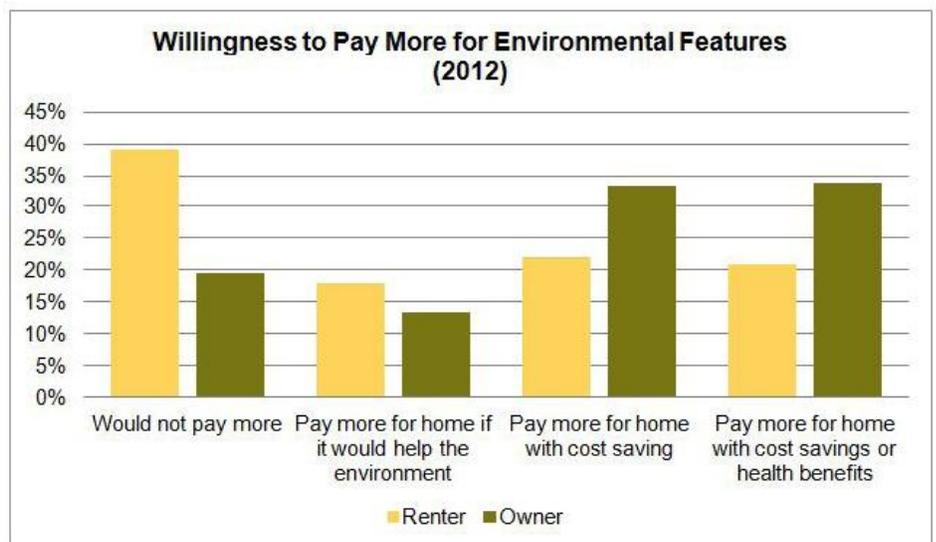


Post Recession: Over One-Half of Renters Will Pay More in Rent for Green Features

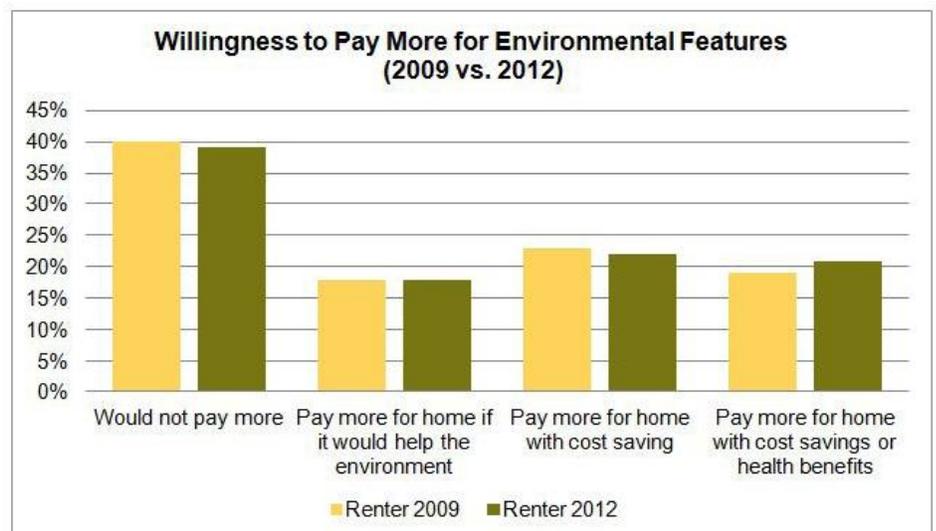
By: Melina Duggal, AICP

RCLCO recently ran an Advisory article regarding homeowners and their willingness to pay for environmental features in a home. Only 20% of buyers stated that they wouldn't pay any more for environmental features even if the features saved them money or were good for their health. This was based on a July 2012 national survey of both owner and renter households. RCLCO asked: "If you were going to move, would you be willing to pay more for a house/in monthly rent for the environmental features (such as energy efficient appliances or environmentally friendly paints) that are important to you?"

Renters are far less interested in paying for environmental features than owners. Approximately 40% of renters stated that they would not pay any more for environmental features even if the features saved them money or were good for their health. Interestingly, a higher percentage of renters than of owners were willing to pay more if the features were good for the environment. This is likely due to the age of the renters—both younger renters and younger buyers have a higher propensity to pay more for green solely for green's sake.



SOURCE: RCLCO



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RCLCO fielded a comprehensive survey of renters in 2009. Although the 2009 and 2012 surveys asked somewhat different questions, RCLCO was able to compare the 2009 and 2012 data by using the cross-tabulations. The results were remarkably consistent, suggesting that those willing to pay more in rent for environment features is stable and not related to where we are in the housing and economic cycles.

In 2009, we developed strategies for apartment developers and builders that are still viable based on these very similar results, and are summarized here. If you would like to see a complete copy of the 2010 Advisory Article, *please click here to follow the link* and see pages 5-7.

Strategy #1 – Stop asking the wrong question – the question is not how much premium can be charged in rent for green features, but what can be provided in a cost-effective manner that allows the units to be green without having to pay higher rent or not much extra rent.

Strategy #2 – Don't worry too much about environmental brand - Energy Star resonates with renters; other brands don't (yet).

Strategy #3 – It's about walkability – renters indicated a strong desire to live in a walkable environment (65% to 70%), significantly higher than their interest in green.

Strategy #4 – Know the green renter profiles - There are really three primary motivating factors for choosing a green apartment: energy savings, health factors, and environmental responsibility. Different segments of the rental market display differing preferences for energy-saving homes, healthy homes, and environmentally friendly homes. Understanding these motivating factors will help developers and owners decide which green features and amenities to incorporate in their apartment projects.

Strategy #5 – Focus on “Me Green,” not “We Green” - “Me green” features and benefits—those that affect personal health and personal finances—are actually going to drive rental decisions, while “we green” features and benefits—such as slowing global warming or reducing carbon footprints—have little or no impact on renter behavior.

Apartment developers and owners can maximize profits by ensuring that they are better informed about the cost and value of incorporating various green features and that they are responsive to the demands of today's—and tomorrow's—renters.

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