

Leveraging Real Estate Value with Public Open Space

By Matthew Wetli, Associate

Prior to the “Great Recession” that befell the country in 2008, downtowns were beginning to find their groove. Newfound market demand for downtown housing (fueled in part by the housing bubble, granted, but broad demographic trends indicate most of the growth was and is sustainable), coupled with a growing awareness by city policymakers that more livable downtowns translate into vitality and economic growth, energized downtowns in a way that they had not experienced in at least two generations. Among the most promising trends has been the reintroduction of public spaces—in particular, civic squares and human-scaled urban parks—as centerpieces in urban revitalization strategies.

Creating — or even upgrading — public spaces involves change and, therefore, controversy. Critics will point to previous failures of public intervention: pedestrian malls, high-rise public housing towers — even earlier generations of parks. To some degree, they have a point, or at least a reason to be distrustful of urban revitalization programs. But there are several reasons to be confident that the new generation of urban plazas, squares, and parks can enhance the vibrancy and economic vitality of our downtowns and other dense, walkable places.

Planners learned their lessons:

Planners’ understanding of the way cities work has come a long way since the urban renewal period in the 1950s and 1960s.

- Planners and designers now design to a human scale, as opposed to an automobile scale. They recognize streets need to accommodate cars, yet be pleasant and human-scaled for pedestrians. Interestingly, technology plays a role in ensuring well-received designs: 3-D rendering software lets designers, policy makers, and the public “fly through” public space designs before they are built.
- The roles of the public and private sectors are better-defined, with renewed emphasis on market analysis. The development of buildings has been placed firmly in the hands of the private sector, while infrastructure defaults to the public sector, requiring true public/private partnerships. Plans that put forth housing, retail, and office development, but fail to demonstrate that market demand exists, are rightfully viewed with skepticism.
- Public engagement is understood to be essential in designing for local users, thus building consensus and minimizing opposition.
- Private and institutional champions are stepping forward. Companies and institutions no longer view their organizations in vacuums. Instead, they have recognized that the environments in which they are located have never been more important to their image and their ability to recruit and retain talent. In planning for a \$50 million renovation for Fountain Square in Cincinnati, Fifth-Third Bank, which is headquartered next to the square, was an obvious private-sector champion of the renovation, which received significant non-governmental support.
- Time-honored community building blocks are valued over gimmicks and fads. As a result, housing has become central to downtown revitalization strategies. Retail is often viewed through the lens of support services that help enhance the marketability of downtown as a place to live and work, rather than “silver bullet” solutions such as festival marketplaces.



Fountain Square, downtown Cincinnati (Fifth-Third Bank headquarters is shown in the background)

- Planners and developers increasingly understand the value of being “open air and connected.” Retail formats need to take advantage of what it means to be downtown, rather than turning their backs on it. Diminishing are enclosed shopping malls that sought to seal off shoppers and citizens from the outside world. Escalating are mixed-use, urban entertainment districts that are placed on a street grid and open to the outside world.

Demographic, cultural, and economic patterns have shifted:

A “perfect storm” of trends has converged to the benefit of downtowns. Members of the boomer generation are becoming empty-nesters and thus able to downsize their housing options. These boomers are more open to active lifestyles than previous generations. The millennial generation is more accepting of urban living, spurred in no small way by popular culture television programs such as *Friends* and *Seinfeld*. And there is a renewed emphasis on placemaking as a means to attract and retain talented workers in a knowledge economy. This latter concept is perhaps best presented in Richard Florida’s book, *The Creative Class*.

Economic benefits of urban parks are becoming documented:

This is particularly true with respect to:

- **New Development:** At New Town St. Charles, a New Urbanist development in suburban St. Louis, land premiums for lots fronting canals are roughly 50 percent. At Upper Albany, a traditional neighborhood design (TND) community in suburban Columbus, Ohio, lot premiums for homes that are attractively oriented around a village green were roughly 25 percent. While values are demonstrably higher, the adjacency of attractive public spaces also accelerates sales. In both instances, annual residential sales at these developments exceeded those of other developments in their respective regions.
- **Established communities:** John L. Crompton, a leading academic researcher on the effect of open space on property values, frequently demonstrates that parks generate significant value for surrounding real estate, resulting in greater tax revenue for cities. Dubbing it the “proximate principal,” he has shown that the closer a property is to a public park, the greater the property value benefit of that park. A study in Dallas-Fort Worth demonstrated a 20 percent property premium for lots within 100 feet of parks, a 10 percent premium at 300 feet, and a negligible premium at roughly a quarter mile.
- **Areas where demographics are strong:** In Clayton, Missouri, an affluent community with a dense, walkable business district on a traditional street grid, new office properties on Shaw Park achieve the highest lease rates in the St. Louis region (\$26 to \$28 per square foot), and operate at high occupancies.



At New Town in St. Charles, lots fronting along canals achieve 50 percent premiums.



The new Citygarden, a vibrant, interactive public space in downtown St. Louis, enhances the image and visibility of nearby real estate, creating instantly recognizable addresses.



Unfortunately, it remains difficult to quantify the catalytic effects of open space and/or public space in the complex environments that downtowns tend to be. Positive case studies abound, with Millennium Park in Chicago being exemplary. Still, critics can just as easily point to failed public/open space improvements, underscoring the need for more detailed study.

For an accurate examination of the influence of open space on real estate values, there are many variables that need to be controlled, the most obvious of which include marketability issues like perception of schools, crime, et cetera. But other issues, some of which are more difficult to quantify come into play, such as the quality of the public space itself, the condition of surrounding real estate, and market-driven desires for certain kinds of spaces.

The need for continuing research on the economic impacts of public space is essential in understanding how to catalyze economic activity and vibrant urban spaces in our urban and even suburban settings. Future studies need to account for qualitative elements of public spaces—their look, feel, maintenance, sense of enclosure or openness—and this likely requires an interdisciplinary team of, at minimum, planners, designers, and market analysts. But the research that is available—generally in new greenfield developments, established residential communities, and affluent business districts—points to a significantly positive economic impact. When a broader, interdisciplinary study is finally conducted, it may very well reveal what many urbanists and the “invisible hand” already inherently know—that public space is a considerable catalyst in invigorating the economic vitality of our urban/suburban real estate, far more so than many of the “silver bullet” solutions that were attempted a generation ago.

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