

Chapter 15

Green Buildings and the Singaporean Homebuyers



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Ten years ago, real estate developers and agents rarely considered using a green message to sell condominiums or other developments. Instead, some of the selling points used to market real estate were the location of the property, amenities and facilities within the development, and the lifestyle that it can provide.

In recent years, developers and consultants have been increasingly promoting green features as a part of the condominium lifestyle, amenity and facility choice, merging these two concepts together. Images showing individuals interacting and using facilities such as swimming pools and gyms among plants and animals, are now often included in real estate marketing collateral. Green walls, plants and eco-friendly symbols are abounding in modern property showrooms.

This raises the questions, what do homebuyers see as 'green' features and are they a priority when selecting new properties to buy; do homebuyers believe the green message real estate developers are trying to sell; and are homebuyers willing to pay more for green real estate? To find answers to these questions, we conducted survey with over 100 respondents, all of which were living in Singapore and most were within the family formation age (Fig. 15.1).

Respondents in the survey saw home green features as energy-saving equipment and appliances, water-saving equipment, the orientation of the dwelling units (is it exposed to the heat from the sun) and insulation to prevent loss of cold air. The most important of these were water-saving features and the least important was housing orientation (possibly due to a misunderstanding of its benefits). Overall, respondents mentioned that they would be more willing to pay for home green features, if they see financial saving, such as savings in utility bills.

Outside the home, respondents saw green features as solar panels, rainwater collection systems, waste management systems, landscape greenery and growing food and herbs (urban farming). The most important of these were greenery enhancements: respondents believed that enhanced greenery could provide health benefits, and also be good for the environment. The least important was growing food and herbs (urban farming). Not surprisingly, a large percentage of respondents felt price, location and size of a home were the most important reasons why they would buy a condo-

Likelihood of purchasing a housing unit if the development incorporates eco-friendly features

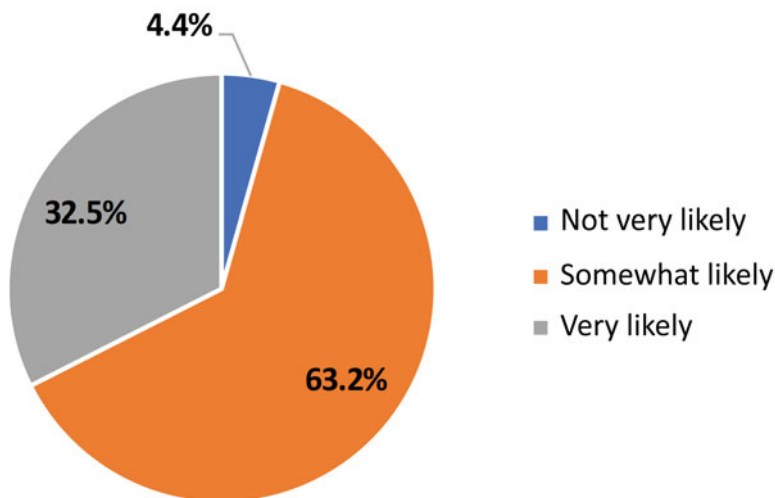


Fig. 15.1 Green features and purchase likelihood; *Credit to SLP International Property Consultants*

minium. Of lower consideration was the availability of green features, although 20% of respondents said it was very important and 50% said it was somewhat important.

How much do individuals buy into the green condominium message? Overall respondents had doubts over developers' and consultants' green marketing claims: only about 8% of them stated they were very convinced, while about 72% said that they were somewhat convinced and about 20% said they were sceptical. By age group, individuals 51–60 years old were less likely to be convinced of green marketing materials. This is significant because those in this age group are more likely to earn more, upgrade their property and be in the market for a new development.

The same survey also showed that over half of the respondents were not willing to pay any additional money for green features. This was largely because they felt that the costs may outweigh the benefits, especially in the short term. They also felt that greenery costs should be borne by developers, even though eventually this cost would be passed on to the homebuyers.

How did these preferences breakdown in the different age groups? Those aged 41–50 years old were more resistant to pay than those older or younger. By income, again, the group that is unwilling to pay more for green features are those more capable, older individuals earning over \$8,000 per month.

Respondents who were willing to pay for green features were asked how much they would be willing to pay with the assumption that green features can save them over \$100 in utility bills annually (Fig. 15.2). About 20% would pay nothing; about

Willingness to pay more for green features

(assuming that green features can save you \$100 off the utilities bill annually)

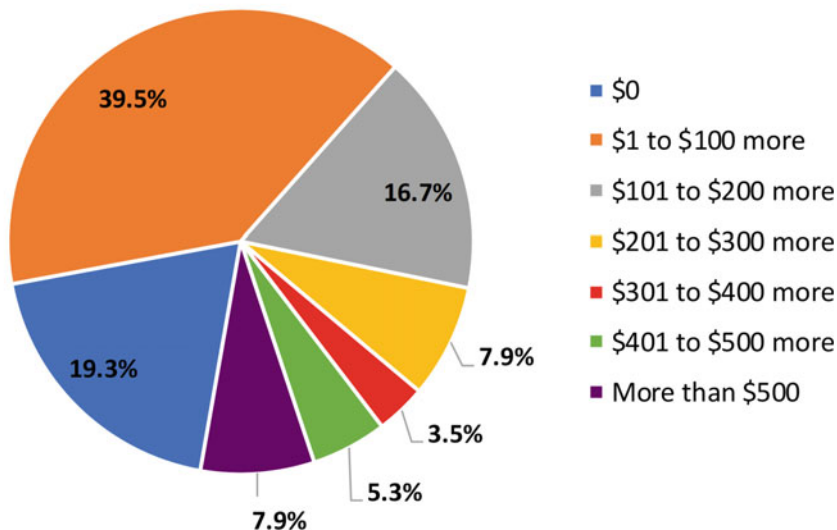


Fig. 15.2 Willingness to pay assuming \$100 bill reduction; *Credit to SLP International Property Consultants*

40% were willing to pay between \$1–100; about 17% were willing to pay \$101–200; about 20% were willing to pay \$201–500; and about 8% would pay over \$500.

A potential reason why the majority of the respondents were only willing to pay less than \$200 for green features was the overall perception that green buildings did not have a positive financial impact on the individual. Contrary to the willingness-to-pay results, all age groups did show a preference for condominiums with eco-friendly features: about 30% were very likely to do so, about 65% were somewhat likely and about 5% were not very likely to do so.

Some homebuyers had interesting perspectives on the role the Government or developers should play in green building development. One respondent said that the Government should levy some type of tax or higher cost onto non-eco-friendly homes. The justification for this was that non-eco-friendly homes are causing negative externalities to the community and that eco-friendly homes should be subsidized. One other respondent stated that there should be a minimum industry or Government standard for a home to be eco-friendly. Another respondent stated that he would prefer developers to provide green features within a new housing unit as the features were expensive to buy and difficult to install.

Overall, the green message is becoming more and more prominent in the Singapore real estate market. Eco-friendly features are more popular with respondents when they see the immediate economic return in terms of energy and water savings. Greenery enhancements outside the home but within developments are also popular.

The respondents in all income and age groups indicated some preference for a condominium to be green. Older homebuyers are a bit more resistant to pay for green features and more sceptical of their benefits, but this is also the group that is more capable of buying private homes. The youngest age groups are also more willing to pay for green features or green enhancement in the development because they are something that is good for the environment and not just for the immediate economic benefit.

Mr. Nicholas Mak has 20 years of work experience in the Singapore real estate market in the areas of research, consultancy and business development. He provides real estate advisory services to major organizations such as the legislative and regulatory bodies in Singapore, financial institutions, real estate funds and developers. Additionally, his views and extensive commentaries are often sought-after and quoted by the local media. Nicholas has also spoken extensively at many seminars on various aspects of the real estate market. Presently, he leads a team of real estate analysts and consultants to conduct research on the real estate market and advisory services. Some of the other studies undertaken include feasibility studies of land and real estate acquisition, development planning and consultancy, product mix advisory, market studies and analysis. A graduate from the University of Technology, Sydney with a degree majoring in Economics and Finance, Nicholas had also pursued and attained the Master of Science in Real Estate from the National University of Singapore.