Factors affecting homebuyers' willingness to pay green building price premium: Evidence from a nationwide survey in Israel

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Factors affecting homebuyers' willingness to pay green building price premium: Evidence from a nationwide survey in Israel

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Abstract

Green buildings (GBs) bring multiple benefits to homebuyers. However, the lack of knowledge or uncertainty about these benefits, combined with a nominal price premium (PP) for GBs, may prevent prospective homebuyers from entering the GB market. Therefore, governmental incentives may be needed. The present study serves the dual purpose of examining the PP size that prospective homebuyers in Israel are willing to pay (WTP) for GBs, and investigating, for the first time, the potential impact of prevalent GB policy instruments on the premium’s size. Findings from a nationwide online survey indicate an acceptable PP in the range of 7–10%. Expected maintenance savings and familiarity with GB concept and benefits are found to be positively associated with the size of the premium, while counterintuitively, financial incentives, such as tax breaks and subsidized loans, are found to result in lesser, rather than greater, WTP PP. This indicates that financial incentives to homebuyers may be counterproductive by generating emotive and opposite responses, and that a long-term governmental commitment to support GB maintenance may be more effective. The study suggests a mix of financial and non-financial GB incentives to homebuyers. The study mainly contributes to better-understanding of how potential homebuyers’ GB choice can be encouraged by applying informed policy tools. It also emphasizes the importance of evaluating unexpected consequences of future interventions in the GB market.

Keywords: Green buildings (GBs); public incentives; price premium

1. Introduction

Green, or environmentally friendly, buildings are rapidly becoming a national priority in many countries worldwide [1-3], and various incentive schemes have been designed to promote their adoption [4-5]. Yet, the uptake of green buildings (GBs) is still moderate.
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