

Nation's Building News Online for April 16, 2007 from NHBA
In a Down Housing Market, Green Demand Exceeds Supply

With housing production continuing to run cool as builders work down their unsold inventories of homes, green building and remodeling is one corner of the marketplace where demand is riding higher than the available supply, participants in an [NAHB teleconference](#) said on April 16.

Recent surveys by [McGraw-Hill Construction](#) among green home buyers and home owners who have undertaken remodeling jobs find a strong sentiment among consumers that there "are not enough green builders out there and demand is exceeding the homes available," with the shortfall particularly pronounced in the East, said Harvey Bernstein, the company's vice president of industry analytics, alliances and strategic initiatives.

Bernstein added that green housing is a differentiator from traditional homes and "something still in demand" even during the current market correction.

Energy-efficiency is now a primary concern of housing consumers, said Gopal Ahluwalia, NAHB's vice president of research, as the cost of energy remains high and prospective buyers are worried about how they will pay to heat and cool homes that are 50% larger than 30 years ago and growing in volume with the popularity of high ceilings.

Environmental concerns are prompting a small majority of consumers to consider the alternative of green building, Ahluwalia said, but survey and focus group research makes it "loud and clear" that buyers are willing to spend a little bit more to improve energy efficiency because this is an issue that "hits the pocketbook."

For Michael Strong, [CGR](#), [CAPS](#) whose firm, [Brothers Strong, Inc.](#) has been remodeling homes in the Houston area for 17 years, energy efficiency has become a given and a baseline that his customers have come to expect, and he is expanding his business by educating home owners about the health benefits of building green.

Green remodeling jobs that promote a healthier home include properly sized and vented exhaust fans, the addition of fans to the laundry room, zero or low-VOC paint and the use of formaldehyde-free carpet and plywood, "getting obnoxious chemicals out of the home," he said.

Jobs emphasizing better energy efficiency include dual-flush toilets, tankless water heaters, HVAC systems with at least a 17 SEER rating, furnaces with a 90+ rating, fluorescent lighting and [Energy Star](#)-rated appliances, Strong said. On top of those products come lower operating costs from sealing ducts with mastic, not tape; radiant barrier decking; double-pane, low-E windows; properly sealed homes; balanced attic air intake; and exhaust and spray foam insulation.

And lower maintenance is provided by fiber cement siding, 40-year shingles, engineered wood framing and physical termite barriers.

Home Owners Are Getting It

The good news, he said, is that "home owners are getting it. Typically, in the old days when we talked about energy efficiency, people thought about one system at a time and would have thought about replacing all of the windows or all the insulation," he said. "Now they are willing to look at it one room at a time. When they are remodeling the kitchen, they want to make it as energy-efficient as possible and also as healthy as possible. They don't worry that they can't affect change in the rest of the house."

When dealing with clients on green building projects, Strong advised against talking down to them or overloading them with technical data. "Keep it simple and avoid lots of 'geek talk.'" Consumers, he added, "know more about energy efficiency than about 'healthy homes,' but they are starving for that information and they are open to it."

Like remodelers, home owners are more likely to find information on green products from manufacturers than retailers or trade contractors.

According to McGraw Hill Construction, prospective buyers are hearing about green homes most by word of mouth (28%) and from television shows (20%), said Bernstein. Although builders see themselves leading this innovative market, only 10% of the consumers surveyed cited builders as an information source.

Green Home Buyer Satisfaction Is 'Phenomenal'

Word-of-mouth communication is being driven to a great extent by a "phenomenal" 85% satisfaction level among green home buyers, Bernstein said.

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One hundred percent of the green home buyers surveyed by McGraw Hill identified lower utility, maintenance and operating costs as an incentive for purchasing a green home, he said, and as a motivating factor, energy costs were more important in the East than in other regions of the country.

Home buyers are also willing to pay more for a home with certain green features, Bernstein said, or \$17,000, to be exact, over an average-costing \$292,000 home.

Of the home owners who had signed up for remodeling jobs, 39% used a green product, he said, and of those, almost half (47%) involved new or replacement windows, followed by HVAC (44%).

While there are currently no available figures on how much green might increase the resale value of a home, Bernstein said, based on evidence in the commercial market, "green homes will have higher resale values going forward." Green in a commercial building can increase its value by 7.5%, increase its occupancy by 3.5% and decrease its operating costs by 8% to 9%, he said.

While green may look like the way to go up in a down market, Strong cautioned that "taking advantage of green opportunity is not something you do overnight. It requires an across-the-board-assessment of your building practices."

Going green involves a long-term, strategic decision, Strong said, and involves "examining products through a new lens" and "educating your trade partners."

"You have an opportunity to diversify in a down market," he said, "but you can't change it in 90 days. It will take a while to gear up."