

REAL ESTATE AGENT

A real estate agent acts as an intermediary for the sale and purchase of buildings and land. “Realtor[®]” is a trademarked term for real estate agents affiliated with the National Association of Realtors (NAR). Most agents and brokers are active in the residential market, but some specialize in commercial or agricultural properties. Only licensed brokers are allowed to sell properties, so they often sponsor real estate agents to interact directly with clients. With excellent marketing skills, a keen understanding of financing options, and a broad knowledge of the industry, real estate agents are natural advocates for smart energy efficiency upgrades. A real estate agent is also uniquely positioned to provide energy efficiency program partners with access to a wide network of customers, contractors, home inspectors, and appraisers.

OPPORTUNITY STATEMENT: Prospective home buyers and sellers look to real estate agents for guidance on home value and home features, while agents seek to develop relationships with their clients that will last through multiple home purchases and sales during a customer’s life. Agents who are most willing to sell energy efficiency services do so to obtain referrals and cultivate future business with clients rather than to increase revenue directly. Real estate agents who are knowledgeable about energy efficiency can add value for their clients and differentiate themselves from their peers. Keeping this in mind, program administrators can provide real estate agents with information or tools that help them realize the value of energy efficiency for the home buyer or seller, share new energy-saving opportunities with existing customers, and differentiate themselves as a knowledgeable and customer-focused agent in the process.

Summary of Real Estate Agent Insights

	Observations	Impact on Potential Expansion into Residential Energy Efficiency Market
Market	<ul style="list-style-type: none"> ■ Both residential and commercial real estate markets are closely tied to the overall economic environment. ■ Most agents are independent contractors who will enter and exit the market depending on economic conditions. ■ Many agents work part-time. ■ The level of education and skills of real estate agents varies greatly. Many agents do not seek additional certifications. ■ The residential real estate transaction involves key interactions among buyers, sellers, and agents that take place over weeks or months. 	<ul style="list-style-type: none"> ■ Lower home values are making sellers less inclined to make home improvements including energy efficiency improvements, unless absolutely required to sell the property. ■ Low barriers to entry into the market mean that agents are constantly entering the real estate market, but turnover (market exit) is high; therefore, continuous outreach and education about energy efficiency is needed to reach new agents. ■ Residential real estate transactions offer several opportunities to expose buyers and sellers to energy efficiency opportunities.
Governance	<ul style="list-style-type: none"> ■ Most agents are independent professionals contracted to brokerages. ■ Brokerages are traditionally affiliated with large franchise chains. ■ All brokers are licensed and subject to annual re-licensing requirements, but only a minority seek/maintain additional specialized education or certification (e.g., NAR’s Green Designation). 	<ul style="list-style-type: none"> ■ Most brokerages have weekly meetings with their agents; efficiency programs can use these meetings to share information on energy efficiency. ■ A franchise or broker network can also provide energy efficiency education to homeowners. ■ To address brokers’ constant entrance / departure from the market, programs can provide training modules that relay information about the value of energy efficiency value as part of re-licensing courses. This is typically managed by a state licensing authority. ■ Realtors[®] have their membership affiliation with the National Association via both state and local Realtor[®] associations. Local associations use



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		<p>newsletters, social media, webinars, and events to educate members on key topics, which can include energy efficiency.</p>
Financial Model or Structure	<ul style="list-style-type: none"> Commissions are the sole source of revenue for agents and brokers. Commissions are split several ways among transaction participants, which dilutes the impact of marginal increases in home value. Time to sale is a critical metric to demonstrate value. The market contains little data on how energy efficiency improvements may affect home values or time to sale. Real estate agents are paid only when a transaction closes. Typically they are compensated by the seller even if they represent the buyer. Regardless of compensation source, real estate agents have legal obligations to the client they represent, outlined by state licensing laws, and ethical obligations outlined by NAR's Code of Ethics. Home sellers typically look to complete low-bid projects that are required for a successful sale. Home buyers are more inclined to seek higher-quality work; they have more time to enjoy any payback on the projects. 	<ul style="list-style-type: none"> Data on how energy efficiency affects both home price and time to sale are needed to prove the value of energy efficiency improvements to agents and customers; however these data are very difficult to collect. Agents may need simple financial tools to help them understand and explain the value of energy efficiency to customers. Green improvements are more compelling to home buyers or sellers than to agents, who see a limited increase in revenue even if improvements add some value to the home. However, real estate agents have an opportunity to capture the value of a homeowner's energy efficiency improvements (duct sealing work, new windows, etc.) in the listing form before the sale of the home to attract buyers. Compensation at closing removes some incentive for agents to promote energy efficiency, because efficiency upgrades could increase the transaction time. Home buyers place more value on visible improvements such as HVAC or windows than "invisible" energy efficiency measures such as duct sealing. Therefore, agents may need training on how to communicate the value of energy efficiency in terms of energy bill savings, improved comfort, and other benefits.
Assets and Infrastructure	<ul style="list-style-type: none"> Multiple Listing Services (MLSs) are the most critical piece of infrastructure in the real estate market. Their primary purpose is to allow competitors to cooperate on properties for sale. They also centralize all home information in the market. There are more than 850 separately managed MLSs, each with a different variation of green standards for homes. A broker/agent's network of former clients and professional associates is his/her most valuable asset. Many agents have 100 to 200 contacts, which is called a "sphere of influence" for new leads. 	<ul style="list-style-type: none"> There is a need to standardize green features currently included on MLSs to better illustrate the characteristics of energy efficiency upgrades and other improvements. Programs can work with their local MLS to request green fields. Efficiency programs can provide training through partnerships with local MLSs or NAR chapters, particularly in conjunction with re-licensing requirements, to increase knowledge and interest in green buildings and energy efficiency. As long as it does not complicate the sale process, a third-party certificate/certification illustrating the value of energy efficiency will increase customer trust in green home benefits—potentially increasing home values. Efficiency programs can make a compelling case to real estate agents that credible energy efficiency information will help strengthen their reputation among their network of customers and associated real estate professionals (e.g., home inspectors, appraisers, contractors) to improve the home ownership experience.
Service Offering	<ul style="list-style-type: none"> Prospective buyers and sellers look to agents for guidance on home value and home features. Agents coordinate a wide array of service 	<ul style="list-style-type: none"> In exchange for a real estate agent's assistance in marketing to his or her network, efficiency programs could offer a real estate agent a variety of services, such as:



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	<p>and data providers in delivering home sale services to home sellers and buyers, including home inspectors, contractors, appraisers, lenders, and MLS operators.</p> <ul style="list-style-type: none"> ■ Real estate agents are typically wary about promoting home features that they are not knowledgeable about, out of concern for liability. ■ Real estate agents generally do not partner with efficiency programs or provide other green services at the present time. 	<ul style="list-style-type: none"> ■ A clear green building standard/certification to offer to customers, which avoids “greenwashing” and reduces agent liability. ■ Documentation/certification that energy efficiency work has been done on a home. This documentation could help reduce concerns about liability for misrepresenting “latent” information about the property, or otherwise violating strict state disclosure and fiduciary responsibility laws. ■ Solutions that help real estate agents resolve common home inspection issues that have an efficiency opportunity, such as dangerous or outdated mechanical systems. ■ Assistance in marketing environmental or green features to their customers. ■ Educational materials about energy efficiency to pass on to buyers and sellers. ■ Education about how to adequately reflect energy upgrades and energy efficiency features in listing materials. ■ Data/tools that can illustrate number of properties sold and increased value due to the addition of green features. ■ Access to financing for improvements at the point of sale or prior to putting a home back on the market.
<p>Customers and Customer Acquisition</p>	<ul style="list-style-type: none"> ■ Agents who have broad networks and a strong reputation as a trusted source in home markets have a significant advantage in generating new leads. ■ Real estate agents look for reasons to reach out to their networks of contacts in the hope of learning about new potential needs. They also seek to advocate for current and past clients for the same reason. ■ The average homeowner moves every seven years. 	<ul style="list-style-type: none"> ■ Real estate agents who are knowledgeable about energy efficiency can add value for their clients and differentiate themselves from their peers. ■ Agents who are most willing to sell energy efficiency services do so to obtain referrals and cultivate future business with clients rather than to increase revenue directly. ■ Efficiency programs can help agents return to their clients after a sale to promote energy efficiency and other value-enhancing tips on homeownership to maintain their relationship for when the homeowner decides to move again.