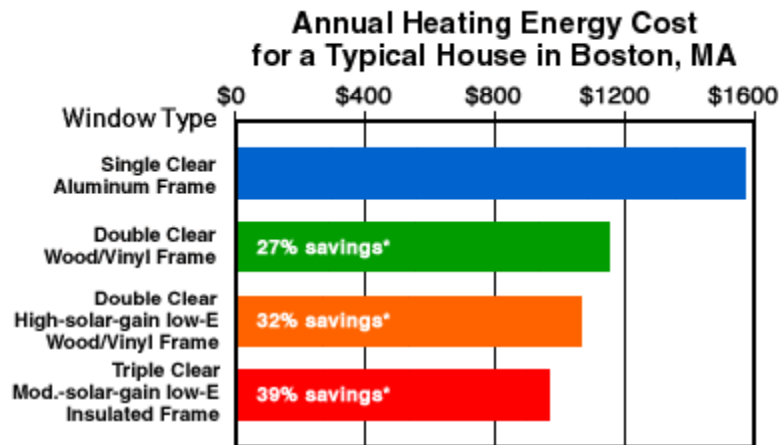
- ▶ “There is no value in selling the technical aspect of green” ...
- ▶ Buyers are not yet savvy about “green” features, and do not have a preference for certification standards beyond Energy Star
 - Energy Star awareness strong in minds of homebuyers – almost 50% of respondents want their homes to save energy
 - Green communities have embraced Energy Star as an identifiable “brand” to convey energy-saving potential of new home purchase
- ▶ Create design guidelines for single-family units that allow for builder/buyer negotiations (“You’re buying into a high-quality community, and this is what high-quality means...”)
- ▶ Allow buyer motivations to drive builder program



EMPHASIZE “COST SAVINGS AND HEALTH”

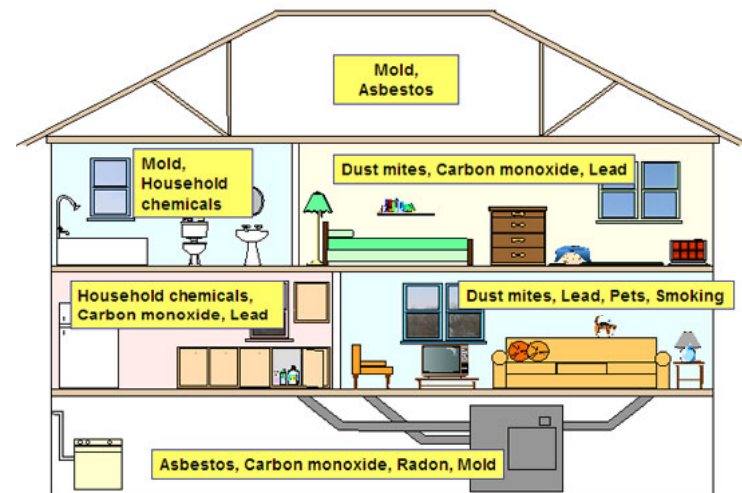
BUYERS WILL PAY IF IT SAVES MONEY OR BENEFITS HEALTH

- ▶ Over **2/3 of owners** will pay more for environmental features if it saves them money or is good for their health
- ▶ Have a system in place to communicate the cost savings associated with features (e.g. better installation, windows, etc.)
- ▶ Great differentiator from re-sales and other new homes on the market



*Compared to the same 2000 sq. ft. house with clear single glazing in an aluminum frame.

SOURCE: Newhomesdirectory.com



SOURCE: civilengineergroup.com

IMPLICATIONS

- ▶ **Today** – Demand for walkable environments, healthy homes, cost savings
- ▶ **Tomorrow** – Not JUST capturing premiums, BUT meeting expectation, gaining competitive edge
- ▶ **Energy Costs Outflanking the Market** – Rising energy costs – will impact the market sooner than you think



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