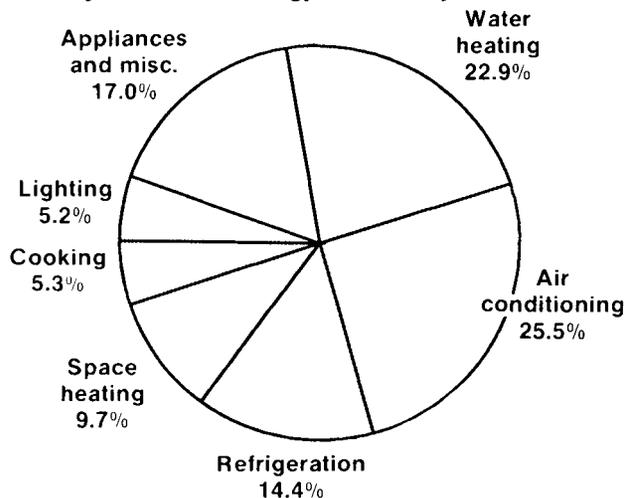

Chapter 2

How To Market Energy-Efficient Houses

1. What do home buyers want?

Ever since the oil embargo of 1973, American homeowners have been interested in energy conservation. A recent Wall Street Journal/NBC poll found that 89% of the consumers surveyed felt energy conservation was important today, and more than 75% felt there would be another energy crisis in the future. In another major study of special interest to builders — a *Professional Builder* survey of active home shoppers — almost 56% of the respondents said they would spend as much as \$1000 extra on their new house to save just \$100 a year in energy costs, and more than 17% said they would spend even more to have greater yearly savings.

Your clients will probably be surprised when you show them the chart below and they see just how much of their power bill goes toward air conditioning, house heating and water heating (subjects which are covered in detail in this book). It's worth taking the time to show them where energy is wasted and where you can save energy and money for them.



**Breakdown of a typical Florida
residential power bill.**

*Governor's Energy Office Annual Report
to Legislature 1982*

Your energy-efficient home will help reduce the occupants' dependence on mechanical air conditioning and heating equipment. **The strategies described in this book** — including cool roofs, tight houses, shaded windows and other building techniques — **will be effective in making the home comfortable as well as efficient.**

Because you have built an energy-efficient home, your clients will enjoy lower power bills. This translates into more available spending money from their paychecks every month, and into significant long-term savings as energy costs continue to increase in the future.

Energy conservation is on people's minds and gets their attention. Your customers may already be asking you about weather-tightness of the house, types of windows used, etc. They know that maintenance expenses, furniture costs, taxes and most other home expenses will keep going up, and there's little they can do about it. But they can do something to control their energy costs.

Further, many energy-related products and design features are desirable for reasons beyond dollar savings:

- Proper site selection can provide a better view and more enjoyable use of the yard and other outdoor areas.
- A well-designed house can mean many more days with open windows and fresh air.
- Well-insulated, tightly sealed houses have quieter interiors and fewer drafty areas.
- Lower ceiling and wall temperatures lessen the load on the air conditioner, and also increase the comfort of people near them.
- Tighter and energy-efficient construction makes homes look and feel better and is a tangible sign of quality.

Some of these strategic features will be evident to your clients when they see your houses. Other features are less tangible, less visually apparent, but this book suggests how you can effectively describe them to your clients. So there's no need to worry about how to sell energy efficiency — just include it as part of your total marketing effort. Remember, people don't buy energy alone, but they will give energy a high priority in making their final decision.

Your concern for the efficiency of kitchen appliances, the reduction of air leakage into and out of the house, shading of east and west walls and other building strategies will enhance your reputation.

Studies confirm that people with better educations and higher income levels are the most energy-conscious. They will be more likely to develop a strong bond with your company if they perceive you as being energy-aware. But regardless of the market segment you are targeting, you can use energy to talk about the clients' needs. For example, the lower fixed incomes of many senior citizens, along with their strong desire for home comfort, makes energy efficiency a sought-after feature in their choice of a new home. Other home buyers looking to move up to a larger home do not want higher power bills.

2. Sales techniques

How do you market an energy-efficient home? Use the same sales techniques, marketing strategies and promotional materials that have been successful in selling conventional houses. Talk about the location of the house, the workmanship, floor plan, aesthetics and amenities. After all, people really aren't coming to you to buy energy efficiency. They want to buy a house, and they'll base their decision largely on quality, value, size and setting. But all else being equal, a house that is built for home owner comfort and lower utility bills will be more in demand.

Successful builders know they must **sell benefits, not merely features**. People won't care about a solar water heater, extra insulation or a heat pump unless they know what it means to them. They will care about lower utility bills and more comfortable houses. You've got to educate your buyers and tell them the benefits of your houses. Advertising people have long known that you do better when you sell the "sizzle" along with the steak.



A home designed and built for comfort and lower utility bills will be more in demand.

There are some things you can do during construction to make it easier to market additional products or services later. For example, you can pre-wire the main living rooms and bedrooms for ceiling fans, which will make later fan installation much easier. This is an effective marketing strategy — another beneficial feature you can point to in your homes.

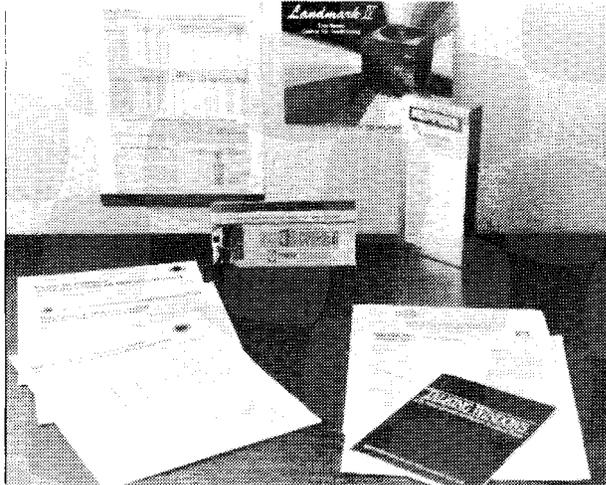
Think about using special incentives centered on energy efficiency. For example, you can tell buyers what their power bills should average, and then agree to pay 50% of any excess over the average during the first year (or even two or three years). Be very conservative and quote higher utility bills than you think will occur — not just to save incentive money, but because your buyer will be pleasantly surprised to find the house's performance is even better than promised. Buy special energy-efficient appliances for the home and feature them — along with their "Energyguide" labels and estimated savings information. Do all that you can to show that your home will save the buyer money.

One of the best things you can do — for yourself and your client — is to offer optional pre-construction "energy packages". These packages provide a solid source of extra income. They might include an upgraded, efficient water heater and refrigerator, several ceiling fans, an attic radiant barrier, and awnings on the east and west windows. The home buyer can save some money by buying the entire package, and you can install the features during home construction.

Contact your local gas and electric utilities to see if they offer builders promotional incentives to construct energy-efficient homes. If so, not only can you benefit financially, but you can send the utilities' promotional material to prospects as evidence of your home's efficiency. Suggest the utilities begin adopting programs to encourage energy-efficient homes if such programs are not currently available.

There are a number of marketing strategies that builders have used successfully to sell energy-efficient homes. The following promotional ideas can make your model homes or presentation center stronger parts of your marketing effort:

- Line the walls of your model homes with energy awards you have won, recommendations from manufacturers of energy-efficient equipment, and photos of various energy features.
- Display copies of utility bills from clients who now live in energy-efficient homes, along with photos of their houses.



Give out fact sheets, energy notes, checklists of features, and manufacturer's literature.

- Set up a slide show to run continuously while people visit the models, emphasizing the quality of your work and the comfort of your houses.
- Put together displays with samples of the radiant barrier foil, insulation, thermostat, etc.
- Post copies of your energy code forms showing the credit your houses have been given for the above features. Display posters showing energy code ratings, especially if your homes have an Energy Performance Index (EPI) of 75 or less.
- Use models and cutaways of walls, attics and other parts of the house to show construction

details and close-up views of your quality workmanship.

- Give out fact sheets, brochures and other literature from the manufacturers of windows, shingles and appliances used in your homes that show their commitment to energy efficiency. Display ads from consumer magazines featuring the products you have used.
- Hand out a checklist of your homes' energy-efficient features. Ask prospects to compare those features with the energy options offered by other builders. Go into detail about any energy-savers which are not readily apparent, including site planning, floor plan, overhangs, radiant barriers, an efficient air conditioner and insulation; and, as well, draw attention to obvious features such as ceiling fans and exterior shades.
- Put signs on the appliances, calling the attention of prospective buyers to the efficiency and savings of the water heater, refrigerator, etc.
- Contact the Florida Solar Energy Center (300 State Road 401, Cape Canaveral, 32920) and the Florida Energy Extension Service (IFAS Bldg. 664, University of Florida, Gainesville, 32611) for energy notes and fact sheets that you can hand out to clients and make available in the model homes. Most of the informative literature is available at no cost, and contains the latest energy-conserving information. This can be especially beneficial since it is information coming from a third party, not directly from your company.
- Train your salespeople to explain the benefits and features of the energy savers. Many salespeople use energy efficiency as a great close to their presentations, showing the difference between their company's and the competitors' homes. In other words, don't just tell clients that your houses are energy-efficient; every builder does that. Show them what you've done and explain how they will benefit from it.

Finally, give some thought to the basic marketing strategies you are using today, and adapt them to stress the energy efficiency of your homes. Emphasize in your advertisements the cost savings and added comfort of your homes. Develop mailing lists of people interested in energy and the environment. Keep up a public relations effort, regularly sending news stories to local real estate and business editors about your home plans, new salespeople, etc. Hold special events at your model homes and invite the

media. And, again, use the basic marketing tools to point out the differences between your homes and those of your competitors. A demonstrated commitment to energy efficiency makes you different!

3. The economics of energy savings

Some buyers may perceive energy efficiency as adding to the cost of the home. Your sales team should show them how their energy savings will pay back their investment in a relatively short time and

lower the cost of owning the home. Some other buyers won't be concerned about the size of their present utility bills, so you should tell this group how energy efficiency improves comfort and is a form of insurance against any rise in utility rates.

To provide enough electricity for Florida's rapidly growing population, our state's utilities may make large capital investments for new power plants. In addition, fuel prices are almost certain to rise again. As a result, energy costs may increase in the future at a rate greater than inflation. You can use this

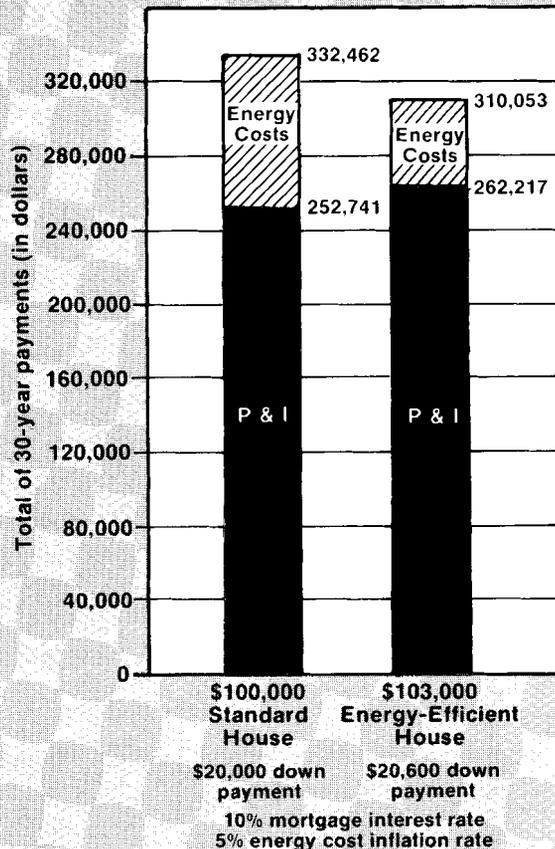
Example

Consider an average home with minimum energy-saving features, sold for \$100,000, with 20% down and 10% interest on a 30-year mortgage. Monthly payments on the \$80,000 to be financed will be approximately \$702, for a total 360-month payment of \$252,720 (making the total cost of the house \$272,720 with the \$20,000 down-payment). Current Florida electricity and fuel rates might average \$100 per month for a less-efficient home in this price range. Assuming an annual average escalation of 5% in fuel cost, this home owner could pay \$79,721 for energy during the 30-year mortgage period. That's an *additional one-third* of the mortgage payment, just for energy costs!

But take that same home and put in the no-cost and low-cost energy-saving features described in this book, and you should be able to reduce the home owner's energy bills by as much as 40%. Suppose these features raise the selling price by \$3000 — that is, \$2000 to cover the costs of many of the energy-saving strategies described in this book and \$1000 profit for you. The buyer now is purchasing the house for \$103,000. Only \$600 more is needed on the down-payment, and mortgage payments will increase only \$26 monthly, to \$728. However, that \$3000 extra investment in the home will in many cases reduce the first year's utility costs by up to \$40 per month. Total the energy savings for the entire 30 years, and your buyer could pay \$47,836 — or \$31,885 less in energy costs. Subtract \$9400 for the higher mortgage payments, and total savings will still be more than \$22,000.

Of course, savings will be lower than this if energy costs increase less than 5% per year. However, if energy costs increase at a greater rate

— 10% per year, for example — the efficient house will cost the home owner \$118,436 for energy over the life of the mortgage, versus \$197,393 for the conventional home. This represents a savings of almost \$79,000 for the owner of an energy-efficient home.



Sample comparison of 30-year costs of energy-efficient and standard home with energy costs increasing at 5% per year.

likelihood as an important selling point in terms of the direct financial savings that energy efficiency offers your home buyers.

Many mortgage lenders, including Freddie Mac, Fannie Mae and FHA, are rewarding buyers of energy-efficient homes by making it easier for them to qualify. Buyers have reported that lenders are offering greater debt-to-income ratios for energy-efficient houses, with the result that buyers can get more house by putting money they would have needed for higher utility bills toward the cost of the home itself. Because the savings on monthly utility bills will be larger than any increases in mortgage payments, people can afford the new home. In addition, appraisers are including the value of solar and passive energy features when evaluating houses. That can be a benefit to the home owner for resale, too.

Beyond benefiting the home buyer, you can save money by offering energy-efficient features. Think how much it costs you to carry a house for a month. If you can sell it two weeks sooner because energy efficiency attracted a customer, you have substantial additional profit. How much does it cost to install an efficient water heater instead of a conventional unit? How about a set-back thermostat, radiant barrier, or ceiling fans? For modest extra costs, you'll have solid marketable features that should make your homes sell faster.

For your homes to be economically attractive to buyers, energy-efficient features must provide substantial monthly utility savings. By following the strategies in this book, you will be able to give clients a number of energy-efficient features at very low initial cost, almost certainly assuring them that their monthly savings will quickly pay back the extra costs and continue reducing their expenditures for many years to come.

An example of how energy efficiency can affect a home buyer's expenses is shown on the preceding page. You may wish to reprint this on a sheet to be handed to all prospects so they can take it with them and study the numbers. You can also adapt this example to numbers specific to the homes you are building.

Be aware, though, that individual living-style differences can significantly affect the actual energy bill.

You may want to provide copies of energy-efficiency tips clipped from newspapers and magazines to educate buyers toward even lower utility bills.

4. Summary

Many energy-saving features can be incorporated into your homes for little or no cost. These features can make your homes more marketable and stimulate increased sales through word-of-mouth from satisfied buyers. Even a couple of thousand dollars in extra energy-efficient building strategies can translate into hundreds of dollars in energy savings for your clients every single year. They'll also have a more comfortable home that will appreciate in value while giving them protection against future energy increases. Selling energy efficiency means you will sell more homes and sell them more quickly. You'll establish your reputation as a builder of comfortable, quality homes, and you will be distinguished from the builders of conventional homes. This book provides you with the information you need to provide, sell, and *profit* from energy-efficiently constructed homes.

5. For further information

"Enticements to Conserve Energy," S. Andrews, *Builder* (Jan. 1987, pp. 82-84).

"Selling Homeowners on Energy," S. Andrews, *Solar Age* (May 1986, pp. 28-30).

"Energy Efficiency: A Marketing Tool," G. Cook (Florida Energy Extension Service, EES-24).

"Marketing: Methods To Show Your Strength," A. House, *Progressive Builder* (Nov. 1986, p. 33).

"Selling Conservation Packages," D. Wadleigh, *Solar Age* (Jan. 1986, pp. 30-31).

"Marketing Essential to Future Sales," *Nation's Building News* (Jan. 17, 1987, p. 9).

"Energy Efficient Homes That Sell," *Solar Engineering & Contracting* (Jan./Feb. 1985, pp. 26-28).

Selling Solar Successfully, D. Root, K. Sheinkopf and C. Kettles, Florida Solar Energy Center, FSEC-GP-27, 1985.