**NAR S2E6 Final Transcript**

**Intro**: You're listening to Drive with NAR, the “REALTOR® to REALTOR®” series powered by REALTOR® magazine. Listen as real estate pros top tools of the trade and share stories of inspiration. Get ready to step up your business. This episode is sponsored by the Center for REALTOR® Development.

**Marki**: What's going on, world? This is your girl Marki Lemons-Ryhal, a REALTOR®. Many of your clients want to upgrade their home or commercial space to be more energy efficient. But the question is, what do they need to invest in order to achieve that goal? Should they replace all of their windows, purchase new Energy Star appliances and install a new HVAC system? Location is a determining factor when deciding which green upgrades will earn the greatest return on investment. But there is not a universal agreement. For example, while 36% of realtors say solar panels increase the perceived value of a property, 30% say they have no effect. According to NAR’s 2023 “REALTORS® and Sustainability Report,” which you can find at [NAR.realtor/sustainability](https://www.nar.realtor/sustainability). How should you advise clients who are considering energy efficient property updates? I have with me two REALTORS® in both residential and commercial real estate who work in the sustainability space in their market. And they're going to share their insights about how they help clients with their energy efficiency goals. Welcome to the show Alexis Loc, an agent with compass in Orlando, Florida, and Wayne Beales, a broker with exit strategy Realty in Chicago. Thank you both for being here.

**Alexis**: Thank you for having us.

**Wayne**: It's great to be on the show, Marki, thank you.

**Marki**: Oh, well, thank you very much, Wayne. First of all, there are numerous ways to make properties more energy efficient, and the options may be overwhelming for both consumers and REALTORS®. So how do you set expectations for clients who are exploring the world of going green? Alexis?

**Alexis:** It is always a challenge when you want to explore something new. Going into the green space is no different. I like to advise customers to start with an energy audit, and an energy audit is going to give the consumer all of the information necessary to understand how the property is operating. In the commercial sector, there are two types of energy audits. One is LEED certification primarily used in a full renovation or new construction. And another is the acronym I enunciate as ASHRAE, and it stands for the American Society of Heating, Refrigerating and Air Conditioning Engineers. This audit is perfect for existing units and offers an in-depth approach that encompasses several phases. What I love about energy audits is that it's a vitals check, the audit gives the consumer an understanding of what is happening with the property now and empowers them with the recommendations necessary for the property to operate at its peak performance.

**Marki**: Wayne, what about you?

**Wayne**: In the residential space, the gold standard for an energy audit is your blower door test, in which they try to depressurize the inside of the building by installing a specific type of door that has a fan in it. And they try as hard as they can to pull air through all the cracks and air leaks in that building to detect where those air leaks are and how much those air leaks are costing you on energy. But before you get to that stage, most homebuyers are going to have a home inspection. And there's a lot of clues in your home inspection as to how efficient your building is. I would say any REALTORS® who are committed to sustainability, a great closing gift is an energy audit, especially on transactions that you can afford to do them on. They’re a little bit pricey, they're more intense than a home inspection that usually somebody spends about 6 hours at the property depressurizing, looking for air leaks, evaluating the insulation, determining the effectiveness of the windows, determining the efficiency of the systems there. And we're looking for the lowest lying fruit, we're looking for the apples you can walk up and pick, so you want to put money where it is most effective. And for most houses, that's air leaks and insulation. Once you solve those problems, now you can kind of move to mechanical systems. And once you move toward electric mechanical systems, you can move toward renewables. So that's sort of the phased process that we see with folks and how they're going to deal with energy efficiency in the residential space.

**Marki:** What's your role as a real estate professional in the property energy audit? And once you have those results, what kind of conversation do you have with your client, contingent upon who you are working with?

**Wayne**: Sure. So with buyers, I think it's particularly important to be informed as to the quality of the real estate you're selling your buyer. I think that, especially when you go into complex markets like Chicago, where our housing stock is older, those houses have had various things done to them over the years, sometimes done by a homeowner, sometimes done by professionals, sometimes done by a non-professional. And so, as a REALTOR®, when I shop with a client, I'm looking to see what's the quality of this house, how much maintenance has been done to it, are the windows new, are the windows old, are the windows maintained, is the heating system old, new, maintained? Those are clues that tell us a little bit about how efficient that building is going to be for your buyer. And what I try to do is if this is the buyer that's going to own this house for the next 5, 10, 15 years, it's a great idea to give them tips as to what upgrades will be most impactful in that house, not everybody is going to go as far as an energy audit. So an informed REALTOR® can do a really good job of helping a homeowner make great decisions. It also affects what they want to offer to a property. If somebody wants to have a home that's going to require less maintenance and be more comfortable, they're either going to have to buy a house that has those features, or they're going to have to make the house fit those features.

**Marki**: So, Alexis, does what Wayne is saying resonate with the commercial market, too?

**Alexis**: Yeah, so I like to approach it with a little bit less of a structure, it's honestly, we're not really changing our role. You know, we are the local resource, they look to us to be a knowledgeable resource to get information and to guide them in their next steps. We do it in the transaction process, It's kind of the same here. When we go over those energy audit reports. Again, it's just a temperature check, there's no pressure for you to have to fix everything right away. It's just so you know, what is currently reducing the ability to have those additional savings that energy efficiency can bring to you. What's really great is that I love speaking to them and facilitating the process of connecting them to those reliable service providers that I know also have those same values and just making sure that we are protecting the overall efficiency, which over time gives savings. And as inventory increases and more of a demand increases, because they can see those savings pan out, we can actually define a value.

**Marki**: When we purchased our home, we did a 203(k) purchase rehab loan. And now I wish I would have had an energy audit conducted at the time of purchase because it would have changed some of the renovations to the home, especially now when I'm looking at the gas bill and the light bill. And the fact that I'm getting the report from our local utility, that my house is probably the worst house when it comes to energy every single month, we're using more than our neighbors. And so that's something that I wish I would have taken into account when we purchased our home 13 years ago. Climate change has a lot to do with changing energy needs. How do you incorporate the idea of climate change into the energy efficient conversation with your clients? And can you talk about the idea of property resilience, and how that's affecting values?

**Alexis**: So when we talk about property resilience, we're talking about the existing structure, and how climate change will affect that existing structure. In those existing structures, usually the build code is based off the year that it was constructed in. So when we're talking about resiliency, we're essentially having the conversation around does our current inventory and does our current build code account for climate and weather change? So typically, when we are having a discussion about sustainability with our customers, it's actually a very natural conversation, because we want to explain to them that even though right now, the building code does not reflect those different hardenings, which is essentially improvements that will allow the structure to be resilient during those weather changes. I view hardening synonymous with resiliency. In essence, hardening is the improvements necessary for existing inventory to withstand the potential damage that climate change and changing climate conditions can impose on a property. And also you get to benefit from the savings. But from a commercial perspective, I always like to look at it from a different perspective, because typically, my consumers are all about their bottom line, they want to make sure that they are going to get the accurate returns in what they're investing into. And so something that's really cool that's out is something called a WELL Build property, and you can get certified through the WELL Building Institute. And what it takes into account is everything about the structure from the mind, to the community, to the water. And typically these buildings that are having that well, certification lead to higher productive environments, which naturally is going to attract tenants, it's going to lead to definitely further future value. And we actually have a project here in Orlando, it's our 4Routes campus, and that structure is actually going to give back more energy than it produces and takes. So these are just examples of having that natural conversation in going where the hockey puck is going to be versus where you are right now.

**Marki**: So Wayne, we're in Chicago, and I'm thinking about polar vortex and its impact on a property down to the insulation to the fact that we've had broken water pipes that then lead to mold. What are you seeing when it comes to climate change and property resilience in a colder climate?

**Wayne**: Alexis said it very well. Resilience is the ability of that building to deal with the world that that building the ecosystem that that building is in. And as climate change progresses, we're seeing more severe weather here in the Chicago market. That means heavy rains during the summer and it means polar vortex is in the winter. Our building code was designed down to -10 degrees in here in Chicago. So the heating system that's in a new construction building built today has to be able to heat that building down to -10. Well, Marki, as you know, we've had -17, -25, -21. So these are temperatures that far exceed what our code design has called for. Now, you add to that the fact that 90% of Chicago's housing stock isn't even built to the current code, it was built prior to the current code. So we really do have to look at our existing homes and determine how we're going to make those homes more resilient. The other side of this, Marki, is air conditioning. I mean, how many homes did you go to in Chicago that don't have any form of efficient air conditioning. And we're seeing 95, 98, 101 degree heat indexes in Chicago for weeks on end during the summer. And so because we're in a super extreme climate where we have ultra hot in the summer ultra cold in the winter, Chicago is really a complex environment to harden against climate change. Part of the hardening process involves insulation. My favorite analogy is I have a 14-year-old son and they go out in the wintertime to have snowball fights and this kid will leave the house in a hoodie. You don't go to a snowball fight when it's cold outside in a hoodie, you put on a parka and some gloves. Our houses in Chicago are like my 14-year-old son going out in a hoodie for a snowball fight and that that's really the analogy you have to have in your mind when you see a house in Chicago that isn't prepared for the weather.

**Marki**: Sit tight. We'll be right back with the word from our sponsor.

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**Marki**: What can REALTORS® do to get more comfortable in the sustainability space and be better prepared for working with green properties, Wayne?

**Wayne**: My favorite first step for any residential REALTOR® is to go get your green designation. You should have a basic level of understanding about the energy components of a building. And when you go in there with your clients, you know, and you walk through a showing, it's good to be able to identify buildings with better windows than ones that don't have those windows, it's good to be able to identify a high performance home from a standard home. And I think getting your green designation is that starting path. I think from that platform, it gives you the base knowledge you need to know to really get into building science. And then, you know, maybe you can graduate to being a complete building science nerd like me, and maybe knowing a little bit too much about what our houses perform like. I think one of the challenges and Chicago is, you know, we often just want to overlook those buildings problems, because there's so many of them in older housing stock. But we can't do that anymore, we really have to make sure that our clients understand what they're buying and what those investments are going to look like in the years ahead.

**Alexis**: I agree with you, Wayne, wholeheartedly, my green designation was so important to me, because I wanted other REALTORS® to know that I am a good steward of the environment and I work in this space. So I think that it's important as REALTORS® to REALTORS®, that we know that you work in this space, and that you care passionately about it. And another couple of steps, especially working in the commercial sector, you really need to know from the bottom up how buildings come into existence. And you can also become a LEED, you could get a LEED certification and be a LEED Certified Associate. And you can also get a WELL certification through the WELL Building Institute and become a WELL professional as well. Usually contractors and other developers look at you at a higher regard, because you have this knowledge in this space. And I really love it because there are more disruptors in the marketplace that want to bring this inventory onto the market, because they don't want to wait for the government to have all the rebates and incentives. They're taking matters into their own hands. And they're saying what can we do to make the world a better place.

**Marki**: There are two things that come to mind. Based on what you said, Wayne, and the green designation, I was actually in the very first green class at the REALTOR® building. And I decided to let my green designation go only because I wasn't staying abreast of current trends. And when we look at the REALTOR® code of ethics, article 11, one of our jobs is to always remain competent. And because the environment is consistently change, and I said you know what? Marki, there are people like Wayne, there are people like Alexis who are staying updated on trend and know exactly what's going on. It wasn't in the best interest of the client for me to maintain that designation. And I tell people all the time know someone who is smarter than you are always surround yourself with people who are smarter than you. But we as REALTORS® have to commit to being active lifelong learners, not just the lifelong learner, but an active lifelong learner. We're still in a transitional period, where we're learning what's possible when it comes to making real estate more sustainable. But we know that homes tomorrow won't look like homes of today. So when it comes to sustainability, what do you think will change about homes of tomorrow, Alexis?

**Alexis**: Yeah. So I think that homes tomorrow are going to be smaller. We take up one cubic square feet, in any space that we go in, but our stuff seems to take up a lot more space than necessary. So something, because I do feel that it should be equitable across the board, like I would love for everybody to pursue the American dream and have homeownership. I also feel the same way about they should also have a quality building. And sometimes that's solved by just lowering how much space we take up in the world. So I think that homes in the future are definitely going to be smaller and we're going to care more about community versus the ostentatious home.

**Marki**: Wow. Instantly, I started looking up and thinking to myself, oh, I don't need all of this ceiling height. I'm only 5’1”. So do people really need 10-foot ceilings in their home? And what could we do with that additional space?

**Wayne**: I love tall ceilings. I mean, Marki, it’s hard to get Americans to give up what they want, right? I mean, if we take a lesson from the automobile industry and how they've approached the sustainability, Tesla didn't put cloth bucket seats in a stick shift in the Model S. They gave you a hot car. And that hot car created a craze for electrification, right? It was faster, was sexier, was prettier, it felt better, it was quieter, there were all these superior elements to buying that car. And that's why they're successful. The first Nissan Leaf, the first Chevy Volt, I mean, these cars were drastically inferior to the gas cars that you could buy, and they didn't succeed. These new generations of those cars are coming out now, and they're better. You know, and I think that as in the housing industry, we really need to look at how other industries have transitioned and take some clues from that. And Americans are only going to buy items that they feel improve their lives, you know, when I'm advising my investors on how to build a house, easiest way to put this for somebody is the house you're building right now is geared at the generation that’s selling their houses, you need to make a house that's geared at the generation that's going to be buying your houses. And when we look at the generation coming up, that's under 40 years old, that's getting into homeownership now. They want sustainable homes, and the market is not providing them. So if you want a business advantage, you will deliver to them the Model S in housing, they're looking forward, they want to go to the MLS and click and buy a sustainable home. That market options not out there and home builders are missing the boat.

**Marki**: I know that both of you are very active in your local REALTOR® Association. Can each of you share one thing that your association is doing to bring awareness to green real estate?

**Alexis**: Yeah, so the Orlando Regional REALTORS® Association is in a newly constructed building, and in that newly constructed building, I inquired several times if we were having electric vehicle charging stations. And so we do have in our plans that there will be electrical vehicle charging stations. My goal, honestly, and my vision definitely within Orlando, just because we have such a great market here is that we have a sustainability committee. And I know that Orlando and the Orlando Regional REALTOR® Association is always trying to advance, they always want to be the first to everything. So I know that that committee will more than likely be within the next three years.

**Wayne**: Committees of REALTORS® who are committed to sustainability, helping find programming and design programming to share with their colleagues is going to be our path forward. And at the Chicago Association, we have the sustainability workgroup. Our chair, Linda Sanchez, is also board chair of a new Climate Museum here in Chicago, so she's super passionate. And we are really just trying to spread information, understanding that building science is important. A clear understanding that, you know some of these, the decarbonization of our buildings is something we know how to do. And it's not a mystery. There's a science to this. This is, you know, I think that people wake up in their house and they live in an old house and they're like this is never going to be an efficient home. Well, it doesn't have to be that way. And if you find the right path, if you take the right steps, there's a science to doing this. It can save you money, and it can make your life better.

**Marki**: I really appreciate both of you for enlightening me today. It, actually, I'm telling myself, Marki, go and learn more, truly be that active lifelong learner in the green real estate space. Because I have marching papers, a to do list and things that I need to go and look up just to be a better REALTOR®. Thank you for being here and teaching us all about sustainability. I hope all of my fellow REALTORS® implement some of these strategies in their local market.

**Alexis**: Thank you, Marki.

**Wayne**: It's great to be on the show Marki, thank you.

**Marki**: That's a wrap. Thank you for joining us at Drive with NAR, the REALTOR® to REALTOR® series. Tune in every month to [magazine.realtor/drive](https://www.nar.realtor/magazine/drive) or subscribe wherever you listen to your podcast. Find more tips to boost your business at [magazine.realtor](https://www.nar.realtor/magazine).