Valuing Energy Efficiency in Real Estate through Transparency

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Valuing Energy Efficiency in Real Estate through Transparency

This course has been registered with GBCI for CE hours.

COURSE NAME

BY U.S. Green Building Council

PROVIDER NAME

NUMBER OF CE HOURS: 1.0

REGISTERED FOR:
LEARNING OBJECTIVES

1. Learn best practices for engaging the real estate sector in energy efficiency.
2. Review MEEA’s fact sheets on MLS green data fields and time of sale energy disclosure ordinances.
3. Measure the usage of MLS green data fields in the Midwest.
4. Compare energy disclosure ordinances that exist in the Midwest.
We are a nonprofit membership organization with 160+ members, including:

- Utilities
- Research institutions
- State and local governments
- Energy efficiency-related businesses

As the key resource and champion for energy efficiency in the Midwest, MEEA helps a diverse range of stakeholders understand and implement cost-effective energy efficiency strategies that provide economic and environmental benefits.
Energy efficient homes, when marketed correctly, tend to sell faster and for a premium than similar, less efficient homes.

Real estate agents believe energy efficiency matters to their clients.
According to NAR’s 2019 Sustainability Report, 69% of agents and brokers think so.
...But What About the Midwest?

<table>
<thead>
<tr>
<th>Region:</th>
<th>Northeast</th>
<th>Midwest</th>
<th>South</th>
<th>West</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very valuable</td>
<td>21%</td>
<td>26%</td>
<td>22%</td>
<td>23%</td>
</tr>
<tr>
<td>Somewhat valuable</td>
<td>47%</td>
<td>47%</td>
<td>44%</td>
<td>47%</td>
</tr>
<tr>
<td>Neutral</td>
<td>20%</td>
<td>17%</td>
<td>22%</td>
<td>21%</td>
</tr>
<tr>
<td>Not very valuable</td>
<td>7%</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Not at all valuable</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Depends on the listing</td>
<td>4%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: REALTORS and Sustainability 2019 Report.
According to NAR’s 2019 Sustainability Report, a comfortable living space matters most.

<table>
<thead>
<tr>
<th>Importance of Home Features to Clients</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>66%</td>
<td>29%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Comfortable living space</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proximity to frequently visited places (e.g. grocery store, school, highway, etc)</td>
<td>40%</td>
<td>47%</td>
<td>9%</td>
<td>2% 1%</td>
</tr>
<tr>
<td>Windows/Doors/Sliding (e.g. age, quality)</td>
<td>38%</td>
<td>48%</td>
<td>10%</td>
<td>3% 1%</td>
</tr>
<tr>
<td>A home’s utility bills/operation costs</td>
<td>25%</td>
<td>52%</td>
<td>15%</td>
<td>6% 2%</td>
</tr>
<tr>
<td>Commuting costs</td>
<td>19%</td>
<td>37%</td>
<td>21%</td>
<td>13% 8%</td>
</tr>
<tr>
<td>A home’s efficient use of lighting (e.g. Energy Star fixtures, LED bulbs)</td>
<td>10%</td>
<td>38%</td>
<td>33%</td>
<td>13% 6%</td>
</tr>
<tr>
<td>Smart/connected home</td>
<td>7%</td>
<td>34%</td>
<td>38%</td>
<td>14% 6%</td>
</tr>
<tr>
<td>Green community features (e.g. bike lanes, green spaces, placemaking, etc)</td>
<td>7%</td>
<td>29%</td>
<td>35%</td>
<td>19% 10%</td>
</tr>
<tr>
<td>Landscaping for water conservation</td>
<td>7%</td>
<td>25%</td>
<td>35%</td>
<td>20% 12%</td>
</tr>
<tr>
<td>Renewable energy systems (e.g. solar, geothermal, etc)</td>
<td>3%</td>
<td>23%</td>
<td>41%</td>
<td>21% 11%</td>
</tr>
</tbody>
</table>

Source: REALTORS and Sustainability 2019 Report.
Efficiency = Comfort

Source: atcair.com.
Energy Efficient Homes Sell for More, Faster

Certified homes sell for 9.6% more.6
Certified homes sell for 4.2% more & 18 days faster.8
Certified homes sell for 2.1 to 5.3% more.9

PACE homes delivered $199 to $8,882 in savings above cost of improvements.7

Homes that disclose energy costs sold 20 days faster.3
Homes designated relatively energy efficient sold for an average $3,416 premium.4
Houses with one or more green element sell for 5.9% more.2

Homes that use “green” fields consistently perform better on market indicators.8
ENERGY STAR homes sold at $5,566 premium at $2.99 per ft² more, & 89 days faster.10
New certified homes sold for 12.9% more, $13.82 per ft² more, & 42 days faster.1

Certified homes sold for a higher percentage of their asking price & 31 days faster.2


Source: Better Buildings Solution Center
What are the Average Sales Premiums?

• 2 – 6% for designated energy efficient homes
• $2.99 - $13.82 per square foot for every dollar saved on annual electricity bills from EE investments
• $3,416 - $8,882 for designated energy efficient homes
• BONUS – homes sold 18 – 89 days faster!!

Source: Better Buildings Solution Center
The Problem
(Or, The Opportunity!)

• Many times, energy efficiency features and/or certifications are not properly marketed during the time of sale
  – Appraisers may not know how to properly assign value to energy efficiency upgrades and/or certifications
  – Real estate agents may not know how to properly market energy efficiency upgrades and/or certifications
Solutions
How Can You Market EE?

**MLS Green Data Fields**

- Green data fields within a Multiple Listing Service (MLS) can ensure EE features and certifications are conveyed during the time of listing.
...However

Most Agents are Unsure if their MLS has Green Data Fields

Source: REALTORS and Sustainability 2019 Report.
...However

And Those Who Know, Don’t Use Them

Uses of MLS Green Data Fields

- Don't use the green MLS data fields: 46%
- Promote green features: 35%
- Promote energy information: 26%
- Promote green certifications: 14%
- Other: 9%

Source: REALTORS and Sustainability 2019 Report.
MLS Green Data Fields Fact Sheet

Key Findings

- Very few MLS’s use Green Data Fields, especially in the Midwest
  - This makes it hard for homebuyers to find information on energy efficiency that is important to them

- Types of Green Fields
  - Third Party Verified Fields
  - Green Search/Marketing Fields
  - Specific/Technical Fields

- Fact sheet includes best practices for implementing Green Data Fields and targets MLS staff

Why Green Fields Matter

- Homeowners, buyers and renters want to live in homes that are safe, comfortable and affordable.
- Standardized home energy information in listings is the first step
- Verified energy information elevates homebuyer confidence
- Properly-marketed efficiency features can increase resale value
• MEEA has conducted outreach to more than 115 MLS’s across the Midwest, urging them to implement Green Data Fields

• We received many positive responses from MLS’s that will bring the fact sheet to their boards for consideration

Notable Responses:

• “Your fact sheet is a great reference to possibly adapt some suggestions into our MLS and is something I will pass onto our MLS Management Committee for discussion.” – Lake Superior Area REALTORS, MN

• “We will be discussing this with our MLS Committee next month. Thank you for the information.” – Lake of the Ozarks Board of Realtors, MO

• “Your timing could not be more perfect. We are currently working on an MLS Automation project and want to incorporate green fields. This is very much appreciated.” – South Central Kentucky Board of Realtors, KY
Working to Solve the Issue

Best Practice Approaches

- Existing education and curriculums
- Energy efficiency program best practices
- Policies that help solve the issues
- Industry stakeholders getting involved
NAR’s Green Designation

• 2-day course focused on energy efficiency  
  – Day 1 – EE overview  
  – Day 2 – Representing efficient homes

• Counts for CE  

• Differentiation from other realtors  
  – Listing on NAR website
Unlocking the Value

• The Appraisal Institute’s Residential Green Addendum
  – Should be included on MLS listing
  – Communicates the high performance features of a home
  – Recent guide to completing this on the Appraisal Institute’s website
WHAT IS GREEN WORTH?
Illinois Home Performance

Energy Efficiency Program

• Residential Energy Efficiency Program
  – ENERGY STAR partner
  – Recognizes homes that have efficiency upgrades installed
  – Educates real estate agents and appraisers
  – Contractor resources and education
Certificates of Completion

Example Certificate

Silver Certificate of Completion

This home has achieved an estimated total energy reduction of at least 15%* after the following home energy upgrades:

- Air sealing performed reducing total air leakage rate by 36%
- Attic insulation improved to R-49

Home address:
123 Sample Street
Sample, IL 60000

Contractor:
Any Contractor

Program Provider:
ComEd and Nicor Gas

Work Completed On*:
7/10/2016

*Certificate issued 3/15/2018 by the Midwest Energy Efficiency Alliance (MEEA) based solely on the reporting by or accuracy of contractor. A minimum of 15% is required to receive a Certificate of Completion. See reverse.

Stacey Paradis
Executive Director, Midwest Energy Efficiency Alliance

MEEA
Midwest Energy Efficiency Alliance
Illinois Rebates Available

• Comed, Nicor Gas, Peoples Gas and North Shore Gas Weatherization Rebates:
  – Up to $400 for air sealing
  – Up to $300 for attic insulation
  – Up to $500 for duct sealing
  – Up to $400 for wall insulation

• Rebates also available for high efficiency HVAC equipment, appliances, smart thermostats and more! Visit ComEd.com/waystosave
Value to Real Estate Sector
Certificate of Completion

- Compatible with MRED
  - State of IL’s Largest MLS
- Increase Resale Value
- Less Time on Market
ISEIF Program

Realtor Education and Outreach

• Funded through the Illinois Science and Energy Innovation Foundation

• Focus on educating Real Estate Professionals on the smart grid and associated utility-offered pricing programs
  – Lunch and learns
  – Electronic Marketing Toolkit
Home Energy Access Program

• Elevate Energy / MEEA
  – Funded by ComEd
  – 3–hour condensed course
  – Energy scorecard
  – Program proposal
  – Outreach
Real Estate Audits Program

- Funded by Ameren Missouri
- Encourages time-of-purchase audits through the distribution of audit coupons
- Educates real estate agents and appraisers on how to market and value energy efficiency upgrades in homes
Focus on Energy Strategy

- **Real Estate Ambassador Initiatives**
  - Developed through Home Performance programs
  - Focuses on improving program awareness to reach high-converting customer segments by partnering with realtors
  - Ambassadors receive exclusive offerings for clients, providing them with EE insights to differentiate them from competition
  - Incorporates EE program training and exclusive HVAC system tune-up vouchers available only to those who attend the training
Pearl Home Certification

- National third-party certification
  - Certificate
  - Comprehensive report
  - Populating MLS green data fields
  - Populating Appraisal Institute’s Green Addendum
  - Open house materials

Pearl Silver
700 points

Pearl Gold
825 points

Pearl Platinum
975 points
Pearl Home Certification

Attic Insulation: Top 8% of VA homes

This home’s attic is exceptionally well-insulated - it will keep you warmer in the winter and cooler in the summer. Feel at home in your home!

With the superior insulation installed in this attic, you’ll feel the difference right away: this house will be more comfortable - particularly in second floor rooms. Good attic insulation also protects against excessive winter heat loss that causes roof damage from snow melt.

Plus, enjoy lower utility bills year round.
Energy Disclosure Ordinances

• Policies that require home sellers to disclose utility costs, energy audit/assessment results, or energy efficiency features when a residential property is listed for sale or sold.

• Benefits of these ordinances to:
  – Municipalities
  – Potential Home Buyers
  – Home Sellers
  – Real Estate Agents
  – Workforce Development
Energy Disclosure Ordinances

Midwest

• Existing ordinances in the Midwest:
  – Chicago, IL
  – Minneapolis, MN
  – State of Kansas
  – State of South Dakota
# Energy Disclosure Ordinances

## Nationwide

<table>
<thead>
<tr>
<th>Location</th>
<th>Energy/Utility Costs</th>
<th>Energy Efficient Characteristics</th>
<th>Home Energy Score</th>
<th>Energy Audit</th>
<th>Educational Information</th>
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</thead>
<tbody>
<tr>
<td>Chicago, IL</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Minneapolis, MN</td>
<td>✓</td>
<td></td>
<td>✓</td>
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<tr>
<td>Kansas</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
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<tr>
<td>South Dakota</td>
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<tr>
<td>Portland, OR</td>
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<td></td>
<td></td>
<td>✓</td>
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<tr>
<td>Berkeley, CA</td>
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<td></td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Montgomery County, MD</td>
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<td>✓</td>
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<tr>
<td>Alaska</td>
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<td>Hawaii</td>
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<td>Massachusetts</td>
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<td></td>
<td></td>
<td>✓</td>
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<tr>
<td>Austin, TX</td>
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<td></td>
<td>✓</td>
<td></td>
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<tr>
<td>San Francisco, CA</td>
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<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

[MLEA Logo]
Home Energy Score

12345 Honeysuckle Lane
Smithville, AR 72466

Score Today: 3

Average Home Score

1 2 3 4 5 6 7 8 9 10

Higher energy use

Score with Improvements

Estimated annual savings: $573

MEEA
Midwest Energy Efficiency Alliance
Home Energy Score

City of Portland Ordinance

• As of January 1, 2018, sellers of single-family homes in Portland, Oregon are required to obtain a Home Energy Report and Score at the time of listing.

• Other cities have passed similar ordinances, including Austin, Texas, Berkley, California, Santa Fe, New Mexico and Boulder Colorado.
REALTORS® & Sustainability Report

April 2019

National Association of REALTORS® Research Group

Making the Value Visible:
A Blueprint for Transforming the High-Performing Homes Market by Showcasing Clean and Efficient Energy Improvements

Pamela Brookstein
Julie Caracino

Resources
Next Steps

• For MEEA
  – Continuing Realtor engagement and outreach through ISEIF, Illinois Home Performance, Home Energy Access program, Ameren MO Real Estate Audits program

• For the Audience
  – Begin outreach to realtors in your area
    • Work with local realtor associations and Appraisal Institute chapters
  – Use MEEA as a resource for helpful tips and information on best practices
    • Fact Sheets – MLS Green Data Fields and Energy Disclosure Ordinances
Thank you!

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