

THE IMPACT OF HERITAGE LISTING ON PROPERTY VALUE IN WESTERN AUSTRALIA

Heritage Council of WA

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The protection of heritage places and areas was established as an important objective for Western Australia by the enactment of the *Heritage of Western Australia Act* in 1991. Heritage conservation has traditionally been a planning objective in WA, since as provided for in the *Town Planning and Development Act*.

As at June 2001, there are 830 places that have been entered in the State Heritage Register and which are subject to the requirements of the Heritage Act 1995. At the local government level there are approximately 13,000 places that are listed in Municipal Inventories, some of which are protected in local town planning schemes.

The impact of heritage listing on property values remains an issue. This paper addresses that issue by summarising some of the available research from Australia and overseas.

Some of the key points to emerge from the research are as follows:

- Property values generally, for both heritage and non-heritage buildings, are determined by a multiplicity of factors including zoning, other planning requirements, lot sizes, types of surrounding properties, the level of amenities and services in the surrounding area, tenancy opportunities, prevailing trends in the 'market cycle', the social profile of areas, and the quality and maintenance of individual buildings.
- The impact of heritage listing on property value can occur in two ways. These are (a) the initial effects associated with listing, at the time of listing, and (b) the subsequent change in values over time.
- Heritage listing on a macro level, is not a major factor in determining property value either at the time of listing or following. However, there are individual cases where the effects are more significant, either positive or negative.

A selected reading list follows, as well as a short precis of each item.

MARKET PERFORMANCE OF HERITAGE PLACES - SELECTED READING LIST

Economic Effects of Heritage Listing

Urban Consulting Group, Melbourne, 1995

Fitout of a Modern Building vs Conservation of a Heritage Building: Comparative Cost Evaluation

D Thomas, Paper presented at ICOMOS conference, Hobart, May 1994.

Heritage and property valuations in the Shire of Maldon: a study of the effects of planning and heritage controls on property valuations

Countrywide Valuers in association with T Budge, Victoria, 1992

Heritage Designation and Property Values: is there an effect?

Robert Shipley, International Journal of Heritage Studies, Vol. 6, No. 1, 2000

Investment Performance of Listed Buildings

Royal Institute of Chartered Surveyors and English Heritage, 1993

Investment Performance of Listed Buildings: 1996 Update

Royal Institute of Chartered Surveyors and English Heritage, 1996

The Economic Benefits of Historic Designation

Knoxville Knox County Metropolitan Planning Commission, Knoxville USA, 1996

The Economics of Heritage Listings: Part B, The Impacts of Heritage Requirements on the Financial Viability of Individual Development Proposals

Colin Dominy, NSW Division of the Australian Property Institute, for the NSW Heritage Office, March 2001.

The Implications of Heritage Listing on Property Valuations: A Case Study of Residential Development in Geelong

K Krastins, Thesis, Deakin University, Melbourne, 1997

The Preservation of Historic Buildings and Sites and the Cost Implications

J Alan D'Arcy (Valuer General, Victoria), unpublished paper presented in England, 1990

Virginia's Economy and Historic Preservation: the Impact of Preservation on Jobs, Business and Community Development

D Rypkema, Preservation Alliance of Virginia, Staunton Virginia, 1994

SELECTED READING LIST - CONCLUSIONS

Economic Effects of Heritage Listing (1995)

The study was a major one commissioned by State & Commonwealth heritage agencies in Australia, and undertaken by a team of urban planners, economists, valuers and architects. The study included a literature review, a number of in-depth case studies, a survey of real estate agents, interviews with a wide range of stakeholders in the property market, and an analysis of key regulations

The study concludes, among other things:

"The limited quantitative research which has been undertaken relates to the impact of heritage designation on property values within particular sub-markets, for example, specific residential precincts, or certain types of commercial property. These studies ... suggest that heritage designation per se has little impact on the value of residential property.

The most recent research suggests that other factors such as location, general amenity, level of ethnicity and crime are possibly greater influences on value than heritage designation. A survey of real estate agents active in historic residential areas, undertaken as part of this study, supported the view heritage listing generally has little impact on residential property values. Moreover, the heritage qualities of historic residential property are generally emphasised as a positive attribute in marketing campaigns by developers and agents" (p. 1).

"Analysis of the case studies indicates that the economic effects of heritage listing are influenced by the nature of the building and its use; the availability and feasibility of alternative uses; the condition of the building; and the location of the building. As such, it is very difficult to generalise and the assessment of economic effect can only be carried out on a case by case basis" (p. 131).

"Where there is a fall in value associated with listing (as appears to be the case with the Princess Theatre and the Fitzgerald Hotel), then this tends to be a one-time cost, normally borne by the owner of the building at the time of listing. After listing, the property market tends to inform itself of the implications of listing and factor this into value calculation" (p. 132).

Investment Performance of Listed Buildings (1993, 1997)

Study by Royal Institute of Chartered Surveyors & English Heritage examined the performance of office buildings in the UK over the period 1980-1996, comparing:

- (a) Heritage listed buildings constructed before 1945; and
- (b) Unlisted buildings constructed in various eras (pre 1945, 1945-75, post 1975)

The performance measure included both capital growth and rental income.

The 1993 report concluded that:

- "the total annualised returns on the heritage listed buildings over the period were slightly higher for listed buildings [than for non-listed buildings]"; and
- "listed buildings ... attracted just as much occupier demand as other categories, and ... and achieved rates of rental value growth which area as good as, or better than, those of other categories of offices".

The 1996 Update reported that:

"Listed office buildings out-performed the office market generally, both in central London and across the whole of the UK, for the second consecutive year in 1995 ... [although they achieved] relatively poorer returns at the height of the recession in the early 1990s. Over the full fifteen year period [from 1980 to 1995] listed office buildings continue to show marginal out-performance".

Fitout of a Modern Building vs Conservation of a Heritage Building: Comparative Cost Evaluation (1994)

Examines property from an investment perspective and weighs up the comparative returns for owners of heritage buildings vs modern buildings, taking account of building costs and long term returns. Some case studies are offered.

The paper is written by a valuer and concludes:

"Market evidence and cost analysis suggest that there is a marginal advantage in building a modern office block compared to recycling a heritage building in the short term, but ... as a long term investment, recycling heritage buildings can be advantageous. Heritage buildings tend not to age as quickly and require ongoing general maintenance compared to their modern counterpart, that requires expensive upfront refurbishment every fifteen years or so to compete in a competitive modern accommodation market. Cosmetic refurbishment of buildings ... compounds problems in the future in regard to structural fabric and diminishing returns. [Conversely] Most quality refurbishment in heritage buildings will not date as quickly as their modern counterpart, which is susceptible to market fads".

Heritage and property valuations in the Shire of Maldon: a study of the effects of planning and heritage controls on property valuations (1992)

The study examines the effect of heritage-related planning controls on property values, and on local government rate revenue, focussing on the Victorian town of Maldon and other towns in the Victorian goldfields area, over the period 1970 to 1990.

The study concludes:

- "The strict heritage and planning controls have had no adverse effect on property values in Maldon. On the contrary, these controls have protected the town and attracted both visitors and property buyers to the area. "
- The value of heritage listed residential buildings in Maldon appreciated 1844% over the 20 year period, compared with a lesser appreciation of 1432% for other residential buildings.
- Demand for heritage houses is greater than for other residential property, with shorter sale periods and greater buyer interest.

- Property values in Maldon are stronger than most towns in the region. Maldon had the second highest average sale price in 1990, behind only Yanckandanda. The townships which all have a significant stock of heritage buildings and strict heritage controls (Maldon, Yanckandanda, Clunes and Beechworth), have higher property values than the four townships in the region with minimal heritage controls (Avoca, Dunolly, Heathcote and Newstead).

Heritage Designation and Property Values: is there an effect? (2000)

The Study examines the sales history trends of heritage property in 15 localities in Ontario, Canada, looking at properties over a period of 20 years.

The actual selling price of privately-owned properties subject to the Ontario Heritage Act were tracked, and then compared to ambient market trends in the same localities.

The study concluded:

- 59% of the heritage listed properties appreciated in value at a better rate than the average appreciation of similarly-located property, and 74% appreciated at the average or better.
- Heritage-designated properties tended to resist downturns on the ambient market better than other properties.
- The rate of sales of heritage properties equalled or bettered the general rate of sales in the rest of the market.
- "A strong and clear conclusion can be drawn from the data gathered in this study ... Historic designation of properties under the Ontario Heritage Act does not in itself have any demonstrable negative effects on the value of those properties".

The Economics of Heritage Listings: Part B, The Impacts of Heritage Requirements on the Financial Viability of Individual Development Proposals (2001)

Part B of Study commissioned by the NSW Heritage Office and prepared by the NSW Division of the Australian Property Institute, aimed to provide guidelines for assessing the economic impact of heritage listing on development schemes. The study examined on seven selected case studies in the City of Sydney, where heritage properties have undergone development involving adaptive re-use.

Part A of the Study focussed on the public benefits of heritage listing.

The conclusions of Part B were that:

- The economic viability of property development is "first and foremost dependent on market related factors which are not generally related to heritage consideration. The identification of unmet market demand, the presence of favourable market conditions, and ... timing in the market cycle are essential prerequisites for economic success ... regardless of whether a chosen property is heritage listed or non heritage listed" (p. 174)
- "The combination of financial incentive and the commercially-oriented nature of the adaptive reuse schemes in each of the Sydney CBD case studies outweighed any extra heritage-related costs and project risks which arose, thereby resulting in positive economic outcomes each of our CBD examples" (p. 175)

The Economic Benefits of Historic Designation (1996)

Examines the effect of heritage listing ("historic designation") on property and resale values, focussing on 3 suburban areas in Knoxville, a small city in the United States. Of the three suburbs compared, 2 are heritage-listed on a precinct basis, and the third is not; the suburbs were selected as being similar in term of locational advantages, age of building stock, and the demographics of the residents.

The study concludes:

- Over the period 1990-94, property values increased far more quickly in the two heritage listed suburbs (157% and 36%) when compared with the non-heritage listed suburb (20%).
- The owners who bought into the heritage-listed areas were positively influenced to do so by the existence of heritage listing, which was perceived as protection for their investment.
- Heritage listing did not require owners to undertake more expensive repairs to their properties, when compared with like non-listed properties.

The Implications of Heritage Listing on Property Valuations: A Case Study of Residential Development in Geelong (1997)

A study carried out as an architecture thesis, examined the sales evidence for 100 properties in Geelong over a 12 year period, as well as examining the Geelong property market generally including a survey of real estate agents.

The study concludes:

- The value of buildings with heritage controls appreciated by 19.5% over the 12 year period, and only 6.5% for those in the control group of non-heritage buildings.
- "Other factors that influence property value such as street width, location, off street parking [have the major impact on property value]"
- "Real estate agents interviewed did not regard the existence of heritage controls as a negative factor when buyers considered purchasing"

The Preservation of Historic Buildings & Sites & the Cost Implications (1990)

The study examines the effect of heritage listing on property value by examining sales evidence for 300 properties in Melbourne and in non-metropolitan Victoria, over the period 1986-1989. It seeks to examine both the immediate effect of heritage listing, and the longer term effect after the initial listing.

The study concludes:

- "A point which is clearly illustrated by the data is that the effect of the registration of properties ... is not always negative. It is evident that residential properties ... do not generally have any diminution in value. In fact the evidence appears that in many cases it could be argued that there is a benefit".
- In the study period, listed residential properties appreciated by an average 81%, while listed non-residential buildings appreciated by 34%.

Virginia's Economy and Historic Preservation (1994)

Study examines the impact of heritage preservation on the economy of Virginia including job creation, tourism, and property values. The urban areas of Staunton, Richmond and Frederickstown are examined.

The study concludes:

- In Staunton, residential properties in heritage-listed areas appreciated by an average of 52-66% over the period 1987 to 1995, while residential property in the rest of the city appreciated at a lower average of 51%.
- In Staunton, heritage listed commercial property appreciated at between 28% and 256% (varying between the 5 listed heritage areas) over the period 1987 to 1994, while non-heritage-listed commercial property appreciated an average of 25%.
- In Frederickstown, over the period 1971 to 1990, residential property in heritage areas appreciated in value by an average 674%, whereas residential property elsewhere in the city appreciated only by an average 410%.