

RENEWED ENERGY: Solar Homes Negotiate Calif Housing Slump

By Cassandra Sweet

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SAN FRANCISCO (Dow Jones)--Sales of homes equipped with solar panels are a glimmer of light in California's troubled housing market.

Housing and home building nationwide have been falling hard. Home prices in 20 major U.S. cities have dropped a record 15.3% in the past year to 2004 levels, according to the Case-Shiller home price index released Tuesday by Standard & Poor's. Home prices have fallen by more than 20% in Los Angeles, San Diego and San Francisco, according to the index.

While some builders say they would expect a slowdown in development of new solar homes amid cost cutting and a focus on selling existing homes, demand for solar-powered homes - which make up a small percentage of total new homes - appears to be strong.

As part of a \$3 billion initiative to add 3,000 megawatts of rooftop solar power statewide by 2017, California is spending \$350 million to add 400 megawatts of solar power from new single-family homes over the next nine years. Over the last year, builders have filed applications to build 4,624 new energy efficient homes with solar photovoltaic rooftop panels. Together the homes would produce about 11.5 megawatts.

California single-family home production in the first five months of the year was down more than 50% compared to 2007, the California Home Builders Association reported Monday.

Despite the housing market downturn, people in the solar power and real estate industries say there's evidence that homes with solar generators sell quicker than those without.

San Jose, Calif.-based SunPower Corp. (SPWR), which manufactures solar cells, solar panels and solar systems, said Tuesday that results of a survey show that new homes with solar panels already installed sell twice as fast as new homes without solar. The SunPower study found that new solar homes in 13 communities were selling at an average of 3.5 homes per month, while sales of comparable homes without solar in adjacent or nearby communities were selling at a rate of 1.7 per month.

SunPower is in the process of installing solar power equipment in more than 75 new housing developments in California.

Home owners whose houses have solar generators save about 60%, on average, on their utility bills, according to the state Energy Commission. The savings and the allure of living in a "green" community plays well with home buyers, said commission spokeswoman Amy Morgan.

"Builders are having a competitive edge against houses with no solar," Morgan said. "If you have two houses across the street from each other and one is solar and the other isn't, the consumer is choosing the home that's saving them money - we're hearing those type of responses from our builders."

Among brand new homes in California, those with installed solar systems have sold 2.5 times faster in some areas than comparable homes without solar, said Judy Schweitzer, who runs a sustainable real estate consulting business in Orange County, Calif.

In a study of home sales at Terramor Village, a large solar community developed by Rancho Mission Viejo in Orange County, Schweitzer found that the premium for new solar homes increased when the home was resold. At Terramor, new solar homes sold for 2.3% more than those without solar, and when those homes

were resold, the seller enjoyed a 4.1% premium, she said.

"Even in a softer market, people are willing to pay more for a resold home with solar," Schweitzer said. "When the market went south, (solar home builders) had to make the same concessions as everyone else. But the solar homes were still selling two and a half times faster."

California is pushing ahead with its new solar home initiative, called New Solar Homes Partnership. It offers builders rebates that average about \$7,500 for a new home that is at least 15% more energy efficient than state building requirements and includes a solar power system. Builders have three years in which to complete the building.

Many of them will likely use that time to wait out the market downturn.

New-home sales in April in California were 44% below April 2007, which was actually an improvement from the 49% year-over-year drop in March, according to CBIA/Hanley Wood Market Intelligence New Home Sales and Pricing Report released Friday.

"It's going to be a slow process for the market to finally hit bottom and start to turn around," Jonathan Dienhart, director of published research at Hanley Wood said in a statement.

Dallas-based home builder Centex Corp. (CTX) is building homes with 2.3-kilowatt solar photovoltaic roof panel electric systems as standard in its La Sera community near San Ramon, Calif., east of San Francisco. The company has sold 17 of these homes, which are priced in the \$1 million range, said David Webster, a company spokesman.

"Across the nation, our sales counselors are seeing a higher level of interest in the energy efficiency of our homes," Webster said.

Miami-based home builder Lennar Corp. (LEN) has six housing developments in Northern California that feature some energy-efficient homes with solar power generators. A company spokesman declined to talk about the company's plans for the solar homes.

For each solar home, a builder can collect up to \$2.60 per kilowatt of generation, which translates into an average rebate of about \$7,500 for a 2.5 kilowatt system that costs between \$10,000 and \$20,000 to install, said Amy Morgan, a commission spokeswoman. Such systems generally lead to savings of 60% on a homeowner's monthly utility bill, she said.

"We'll come out of this housing market in the next two years, and solar is going to grow and eventually become a large part of our market, said Hodgson of Consol. "It's just going to take a while to get here."

(Cassandra Sweet covers power, natural gas, climate change policy and oil.)

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