

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

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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

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