



Study: Green Home Labels Add Value

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Researchers from the University of California, Berkeley and the University of California, Los Angeles released a new study on the economic value of green home labels in the California residential marketplace. [“The Value of Green Labels in the California Housing Market”](#) is the first rigorous, large-scale independent economic analysis of the value of green home labels in California.

Led by researchers Nils Kok, visiting professor at the University of California, Berkeley, and Matthew Kahn, professor at the Institute of the Environment, Department of Public Policy and Department of Economics at the University of California, Los Angeles, the study examined data on the 1.6 million single-family homes sold between 2007 and 2012 in California. Of these homes, approximately 4,300 were certified with green home labels from Energy Star, GreenPoint Rated or LEED for Homes.

Key findings of “The Value of Green Labels in the California Housing Market”:

- A green home label adds an average 9 percent price premium for single-family homes in California.
- Based on the average California home price of \$400,000, homes with a green label sell for an average of \$34,800 more than comparable homes without a green label.

The price premium associated with a green label varies considerably from region to region in California, and is highest in the areas with hotter climates. This may indicate that residents in these areas value green labels more due to the increased cost of keeping a home cool.

The premium is also positively correlated to the environmental ideology of the area, as measured by the rate of registration of hybrid vehicles. This correlation suggests that some homeowners attribute value to intangible qualities associated with owning a green home.

“In certain regions of the state, we observed a phenomenon we’ve termed the ‘Prius effect’ — a positive correlation between the value of green home labels and environmental ideology, as measured by the rate of hybrid registrations,” said Kok. “In communities with strong environmental values, residents may see green homes as a point of pride or status symbol.”

“Environmental ideology was not as strong in some other areas, and yet we still saw a high value placed on homes with a green label,” Kok continued. “It appears that a hotter local climate also provides a practical reason to value green homes. With both ideological and pragmatic reasons to go green, it’s no surprise that the popularity of these labels is rising.”

The estimated \$34,800 price premium for green-labeled homes is significantly greater than the price increase associated with other typical home improvements made by homeowners prior to sale, such as home staging. A 2012 [survey](#) by HomeGain found that staged homes sold for an average of \$2,144 more than non-staged homes, while an upgrade of the kitchen and bathroom was found to increase the sale price by \$3,254. The benefits of green homes include:

- Lower operational costs than conventional homes due to greater energy and water efficiency, which can result in lower utility bills;

- High quality construction, since green label requirements for building materials and techniques often go beyond standard building codes;
- More comfortable and stable indoor temperatures;
- Healthier indoor air quality; and
- Other features that reduce environmental impact such as proximity to parks, shops and transit.

“Increasingly, homeowners who are planning to sell their home are looking for innovative ways to make their home more attractive to potential buyers,” said Robin Gaskins, a realtor who has worked for 7 years in Alameda County. “If a home already has a number of green or energy-saving features, it really does pay to go the extra mile and get a green label.”

Growing awareness about global warming and the extent of greenhouse gas emissions from the residential sector has increased attention to green building in recent years. [Previous research](#) has shown the value of green labels and certifications in the commercial real estate sector. “The Value of Green Labels in the California Housing Market” confirms that the same trend applies to single-family homes.

“The Value of Green Labels in the California Housing Market” has been submitted for presentation at the 2013 Annual Meeting of the American Economic Association and will be submitted to a scientific journal in fall 2012.