

Does good design increase development returns?

My interest here is in the extent to which good design crystallises in an anticipation of increased financial value in the hands of landowners and developers at the point at which a scheme is being conceived and appraised. For this to happen they must confidently anticipate that an investment of time or funds in design will be rewarded by a greater increase in receipts than costs. This is a much narrower investigation than whether or not good design adds value because the latter always begs the question of whether the added value will benefit the developer as a reward for his/her effort or the subsequent or adjoining owners or the wider neighbourhood or district.

High quality design is a frequent planning requirement although it is seldom clear what it implies in practice. In any event the statement that 'good design adds value' rests upon the assumption of a common definition of what constitutes good design. No developer would require proof that many house buyer would like to be near pleasant open space or a waterfront but it is much more difficult to gauge the consumer view of different approaches to the aesthetics of design whether at a quotidian level such as a preference for the use of local building materials to an acceptance of more architecturally 'innovative' designs. The developer's customers - house buyers, commercial occupiers and investors - all have views on this which might not chime with the cheerleaders of the design agenda.

Organisations such as CABE and the Prince's Foundation play a useful role not just because there is a value in the dissemination of new ideas and approaches but because developers are more likely to invest in design features if there is hard evidence that they will be valued by their customers. But these agencies are among the many propagandists for the worthy but wider cause of improving design. Their opinions are sometimes tendentious and often seem to reflect the fact that they are for the most part staffed by people with a professional interest in design rather than say construction or development economics. So over the years I have looked around for research that is at best more objective or which at least offers alternative viewpoints based on more rigorous analysis. Two factors frustrate this exercise:

- ◆ It is difficult to isolate different variables of design to identify their impact¹.
- ◆ A lot of the evidence quoted in reports and papers comes from overseas and it is not clear to what extent reactions to different aspects of design and layout are culturally specific.
- ◆ Few studies take the point to its conclusion and examine whether the various design features add value that is at least commensurate with their cost.

There are links to some of these papers and publications below. The list is limited by the extent to which a lot of academic research is protected by copyright. So if you really want to get to the bottom of this you will need to check out some of the source studies on which the conclusions in these papers are based. It will help if you have access to a good online library².

1 One exception is probably access to open space and this might explain why there is a comparatively large body of evidence demonstrating - unsurprisingly - that access to open space is something that people will pay for.

2 For instance, I use the e-journals service from the RICS and accessible by members through their

At the moment there is an additional debate about whether improved environmental standards leads to higher property values. This is complex. Occupiers might confidently be expected to pay something for 'green' features which will save them money overall, albeit at a rate that might not be commensurate with the cost. I have also included some references that touch upon this.

The RICS have taken an interest in this and published quite a few useful papers.

"Urban parks, open space and residential property values" was part of the FIBRE series and summarised attempts to quantify the value of open space.

"Doing Well by Doing Good" is an analysis of evidence from the USA on the financial performance of commercial buildings with green credentials.

"Is Sustainability Reflected in Commercial property Prices: An Analysis of the Evidence Base" does what it says on the can.

"The Economic Value of Urban Design" was the title of a report commissioned by NWDA/RENEW Northwest from a team led by Amion Consulting in 2007. It contains little original research but does contain links to some supporting studies. These are all positive and it isn't clear whether they couldn't find any supporting evidence or simply chose to ignore it.

On a much more mundane note a few years ago Nationwide Building Society published a short briefing note entitled "House Prices: What Adds Value". This primarily focuses on the basic features which lend themselves to data aggregation such as bathrooms, parking and space. The link is to a copy on my website.

Notwithstanding my reservations about their objectivity there are two CABE Reports which I would commend to anyone interested in the subject. In both cases the nuanced conclusions are found in the main report and not the summary. Sorry.

The first was produced in 2001 for CABE and the DETR by the Bartlett School of Planning entitled 'The Value of Urban Design'. The conclusions of this study are positive as you might expect and the value of the analysis lies in the six detailed case studies which include useful insights from (inter alia) occupiers and developers of the projects who understandably focused on practicalities. The study provided some high level data on market movements in the town in which each case study was based but does not contextualise this or to collect raw data on sub market impacts, for instance by comparing rental trends on the new scheme with movements across a town as a whole. It points to supportive quantitative evidence from Australia and the USA but the comparability of both the location and the object of the studies are questionable in this case. (For instance, the US study looked at the impact of atria on values, presumably using them as a proxy of design quality).

In 2003, they produced a similar study focused on the residential sector and based on work by FDP Savilles and DLE entitled 'The Value of Housing Design and Layout'. (2003). I have found this report to be immensely useful over the years both for the detailed costings of the real and notional schemes used as examples and because the conclusions³ seem to fairly reflect the analysis. They faithfully report that it "has not provided...clear-cut results and could never be deemed to have selected and tested a representative sample". Rather they usefully point to evidence that investment in quality in one part of an estate can rub off in values achieved in the surrounding area and that the real gain that could be made from increasing the density on the high-value sites

website..

3 See Section 5.

in the south east that they focused on required a design response to make it acceptable.

In the same vein "[The Value of Sustainable Urbanism](#)" was a study by Savilles for the Prince's Foundation and subtitled "Measuring & Valuing New Approaches to Residentially Led Mixed Use Growth". As you would expect given its origins the conclusions are positive. I found it tendentious. It cites a quality scheme in Aylesbury where values have increased. Local agents made the point to me that this improvement crystallised as the scheme matured and on second sales when the developer doesn't usually benefit. Once again, if you want fully understand the argument, do read the (linked) full version which makes it clear how the conclusions were arrived at.

In the same vein residential field "An Empirical Examination of Traditional Neighbourhood Development" by C. Tu and M. Eppli is an interesting assessment of the impact of 'new urbanism' policies in the USA on house prices from the journal "Real Estate Economics" in 2001. It concludes that a premium is obtainable but, again, doesn't make a case that this crystallises in the hands on the landowner or developer. I can't provide this for downloading, it is copyright, so you will have to get a library to get it for you.

On the specific issue of the value premium for 'green' buildings there are a couple of other papers worth checking.

"[Who Pays For Green? The Economics of Sustainable Buildings](#)" was published by CB Richard Ellis and EMEA in 2009. They expressed doubts about whether the premium obtainable for residential buildings was commensurate with the cost, but found more encouraging evidence in relation to commercial buildings.

Knight Frank and E C Harris published a useful analysis of the costs and values of green residential buildings and schemes entitled "[Eco-homes, economically sustainable?](#)". This doesn't appear on their website any longer so I posted a copy on mine.

For what it is worth my own conclusions are that:

- ◆ The issue of whether good design adds value is separate from the argument that bad design can reduce value of a scheme. But the latter is often the basis for the argument that 'good design saves money'.
- ◆ Because there is no all-embracing agreement on what constitutes good design there can be no agreement on whether good design adds value. The answer has to be 'sometimes it does and sometimes it doesn't'. It depends on the specific features sought and on the particular site.
- ◆ Because some of the benefits of good design crystallise as benefits to neighbouring or subsequent owners it follows that developers of large and long term schemes are better placed to harvest the benefits.
- ◆ Some types of design will only appeal to a niche market. As an example, the expensive BedZed scheme might have found a market in London but would probably struggle to find buyers in a small town.
- ◆ The best guide to whether a design feature or facility adds value at least insofar as housing schemes are concerned is to ask yourself whether you would pay a significant premium for them. If you wouldn't then it is quite likely that others wouldn't either. We are all experts on housing quality!