

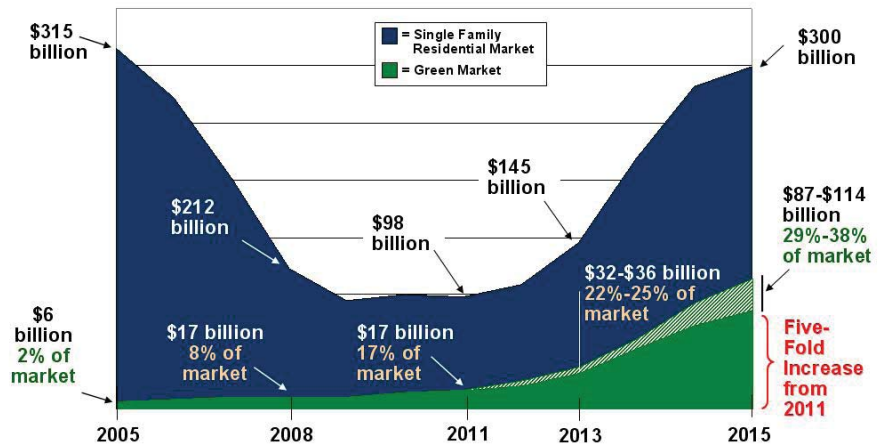
The Green Residential Building Market— McGraw-Hill Construction Green Residential Market Sizing and Key Findings from New Market Research Study on Green Home Building and Remodeling

GREEN HOMES MARKET GROWS TO \$17 BILLION OPPORTUNITY IN LATEST MCGRAW-HILL CONSTRUCTION GREEN RESIDENTIAL MARKET ESTIMATE

Since 2005, the green share of new single-family residential construction has grown dramatically—increasing from 2% in 2005 to 17% in 2011.

This 17% market share equates to a \$17 billion market opportunity.

McGraw-Hill Construction estimates the green market share will continue to increase, reaching 29%–38% by 2016—representing an \$87–\$114 billion opportunity based on the overall residential construction forecast as of February, 2012.



Source: Green Market Size: calculation McGraw-Hill Construction; base value of construction market from McGraw-Hill Construction Market Forecasting Service, as of February 2012

NEW MARKET RESEARCH STUDY OF HOME BUILDERS AND REMODELERS SHOWS GREEN IS TRANSFORMING THE RESIDENTIAL CONSTRUCTION MARKET

Home Builders and Remodelers Anticipate Growth of Green Activity

Builders

Builders currently report higher adoption of green building activity as compared to remodelers. In five years, half expect to be doing green on more than

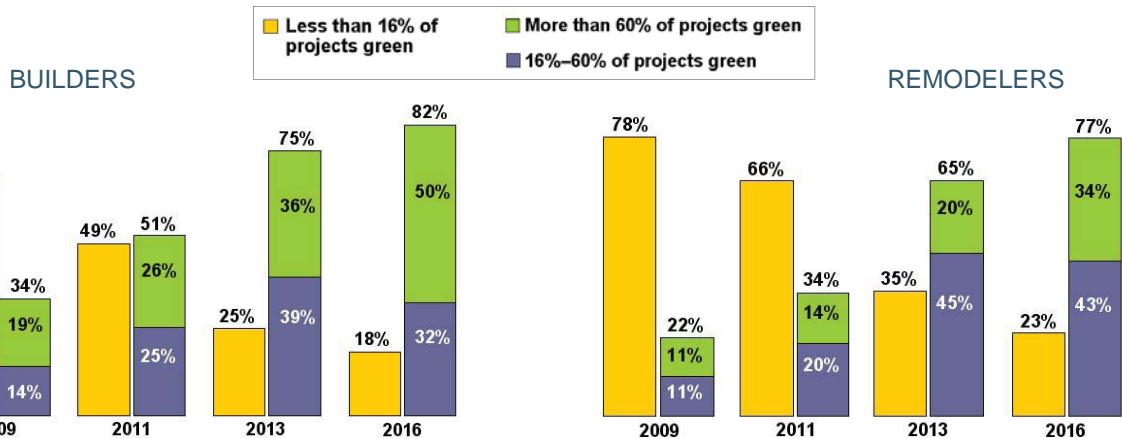
60% of their projects—and a third expect to build green on more than 90% of projects.

Remodelers

Remodelers report a more dramatic increase in green activity. From 2011

to 2016, the percentage of remodelers expecting to be doing more the 60% of their projects green more than doubles. The firms expecting to be doing more than 90% of projects green nearly triples during this same period from 8% in 2011 to 22% in 2016.

Involvement in Green Activity Over Time



Home Builders and Remodelers Report Business Benefits of Green Building

Many home builders and remodelers report that their green involvement is improving their business bottom line and providing marketing advantages. However, the benefits are felt most by those firms dedicated to green building, indicating that increased experience in green can yield significant advantages.

Business Impacts

- **Builders:** 39% of builders report positive impacts on their bottom line from their green work. However, significantly more, 77%, of builders dedicated to green building report the same. The high level of neutrality for the larger builder population may suggest that better measurement of business benefits from green is needed.
- **Remodelers:** Home remodelers follow a very similar pattern to builders, pointing to the widespread value of green in the market. 33% of all remodelers and 67% of dedicated green remodelers report positive business impact from green.

Marketing Advantages

As involvement increases, the marketing advantages of green become dramatically more positive. Those who find marketing green more difficult may benefit from observing the practices of their more green-involved peers.

Other Key Findings from the Study

Triggers and Obstacles to Increased Green Building Activity

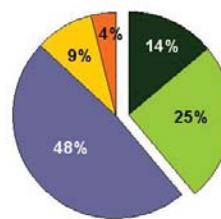
- **Triggers:** Though many factors are driving the green homes market, “higher quality” and “increases in energy costs” are the top triggers home builders and remodelers believe will increase green building activity.
- **Obstacles:** The biggest challenges remain “higher perceived first cost” and “lack of consumer education.” However, all the obstacles decreased from 2008 to 2011, suggesting the green market is becoming more mainstream.

Customer Willingness to Pay for Green

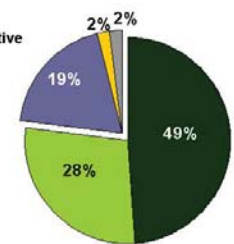
Considering the economy, it is notable that over 60% of both builders and remodelers report their customers are willing to pay more for green. Remodelers report that their customers will pay an average of 5% more, higher than the 3% reported by builders. A willingness to pay for green may be due to the lower bills that several green features can bring to homeowners. Also, as green becomes equated with quality, home owners and buyers may view green homes as a better long-term investment.

Impact of Green on Firm Business (for Builders)

ALL BUILDERS

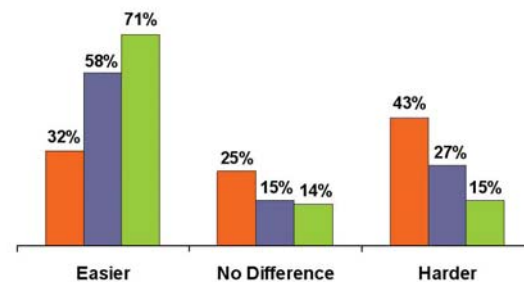


DEDICATED GREEN BUILDERS (More than 90% of projects green)



Ease in Marketing Green Homes as Compared to Non-Green Homes

(According to Home Builders)

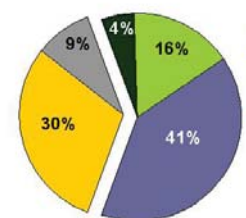


Level of Green Involvement by Percentage of Projects Green

Customer Willingness to Pay More for Green

BUILDERS

61% report customers are willing to pay more for green

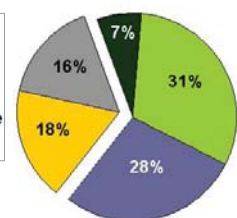


Average = 3% increase

Firms Dedicated to Green
Average = 6% increase

REMODELERS

66% report customers are willing to pay more for green



Average = 5% increase

Firms Dedicated to Green
Average = 6% increase

These findings on the green homes and remodeling marketplace, as well as other results from this national home builder and remodeler survey, will be published on April 29 by McGraw-Hill Construction in partnership with Waste Management and the National Association of Home Builders (NAHB) and released at the NAHB's National Green Building Conference and Expo.

SmartMarket Report

This issue of McGraw-Hill Construction's *SmartMarket Report* series, titled *New and Remodeled Green Homes: Transforming the Residential Marketplace*, will focus on details of the green home building and remodeling market, including the size of the market and expected growth, business paybacks and benefits, triggers and challenges to increased adoption of green, and practices, products and technologies transforming homes.

Visit construction.com/market_research for a copy of the findings and to download the *SmartMarket Report* upon its release in April.