How to Sell NGBS Certified Homes: WHAT YOU NEED TO KNOW
October 2013

Headlines

- Supply of Green Homes
  - Green residential construction booming; forecast is even greener
- Market for Green Homes
  - Most consumers -82% -have an interest in green
  - Confusion, uncertainty, myths reign
- Need to Close the Green Gap
  - Make "green" meaningful in consumer terms
  - Improve resources and real estate process for consumers to make informed decisions

Green Home Availability on the Rise

- New home building is expecting steep increases
- Future projections are green will be 22-25% of the market
- Renovation market shifting toward green; away from kitchen and bath upgrades
- Green homes can outcompete existing homes by offering lower monthly utility bills, improved indoor comfort, healthier homes, higher quality
- Gain the green competitive edge

Builders Say:
Willingness to Pay for Green

- 61% builders report customers will pay more for a green home
- Variation by region
- Experienced green builders report:
  - Consumers willing to pay more
  - Green costs them less


Green Sales Fibs
Don't Listen to the Myths

- Green doesn’t matter
- Green is too expensive
- Only energy efficiency matters
- No one asks for green
Green Home Facts

- Buyers want (benefits of) green homes, but may not know how to ask for it
- Buyers mostly motivated by personal interest, BUT green homes provide the benefits that buyers care about
- Significant generational geographic, and gender differences
- Different markets respond to different messages

Consumer Research on Green

- 84% want to be known for having a green life
- 66% say they have become more environmentally responsive over the past 2 years
- 90% want to live a more green life

Consumer Preferences Survey, Green Builder Media March 2013

- 66% don’t incorporate more sustainable ideas into their lives because green products / systems are too expensive
  - Consumers interested in cost conscious products and mainstream alternatives
  - 85% believe showcasing energy efficiency and durability would positively impact sale of the home
  - 93% want to see green features listed on MLS

Consumer Preferences Survey, Green Builder Media March 2013
Consumer Research on Green

- 80% said they would look for a green designation when buying a new home
- Top of mind for green living included
  - Energy efficiency
  - Leaving the world a better place

Consumer Preferences Survey, Green Builder Media March 2013

Massive Middle Greens

- Super Greens
- Upper Middle Greens
- Lower Middle Greens
- Green Rejectors

To Save Earth

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<th>Gender</th>
<th>Personal Benefits</th>
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Mainstream Green, Ogilvy & Mather April 2011

What Does that Mean?

- 78% Americans are “somewhere in the middle” regarding living a sustainable lifestyle
- 82% have good green intentions
- Consumers unwilling to compromise on performance for sustainability
- Excluded from green movement – not rich enough or cool enough
- Confused and frustrated – What the heck is my carbon footprint?
Super Greens
Motivated by green guilt

- No green gap
- Motivation to reduce environmental impacts
- Environment is biggest threat facing the planet
- Feel twice as much guilt
- Green actions make them feel "not normal"

Upper Middle Greens
Influenced by Beliefs

- Follow green movement, not leading
- Believe water and oil crisis is important
- Freak weather caused by humans
- Performance trumps green attributes
- Purchases influenced by beliefs unless too expensive

Lower Middle Greens
Influenced by Beliefs

- Environmental problems are hype
- Believe green label is way to increase cost
- More influenced by personal and immediate benefits
- May be influenced more by desire for energy independence
Women Lean Green

- Women make or influence 83% of home decisions
- Very interested in health and safety of family
- Show-and-Tell very effective
  - Visual aids – cutaway walls, electronic aids for savings
  - Tactile displays – Low-E glass demo, feel air flow
  - Sound demonstrations – quiet appliances
- Explain new technologies, i.e. tankless water heaters, MERV filters
- Well-trained sales staff to answer detailed questions
The Millennial Generation

- Between ages 16 and 34
- 79 million Millennials in US right now (76m Baby Boomers)
- Most environmentally educated generation
- More likely to purchase items associated with a cause
- 65% willing to pay more if investment going toward environmental cause
- Civic-minded and believe community extends beyond their backyard
- Global, social conscience

Fastest Growing Paint Company
... In the World

Mythic
NON-TOXIC PAINT

People Against Dirty
Revenues Exceed $100m

method. a cleaner clean
Green Marketing Mistakes: Don’t Do This

- Rely on energy efficiency as the silver bullet
  - 50% people think their homes are already energy efficient
  - 71% think they are using same energy now as 5 years ago (Shelton Group)
  - Lower operating costs doesn’t resonate as much with luxury home buyers

Performance is king
- Frame greenness as an additional benefit instead of the primary quality
- Know your consumer to tailor the message and product
- Sustainability is about a better quality of life

Don’t Run Afoul of the Federal Trade Commission

- FTC brings enforcement actions against false or misleading claims
- Increasingly concerned about greenwashing
- FTC defines greenwashing as:
  - Overstatement of environmental attributes
  - Emphasis on single environmental attribute with others ignored
  - Irrelevant claims
Federal Trade Commission
Guidance on Green Claims

- Good green claims
  - Specific
  - Qualified
  - Substantiated

- Bad green claims
  - Inflated or unsubstantiated claims: specific health claims
  - Vague claims: all natural, environmentally-friendly
  - False eco-labels: self-certification
  - Irrelevance: No lead paint

Certification Marks

- FTC specifically concerned with certification marks
- 80% respondents found certification by independent, third-party organizations provides extra credibility and assurance
  - And they influence purchasing decisions significantly
- State basis for certification
  - First Party
  - Second Party
  - Independent, Third-Party

Lesson #1
Market the Certification Mark
Lesson #2
Sell the Personal Benefits
What Matters Most to Consumers

1. Healthy Place to Live
2. Lower Operating Costs
3. Part of a more sustainable lifestyle

Healthy Home

- Dry
  - Moisture attracts pests, contributes to mold
  - Water issues much more problematic and costly than energy efficiency
- Ventilated
  - Ensures pollutant sources are not problematic for occupants
  - Fresh air improves indoor environment
  - Ventilation can remove moisture from cooking, bathrooms
- Contaminant-Limited
- Consumers willing to pay, even if no payback

Lower Operating Costs

- Energy and water savings
- Includes lower maintenance costs
- Train sales staff to explain what features contribute to water and energy savings
  - Locate products, appliances, practices with signage
  - State usage comparisons for non-green choices
- Most consumers willing to pay up if investment pays back over time
Part of a Sustainable Lifestyle

- Walkability
- Durability
- Ease of maintenance
- Good for the environment
- Less willing to pay for features w/o payback to investment

ENERGY STAR® APPLIANCES

ENERGY STAR qualified appliances incorporate advanced technologies and use 10 to 50 percent less energy than standard appliances.

OPTIMUM VALUE ENGINEERING

Advanced house framing uses less lumber so it saves trees, saves on labor costs, and reduces construction waste. Less really can be more - less lumber means more room for insulation and greater comfort.
Federal Trade Commission
Guidance on Green Claims

- General Claims
  - 'Green' or 'eco-friendly' too broad and difficult to substantiate
  - Avoid them
- Certifications/Seals of Approval
  - Specify if the certifications on home (or products in home) is from an industry trade group
  - Substantiate any claims that come with the certification

Green the MLS

- Helps buyers quickly find green homes
- Makes it easy to fully promote the special features of a green home
- Supports more accurate comparison for appraisals of green homes
- www.greenthemls.org
- Also support using appraiser with expertise in green properties
Huh?

- R-38 Attic, R-19 Overhangs, R-13 Exterior Walls
- Insulate Air Tight Energy Seal Package
- Vinyl Double Pane Thermal Insulated Low E Glazed Single Hung Windows w/Tilt Lower Sash & Screens
- 90% Efficiency Natural Gas Furnace
- 50 Gallon Electric Water Heater
- Central Air Conditioning-13 SEER
- Comfort Foam® Spray Foam Insulation in Key Areas
- MERV 8 Airfilter
- Honeywell Programmable Thermostat

Marketing Message Don'ts

- Guilt to “Save the Planet” doesn’t work
- Neither does Gloom and Doom
- No one understands carbon footprint
- Primary audience is not “wear-it-on-your-sleeve greenies”
- Don’t be so serious
- Don’t provide a laundry list of green features

Marketing Message Dos

- Define what “green” means
- Target your message to your buyers
- Employ logic and engage emotion
- Connect with a consumer’s values
- Focus on benefits, not features
- Reclaim notion of lifetime value