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**CSEM WP-192**

**"Doing Well by Doing Good? Green Office Buildings"**

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**Abstract:**

This paper provides the first credible evidence on the economic value of the certification of “green buildings” – value derived from impersonal market transactions rather than engineering estimates. For some 10,000 subject and control buildings, we match publicly available information on the addresses of Energy Star and LEED-rated office buildings to the characteristics of these buildings, their rental rates and selling prices. We find that buildings with a “green rating” command rental rates that are roughly three percent higher per square foot than otherwise identical buildings – controlling for the quality and the specific location of office buildings. *Ceteris paribus*, premiums in effective rents are even higher – above six percent. Selling prices of green buildings are higher by about 16 percent.

For the Energy-Star-certified buildings in this sample, we subsequently obtained detailed estimates of site and source energy usage from the U.S. Environmental Protection Agency. Our analysis establishes that variations in the premium for green office buildings are systematically related to their energy-saving characteristics. For example, calculations show that a one dollar saving in energy costs from increased thermal efficiency yields roughly 18 dollars in the increased valuation of an Energy-Star certified building. Beyond the direct effects of energy savings, further evidence suggests that the intangible effects of the label itself also play a role in determining the value of green buildings in the marketplace.

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