



# Does Building Green Get You Green?

November 3, 2008

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## Background on CEO Chris Bartle

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- 15 Years in High Tech Engineering and Consulting
- 7 Years Sustainable Business Evolution
  - William McDonough & Paul Hawken at Bioneers – 1997
    - Business has a responsibility to fix environmental problems
  - Launched The Evergreen Group – Business Brokerage – 2001
    - Dotcom crash – opportunity to plan future and integrate sustainability
    - Combined passion for environment with experience in business
    - Mission to help green businesses continue to grow after being sold
    - Still operating – New natural product company listing coming soon
  - Launched Green Key Real Estate – 2005
    - Diversify revenue streams
    - Expedite and facilitate the greening of San Francisco real estate
    - Satisfy lifelong interest in building and architecture

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## About Green Key Real Estate

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- Founded in October of 2006 with a mission to green San Francisco real estate
- Launched first national green real estate franchise model in 2008
  - Currently have offices in San Francisco, East Bay, San Mateo and Petaluma with over 30 agents
  - All agents are EcoBrokers® and Certified Green Building Professionals
  - New website will allow Green Key agents to populate MLS listings with green features
  - Implementing new policy that 10% of gross commissions go to energy efficiency improvements in clients home

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## Recognizing Attributes of Green Buildings

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- Rating systems
  - LEED® - United States Green Building Council (USGBC)
  - GreenPoint Rated – Build It Green (CA only)
  - HERS – Home Energy Rating System
  - Energy Star®

## Addressing Green as an Appraiser

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- GreenPoint Raters
  - 250 + currently certified by Build It Green (BIG)
- Green Builders
  - 2000+ Certified Green Building Professionals
- Green Certifications on the MLS
  - Including green building certifications will enable regions to track how green homes compare in the market to non-green homes
  - BAREIS has already added GreenPoint Rated and LEED
  - San Francisco is in the works
  - Statewide MLS
  - Data will become more comprehensive as more MLS's join

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## Demand Drivers

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- Buyers of new green homes
  - Top reasons for purchasing a green home are operational cost savings, environmental concerns and family health (McGraw Hill)
- Buyers of non-green homes for green remodels
  - Similar motivations: improve efficiency, lessen environmental impact and improve indoor air quality
  - See profit in green flipping
- Green builders and developers
  - Market differentiation in a down economy

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## Recent Changes in Demand

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- Growth of business at Green Key compared to other real estate franchises
  - From 1 agent in 1 office to 30 agents in 4 offices
  - Others are closing offices, losing agents, laying off employees
- 28% of buyers wanted more green features in their home but those weren't available when they purchased (RCLCO)
- 43.5% of buyers would be more likely to purchase a green home if it offered an energy-saving guarantee

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## Changes in Supply

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- Market Reaction to Green Building
  - Green building marketplace to be worth \$60 billion by 2010 (McGraw Hill)
  - Remodeling (residential and commercial) currently valued at over \$200 billion (McGraw Hill)
  - 508 LEED for Homes Certified projects across the country totaling 1071 units (USGBC)
  - 4,570 GreenPoint Rated housing units have been rated or are in application with an additional 7,000 units anticipated from builder inquiries (BIG)

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## Changes in Supply

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- Examples of residential projects around the Bay Area
  - Arterra (SF)
  - Homes on Esprit Park (SF)
  - Pacific Cannery (Oakland)
  - Parkwood (San Jose)
- The role of remodels
  - Estimated 5% annual growth over next 5 years to total at least \$394 billion by 2010 (McGraw Hill)
    - At a time when construction industry on decline
  - At least 40% of remodels being done green (McGraw Hill)

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## Changes in Supply

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- Moving away from incentives and towards mandates
  - SF recently passed aggressive green building ordinance
    - Tiered requirements for residential projects including small, mid-size, mixed-use and high-rise

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## Market Data

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- Value differences between green and non-green homes
  - Seattle MLS Data
    - Certified homes sold for 10.5% premium on a square foot basis
    - Spent 24% less time on the market
  - Parkwood
    - Sold on average 8 units per month compared with the average of 1 unit per month of conventional projects in Santa Clara County (San Jose Business Journal)

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## Market Data

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- Quantifying Green - some features are easier than others
  - Home value increases by \$20 for every \$1 reduction in utility bills (Appraisal Journal)
  - Solar example:
    - \$35k spent on solar system, \$18k in true cost after rebates but seller's received the full \$35k in sales price
  - Quantifying value of indoor air quality is difficult but has large market potential
    - Spending on healthcare increased from 5% of national income in 1960 to 16% today (NY Times)
    - "Healthy Greens" willing to spend additional \$100 per month on mortgage for features that contribute to health with no expectation of payback (RCLCO)

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## What's Holding Things Back?

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- Lack of consumer awareness
  - 75% of buyers aren't aware that their home has a negative environmental impact (RCLCO)
- Competing standards and definitions of green
- Lack of builder awareness and aversion to risk
- Decline in construction industry
- Economic downturn

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## Conclusion

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- Economic downturn provides opportunity
  - Struggling housing market has made 70% of buyers more inclined to purchase a green home (McGraw Hill and USGBC)
- Educating consumers and builders is vital to recognize the full value of green
  - People generally won't buy something that costs more if they don't understand why it's worth more
- As more green homes are bought and sold the premiums will become clearer
- Appraisers play a vital role in quantifying green

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