World Academy of Science, Engineering and Technology International Journal of Economics and Management Engineering Vol:11, No:06, 2017

Developers' Gains and Losses from the Economic Incentives of Green Building: Explanations from the Transitional Gains Trap and Transaction Cost Economics

Authors: Ke Fan, Edwin H. W. Chan

Abstract : Economic incentives of green building (GB) have been implemented to promote green building and address the market barriers. However, if developers could gain from the incentives, why not all the buildings are green? This paper aims to study this problem and provide a new perspective to look at the economic incentives. The theories of Transitional Gains Trap (TGP) and Transaction Cost Economics (TCE) are employed to explain the developers' gains and losses from the economic incentives. This paper takes the GFA (gross floor area) concession incentive in Hong Kong, which is one of the most popular incentives, as the case to conduct in-depth case study and it did interview to validate the results. The results show that after implementing the GFA concession scheme, the benefit of the GFA concession is capitalized into land value. Therefore, developers have to bear the increased land cost, which supports the theory of the TGP. Even though, some developers are still not willing to participate in the incentive scheme because of high transaction costs (TCs).

Keywords: green building, economic incentives, transitional gains trap, transaction cost

Conference Title: ICREUE 2017: International Conference on Real Estate and Urban Economics

Conference Location: London, United Kingdom

Conference Dates: June 28-29, 2017