



GREENING THE MLS:

Bringing High-Performance Homes to Light
in the District of Columbia



ELEVATE ENERGY
Smarter energy use for all



DISTRICT
DEPARTMENT
OF THE
ENVIRONMENT



INTRODUCTION

As the central hub for real estate market transactions, multiple listing services (MLSs) play a critical role conveying key home characteristics to potential buyers, who are increasingly interested in not only how many bedrooms and bathrooms a home may have, but also its “green” or high-performance features such as an ENERGY STAR-labeled refrigerator or energy-efficient windows. Recognizing this, a growing number of MLSs now contain fields that highlight the green and energy-efficient aspects of homes. These “green fields” can help buyers seeking a high-performance home (HPH) make more informed purchasing decisions, but are they being used by real estate professionals to capture growing market demand?

Initial analysis suggests that fully marketing the high-performance attributes of a home through the green fields offered by an MLS may be of considerable value to sellers. In general, however, current green field use is inadequate, and outreach is necessary both to increase utilization of existing green fields when a real estate agent lists a home for sale and to encourage MLSs to adopt additional green fields. Recently, the Institute for Market Transformation (IMT), in association with

Elevate Energy and RealEstate Business Intelligence (RBI), examined the real estate market in the District of Columbia to identify both the quantity of high-performance homes and the opportunities to fully market these homes in the MLS. By examining residential sales transactions from 2013 in the District, this study confirms that listings which utilized available green fields performed well in the market. In addition, the research identified clusters of third-party certified HPHs, or “hot spots,” that should be the initial focus of outreach and education to promote HPH sales in the District.

This study, funded by a grant from the District Department of the Environment (DDOE), is the first public-private partnership of its kind. While only a baseline assessment of green field usage and the market for HPHs in the District, the report sets the stage for the upcoming release of additional green fields in the Metropolitan Regional Information System (MRIS), the local MLS in the Washington metropolitan region, of which RBI is a subsidiary. On a larger scale, this study seeks to drive adoption of MLS green fields and capitalize on the growing consumer demand for HPHs.

THE MARKET FOR HIGH-PERFORMANCE HOMES

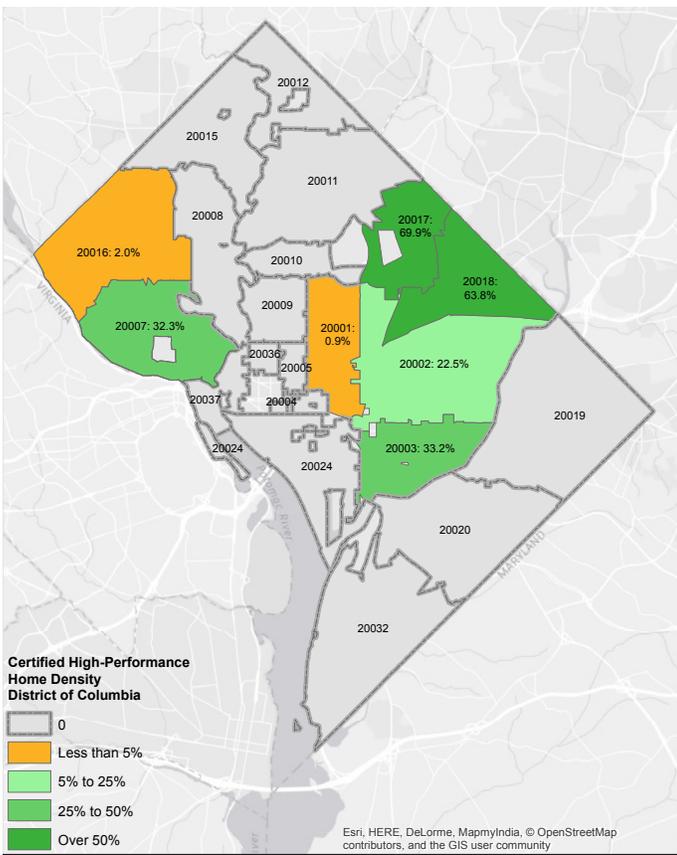
In attempting to determine the District's appetite for high-performance homes, the study reviewed three elements which are critical to any sales cycle:

- **Supply**—How many high-performance homes are there in the District and where are they located?
- **Demand**—How do homes that utilize one or more green fields compare to those that do not in terms of sales price and other key metrics?
- **Adoption**—How often are the available green fields offered by MRIS utilized by its members when listing a home?

Supply

To assess supply, three high-performance home certification programs—LEED for Homes, ENERGY STAR, and the ICC 700 National Green Building Standard—provided data since 2000 aggregated by zip code, which revealed a geographic distribution of certified HPHs in the District. This information was compared with available census data to create a density map of certified HPHs as shown in Figure 1. Six District hot spots—areas with relatively large concentrations of certified HPHs—emerged in the neighborhoods of Cathedral Heights, Georgetown, Howard, Brookland, Brentwood, and Capitol Hill.

Figure 1. Certified high-performance home hot spots by District zip code, based on data since 2000. This density map includes single-family homes and multifamily properties with up to 50 units.



While MRIS is equipped to manage high-performance home transactions via its available fields, it is possible that the relatively low supply of certified HPHs confined to a few District neighborhoods may be limiting Realtors' interest and engagement with these green fields. Outreach and education on selling HPHs should be targeted toward the six hot spots identified, and brokerages serving those neighborhoods could be key allies for such an endeavor. It should also be noted that the District is a highly developed city with few opportunities for new construction of HPHs. However, there is a tremendous opportunity to install HPH features during home renovations, especially by leveraging refinance or sale transactions. MRIS will be rolling out a field choice for existing homes that have participated in the Home Performance with ENERGY STAR program offered by the DC Sustainable Energy Utility (DCSEU) and those homes that receive a Home Energy Score based on U.S. Department of Energy standards. The addition of these new fields in the MLS database will allow Realtors to promote HPH features on MRIS listings and provide HPH exposure to property buyers in the market.

Demand

To assess demand for HPHs, RBI completed an evaluation of market trends focused exclusively on home sales in the District in 2013 that utilized at least one of the more than 35 green fields offered by MRIS. These field options range from proximity to rapid transit, to the presence of energy-efficient heating or cooling systems, to documentation from a third-party "green" program. Every District zip code had some degree of high-performance housing at the time of sale, as shown in Figure 2. Overall, HPH sales accounted for 18 percent of the total residential sales in the District in 2013. The market share, or percentage of HPH sales, ranged from a minimum of 3.5 percent in zip code 20032 (Congress Heights) to a maximum of 29.1 percent in zip code 20015 (Friendship/Chevy Chase). In general, this map suggests that demand for HPHs is widespread, as listings using at least one green field comprised a significant percentage of total annual home sales in the District.

Available inventory of properties for sale in the District has been at record lows since late 2011. During 2013, inventory fluctuated between 25–40 percent of its peak level of 3,364 available properties for sale in October 2008. This lack of overall available inventory has limited the volume of HPHs for sale.

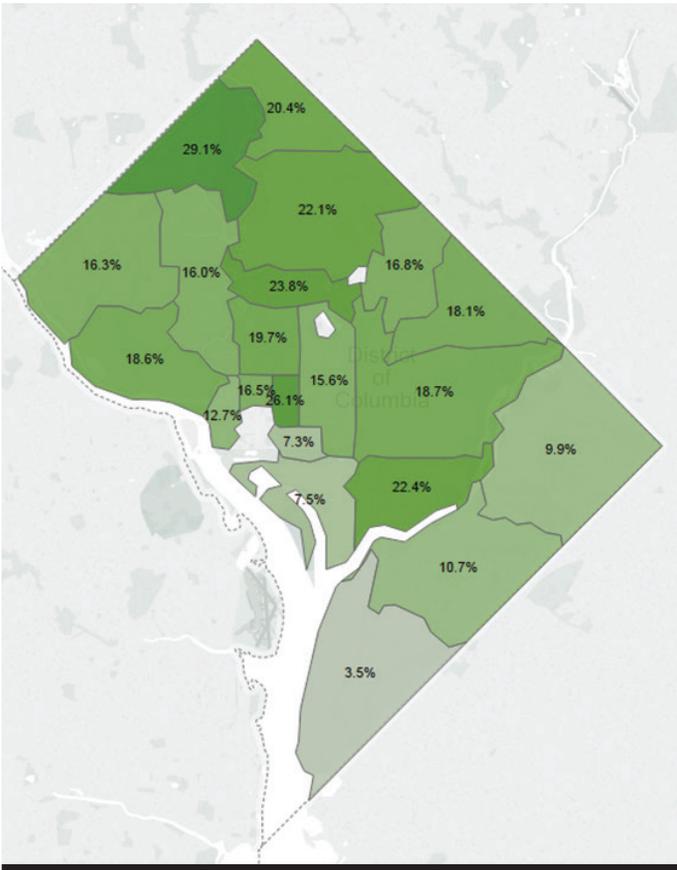


Figure 2. Percentage of high-performance home sales to total sales in 2013, by zip code.

In addition to analyzing the high-performance home inventory in the District, the real estate market performance assessment also compared the sales prices of HPHs and non-HPHs. While HPHs have comprised a relatively small percentage of total home sales in the District over the past several years, they have consistently sold for a higher price when compared to non-HPHs (see Figure 3). For example, in 2013, HPH sales accounted for just 18 percent of total home sales, but their median sale price was 23 percent higher than that of non-HPHs.

This analysis did not control for variables such as home size and location, nor for which and how many green fields were used, and therefore it would be imprudent to conclude that a sales price premium exists for high-performance homes in the District. The initial data is encouraging in this baseline study, but it needs to be substantiated with more rigorous analysis during the next stage of work. Future residential appraisal case studies could isolate the effect of HPH features on sales price and thereby determine whether a sales premium exists for HPHs in the District.

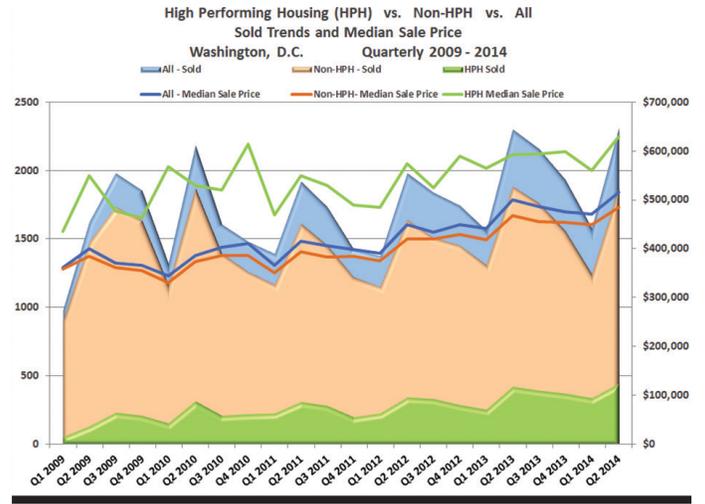


Figure 3. A comparison of high-performance homes and non-HPHs on both number of sales and median sales price.

Adoption

In addition to an assessment of supply and demand for high-performance homes in the District, the study investigated if these homes are being properly represented in the MLS. What is the adoption of green fields by members of MRIS?

Data available from third-party programs in the District indicate that there have been 625 certified HPH units available for sale since 2000. These certified HPHs include detached residential and multifamily units in buildings with 50 or fewer total units. Approximately 81 percent of all homes built in the District since 2000 were listed on MRIS. Applying this proportion to the 2008–2013 study period, it was estimated that 182 certified HPHs could have been listed on MRIS during that time. However, MRIS data reveals that only 27 unique units—or 14.8 percent of the expected certified HPH units—were listed using third-party verified green fields. For some broader context, the MLS software provider and database vendor CoreLogic has more than 140 MLS software installs and informally estimates that when green fields are available in a given market, only 3–5 percent of listings actually use these fields.

Knowledge of this baseline could help the DDOE, DCSEU, MRIS and its member Realtor associations including the Greater Capital Area Association of REALTORS (GCAAR), and other stakeholders identify opportunities to improve green field usage, particularly among Realtors who sell in the six hot spot neighborhoods identified in Figure 1. By populating MLS green fields, Realtors can capture the growing home-buyer demand for HPHs.

CONCLUSIONS AND NEXT STEPS

The District offers many assets for Realtors to sell high-performance homes. MRIS has a robust selection of industry-standard fields and will soon be releasing a number of new green fields with state-of-the-art design. In addition, six District neighborhoods were identified as certified HPH hot spots, and consumer demand for HPHs exists at varying levels throughout the city.

Nevertheless, there is enormous room for improvement. The District is at the beginning of a long road to realizing the full market potential of HPHs. While substantially greater than the national average, only 14.8 percent of expected certified HPHs were listed in MRIS from 2008 to 2013 using third-party verified green fields. The likelihood is that most certified homes sold in the District in 2013 were not marketed as such in the MLS, often suppressing their sales prices, leaving cash on the table from the seller's perspective, depriving buyers of useful information, and muffling a market signal that would prompt homeowners and home builders to invest in sustainability. In addition, the lion's share of District neighborhoods have a certified HPH density of less than 5 percent.

How can the market better respond to buyer demand for HPHs? Additional steps include:

Standardized Reporting of High-Performance Home Documentation

First, advocates should encourage the three primary third-party programs for new construction and major renovation projects (LEED for Homes, ENERGY STAR, and ICC 700 National Green Building Standard), as well as programs for existing homes such as Home Performance with ENERGY STAR, to regularly report high-performance home statistics in a standard format and process (mid-year and year-end) to MRIS/RBI. Third-party certifications are critical because they represent high savings opportunities for homeowners and lowered liability for Realtors by adding authenticity to HPH listings. If major third-party certifiers share this data, tracking HPH sales will become simpler and more standardized.

Second, advocates should encourage the third-party programs to work with builders in the District to consistently make documentation available to MRIS members as a digital listing attachment. One way to accomplish this is to offer builder rewards within the building code, zoning, or permitting processes that specify sharing data and documentation on third-party certifications in an MLS-friendly format.

Third, advocates should promote the availability of documentation for existing home efficiency improvements, especially via Home Performance with ENERGY STAR and BPI standard 2101, for quality assurance purposes. A strong relationship with RBI will ensure accurate tracking of HPH market penetration.

Outreach and Education in Certified High-Performance Home Hot Spots

MRIS has already begun implementing the findings of this report as input into its continuous improvement process for future green field offerings. An update to its green fields with third-party verification program data in May 2015 will create the most complete suite of fields compared to the MLS national data standard. Regular tracking of field usage will also allow MRIS to evaluate ways to communicate field improvements and training opportunities in the certified HPH hot spots identified.

Both DDOE and MRIS should engage organizations including GCAAR, the U.S. Green Building Council, the National Association of Home Builders, and DCSEU to jointly undertake outreach and education on selling high-performance homes, first targeting Realtors and builders working in the six high-density hot spots. Brokerages serving those neighborhoods can be primary partners for this outreach initiative.

Building on existing outreach, a coordinated campaign led by DCSEU in partnership with the District, Realtors, faith communities, lenders, utilities, Office of the People's Counsel, local non-profits, and national partners, could educate consumers on the benefits of making high-performance upgrades to their homes. In launching such a campaign, these leaders should use all appropriate channels, including grassroots efforts, events, sermons, social media, earned media, public service messages, and flyers included with consumers' utility bills.

Greening the Appraisal Process

The findings from this report should be used to promote green appraisal training so that high-performance homes can be properly valued in the District. There is also a need to support the Appraisal Institute's Residential Green & Energy Efficiency Addendum, and investigate whether appraisers would append to their appraisals a short District-specific document incorporating the findings of this report as well as background information explaining the impact of HPH features on utility bills, comfort, durability, and resale value.

An Initial Assessment with a Powerful Impact

Finally, while this report is a building block for future District efforts to promote high-performance homes, it should also be consulted by other jurisdictions that are creating roadmaps for green homes. An HPH inventory is critical to developing a stakeholder engagement strategy and an analysis of local MLS green fields is key to bringing transparency to real estate transactions. The District should coordinate and collaborate with neighboring jurisdictions, especially those served by MRIS, on these efforts. Other localities across the country should embark on these activities as they seek to make high-performance homes a community mainstay.

ACKNOWLEDGMENTS

About the Institute for Market Transformation (IMT)

The Institute for Market Transformation (IMT) is a Washington, DC-based nonprofit organization promoting energy efficiency, green building, and environmental protection in the United States and abroad. IMT's work addresses market failures that inhibit investment in energy efficiency and sustainability in the building sector. For more information, visit imt.org.

About Elevate Energy

Elevate Energy's mission is to deliver smarter energy use for all. Elevate Energy designs and implements efficiency programs that lower costs, protect the environment, and ensure the benefits of energy efficiency reach those who need them most. For more information, visit elevateenergy.org.

About MRIS and RealEstate Business Intelligence

MRIS is a leading provider of real estate information technology and services, and is frequently ranked among the most productive Multiple Listing Services (MLS) in the nation, facilitating over \$45 billion in system-wide sales in 2014. In its core market, MRIS supports over 45,000 real estate professionals located in Maryland, Northern Virginia, Washington, D.C., and parts of Pennsylvania, Delaware, and

West Virginia. MRIS provides a portfolio of technology solutions and proprietary databases for real estate professionals as well as broker and agent software products and a consumer portal, MRIShomes.com. Visit mrisc.com for additional information.

RealEstate Business Intelligence (RBI) is a wholly owned subsidiary of MRIS. RBI provides real time real estate data, market analytics and business intelligence for real estate professionals, government agencies, academics and media interested in real estate market trends in the Mid-Atlantic region. Visit rbintel.com for additional information.

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