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Why is Everyone Going Green?

There is a growing interest in going green or buying products and construction that are environmentally friendly — meaning natural, sustainable, recyclable and more energy and water efficient.<sup>1</sup> One reason for the increase in green construction is rating systems that give builders clear-cut methods to obtain certification through the National Association of Home Builders (NAHB), Energy Star and Leadership in Energy and Environmental Design.<sup>2</sup> Another reason is the growing concern about climate change as well as an interest in lowering monthly bills due to increased energy costs.<sup>3</sup>

In short, everyone is going green because green is good; Good for the pocket book, good for

the environment, good for health and good for business.

What does “green” mean? Green construction means that a building uses less energy, conserves renewable resources and contains fewer toxic materials. What this means for construction cost is a higher initial cost with long term energy savings over the life of the building. This is one of the reasons many are turning to green construction. Energy savings, the environment and health are ranking higher in priority with home builders than the initial expense. Because green is now “in,” green homes now have a built-in selling point and much higher resale values are just another reason to ‘go green’.<sup>4</sup>

Consumers can find fixtures that conserve water, energy-efficient appliances and construction design to save energy and reduce waste. But can going green include flooring? Linoleum, if made of natural material, can be used as green flooring along with renewable and recycled resources such as bamboo, rubber and recycled fiber carpets. Going green doesn’t end there. It can even include the paint on the walls — not necessarily the color, but the type of paint. Paint, stains and glues once dry, continue to release volatile organic compounds (VOCs) for years. To prevent headaches and nausea, heightened asthma and allergies, “low VOC” paint, natural stains and formaldehyde-free glue are used and help make a house green. To go green from top to bottom includes a green roof. These are specialized structures that include soil & plants to absorb storm water and prevent runoff. The city of Milwaukee is going green to keep Lake Michigan’s water fresh. To prevent storm water runoff from collecting in the sewers, rivers and lakes, green roofs and even green streets are being developed and encouraged. Milwaukee continues to lead by example with its use of green roofs and green designs on city buildings.<sup>5</sup>

Green is the new black but all that is green is not gold. Building and buying green is definitely “in” these days as Maggie Wood, an environmental designer put it, “Green is the new black.” However, just because something has the word green in it, doesn’t necessarily result in more bang for the buck. Energy savings from green construction can create a return on the initially higher cost but only if hiring knowledgeable contractors. Check for their certifications, ask to see examples of their work and talk to homeowners about the quality of the work.<sup>6</sup>

The Leadership in Energy and Environmental Design (LEED) for Homes is the nationally accepted rating system for green buildings. The ratings include Certified, Silver, Gold, and Platinum depending on the number of points earned after registration.<sup>7 8</sup> Boston’s Longwood

Medical Area hospital is going green with expectations of more than monetary rewards or conservation. It also looks for green to aid in the healing process with shorter patient stays and better outcomes.

Reasons for going green can be as varied as the construction projects themselves. The owner, designer and contractors should work together to achieve specifically outlined goals for themselves and as a group. According to Richard Marcoux, Milwaukee's Department of City Development commissioner, going green isn't just about conservation. "It's about green technologies, alternative energies, green buildings and a greener economy."

## Big Businesses

Bechtel, Centex, Fluor Corporation and Peter Kiewit Sons' (Kiewit) are the commercial leaders in a fragmented, small and mainly localized market.<sup>9</sup> Centex Corporation is the largest single-family detached home builder with some revenues related to financial services. Pulte homes is 2nd largest and also builds duplexes, townhouses and condominiums. Other leaders in single-family home building are Lennar Corporation, D. R. Horton, KB Home, formerly Kaufman & Broad Home Corporation, and Ryland Group.<sup>10 11</sup> Although the multi-family housing industry has a limited market reach, A. G. Spanos Construction, JPI, Trammell Crow Residential and Colson & Colson Construction stand out as clear leaders.

There are exclusively green construction companies in different locations but large

companies such as KB Homes offer homes with green amenities chosen by the owner as well.<sup>12</sup>

## Demographics

More than ever, those between the ages of 25-45 are opting to live in apartments preferring to live near entertainment venues and shopping centers offering more but without the continuous upkeep of a home. However, according to a survey by Green Builders Media,<sup>13</sup> those willing to pay 11-25% more for green built homes fall into the 35-50 age group and have a college education. "We're seeing a lot of demand, particularly on the high end of the market," says Jerry Howard, CEO of the National Association of Home Builders (NAHB). Ninety percent of those surveyed by the American Institute of Architects in 2006 are willing to pay \$5,000 more to build or buy a house that is environmentally conservative.

Companies are now realizing that green-designed buildings pay for themselves through lower



energy and water costs. As more companies go green, the cost of recycled materials and other green items has been driven down. "I don't need a study to tell me that I'm happier in an office with a window or if I have allergies, work in a building where I can't smell the carpets and the air vents are clean," said Kimberly Hosken, director of LEED's new construction program at the U.S. Green building council. LEED-friendly buildings are designed to prevent the accumulation of dust, pollen and germs as well as save energy by eliminating dead spaces in air circulation. "These buildings will last much longer and people will be happier in them," said Suzanne Sanders, vice president of the Molasky Group of Companies. "The most expensive asset at a company is people," she said. "A lot of major corporations are figuring that out."<sup>14</sup>

## Trends

Commercial construction is forecasted to grow by 25% in 2009 from 2004 levels.

Single-family housing rates are expected to remain steady unless interest rates jump dramatically or employment rates dive. The rise in cost of building materials is becoming a concern with builders as is increasing consolidation, taking away opportunities for smaller companies.

The assisted living industry is expected to recover and flourish with the aging U.S. population.

Low-income housing project funding has continued to rise. The number of new homes built

with eco-friendly features is predicted to rise as much as 10% by 2010, according to a study by the National Association of Home Builders and McGraw-Hill Construction. McGraw-Hill Construction is also responsible for the Greening of Corporate America SmartMarket Report.

“Green-related businesses, from consulting to carpentry, are responsible for one of the fastest growing job sectors,” according to Richard Marcoux. A greening economy can be seen in Silicon Valley where the number of job increases coincided with an increased investment in clean environment technologies such as solar panels, hybrid cars, and nanotechnology. David Pearce, founder and chief executive of a solar cell technology manufacturing company in Santa Clara, California claims to be “looking at a tremendous market opportunity” with “supply (as) the only constraint.”<sup>15</sup>



Source: The New York Times

Union leaders are also seeing a greener future. As solar panels and wind turbines increase, so do factory jobs. Also, as energy efficiency standards increase, so do inspectors and experts in sealing and insulating. “From the labor unions’ point of view, these are the kinds of jobs their unions are more prepared for,” according to Jeff Rickert, vice president of Apollo Alliance. The Alliance has outlined a 10-point plan for energy independence and renewable energy development because they feel dollars invested in clean energy development create more jobs than dollars invested in traditional energy sources.<sup>16</sup>

## Marketing

“There’s a lot of education required because green construction takes a little more thought on the front end in terms of design and perception of costs,” said designer Jonathan White co-owner of Deacon Architecture + Design. Jeffrey T. Mezger, CEO of KB Home, believes that the industry has to do a much better sales job. He is encouraged by the Federal Trade Commission’s requirement for appliances to detail energy use and annual operating costs on bold yellow stickers.

Changes involving consumer education, possible federal and state subsidies and local building codes forcing builders to include environmentally friendly features means things are definitely getting greener. With consumer awareness of residential green building growing

rapidly, local home building associations are coming up with creative ways to publicize their green building programs and the talents of their members. These might include adding green home award categories, showcasing new green homes in tours and new green building programs.<sup>17</sup>

## Statistics

By 2010, 50% of all builders will produce at least some homes using green methods. The percentage of green residences and commercial buildings constructed this year will still come to only about 2 percent of the total homes built, according to the report by McGraw Hill Construction and the National Association of Home Builders (NAHB). By 2010, between \$29 billion and \$57 billion a year will be spent on green building, up from \$11 billion in 2006, a rise of 10 percent.<sup>18</sup>

## “Green Perspective from Corporate America” Study Results

- Green Building will emerge as a prominent corporate trend in the next 1-3 years.
- the majority of respondents believe their companies will be aligned with “Green” industry practices within the next 3 years
- 30% of respondents believe their company will emerge as a market leader in “Green”
- corporate leaders do recognize the importance of Green and Green Building but need to balance their business obligations to shareholders and first address issues of cost and profits.
- 40% consider Green and Green Building to be of high importance to their organization
- almost 60% agree that Green and Green Building lower operating costs

- currently, 43% view Green as part of their company's growth strategy
- escalating energy costs are key drivers of interest in Green and Green Building for three-quarters of the survey's respondents.

This information reflects a majority of large U.S. corporations who are ready to go green, develop "Green" as part of their philosophy, have begun to incorporate "Green" practices into their strategic business planning and view it as an important component of profitable future growth. The study also indicates a "Green Tipping Point" in corporate America will be reached in early 2009 but could occur as soon as year end.<sup>19</sup>



## Associations

U.S. Green Building Council (USGBC) – <https://www.usgbc.org/>

Energy & Environmental Building Association (EEBA) – <https://www.eeba.org/>

National Association of Home Builders (NAHB) – <https://www.nahb.org/>

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