

# The (Economic) Value of National Register Listing

To ask if properties listed in the National Register of Historic Places have value is to ask a tautological question. Of course they have value or they wouldn't have been listed in the first place. The nomination process to the National Register itself implicitly requires the source and the substantiation of the property's value—architectural, cultural, associative, historical, etc. Further, by implication the National Register property is more valuable on some set of criteria than non-listed properties, otherwise everything would be National Register eligible.

So historic preservation in general and National Register listing in particular doesn't have one value, it has a multitude of values—cultural, environmental, social, educational, aesthetic, historical. The question becomes, “Do these values manifest themselves in economic value?” Let's begin with what we do know, and that is about local designation. Over the last decade a number of analyses have been conducted asking, “What is the impact on property values of local historic districts?” Using a variety of methodologies, conducted by a number of independent researchers, this analysis has been

undertaken in New Jersey, Texas, Indiana, Georgia, Colorado, Maryland, North and South Carolina, Kentucky, Virginia, and elsewhere. The results of these studies are remarkably consistent: property values in local historic districts appreciate significantly faster than the market as a whole in the vast majority of cases and appreciate at rates equivalent to the market in the worst case. Simply put—local historic districts enhance property values.

Anecdotally, it has been found that when a local district has the greatest positive impact on property values four variables are usually in place: clear, written design guidelines for the affected properties; staff for the preservation commission; active educational outreach by the staff and commission to property owners, real estate brokers, architects, builders, etc.; and consistent and predictable decisions by the commission.

Since listing in the National Register provides little protection for an individual property, sources of value enhancement created by a local district do not exist. There are, however, at least four situations in which listing in the National Register does often add economic value to the listed properties:

- When the properties are commercial, rather than owner-occupied residential, the eligibility for the Federal Rehabilitation Tax Credit can add economic value to the properties. At a recent symposium funded by the National Park Service and chaired by the Urban Land Institute, some developers noted that in their communities, sellers of unrehabilitated properties were raising the price of listed buildings to reflect the tax credit opportunity potential of the investment.
- In some communities the creation of a National Register district triggers the creation of a corresponding local district. This local district then would provide the protections (and perhaps incentives) as noted above, leading to economic value enhancement.

*Listing can add economic value to commercial properties since National Register status is a pre-requisite to using the Federal Rehabilitation Tax Credit.*





*National Register residential neighborhoods may command a premium if local buyers and the real estate community understand and appreciate the significance of designation.*

- In real estate markets that have a level of knowledge and sophistication among both real estate professionals and buyers regarding historic properties, National Register listing can have an economic premium attached. How do you know if the local market has reached that point? When the real estate ads say, “This house is located within the XYZ National Register Historic District,” or “This house is listed in the National Register.” The broker wouldn’t pay for the extra lines in the ad if he/she didn’t believe that potential buyers responded knowingly and positively to that information.
- A common characteristic of neighborhoods—both residential and commercial—that are seen as places of sound investment is the existence of a strong citizen-based advocacy organization. Often the creation of a National Register district is a catalyst for the creation of such a citizen advocacy group. The group may have been formed for the specific purpose of getting a neighborhood listed, but once that mission is accomplished the organization expands its focus to broader neighborhood advocacy. This can have a positive affect on property values.

But perhaps it makes sense to step back briefly from the specific question, “Does National Register listing add economic value?” to a broader identification of the variables that affect value. In real estate economics there are identified the Four Forces of Value, those factors in the marketplace that push the value of a given piece of real estate—historic or otherwise—up or down. Those forces are physical, social, economic, and political. If as preservationists it is our intention to positively influence the value of

historic properties it will be necessary to knowingly bring those forces into play.

The physical force of value is the only one of the four even partially emerging from within the property lines. A leaky roof, the wrong kind of mortar, deteriorating foundation walls, sandblasted bricks are all examples of physical forces that will diminish the economic value of a building. But physical forces beyond the lot lines will also have an impact. The condition of the streets and sidewalks, the proximity of parks, levels of public maintenance, and whether nearby properties are vacant or occupied are all examples of the physical force of value over which the individual property owner has no direct control.

The social force of value is how people understand and attach importance to any given property characteristic. When more people hold historic resources “valuable” by any criteria, there will be a corresponding increase in the economic value of those resources.

The economic force of value is more complex than it may seem. If financing is more difficult to obtain for historic properties than for new properties, there will be a relative adverse impact on historic properties’ values. Adaptive re-use of historic properties, when the use for which they were built is no longer in demand, is central to the buildings having economic value. The proposed Historic Homeowners Tax Credit, by adding an economic incentive for re-investment, will add economic value.

The last of the four forces of value is political. To the extent that elected officials and other political decision makers recognize and emphasize the importance of heritage buildings and correspondingly take public policy actions to encourage appropriate rehabilitation, the economic value of historic buildings will increase.

Listing in the National Register of Historic Places does not necessarily add economic value to a given piece of real estate. Rather, National Register status can be an important catalytic tool to utilize all four forces of value. National Register listing is one of a basket of tools that can be used to assure that the economic value of historic preservation takes its rightful place among the multiple values that historic buildings contribute to American communities of every size.

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Photos by the author.