

Open House: Homeowners more open to buying green

by Jim Woodard

"Green homes" - those with special features to increase the home's energy and resource efficiency - are becoming more popular with buyers and builders.

A survey shows that "green" homeowners are happier now than they were with their previous non-green homes, and most of them recommend "buying green" to others. This was revealed in a recent survey conducted jointly by McGraw-Hill Construction and the National Association of Home Builders.

"Though it's still a small number, builders are now getting it when it comes to the value of real green homes, and it appears homeowners are too," said Harvey Bernstein, a McGraw-Hill vice president.

Last year, about 2 percent of the residential construction market had at least one green building element, such as energy-efficient appliances, he noted.

"It's also powerful to find that people are really starting to commit to building truly green homes, moving away from just adding energy efficient appliances or another single aspect that's green," said Bernstein. "They're paying attention to the holistic benefit of green."

The survey and study revealed the following:

- The average new owner of a green home is affluent and well-educated, in his or her mid-40s, married and likely to be from Western or Southern states. Women are most likely to be green homeowners.

- Home operating costs are a major concern for these owners. About 60 percent report lower operating and maintenance costs as the key motivation behind buying a green home. Also, nearly 50 percent report environmental concerns and family health as motivators.

- The lead obstacles to specifying green features in a new home are lack of awareness about them, higher costs and scarcity of needed components and availability of green homes. The biggest obstacle noted by current green home owners was lack of education about green homes and their benefits.

It's interesting to note that more green products are now being purchased and used in home remodeling

projects. Nearly half of the overall homeowner population has recently done some renovation work on their home. And about 40 percent of that population is doing so with some green products, according to the study.

"This is another powerful finding," Bernstein said. "As home prices increase and homeowners stay in their homes longer, remodeling becomes a key market opportunity. It's encouraging that there is already so much of the community aware of these green product options and using them."

Mike Nagel, chairman of the NAHB Remodelers Council, said: "The only way to bring green into 120 million existing households is through remodeling. Americans spent over \$230 billion last year in home remodeling, with energy efficient and sustainable products representing an increasing share of the market."

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Q: When will the real estate market turn around to a positive mode?

A: Most housing markets last year experienced a decline in home sales, following the boom levels of the previous two years. However, this year is expected to be a year of transition with growth emerging in many areas, according to economists at the National Association of Home Builders.

The earlier boom can be attributed largely to excess demand generated by historically low interest rates, coupled with aggressive mortgage lending practices. It's a combination that made homeownership more affordable, but also attracted investors and speculators into many markets.

These factors put inordinate upward pressure on home sales, prices and production. Major downward corrections occurred in housing markets during the past year and further adjustments have extended into the early part of this year.

"Because the boom and correction cycle has largely been driven by national rather than local factors, most regions have experienced some degree of overheating and correction," said the National Association of Home Builders' chief economist David Seiders. "We expect this year to be a time of transition in most regions, with the number of housing starts bottoming out in the early months before transitioning to recovery paths."

Housing markets with the biggest booms during 2004 and 2005 are generally expected to be the slowest to return to normal levels of activity. Those that showed more restraint will be the first to show growth, it was noted.

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Q: Are home prices still declining?

A: Home sales declined a bit in recent months, showing a weaker-than-expected performance that dimmed hopes for an immediate rebound in the housing market. Sales of new single-family homes fell by 3.9 percent during February to a seasonally-adjusted annual rate of 848,000, according to a report from the Commerce Department.

That's the slowest sales pace in nearly seven years. All regions of the country, except the West, are experiencing weakness in home sales market.

The February decline followed an even larger 15.8 percent drop in home sales in January. That month's activity was the largest one-month plunge in 13 years. The back-to-back declines provided evidence that the housing market is still continuing to struggle with lagging demand and a glut of unsold homes; however, the housing market prognosis for the year is positive.

The weakness in sales pushed the median price of a new home down by 0.3 percent from a year ago. It marked the second straight month that the median price fell compared with the same period a year ago.

Mortgage applications are also slipping downward a bit, according to the Mortgage Bankers Association. During the last week in March, the number of applications decreased by 0.5 percent from the previous week.

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Q: How is the subprime mortgage problem affecting the rate of homeownership?

A: Subprime mortgage lending is turning out to be a drain on the rate of home ownership, according to a study by the Center for Responsible Lending.

The study shows that while the subprime market produced more than \$2 trillion in home loans over the past nine years, these loans have led (or will lead) to a net loss of homeownership in the nation of almost 1 million families.

The reason for this net loss is that only 9 percent of subprime loans went to first-time homebuyers from year 1998 through 2006. However, more than 15 percent of subprime loans ended, or will end, with borrowers losing their homes through foreclosure, the Center for Responsible Lending reported.

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