

# SEVEN 'GREEN' TRENDS AND THEIR IMPLICATIONS FOR ALBERTA REALTORS®

## PART A: GREEN ALBERTA REALTOR® PROGRAM — FEASIBILITY STUDY

### Executive Summary

Given the recent surge of media attention and consumer interest in “green” issues, AREA and AREF commissioned research to better understand the implications for Alberta REALTORS®. Seven key trends were identified that together begin to make the case for enhanced attention to green issues by Alberta REALTORS®.

TREND	IMPLICATIONS FOR ALBERTA REALTORS®
<b>#1 The Alberta residential housing industry is a national leader in building new green homes, largely because of Built Green™ Alberta. Over 4600 Alberta homes have already been enrolled and by 2010 the Alberta Home Builders' Association is aiming for <u>all</u> homes built by their members to be rated and labelled by Built Green™.</b>	⇒ A growing proportion of Alberta's residential housing stock is going 'green'; be prepared to understand what makes these homes green and support clients interested in selling or purchasing one.
<b>#2 The LEED® certification standard for green commercial and public buildings is growing in Alberta (and standards for residential and neighbourhood application are coming soon).</b>	⇒ Lead by the cost advantages of overall operating and maintenance that translate directly into net rent, shorter lease up and a more marketable building, a growing proportion of Alberta's commercial and public buildings are also going 'green'. As construction and energy prices continue to climb, the business case for retrofitting and new construction of green buildings will continue to mount. Overtime, this will result in a growing market share for green buildings in Alberta.
<b>#3 More learning opportunities for Real Estate Professionals to bridge the gap between real estate and environmental issues are becoming available.</b>	⇒ For Alberta REALTORS® interested in becoming more informed about green issues, an existing option is to attain the USA based EcoBroker designation. The National Association of Green Agents and Brokers also plans to teach real estate agents how to promote green homes and encourage homeowners to make energy-efficient upgrades, however, whether this will be available in Alberta is unclear.
<b>#4 Other related sectors are also developing training to 'go green'.</b>	⇒ Sectors complementary to Real Estate are reading the 'green' signals and responding either by providing new products, incentives or training. As this trend continues, it may become more challenging for Alberta REALTORS® to remain up to date and informed to best serve their clients.
<b>#5 New Green Building financial incentives and mortgages are now available.</b>	
<b>#6 Client 'green' values are shifting and they are becoming more informed and may be willing to pay more for a green home.</b>	⇒ Whether motivated by environmental values or the drive to save money through greater energy efficiency, consumers are becoming more educated and informed, creating a growing demand for informed REALTORS®.
<b>#7 Enhancing 'green' awareness is in alignment with Alberta REALTORS® codes of practice, Quality of Life program and results of recent CREA surveys.</b>	⇒ Realtors themselves are beginning to recognize the importance of environmental issues and real estate. Pursuing improvement in this area is fully congruent with REALTORS® codes of practice, programs and survey results.

### ALBERTA REAL ESTATE ASSOCIATION

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PAPER BY MONICA K POHLMANN & ASSOCIATES OCTOBER 2007

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### Context

Given the recent surge of media attention and consumer interest in “green” issues (e.g., environmental issues, climate change, energy efficiency, green buildings, and green consumer products), AREA and AREF are interested in:

- A. understanding the implications of “green” trends for Alberta REALTORS® and consumer demand, now and into the future;
- B. gauging Alberta REALTORS®’ interest in this trend, their information needs and preferred modes of learning/becoming more informed; and
- C. based on the above, developing options for how AREA might assist interested REALTORS® to remain up to date and informed to best serve their clients.

This paper has been developed to address Part A.

### Introduction

Seven key trends have been identified that together begin to make a compelling case for enhanced attention to green issues by Alberta REALTORS®. Each trend statement is followed by supporting information and an outline of potential implications for Alberta REALTORS®.

**#1 The Alberta residential housing industry is a national leader in building new green homes, largely because of Built Green™ Alberta. Over 4600 Alberta homes have already been enrolled and by 2010 the Alberta Home Builders’ Association is aiming for all homes built by their members to be rated and labelled by Built Green™.** (Source: [Built Green Canada Society](#))

- ▲ Built Green™, first developed in Alberta, is an industry driven voluntary home certification program that adds value to new home construction by promoting the use of practices and products that are resource-efficient and environmentally friendly. The Built Green™ Bronze, Silver and Gold achievement levels offer participating builders a way to distinguish themselves in the marketplace and an opportunity to offer the consumer flexibility in a variety of price ranges.
- ▲ Over 4600 Alberta homes have already been enrolled in Built Green™.
- ▲ The City of Lethbridge’s community of SunRidge, is the first Canadian municipality to develop a complete Built Green™ Community.
- ▲ 40% of all EnerGuide for New Houses rated homes in Canada are in Alberta. (As of May 10, 2006: 1,337 in Alberta & 3,357 total in Canada.)
- ▲ One of the strategic objectives of the Alberta Home Builders’ Association is for all homes built by their members to meet Kyoto targets (80 on the Energuide for new homes scales) by 2010; one of their objectives for achieving this goal is for all houses to be rated and labeled by Built Green™ in Alberta.
  - For comparison, in the USA, an April 2007 survey of NAHB home builders conducted by McGraw-Hill Construction claimed that 40%-50% of the homes built in 2010 are expected to be green.
  - Interest in green remodelling also continues to grow. About 40 percent of those who have recently completed home remodelling or renovation work in their homes reported that they used green products or materials, the [McGraw-Hill Construction](#) research found

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- ▲ Drake Landing in Okotoks is Canada's first solar sub-division with 52 solar heated homes – up to 90% of the community's heating needs will come from solar energy – the first in the world to deliver such a high percentage (Calgary Herald, September 13, 2007).

#### Implications for Alberta REALTORS®:

A growing proportion of Alberta's residential housing stock is going 'green'; be prepared to understand what makes these homes green and support clients interested in selling or purchasing one.

#### #2 The LEED® certification standard for green commercial and public buildings is growing in Alberta (and standards for residential and neighbourhood application are coming soon).

- ▲ According to J.J. Banicke Calgary's [Office Report](#), with all of the construction occurring across the country, there is a move toward more environmentally friendly practices and leading edge building design by both the private and public sector. Leadership in Energy and Environmental Design (LEED®) certification is the latest trend in construction and one that is here to stay.
  - What is LEED®? Buildings that are LEED® certified incorporate design, construction and operational practices that combine healthy, high-quality and high-performance advantages with reduced environmental impacts. This translates into a healthy, more productive environment for tenants with better air quality and lighting. For owners and developers, while the construction costs are typically marginally higher on a green building, the cost advantages from an overall operating and maintenance cost perspective translate directly into net rent, shorter lease up and a more marketable building. (From: [US Green Building Council](#))
  - LEED® certification can be applied to both new construction and major renovation projects. There are four levels of LEED® certification – certified, silver, gold and platinum. LEED® requires a project to submit detailed documentation of performance standards which are technically reviewed before certification.
- ▲ The City of Calgary and the Government of Alberta have both adopted policies embracing LEED® standards (e.g., City of Calgary requires that all new City facilities and major renovations over 500 square metres must achieve a minimum LEED® Silver rating).
- ▲ There are 15 LEED® certified projects in Alberta, third most in the country after British Columbia with 27 and Ontario with 25. Examples include North Hill Home Depot in Calgary, Spruce Grove City Hall, St. John Ambulance Edmonton & Provincial Headquarters and the Canmore Civic Centre.
  - **Case example:** The City of Calgary Water Centre – housing the Waterworks and Wastewater Departments – is a 16,000-square-metre building located on a five-acre brown field site that will be fully restored and planted with native vegetation. Compared with a conventional facility, the centre is expected to use 58 per cent less energy and 59 per cent less water and produce 72 per cent less wastewater; 95 per cent of construction waste will be diverted from landfills. ([for more examples](#) of Alberta LEED® certified projects).
- ▲ Recently guidelines were also developed for the application of LEED® in multi-unit residential buildings. The American Green Building Council is currently working on standards for residential and neighbourhood application as well.
- ▲ Despite popular notions to the contrary, environmentally conscious facilities don't take more money to build than traditional buildings, according to a [July 2007 report by Davis Langdon](#), a San Francisco-

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based consulting business. The report, which studied 221 new construction projects, found no significant difference in the average costs for green buildings and non-green buildings. Green buildings were defined as those in which the primary goal was to achieve LEED® certification.

- ▲ More than 41% of the 300 U.S. real estate investment trusts (REITs) are actively pursuing energy efficiency and green building upgrades. Another 27% plan to do so. Factors driving the trend are: rising energy and water costs, building green no longer costs more, client preference, enhanced employee productivity (from: [Realtor Magazine Online](#) June 26, 2007).

#### Implications for Alberta REALTORS®:

Lead by the cost advantages of overall operating and maintenance that translate directly into net rent, shorter lease up and a more marketable building, a growing proportion of Alberta's commercial and public building are also going 'green'. As construction and energy prices continue to climb, the business case for retrofitting and new construction of green commercial and public buildings will continue to mount. Overtime, this will result in a growing market share for green buildings in Alberta.

### #3 More learning opportunities Real Estate Professionals to bridge the gap between real estate and environmental issues are becoming available.

#### United States:

- ▲ [EcoBroker International](#) was founded in 2002 in response to a perceived disconnect between the real estate and green industries.
  - EcoBroker's training curriculum and other services are designed to bridge the gap between real estate professionals and the green market. Brokers that complete the curriculum, three 6-hour online classes, can brand themselves as "EcoBrokers," thus differentiating themselves and drawing green-minded home buyers and sellers. The curriculum is under constant development in order to keep pace with the industry.
  - There are now thousands of EcoBrokers across the USA, Canada, and the Caribbean. According to EcoBroker, there are no other US designations providing a similar curriculum and training. When real estate professionals earn the EcoBroker designation, they become 'green ambassadors' who know more about energy-efficiency, green building programs, indoor air quality, sustainable development, and environmental issues.
  - While the EcoBroker Web site provides no specific numbers on the income benefits of the designation, they do offer the 'EcoBroker Designation Guarantee', which states, "during your first year of designation, you will increase your personal commission income, or we will refund 100% of your designation fee."

#### Canada:

- ▲ Two Canadian real estate professionals have developed their own response to bridging the gap between real estate and environmental issues. Elden Freeman, executive director of the non-profit [National Association of Green Agents and Brokers](#) plans on joining forces with James Rodgers, executive director of [B.C.'s Greener Realty Association](#), to help teach real estate agents how to promote green homes and encourage homeowners to make energy-efficient upgrades.
  - Rodgers and Freeman believe mandatory energy evaluations — which assess insulation, appliances, furnaces, air conditioners and exhaust fans, and measure how airtight a home is — are the way of the future. As they are in Britain for homes with four bedrooms or more.

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- Hundreds of Realtors have taken the first course Freeman set up on energy efficiency, which can earn Ontario real estate agents RECO credits. Participants learned what to look for while examining houses, how to help clients collect rebates for upgrading energy efficiency, find an energy auditor, and determine which changes to make. A new course this fall will examine sustainable design. Freeman plans to add courses in 2008 on healthy homes and green financing. He sees that real estate agents and brokers are good at "staging" a home to boost its curb appeal, but rarely mention energy-efficient windows, insulation, low-flow showerheads or high-efficiency furnaces.

"The response to green real estate has been incredible," said Rodgers, who can provide potential home-buyers with references to green real estate agents in B.C., Alberta, Manitoba, Ontario and Quebec. "There's market demand right across the country."

#### Implications for Alberta REALTORS®:

For Albert REALTORS® interested in becoming more informed of green issues, an existing option is to attain the USA based EcoBroker designation. The National Association of Green Agents and Brokers also plans to teach real estate agents how to promote green homes and encourage homeowners to make energy-efficient upgrades, however, whether this will become available in Alberta is unclear.

#### #4 Other related sectors are also developing training to 'go green'.

- ▲ The Canadian Mortgage and Housing Corporation (CMHC) is involved in sustainable building related research and pilot projects across the country. A recent project included providing support for the training of the building trades of members of Built Green Alberta through the development of a program by the Southern Alberta Institute of Technology for the Calgary Region Home Builders' Association. The goal was to develop a program for training the construction trades in green building techniques, specifically for the builders taking part in the Built Green Alberta Program.

#### #5 New Green Building financial incentives and mortgages are now available.

- ▲ Since 2003, the [Canada Mortgage and Housing Corporation](#) (CMHC) has offered an incentive for homebuyers who need mortgage insurance to buy certified energy efficient homes or to buy existing homes and make them more efficient: They can receive a 10 per cent refund on their mortgage loan insurance premium and extended amortization periods of up to 40 years without any surcharges. All homes must be either certified under one of the energy-efficiency programs or have energy audits to prove their energy efficiency rating.
- ▲ Banks and credit unions are starting to offer what they call "green mortgages" and "green loans". Otherwise known as Energy Efficient Mortgages, these usually involve preferential rates for customers who want to buy an energy-efficient home or buy an un-efficient home and fix it up. Various types of loans exist. Often, they let consumers borrow more money than would normally be the case based on the idea that homeowners will be able to handle the higher monthly payments because they are saving on their energy bills. Citizens Bank began offering green mortgages last April in Ontario and will expand them to other provinces by next spring. TD Canada Trust is also said to be looking into this. (Source: [CanWest](#) News Service, September 08, 2007)

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- ▲ Natural Resources Canada's [ecoENERGY](#) Retrofit program provides financial support to [homeowners](#), small and medium-sized [businesses, public institutions](#) and [industrial facilities](#) to help them implement energy saving projects that reduce energy-related greenhouse gases and air pollution, thereby contributing to a cleaner environment for all Canadians. ecoENERGY Retrofit was launched April 1, 2007 and is scheduled to end March 31, 2011.

#### Implications for Alberta REALTORS®:

Sectors complementary to Real Estate are reading the 'green' signals and responding either by providing new products, incentives or training for workers. As this trend continues, it may become more challenging for Alberta REALTORS® to keep up to date and informed to best serve their clients.

#### ***DID YOU KNOW... The built environment and impact on the "environment":***

- ▲ *In Canada, 40 per cent of greenhouse gas emissions are attributed to the construction and operation of homes.*
- ▲ *The average Canadian household spends about \$1,500 each year on energy. Energy-efficiency can reduce this bill by \$400-450 annually. Heat and air conditioning account for 45 percent of the energy bill; water heaters use up 11 percent; washer and dryer 10 percent; lighting the home is 7 percent, while the refrigerator is 6 percent of the bill (from: [Coldwellbanker](#)).*

#### **#6 Client 'green' values are shifting and they are becoming more informed and may be willing to pay more for a green home.**

- ▲ In a 2006 [poll](#), the American Institute of Architects found 90% of respondents were willing to pay \$5,000 more for a home that would use less energy and protect the environment.
- ▲ Six in ten Canadians would be willing to pay more upfront for green building products because they know them to be better for the environment and have the potential to save money in the long run, according to an April 2007 survey conducted by [Ipsos Reid](#).
- ▲ Eight in ten Canadian homeowners say they have taken action to personally help reduce greenhouse gasses by increasing the energy efficiency of their own homes, according to another April 2007 also by [Ipsos Reid](#).
- ▲ The October 2007 [RBC/Ipsos Reid](#) Renovation Study (and as reported in the [Calgary Herald](#) October 13, 2007) found that:
  - 60 per cent of homeowners say their future renovation plans already include at least some environmentally-friendly renovations.
  - 78 per cent of Canadians will at least consider environmentally-friendly renovations if it saved them money in the long run — even if such improvements cost more now.
  - In Alberta, 58 per cent of parents were motivated to choose eco-friendly renovations by their children, while only 54 per cent where motivated by government.
- ▲ In the USA, an April 2007 [survey](#) conducted by McGraw-Hill Construction found that:
  - 63 per cent report lower operating and maintenance costs as the key motivation behind buying a green home. Additionally, nearly 50 percent said they are motivated by environmental concerns and their family's health.

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- The new green homeowner is affluent and well educated, in his/her mid forties and married. Women are also more likely to be green homeowners.
- More than 60 percent of those surveyed say that consumer awareness, additional costs and the limited availability of homes are obstacles to green homes gaining a bigger market share. However, green homeowners view education as the biggest hurdle to overcome.
- ▲ According to the Consumer Trends Report, Industry Canada, 2004, on average, Canadian consumers are more highly educated than ever before.
  - Over the last two decades, the proportion of Canadians 25 years of age and older with some post-secondary education increased from 29 percent in 1981 to 48 percent in 2001. Research suggests that a rise in education levels can lead to more efficient consumer behaviour, such as paying less money for the same goods and services (HRDC and OECD 2000).
- ▲ A 2007 [survey](#) by the Canadian Federation of Independent Business (including more than 1000 responses from Alberta) indicated that 81% had made environment-friendly changes to their small-businesses because of personal ethics, while only 50% cited potential cost savings as the most important consideration.

#### Implications for Alberta REALTORS®:

Whether motivated by environmental values or the drive to save money through greater energy efficiency, consumers are becoming more educated and informed, which may stimulate a growing demand for informed REALTORS®.

#### #7 Enhancing 'green' awareness is in alignment with Alberta REALTORS® codes of practice, Quality of Life program and results of recent surveys.

- ▲ AREA's Quality of Life program's goal is to make sure the values important to Albertans are reflected in the business and community practices of REALTORS® and their real estate boards. The initiative is based on five principles, including "preserving our environment".
- ▲ Enhanced REALTOR awareness of green issues is in line with the Alberta REALTOR® Standards of Business Practice, in particular Article 1:

*1. Informed of Essential Facts: A REALTOR® shall be informed regarding the essential facts which affect current market conditions.*

##### Interpretations

*1.1 A REALTOR® shall be aware of current legislation and, wherever reasonably possible, be aware of pending legislation (including zoning, government programs, etc.) which could affect trading conditions in the marketplace. (Also applies to Article 4.)*

*1.2 A REALTOR® should attend educational programs and courses which will assist the REALTOR® in remaining up-to-date and aware of matters that could affect any aspect of a real estate transaction.*

*1.3 A REALTOR® shall be aware of appropriate financing procedures, mortgaging requirements, etc. in order to properly discuss financial obligations on any transaction.*

- ▲ CREA 2007 Membership Survey results show concern for environmental issues.
  - Respondents were asked to select from a pre-determined list of 16 issues and indicate which they thought would be the most important ones in real estate in the next two years. Environmental

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issues were among the top four issues identified, with an average rating of 7.9 out of 10, after image (8.7), ethics (8.6), and resale housing inventory (8.1).

- In terms of lobbying on behalf of REALTORS®, from a predetermined list of issues or priorities that CREA should be addressing in Federal Affairs, among the top six chosen were home energy programs, environmental issues and energy conservation.
- Also interesting were the results for realtor image. REALTORS® in AB (29.9%) are more likely to state that consumer perceptions are negative or very negative (34.1% were neutral). Greater knowledge of green issues may assist with image improvement.

#### **Implications for Alberta REALTORS®:**

Realtors themselves are beginning to recognize the importance of environmental issues and real estate. Pursuing improvement in this area is fully congruent with REALTORS®' codes of practice.