



Jacob Atalla

Vice President, Sustainability



Approach to Sustainability

Environmental Responsibility

- Building environmentally sensible, affordable homes
- Minimizing our operations' impact on the environment
- Leveraging sustainability across every aspect of our business

Economic Responsibility

- Offering products that appeal to today's consumer
- Keeping homeownership affordable

Social Responsibility

- Creating vibrant neighborhoods
- Giving back to the communities in which we live & work

Stockholder Responsibility

- Improving quality of the Brand
- Creating long-term growth and value
- Reporting progress on sustainability initiatives



Reports from 2007 through 2013 are available at
kbhome.com/sustainability

Sustainability is valued by consumers, appeals to employees and stockholders, and is the right thing to do for the environment



Energy Efficiency's Multiple Benefits

Background

- US households spend around \$230B annually on energy (not including transportation)
- Energy is a significant and growing cost of homeownership (~15%)

Research Question

- **Is residential energy efficiency associated with lower mortgage default and prepayment risk?**
- Study conducted by University of North Carolina Center for Community Capital
- Institute for Market Transformation provided financial support
- Loan data from CoreLogic
- Data on rated homes from RESNET



RESEARCH REPORT

March 2013

Home Energy Efficiency and Mortgage Risks

Research funded by the Institute for Market Transformation

UNC CENTER for COMMUNITY CAPITAL • INSTITUTE for MARKET TRANSFORMATION



Findings

- Default risks are on average **32% lower** on ENERGY STAR homes, controlling for other loan determinants – the more efficient the house, the lower the default risk
- A mortgage on an ENERGY STAR residence is **27% less** likely to be prepaid
- The lower the HERS Score – the lower the mortgage risk
- Results are statistically significant at a 99.9% confidence level



What Does This Mean?

- Energy efficient communities have a stronger fabric
 - How valuable is that to Cities?
 - How to encourage more Energy efficient homes?

- Given the superior loan performance of such borrowers, lenders can feel confident that they can reflect this in their mortgage offerings
 - Lenders could include the slightly higher upfront costs into the mortgage, providing the monthly savings more than offset their cost.
 - Debt-to-Income ratios could be adjusted to reflect the lower than average monthly operating costs.

- Energy efficiency renovation options could be included in mortgages for existing homes and refinances



Building Better Performing Homes



DIFFERENCE™



HOMES BUILT FOR SAVING
MONEY & ENERGY



HEALTHIER HOMES
CLEANER INDOOR AIR



WATER CONSERVING HOMES
SAVINGS IN EVERY DROP



HOMES BUILT WITH THE
FUTURE IN MIND



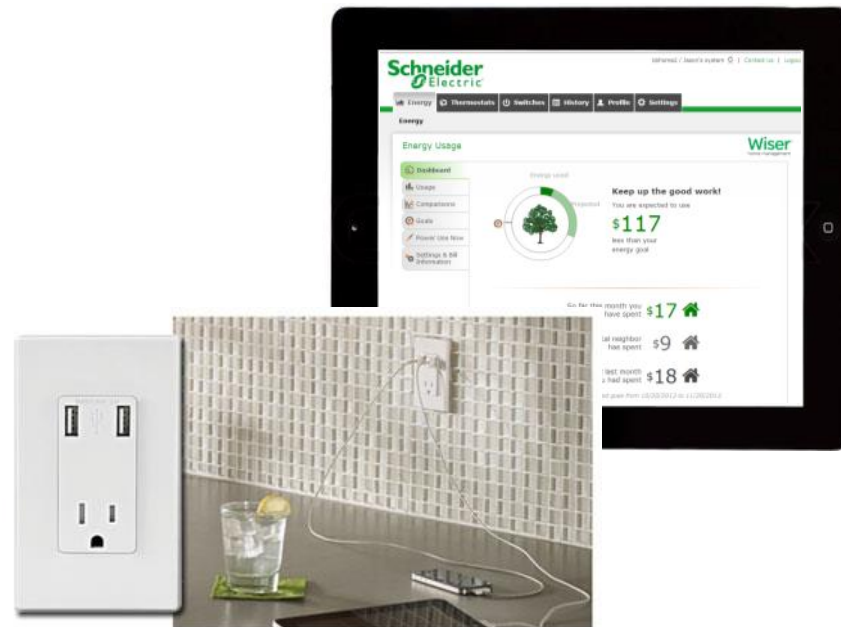


Energy Efficiency



HOMES BUILT FOR SAVING **MONEY & ENERGY**

- EPG – quantifies estimated cost savings
- Every home is ENERGY STAR® certified
- KB Homes built in CA average 24% > T-24
- Over 2,500 homes with solar PV systems
- Energy Management System & USB outlet in every home
- ZeroHouse 2.0 – next generation homes



THE POWER OF 10 Edgewood at the Cove San Jacinto, CA

- 2,233 sq. ft. ENERGY STAR certified home
- 2.3 kW solar power system

Savings in 10 Years:
 \$24,000 energy bills savings
 + \$3,000 water bills savings

\$27,000 total
 est. utility bills savings

Catalyst for Innovation

- Explore cost-effective materials & construction techniques for next generation of KB homes
- Showcase emerging smart home technologies
- Identify features / technologies that are attractive to consumers
- Help with market transformation

Marketing Tool

- Generate brand recognition & positioning
- Drive traffic to the community that is hosting the home
 - Consumers & brokers
 - Local governments
 - Media



KB's 1st Net-Zero Energy Home
Built in 2010

*“Reduce
before you
produce”*



*“Generate
as much
energy as
expected to
use”*



BUILT TO ORDER zeroHOUSE 2.0

1

WALL ASSEMBLY

High-performance wall systems help create optimal indoor energy efficiency. Additional insulation reduces outdoor heat transfer.

2

ROOF ASSEMBLY

An integrated Owens Corning® EnergyComplete® home insulation system seals the attic and achieves more climate comfort and energy savings than traditional attic construction.

3

ENERGY STAR SMART APPLIANCES

Whirlpool® ENERGY STAR certified appliances use up to 30% less energy than standard appliances. This is the first new home to showcase smart appliances that can easily shift energy consumption to off-peak times and can be controlled while away from home.

4

LIGHTING

LED recessed lights save energy and are designed to last much longer than conventional incandescent or fluorescent light bulbs.

5

HEATING & COOLING

The Carrier® 16 SEER heat pump can operate in low-energy use mode most of the time.

The programmable thermostat can help reduce heating and cooling costs by up to \$180 per year. And you can adjust it while away from home.

6

LOW-E WINDOWS

Low-E, dual-pane, argon gas-filled windows help regulate indoor air temperature, reduce radiant energy loss by up to 15% and protect furnishings from UV glare.

HIGHLIGHTS OF A BUILT TO ORDER ZEROHOUSE 2.0



Solar gives you the new-home high-tech advantage.



Programmable thermostats improve energy efficiency.



Charging stations allow you to recharge electric vehicles.

7

ENERGY MANAGEMENT SYSTEM

The unique energy management system allows you to track energy usage, as well as solar electricity production, in real time on your iPad® or smart phone.

Remotely control lights, monitor the front door and activate the home security system via your smart device. Use the USB smart sensor ports to avoid overcharging devices.

8

SOLAR THERMAL WATER HEATER

The Velux® solar water heater can save you up to 80% on water heating costs.

9

SOLAR TECHNOLOGY

From sunrise to sunset, the SunPower® solar power system automatically converts sunlight to electricity and helps reduce energy costs.

10

WATERSENSE LABELED HOME

A WaterSense® labeled home allows you to do more at home while using less water, energy and money on utilities. This home's faucets, toilets and showerheads use up to 30% less water than standard models.

11

NET-ZERO ENERGY EXTRAS

The indoor residential electric vehicle (EV) charger is an easy-to-install and user-friendly solution for recharging vehicles at home. Additionally, to protect the electronic devices in your home, you can choose a built-in whole-house surge protection device.



BUILT TO ORDER zeroHOUSE 2.0

Two Zeros Are Better Than One

- First home with net-zero energy and zero freshwater for irrigation
- Two state-of-the-art water recycling systems
- Real-time water usage monitor
- Estimated \$4,400 in annual energy & water cost savings versus resale home

