

Heritage Designation and Property Values – Finally an Answer

The word is in on whether heritage designation has an impact on the value of your property. The answer is this – if designation has any affect on real estate prices, it's probably a good one. There is certainly no statistical evidence that recognizing the historical significance of a building has any negative influence.

Dr. Robert Shipley, University of Waterloo professor of urban planning, was funded by the provincial government to tackle this long standing debate. Hundreds of properties in a couple of dozen communities across the province were surveyed. Volunteers, with the help of local real estate appraisers, gathered data that was analyzed at Waterloo.

Trends in the price histories of heritage properties were compared with the average market trend in each community. In 74% of the cases the heritage properties performed as well as or better than average. It doesn't seem to matter whether these properties were expensive, up-scale houses or more modest buildings; they still do well in the market when sold. Interesting as well is the rate of sale. Individually designated properties sold more often than the average. Perhaps most important of all is the fact that the prices of heritage properties seem to resist down turns in the real estate market.

All of this adds up to the conclusion that there is a strong and healthy market in Ontario for heritage. "In the UK," says Peter Howard of the University of Plymouth, "there is much less doubt about the positive value of heritage property, and the listed status of a building is nearly always stated by the estate agent as a positive value. But I know this is not universally true and the same debate [as in Canada] rages in Australia and US." Mr. Howard is editor of the International Journal of Heritage Studies in which Dr. Shipley's Ontario results will be published later this year.

Professor Shipley points out that designating properties is done to recognize their historic and/or architectural significance to the community. It is not undertaken with the idea of financial gain. "At the same time," Shipley says, "there is no reason why the owners of such properties should be economically disadvantaged because their properties are seen as important landmarks in their town or city." And now it is clear that owners are not being penalized but in fact rewarded in the market. In spite of the modest restrictions that designation places on a property there seem to be plenty of buyers willing to pay a premium to own these special buildings.

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**Report on Research
Concerning Trends in Property Values
of Designated Heritage Properties
In Several Ontario Communities**

***Completed for The Ministry of Citizenship, Culture and
Recreation
by
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Executive Summary

Purpose and Goals of Study

- this study was designed to examine the assertion that historic designation of properties under the Ontario Heritage Act has negative economic consequences and a negative impact on the values of those properties
- for the purpose of this research the actual price that buyers were willing to pay for properties, rather than the assessed or appraised value, was used to establish the value history trend or price trajectory of the subject properties
- the value history trends of designated properties were compared to ambient market trends within the same communities

Scope of the Study

- a total of 2707 properties in 24 communities were investigated, in what we believe is the largest study of its kind ever undertaken in North America
- value history trends over a period of up to twenty years were examined with special reference to the particular periods that might have been affected by heritage designation
- the project was undertaken by The School of Planning, University of Waterloo with Professor Robert Shipley serving as the principal investigator, working under contract for the Ontario Ministry of Citizenship, Culture and Recreation
- 87 volunteers in 31 different communities contributed to the work

Major Findings of the Study

- the majority of individually designated properties, approximately 74%, performed better than average or average in their value history trend when compared to the average property value trend in their communities (Table 1 and Figure 7)
- it was found that the rate of sales among individually designated properties was equal to or greater than the general rate of sales of properties within their communities (Table 2)
- the rate of sales among designated properties did not appear to be affected by how many properties in a given community were designated
- designated properties tended to resist down-turns in the ambient market

Major Findings of the Study (continued)

- data was collected for designated districts in three communities; the value history trends of properties in one of these were 100% average or above average while the trends in the other two communities were approximately 50% at or above average
- in two other communities properties within designated districts were found to be in long term ownership with too few sales during the time period covered by the study to establish any value history trend

Analysis of the Study Findings

- designation of properties under the Ontario Heritage Act does not in itself have any demonstrable negative affect on the performance of those properties
- there is, in fact, a positive correlation between designation and an enhancement in the rate of increase in property values when measured against the average trend in property values within a given community
- there is a distinct and generally robust market in designated heritage properties which is demonstrated by the facts that: a) they generally perform well in the market; b) the rate of sale among designated properties is as good or better than the ambient market trends; and c) that the values of heritage properties tend to be resistant to down-turns in the general market
- as with other properties, the performance of heritage properties in the marketplace is probably affected by other planning considerations such as zoning of the properties themselves and the permitted adjacent land uses

Limitations of Study

- there are a great many factors affecting real estate values and this study examined only one of those aspects, the question of heritage designation
- the study was a comparison of trends in property value using the average property value trend within communities and does not purport to be a systematic set of appraisals
- due to the nature of properties that qualify for heritage designation the total numbers of properties that actually had recorded sales histories was relatively small in some communities meaning that sample sizes were not necessarily ideal for statistical analysis

Future Work

- as important as the recognition of cultural significance through heritage designation is, it is investment in maintenance that ultimately ensures the survival of buildings - the question of return on investment in the case of historic properties is therefore a key topic of future research
- although it is a difficult and complex task to identify properties that are genuinely comparable to designated buildings, this kind of comparison would result in valuable information in the discussion of the economic implications of heritage recognition
- a broader and more detailed investigation of the economic effects of district designations would shed additional light on the impacts of defining heritage conservation areas