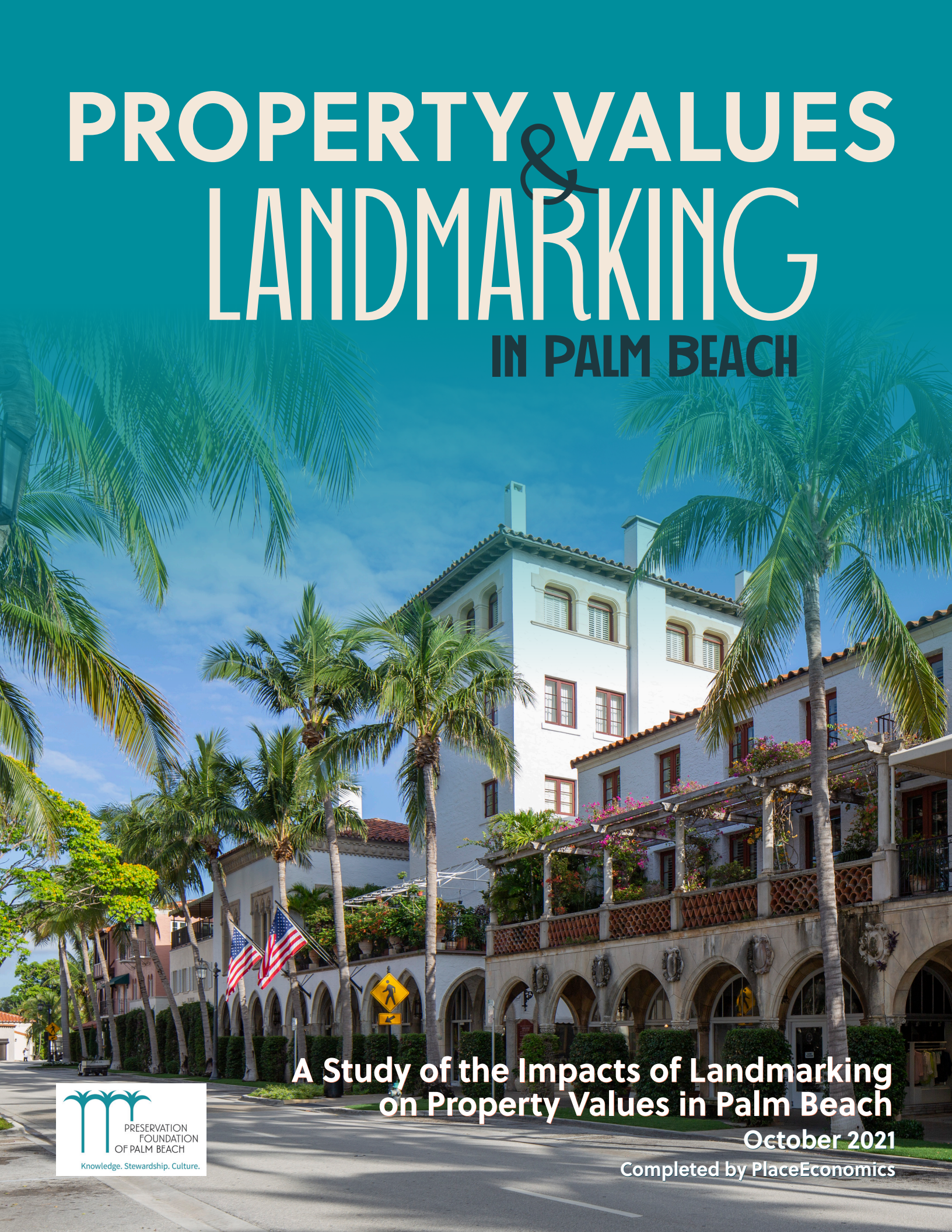
PROPERTY & VALUES LANDMARKING IN PALM BEACH



A Study of the Impacts of Landmarking on Property Values in Palm Beach

October 2021

Completed by PlaceEconomics

PRESERVATION FOUNDATION OF PALM BEACH
Knowledge. Stewardship. Culture.

THE BIG NEWS...

This analysis found that landmarking had no negative impact on property values, either in current values, value change over time, value change following designation, or when accounting for differences in age, condition, size, water access, or location. Not only does landmarking not reduce property values, landmarked properties experience greater rates of value increase than do non-landmarked properties.

KEY FINDINGS

The historic landmarked properties of Palm Beach set a high standard for beauty, quality, character, design, and stewardship. This study was commissioned by the Preservation Foundation of Palm Beach primarily to determine if landmarking has an adverse impact on property values. Not only was that question answered (a resounding "no") but there were other important lessons as well. Here are 10 of the key findings:

- Landmarked homes in Palm Beach have an economic value of more than $2.5 Billion.
- Most citizens in Palm Beach don't live in landmarks, but nearly 95% of them say that the historic character of the town is important to them personally.
- An equal number say that the loss of historic character would have a negative impact on the quality of Palm Beach.
- Not only does landmarking not reduce property values, it creates an economic premium for those properties in the marketplace.
- Landmarked properties are more valuable than non-landmarked properties in both total value and square foot value when compared by age, by condition, by water frontage, by submarket within Palm Beach, and by proximity.
- There are non-economic values attributable to the historic character of Palm Beach that, when quantified, total nearly as much as the Town's entire general fund budget.
- About half of Palm Beach's landmarked single-family properties lie within a 100-year flood zone, representing a value of nearly $850 million.
- Landmarked properties increase in value both before and after their designation.
- Landmarked properties experience greater rates of value increase than do non-landmarked properties.

These and other findings can be found on the following pages. But the most direct finding is this: Landmarked properties in Palm Beach are a valuable economic asset for their owners, and a valuable aesthetic, cultural, historical, and symbolic asset for the larger community.

INTRODUCTION

The Preservation Foundation of Palm Beach commissioned PlaceEconomics to conduct quantitative analysis to answer the question: *"In Palm Beach, does landmark designation equate to a loss in property value?"* The pages that follow represent the findings of that analysis.

There are few cities in America where home values are as high as they are in Palm Beach, where median values exceed $4,000,000. But homes in Palm Beach also hold values that are non-economic– values that accrue to more than just the homeowner – including aesthetic, historical, cultural, and associative values from which the entire population benefits. Those additional values are recognized in Palm Beach through architectural review and historic designation, both tools which aim to maintain them for future generations. This wide-ranging commitment to stewardship, like the architecture of Palm Beach itself, is matched by few cities anywhere. The internationally renowned beauty and character of Palm Beach has been maintained for decades because of this public commitment to quality.

But what if the standards set to maintain these non-economic values have an adverse impact on the economic value of one's home? What if a property suffers an economic handicap by being designated a local landmark? Those questions have been a source of concern for some Palm Beach property owners who wonder if having their home designated as a landmark might inadvertently diminish its economic value. The Preservation Foundation of Palm Beach commissioned PlaceEconomics to answer this question: In Palm Beach, does landmark designation equate to a loss in property value? The pages that follow represent the findings of that analysis.

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THE PALM BEACH APPROACH TO HISTORIC DESIGNATION

There are two ways in which Palm Beach approaches protecting its historic assets that differ from the vast majority of other American cities: first, in that buildings are overwhelmingly listed to the local historic register as individual landmarks, rather than included in larger historic districts; and second, in that the Town requires an architectural review process for all properties, historic or not.

While most cities are authorized to designate individual landmarks via their historic preservation ordinances, the process is usually used sparingly and is typically reserved for iconic public and institutional buildings—or buildings seen indisputably as landmarks. For residential areas, it is much more common to create a historic district that includes multiple properties, each subject to the same overarching design guidelines. In most cities 90% or more of designated historic properties are contributing buildings within historic districts rather than individually designated as landmarks. In Palm Beach, where there are very few historic districts, that percentage is reversed, meaning more than 90% of designated properties in Palm Beach are individually listed as landmarks.

Palm Beach also, somewhat uncommonly, requires a universal architectural review. This review either happens through the Landmarks Preservation Commission, which has jurisdiction over properties designated as "historic," or the Architectural Commission, which reviews everything else. The processes of these two citizen-composed panels set the standards to maintain the architectural quality of Palm Beach.

THE CONSEQUENCES OF THE PALM BEACH APPROACH

Over the last thirty years there have been numerous studies conducted throughout the country on the impact of historic designation on property values. In almost every instance, the research has indicated that properties within local historic districts see a value enhancement – both in current value and in the pattern of value increase over time – often referred to as the "preservation premium." However nearly all of the studies have considered properties within historic districts rather than individually landmarked structures.

This is important because when other characteristics that contribute to this preservation premium have been accounted for, there remains a value enhancement that comes from the protection that the historic district provides. While going through the local historical commission when one wishes to make changes to one's property can be a time-consuming process, historic districts boost home value because they ensure that an entire group of homeowners must go through this process. This means the owner across the street won't be allowed to make inappropriate changes to his house that could have an adverse impact on the value of his neighbor's and vice-versa. The old real estate cliché that the three most important things in real estate are location, location, location, is demonstrated here. It is not the four walls and the roof that give the house its economic value, but rather the context within which the property exists. The local historic district is protecting that context by ensuring that everyone is subject to the same design guidelines, thereby protecting the values of all the properties within the district. While it may be counterintuitive that an additional layer of regulation enhances rather than diminishes property values, that is, in fact, what the preponderance of evidence shows.

But these findings raise a legitimate question about individual landmarking and its impact on value. In the case of landmarking, the designated property is subject to design review, but its neighbor isn't. If there's no surrounding district that enforces the same regulations and protects a shared context, will a preservation premium still exist?

Landmarked properties in Palm Beach have three other characteristics that seem to mitigate that concern. First, many of the landmarked properties have relatively large sites – median lot size is nearly half an acre – so the immediate impacts of neighboring properties are somewhat mitigated. Second, many of the landmarked houses have privacy safeguarding elements, including large hedges, fences, and walls, which also reduce the visual impacts of what is happening next door. Finally, nearly every property, whether or not it is designated "historic" must undergo a degree of design review. This helps preclude at least the worst-case scenario of a totally inappropriate structure being erected across the street.

As a result, both the value protection created by a historic district as well as the burden of "I have to follow rules my neighbor doesn't" are decidedly different than in most American cities.

HOW THIS STUDY WAS CONDUCTED

This analysis has five components. The first is a comparison of the values of landmarked properties in Palm Beach with non-landmarked properties. The second component looks at how values of both landmarked and non-landmarked properties have changed over time. Third is a Hedonic Pricing analysis. Hedonic pricing uses a mathematical model to estimate the relative contribution of various attributes of a property (lot size, water frontage, building size, etc.) to the entire value of the property. These first three were based on a complete set of property tax records from the Palm Beach County Property Appraiser Office for years 2007 through 2020. That data included 234 landmarked single-family properties in Palm Beach and 1976 single-family properties that are not landmarked.

Fourth is a "Willingness to Pay" survey, that estimates the value of a resource (in this case, the historic character of Palm Beach) that is above the economic value which is established in the marketplace. A link to the survey was distributed through the town's email notification system and received 153 valid replies.

Finally, the study considered the value of landmarked properties that are at risk of sea level rise and other water-related weather events based on FEMA (Federal Emergency Management Agency) flood maps.

Studies have shown that properties within local historic districts see a value enhancement – both in current value and in the pattern of value increase over time – often referred to as the "preservation premium." Though there are few historic districts in Palm Beach, factors like its universal design review process and large lot sizes ensure that the "preservation premium" still applies.

CORRELATION, NOT CAUSATION

There is a monetary premium attached to properties that have been designated as landmarks in Palm Beach. As discussed above, when evaluating impacts of historic designation on value when properties are in historic districts, at least part of the preservation premium is a result of being included in the district which protects the context within which a given property exists.

In Palm Beach, however, the slight economic premium received by landmarked properties is unlikely to stem from the protection that status provides. Rather, it seems to be a result of discernment on the part of both the Landmarks Preservation Commission in choosing which properties to designate as landmarks, and buyers of those properties. It is not the designation itself that is increasing the value. It appears to be that the marketplace recognizes (and rewards) the attributes of the property that motivated the Landmarks Preservation Commission to designate it. While not every buyer appreciates and values the quality, integrity, and authenticity of Palm Beach landmarks, a subset of sophisticated buyers does. It is this nuanced market that creates a premium for landmarked historic properties.

The pages that follow present the findings of this research. But the most important conclusions are these:

1. There is no evidence that landmark designation has an adverse impact on value.

2. The marketplace attaches a small but statistically significant premium to properties that have landmark designation.

3. The historic quality and character of Palm Beach is highly valued by far more than just those who own historic properties.

4. More than $860 Million in value of landmarked properties are in areas with a 1% or greater annual chance of flooding.

It is legitimate to ask the question "Will landmarking lower my property value?" The answer is an unequivocal "no."


Not only does landmarking not reduce property values, it creates an economic premium for those properties in the marketplace.

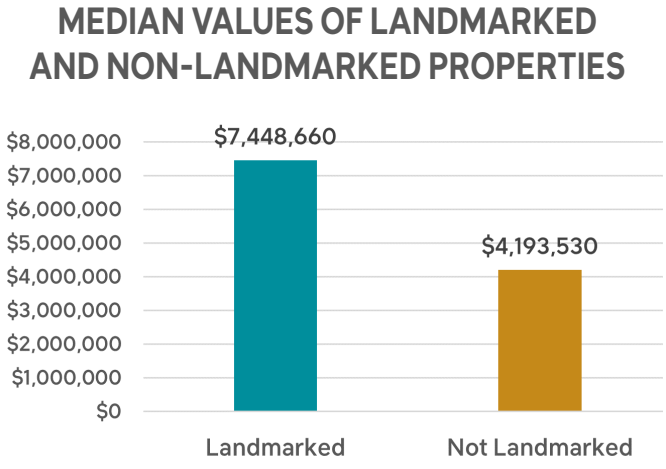
CURRENT VALUES OF LANDMARKED PROPERTIES

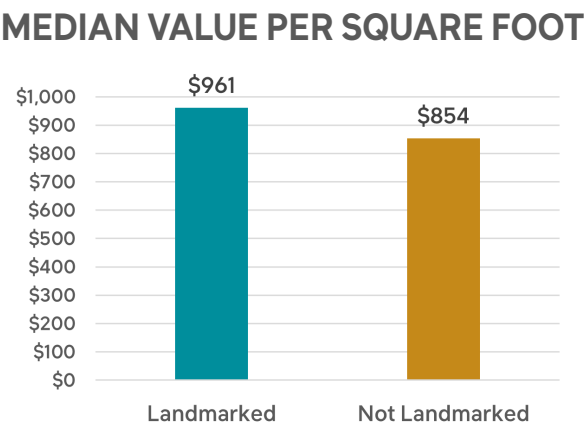
This analysis found that landmarking had no negative impact on property values, either in current values or when accounting for differences in age, condition, size, water access, or location.

The initial approach in this analysis was to simply compare the value of landmarked homes to the rest of the single-family houses in Palm Beach. This was done in both absolute dollars and in dollars per square foot. In all instances median values were used. The median represents the midpoint; half of the property values fall above and half fall below the median. The median value of a landmarked property in Palm Beach is just over $7.5 million while the median value for non-landmarked properties is $4.1 million.

This comparison can be deceptive, however, because landmarked properties are likely to be larger, located on bigger lots, and are more likely to have frontage on either the ocean or the intracoastal waterway, all of which increase their value.

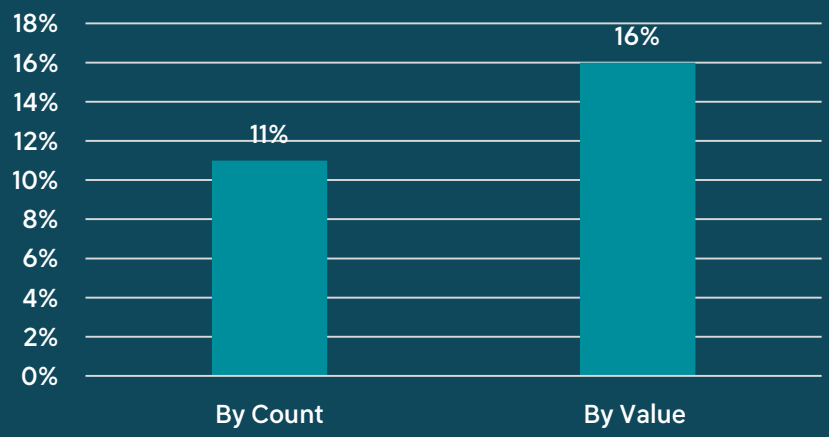
A more meaningful comparison at this level is the dollar per square foot value of the properties. The calculations were made using the "Total Building Area" as found in the Palm Beach County Property Appraiser's Office data. This is the number that is most reflective of and comparable between different properties. Based on Total Area, landmarked properties had a median value of $961 per square foot, as compared to $854 per square foot for non-landmarked properties.





The difference in both value and value per square foot provide the basis for the results in the chart on the right. While landmarked properties make up just over 11% of all single-family houses in Palm Beach, they represent more than 16% of the total property value.

LANDMARKED PROPERTIES SHARE OF ALL SINGLE FAMILY HOUSES

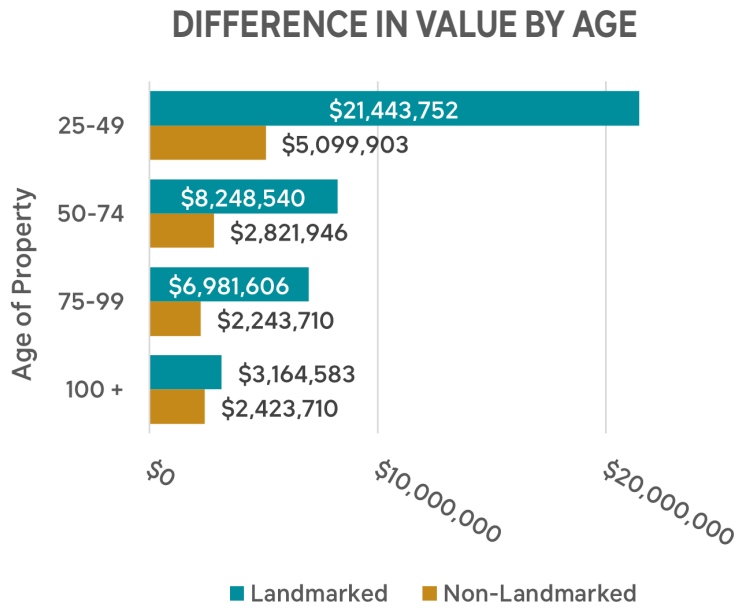


VALUE BY PROPERTY CHARACTERISTICS

After these base calculations were made, a series of comparisons were made between the categories of property against other variables, including property age, proximity to the ocean or the Intracoastal Waterway, submarket within Palm beach, and condition or construction grade.[1]

Property Age

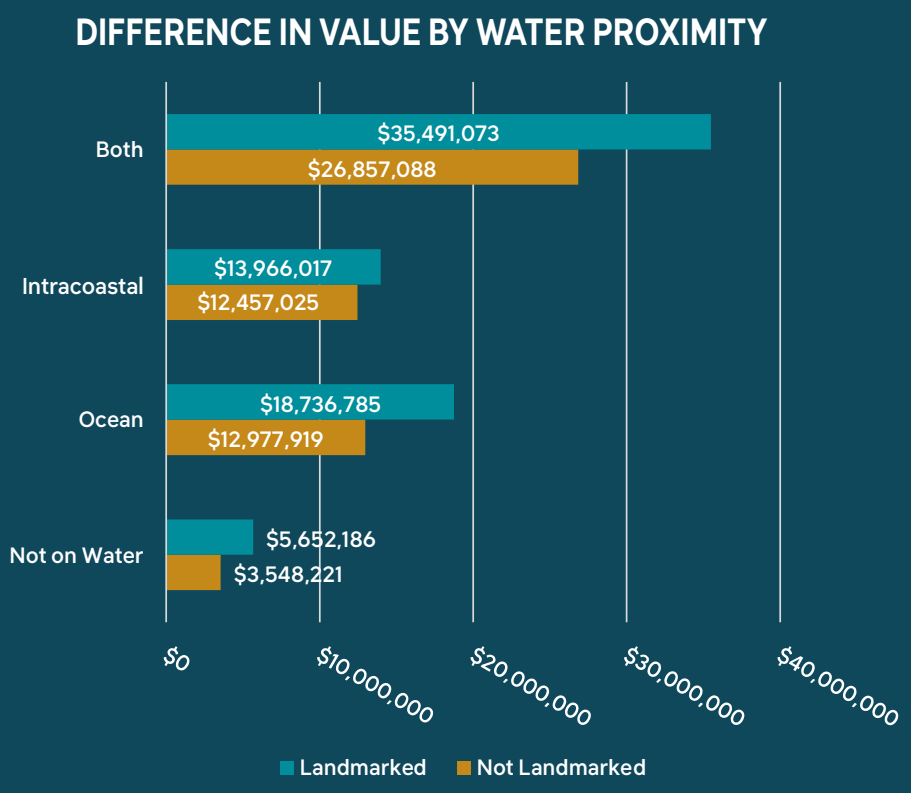
Comparing landmarked properties to un-designated properties of similar vintage (more than 100 years old, or built in the early 20th century, for example), the analysis showed that the median value of landmarked properties was significantly greater than older non-landmarked properties. In the chart below the median value of landmarked properties built between 25 and 49 years ago is four times the value of non-landmarked properties built in the same period. That disproportionate difference is likely due to the fact that there are only a handful of landmarked properties built in that time range. It is important to note that any time a series of data points is subdivided into smaller categories, there is a risk of the "small sample error." That is a sample of 100 values is simply more reliable than a sample of 10 values.[2]



1 These comparisons were made on value rather than value per square foot. The reason is this: when the data sets are subdivided into categories, the median value comparisons make a clearer distinction than a $/s.f. measurement.
2 Using the median rather than the mean (average) helps reduce the likelihood of a skew based on a small sample but cannot eliminate it entirely.

Water Proximity

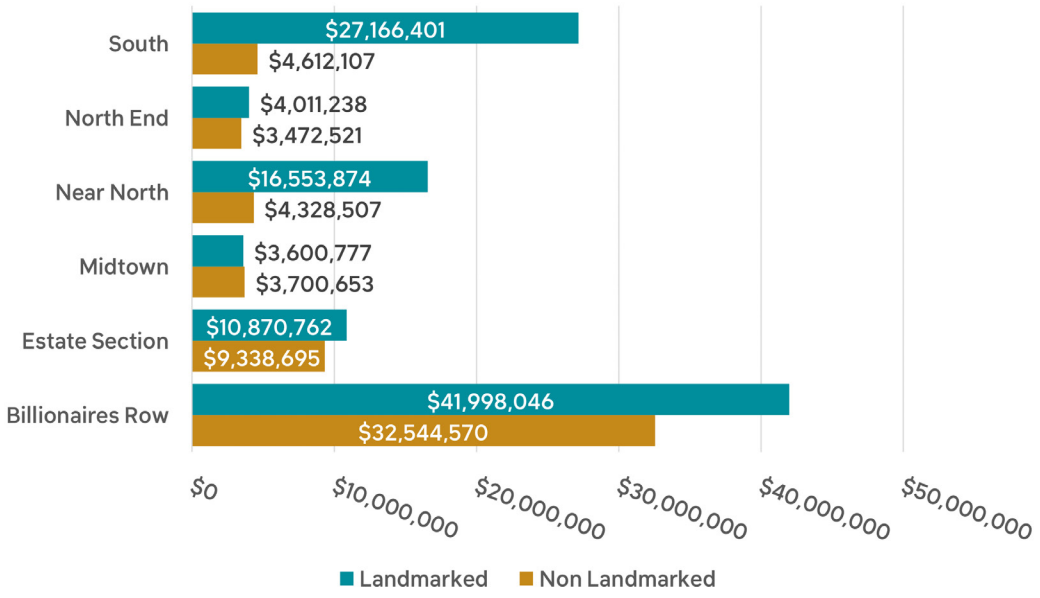
Frontage on the water is clearly an added value for all types of properties in Palm Beach. There are properties with frontage on the Atlantic Ocean, others that are on the Intracoastal Waterway, and a few that have frontage on both. Whether landmarked or not, properties with water frontage are considerably more valuable than those that are not. But again, landmarked properties have higher values regardless of their water proximity.



Submarket

Although Palm Beach is a small town, with a population fewer than 9,000 and an area just under 8 square miles, real estate experts have identified distinct submarkets in the town. The median value for landmarked and non-landmarked properties was calculated for each of those submarkets, which include Billionaires Row, Estate Section, Midtown, Near North, North Side, and South . In five of the six, landmarked properties were measurably more valuable. In Midtown there was a statistically marginal advantage for non-landmarked properties. Again, when there is a very large difference in median values, as in the South submarket, that is usually attributable to a very small number of properties in the category.[3]

DIFFERENCE IN VALUE BY SUBMARKET



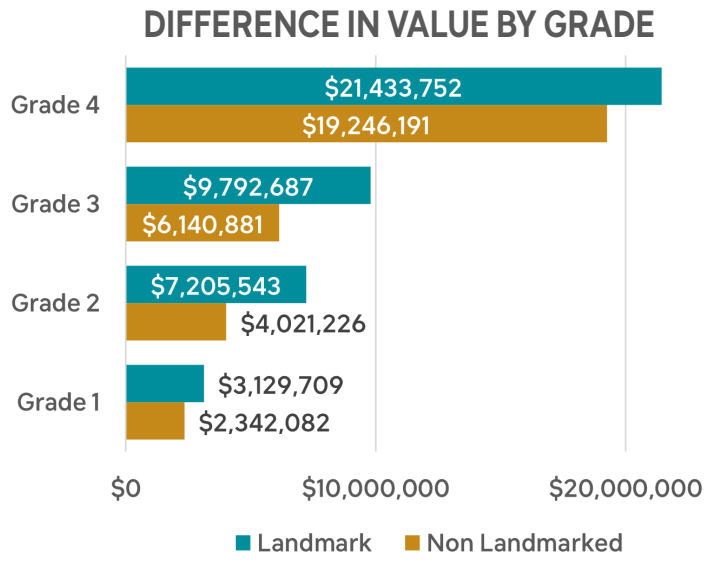
PALM BEACH SUBMARKETS

- North End
- Billionaire's Row North
- Near North End
- Midtown
- Estate Section
- Billionaire's Row South
- South of Sloan's Curve, South End, South of Town

3 Billionaire's Row North and South have been combined for this analysis.

Condition or Grade

The Palm Beach Property Appraiser's Office assigns a grade to every building in the county. Properties in Palm Beach are assigned a grade ranging from Class 3 to Class 7; Custom Class 1 to Custom Class 7; and Luxury Class 1 to Luxury Class 7. For simplicity purposes (and so that the small sample error didn't invalidate the findings of the analysis) properties were consolidated into Grades 1 through 4. Comparisons were then made between landmarked and non-landmarked properties within each of those grades. The median values are found in the chart below.[4]

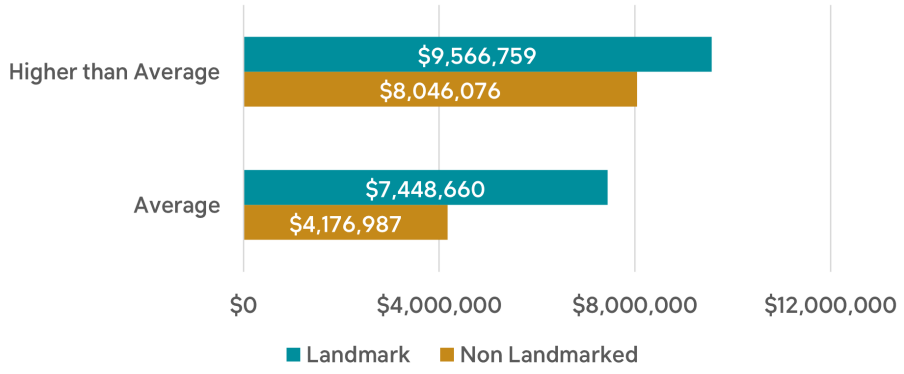


4 Grade refers to Construction Grade as defined by the Palm Beach County Property Appraiser's Office. This grading system is not based on the historic significance of the building, nor is it the same as the grades used in previous historic property surveys.

Whether the comparison is by age, condition, proximity, water frontage or other variables, landmarked properties are more highly valued by the marketplace than non-landmarked properties.

Finally, the Property Appraiser's Office also rates the condition of every property. The vast majority were rated "Average." (Although "average" must be a relative term, in that overall the condition of Palm Beach properties, whether landmarked or not, far exceeds what would be called "average" in most of the country.) Whether property condition was deemed average or above average, landmarked properties held higher values.

DIFFERENCE IN VALUE BY CONDITION



It is evident that the location of a property – whether by submarket, water proximity, or other factor – certainly affects the value of any given parcel. But while location may be the primary variable, it certainly is not the only one. To test whether the immediate location was the primary factor that was affecting the value difference between landmarked and non-landmarked properties, comparisons were made among landmarked properties, properties that were either adjacent to or across the street from landmarked properties, and the properties in the rest of Palm Beach. In the town overall, the median value of landmarked properties was just short of $7.5 million and the median value of properties immediately proximate to landmarked buildings was just under $5 million—or $1 million more than properties not adjacent to a landmarked property.

VALUES BASED ON PROXIMITY

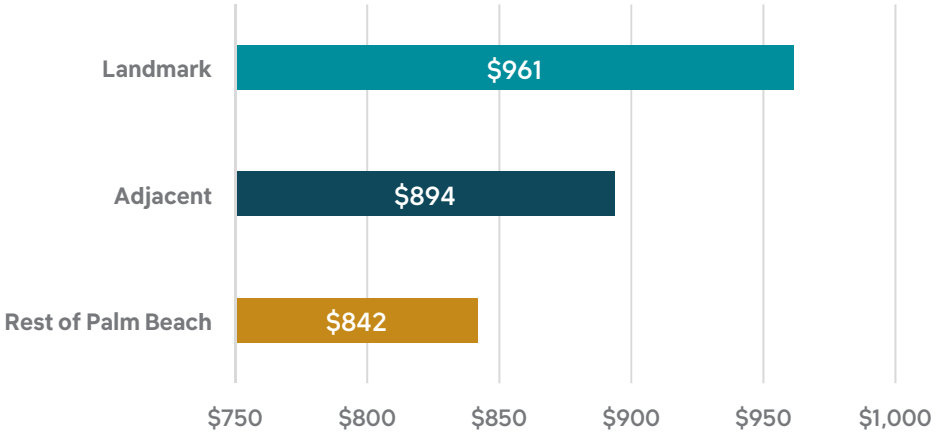
$7.4 MILLION
Median Value of Landmarked Properties

$4.9 MILLION
Median Value of Adjacent Properties

$3.9 MILLION
Median Value of Rest of Palm Beach

This pattern was the same when measured by median dollars per square foot rather than total property value. The median square foot value of landmarked properties was $961 while the proximate properties had a value of $894 per square foot—an added value of over $50 per square foot compared to Palm Beach houses that were not located next to a landmark.

VALUE PER SQUARE FOOT BASED ON PROXIMITY



So whether the comparison is by age, condition, proximity, water frontage or other variables, landmarked properties are more highly valued by the marketplace than non-landmarked properties.

CHANGES IN VALUE OVER TIME

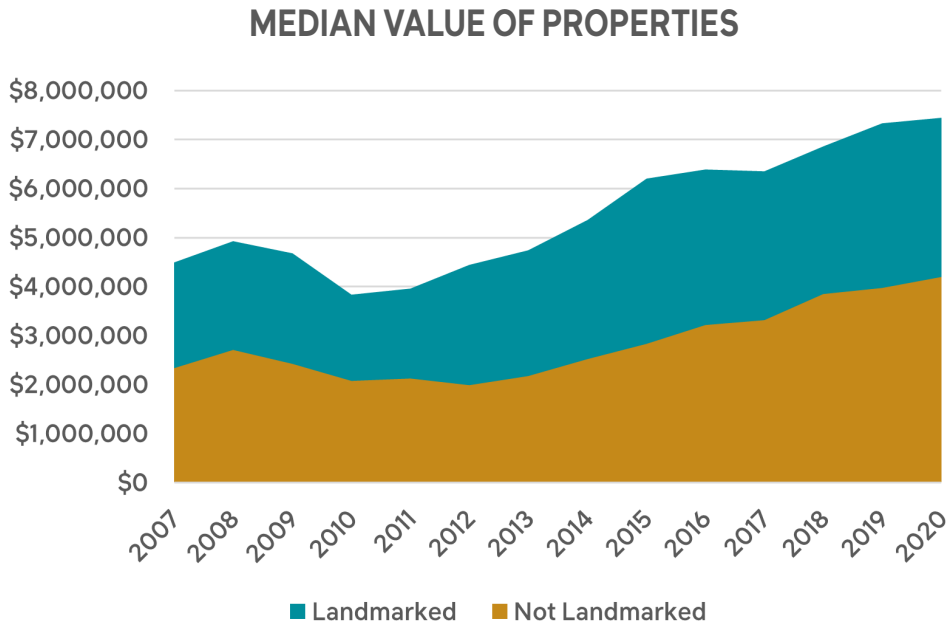
Landmarked properties experience greater rates of value increase than do non-landmarked properties.

While the differences in values may be interesting, probably of more significance is how the values of landmarked vs. non-landmarked properties change over time. Comparisons were made between landmarked and non-landmarked properties from the years 2007 through 2020. Those were years that the Palm Beach Property Appraiser's Office had complete data that could be accessed digitally. That particular time range was useful for another reason, however. That fourteen-year stretch began with rapidly escalating property values, followed by a dramatic reduction in property values during the Great Recession, and a subsequent recovery and return to a pattern of increasing real estate values. This allows comparisons that reflect both up and down real estate cycles.

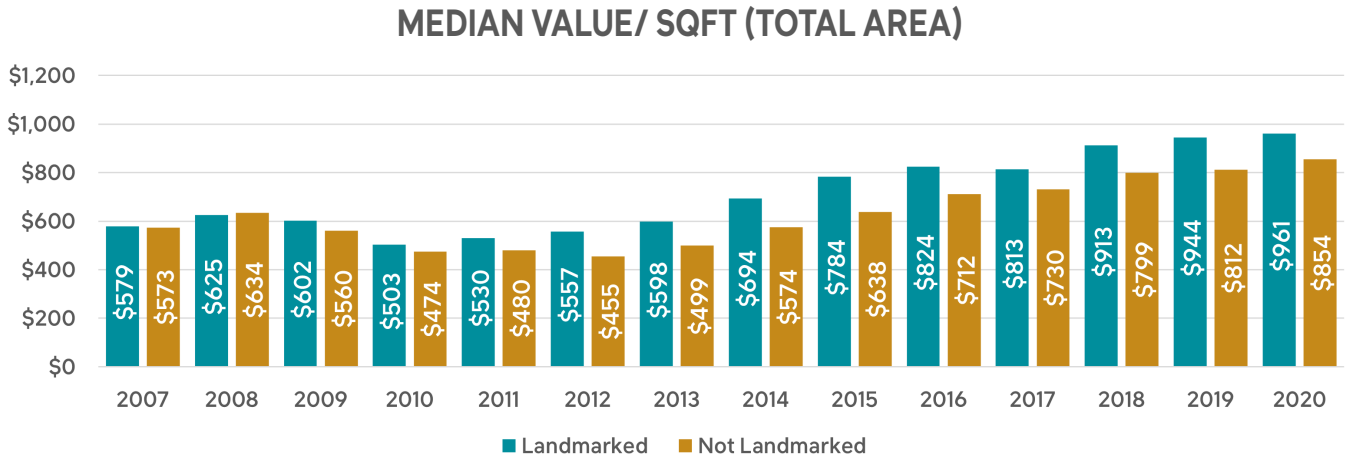
It is important to understand, however, that the increase in median value is not just a function of appreciating real estate. When a remodeling takes place, a new garage or swimming pool is added, or an outbuilding is constructed, a property's value also increases. Conversely, if an obsolete structure is removed, the property's overall value might decrease. It would be misleading to interpret these annual value changes as solely a function of appreciation, as they are also influenced by property improvements among both landmarked and non-landmarked properties.

While both designated and non-designated properties lost value during the Great Recession, landmarked properties began their price recovery sooner than did other properties. Landmarked properties did better in both the declining and the recovery markets.

Median values of landmarked properties began the period with a higher value than non-landmarked properties and that difference widened over the fourteen years.



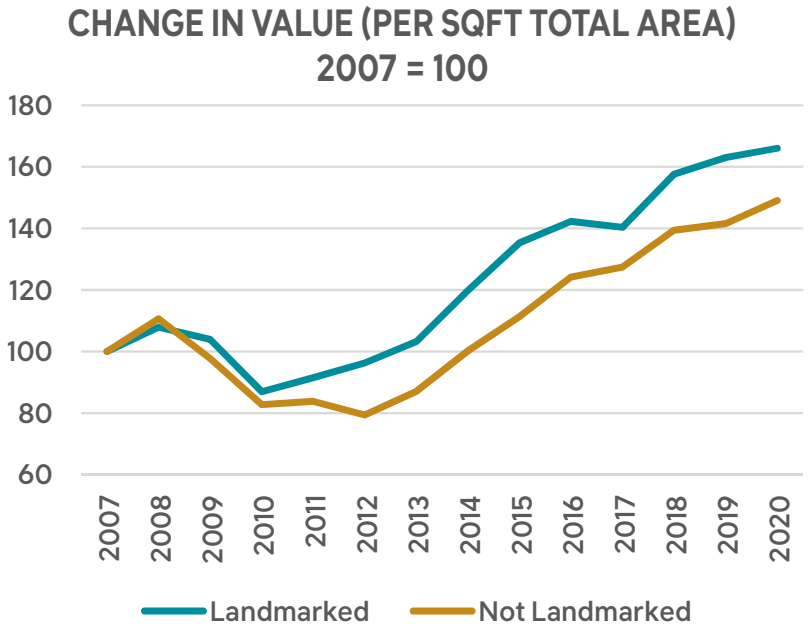
That pattern was true not just for value overall, but also on a value-per-square-foot basis. In the base year of 2007, the median per-square-foot value of a landmarked property had a very small edge over non-landmarked properties. By the final year of the analysis, that spread had widened to nearly $100 per square foot.



Most significant for those concerned about the potential adverse impact of landmarking on property value is the difference in the rate of annual value change between landmarked and non-landmarked properties. The clearest way to make these comparisons is by "indexing." An index is a statistical tool useful for tracking relative changes between two or more variables over time. Most often those variables have different initial values at the starting point. Indexing allows for a more understandable direct comparison by setting the starting value at an equal "index" number. Then, change is shown as a directly comparable index number, rather than a dollar amount. Because 2007 was the first year of data used in this analysis, both landmarked and non-landmarked properties, represented by their respective value per square foot, were assigned an index value of 100, even though in that year the median per square foot value of the two categories was slightly different ($579/s.f. for landmarked properties; $573/s.f. for non-landmarked properties). Thus if in the following year all properties increased by 10%, each would have a new index number of 110, even though the landmarked properties went up by $57.90 while the non-landmarked properties went up by $57.30.

Landmarked properties began their price recovery sooner after the Great Recession and did better in the declining and recovery markets.

There are three important findings seen in the graph below: 1) over the 14-year period both categories of properties increased significantly in value; 2) the increase for landmarked properties was measurably greater than for non-landmarked properties; and 3) while both designated and non-designated properties lost value during the Great Recession, landmarked properties began their price recovery sooner than did other properties. Landmarked properties did better in both the declining and the recovery markets.



VALUE CHANGE AFTER LANDMARKING

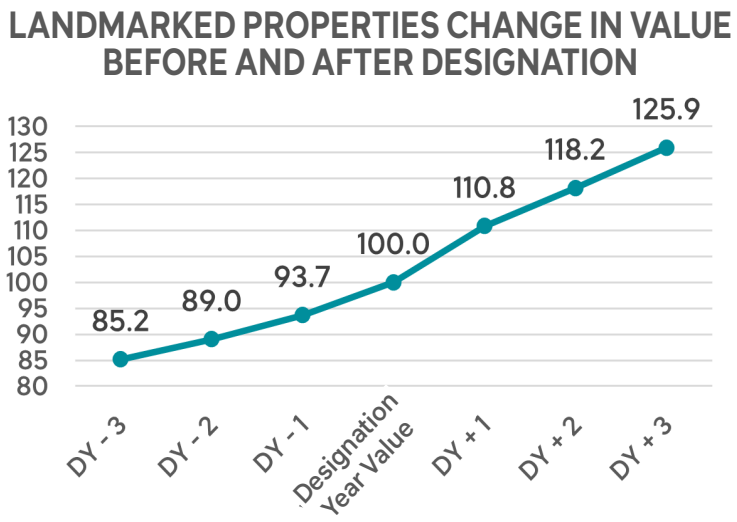
To most directly measure the impact of designation on value, all of the properties designated as landmarks between 2010 and 2017 were subjected to a separate analysis. The goal of this particular analysis was to look at the pattern of value change in the three years before designation and the value change in the three years after designation. Because the available data was from 2007 to 2020, properties designated between 2010 and 2017 were included.

Again, indexing was used to measure the change, but rather than the "base year" being fixed, each landmarked property was assigned an index of 100 representing its value in the year of its designation. Then, based on that indexed value, the property's index number for each of the three preceding years, and each of the three following years was indexed based on its difference from the value in the year of designation.

To understand how this works, imagine a property that was designated in 2010 had a per square foot value of $1,000. That dollar amount was converted to an index of 100. But in 2009, the property was worth $900 per square foot, or an index equivalent of 90. If the 2008 value was $800, then that year's index number would have been 80. Now imagine that the year after designation the property was worth $1,100 per square foot. That would translate into a 2011 index of 110.

This allows a view on a composite and comparable basis of how landmarking affected value. The values of all properties landmarked over this period averaged around 15% less three years prior to designation (100 – 85) and about 25% more three years after designation (125-100). This does not demonstrate that landmarking is responsible for the increase in value. As was noted earlier, in most years all properties increased in value, and that change is attributable not only to appreciation but also includes improvements to the property. What this analysis does demonstrate, however, is that landmarking did not reduce the property value, and the pattern of value enhancement continued in the years following designation.

The earlier section presented findings about the greater value that landmarked properties have over non-landmarked properties from a variety of perspectives. The findings reported in this section reveal how, aside from the increased value alone, landmarked properties also benefit from a rate of change in value.



15% average value change 3 years prior to designation

25% average value change 3 years following designation

HEDONIC PRICING ANALYSIS

Hedonic Pricing is a process of mathematically sorting out the relative contributions of various variables to a property's value. The purpose of this hedonic pricing analysis is to determine whether landmarking had a positive or negative impact on value.

When a buyer purchases a property for, say $1,000,000, that price includes the value of the land, the house, the swimming pool, the additional bathroom, the proximity to the ocean, and many other variables. Some of these variables are internal to the property (the size of the house, for example) and others external (proximity to the ocean). But of that $1 million, how much was attributable to the size of the lot, how much for the ocean view, etc? Given sufficient data, the relative contributions of different variables can be estimated. These variables are likely to be mostly positive (e.g. a larger house contributing to a higher selling price) but may also be negative. For example, a location next to a noisy freeway may have a negative impact on the overall price.

The process of sorting out the relative contributions of a property's variables can be done mathematically through a process called Hedonic Pricing.[5] To undertake a hedonic pricing analysis it is necessary to: 1) identify the variables likely to influence the overall price of a property; and 2) conduct a multi-variable regression analysis to determine the positive (or negative) impacts of a single variable to a property's selling price.

5 "Hedonic pricing – or the hedonic pricing method – is used in the determination of the economic value for an ecosystem service or services that may influence the market price of a good or asset. The method is commonly applied in the valuation of properties, such as houses, and accounts for economic costs or benefits, which may influence the overall value of the asset or, as commonly presumed, a house. The hedonic pricing model is common in the housing sector because of its flexibility and ability to accommodate various factors and parameters in the determination of a fair property price." Definition from the Corporate Finance Institute. https://corporatefinanceinstitute.com/resources/knowledge/valuation/hedonic-pricing/

For this analysis six variables were included as potentially impacting value. They were: 1) size of the lot; 2) total building area; 3) water frontage; 4) property condition; 5) property grade; and 6) whether or not the property was landmarked. Ultimately the purpose of including a hedonic pricing analysis was to determine whether landmarking had a positive or negative impact on value.

The first finding was that the relative contribution of those six variables strongly correlated with the value of the property. Second, every one of those variables individually had a significant statistical correlation, and therefore provided highly reliable estimates of impact on value.

This Hedonic Pricing Analysis showed landmarking to have a positive impact on property values.

Third, the largest impacts on value were: total area, land area, and proximity to water. The remaining three: landmark status, building grade, and building condition, each had a minor but still positive impact.

This is a critical finding in that if landmarking had a negative impact on value, it would have been revealed in the analysis. But landmarking was shown to have a positive impact on value. Based on this analysis it is estimated that landmark status has an impact of increasing property value by 6.2%-13.7%. This is not a huge share of the overall value, but more critically, it clarifies that landmarking does not reduce property value.

SURVEY RESULTS AND WILLINGNESS TO PAY

A Willingness to Pay Survey was conducted as part of a contingent valuation to assess the non-economic values of Palm Beach's historic resources.

There is wide agreement in Palm Beach that the historic assets of the town have a value, and that value certainly includes but is not limited to economic value. In the preceding sections the value, relative value, and change in value of landmarked properties in Palm Beach were examined, followed by an analysis of the contributory value of landmark status to the overall value of the property. But all of these represent economic values. How are non-economic values measured?

An approach that has been developed and is widely used is called "contingent valuation," which is defined as "The method of valuation used in cost—benefit analysis and environmental accounting. It is conditional (contingent) on the construction of hypothetical markets, reflected in expressions of the willingness to pay for potential environmental benefits or for the avoidance of their loss."[6] A "Willingness to Pay" survey was conducted in Palm Beach as part of this analysis. Through the Town of Palm Beach email listserv, a link to the survey was distributed. The survey was open from September 13th through September 20th and received 153 valid responses.

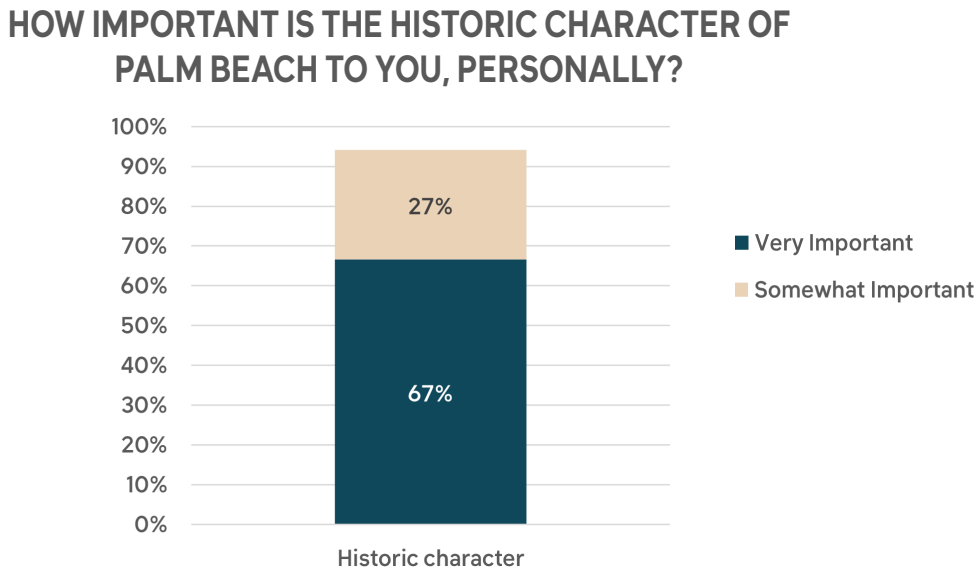
A cross section of Palm Beachers responded, including full time and seasonal residents; single-family, condominium, and multifamily households; and people of a wide range of ages. The complete survey responses are found in Appendix 2.[7]

One question asked, "When thinking about Palm Beach, how important are the following to you personally?" Eleven characteristics of Palm Beach were presented and the respondents were asked to say whether each was "Very important," "Somewhat important," "Not so important," or "Not at all important." Not surprisingly the choice that ranked highest as "Very important" was "Public Safety," followed by "Architectural Quality," "Weather," and "Historic Character." Following in order of their "Very Important" ratings were: Parks and other public spaces, Personal and business relationships, Beaches, Social Life, Exclusivity, High quality shopping, and International reputation. All responses were ranked "Very important" by at least half of respondents, except for High Quality Shopping and International reputation, although both received greater than 50% when "Very important" and "Somewhat important" were combined.

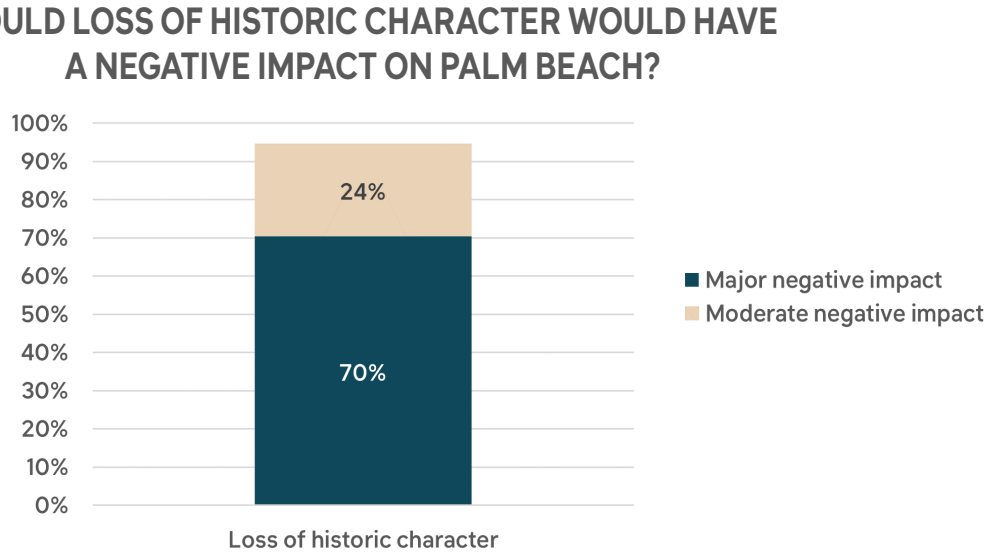
6 From OECD (Organization for Economic Co-operation and Development) glossary of statistical terms, https://stats.oecd.org/glossary/detail.asplD=438

7 Consistent with good practices in surveying, when one group was over or under represented among survey respondents as compared with the overall population, responses were weighted to more accurately reflect the overall profile of the population.

Most germane to this study, however, was the "Historic character" response. Two-thirds of respondents ranked historic character as "Very important" and another 27% ranked it as "Somewhat important," meaning more than 9 in 10 Palm Beach residents attach importance to the town's historic character.



Another question asked, "In your opinion, which of the following would significantly reduce the quality of Palm Beach?" For this question eight potentially negative outcomes were listed. Again topping the list when "Major negative effect" and "Moderate negative effect" were combined were "Diminished public safety," "Increased traffic," and "Loss of historic character," followed, in order, by "Sea level rise and other climate change factors," "Diminution of overall architectural character," "Significant population growth," "Suburban-type commercial development," and "Increased tourism." All but "Increased tourism" were ranked by more than half of respondents as having a "Major negative effect".In the finding most relevant to this study, more than 70% responded that "Loss of historic character" would be a major negative impact and another quarter said that loss would be a moderate negative impact.

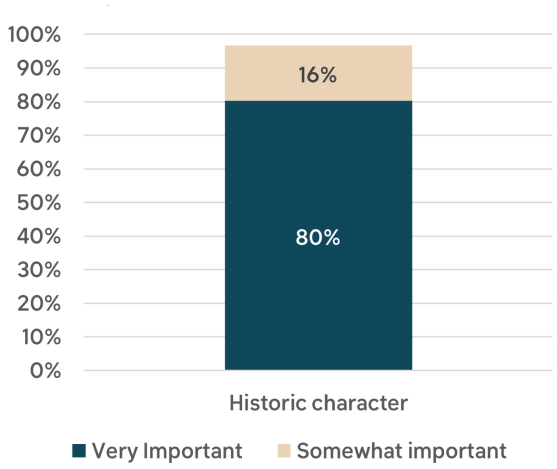


Both of those two questions asked about "historic character," but the interpretation of what that phrase means was left up to the respondent. It was deemed important that a question be asked that provided a more concrete example of what "historic character" means in this context. Therefore, this question was included: "Worth Avenue and the Vias have an international reputation as one of the world's great shopping areas. How important do you think the following are as Worth Avenue assets?" Though the focus of this study is residential areas, Worth Avenue, a commercial area, was chosen for two reasons: 1) Worth Avenue and the Vias would be well known by nearly every respondent, and 2) many of the buildings on Worth Avenue and the Vias are landmarked. As a result, this question moved the respondent from thinking about the abstract concept of "historic character" to a specific part of the town that represents a more tangible example for Palm Beach residents.

Eleven characteristics of Worth Avenue and the Vias were presented and respondents were asked to identify each as "Very important," "Somewhat important," "Not so important," or "Not at all important." "Walkability" was seen as the strongest asset of the area, followed by "Quality of merchandise," "Historic Character," "Overall reputation," "Restaurants," "Independent retailers," "Customer service," "Variety of shopping opportunities," "Quality of merchandise," "Uniqueness of shops," "Variety of shopping opportunities," "Exclusivity," and "Galleries and art dealers."

When "historic character" was envisioned by a specific example, its importance grew even stronger with more than 80% saying it was "Very important" as a Worth Avenue asset, and more than 95% seeing historic character as either "Very important" or "Somewhat important".

HOW IMPORTANT IS HISTORIC CHARACTER AS A WORTH AVENUE ASSET?



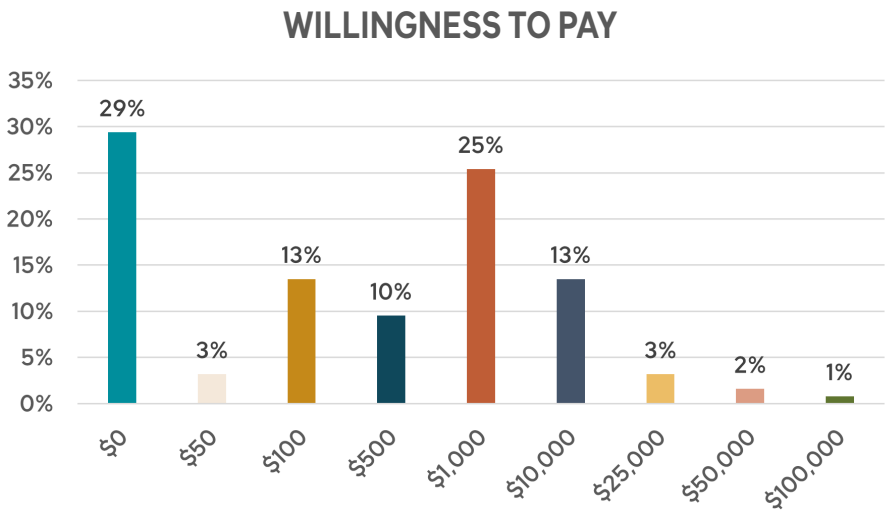
9 IN 10

residents attach importance to Palm Beach's historic character

Having established the strength of attachment to historic character in Palm Beach, it was then necessary to quantify that attachment in monetary terms. This was done through the "Willingness to Pay" question. It is worth noting that more than 90% of the population of Palm Beach does not live in landmarked buildings. Therefore, the responses to the Willingness to Pay survey offer a method to assign a dollar amount to non-economic values.

Respondents were asked, "How much, if anything, would you be willing to contribute as a voluntary, one-time donation to maintain the historic character and quality of Palm Beach?" Choices ranged from $0 to $100,000 with an "Other amount" option given. This question had the highest rate of "No response" (6.0%) of any of the survey questions, and an additional 11.3% who responded "Other." A few of the "Other" responses name a specific amount other than those listed, but most of the responses were not numeric answers and were on the order of, "It would depend specifically what the money was going for." Given the wealth and pattern of philanthropy among Palm Beach residents, this type of response is not surprising. Among those who did specify a particular amount, just short of 30% said "$0," but that means than more than 70% were willing to give something. The range of responses is seen in the chart below:

There are non-economic values attributable to the historic character of Palm Beach that, when quantified, total more than the Town's entire annual property tax revenue.



When this pattern of giving is applied to the entire Palm Beach population – both seasonal and year-round – the non-economic value of the historic character is between $59,000,000 and $63,000,000. In a market where some individual properties have a value that high, $60 million may not seem a large amount. There are non-economic values attributable to the historic character of Palm Beach that, when quantified, total more than the Town's entire annual property tax revenue. Looked at another way, the willingness to pay represents:

$170,000
for every landmarked building in Palm Beach

$6,900
for every resident in Palm Beach

$12,000
for every household in Palm Beach

Again, this "Willingness to Pay" amount is value assigned to Palm Beach's historic resources, over and above their considerable economic value.

LANDMARKED PROPERTIES AND FLOOD RISK

This flood risk analysis is meant to give an overall understanding of the dollar amount of historic properties potentially at risk from seasonal and future forecast storm and sea level rise patterns.

Coastal Florida is well acquainted with risk of flooding and other water damage as a result of annual hurricanes and other weather events. Climate change and rise in sea level will exacerbate those risks. Flood insurance premiums are rising dramatically and both property owners and local and state governments are looking for mitigation and adaptation tools to respond to future risks. Many property owners in Palm Beach have already taken action to respond to sea level change by elevating their property, building flood walls, incorporating water retention sites as part of landscaping plans, and other measures.

The purpose of this final report section is not intended to raise anxiety levels over forecasted changes and is certainly not meant to offer mitigation and/or adaptation strategies. Rather it is meant to give an overall understanding of the dollar amount of historic properties potentially at risk from seasonal and future forecast storm and sea level rise patterns.

The approach for this analysis was to look at the value of properties in areas identified on FEMA (Federal Emergency Management Administration) maps as being in the "100 year" (or 1% annual risk) flood areas. Even this approach is at best tentative, in that: 1) the process of flood risk identification is currently being revised by FEMA; 2) many Palm Beach properties may be in a flood zone area, but have already taken adaptation or mitigation actions; and 3) many Florida communities have experienced the "100 year flood" two or three times within a decade.

With those caveats acknowledged, the table below offers a recap of the values of Palm Beach single family properties and their flood zone designation.

$7 billion in Palm Beach real estate is located within a flood zone.

Palm Beach Single Family Properties Included in this Analysis			
	Landmarked	Not Landmarked	Total
Total	234	1976	2210
In 100 Year Flood Zone	116 (49.6%)	1131 (57.2%)	1247 (56.4%)
Not in Flood Zone	118 (50.4%)	845 (42.8%)	963 (43.6%)
Value – Buildings			
In 100 Year Flood Zone	$194,652,257 (37.7%)	$1,738,763,244 (54.0%)	$1,933,415,501 (51.8%)
Not in Flood Zone	$321,948,725 (62.3%)	$1,480,277,755 (46.0%)	$1,802,226,480 (48.2%)
Value – Land			
In 100 Year Flood Zone	$653,221,937 (31.7%)	$4,777,707,437 (48.2%)	$5,430,929,374 (45.4%)
Not in Flood Zone	$1,410,105,301 (68.3%)	$5,126,725,333 (51.8%)	$6,536,830,634 (54.6%)
Value – Total			
In 100 Year Flood Zone	$847,874,194 (32.9%)	$6,516,470,681 (49.7%)	$7,364,344,875(47.0%)
Not in Flood Zone	$1,732,054,026 (67.1%)	$6,607,003,088 (50.3%)	$8,339,087,114 (53.0%)

In most of this report, no distinctions were made between the value of the land and the value of the building. Instead, property value was considered, which includes both. However, when it comes to flood risk, while both land and buildings can suffer damage, the asset most at risk is the building. Therefore, the land and building values were separated in the chart above. While both landmarked and non-landmarked properties are located in flood zones, non-landmarked properties are at greater risk both in share of properties and the value of properties potentially impacted. But in any event, having more than $7 billion in real estate located in identified flood zones illustrates the magnitude of climate change risks in Palm Beach.

CONCLUSIONS

The findings are clear: landmarked properties in Palm Beach are a valuable economic asset for their owners, and a valuable aesthetic, cultural, historical, and symbolic asset for the public.

Palm Beach is known internationally for the beauty, quality, and character of its built environment. Structures built nearly a century ago are prized as places to live, work, and visit today. That is not an accident. For decades the citizens of Palm Beach have stewarded these resources, preserving their value through two tools – designation and design review through the Landmarks Preservation Commission and design review for non-designated buildings (and proposed buildings) by the Architectural Review Commission. As a result, Palm Beach has maintained its charm and historic character and its reputation since the first grand mansions were built in the 1920s.

The marketplace also recognizes the authenticity, quality, and integrity of historic properties in Palm Beach, paying a premium for those properties which have achieved landmark status.

Historic designation in Palm Beach has enhanced the economic value for landmark property owners. But perhaps even more important, owners, preservation advocates, and the Landmarks Preservation Commission have worked together to be good stewards of the architectural wealth of the town for generations to come.

APPENDIX 1: METHODOLOGIES

The tables below represent the findings of the multivariable regression that was the basis of the Hedonic Pricing Analysis. Most significant among these numbers are the R Square which, at .9075 shows an extremely high degree of correlation between the value of a given property and its projected value based on the six variables considered. The other most important numbers are the Coefficients for each of the variables. If any of the variables had a negative impact on value the Coefficient would appear as a negative number. All are positive. The higher the Coefficient the greater the impact on value. Based on this analysis, Land Area, Total Area, and Water Proximity contributed the most to each property's value with each of the other variables contributing a lesser but positive amount.

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.952668286
R Square	0.907576863
Adjusted R Sq	0.907326958
Standard Error	0.10733166
Observations	2226

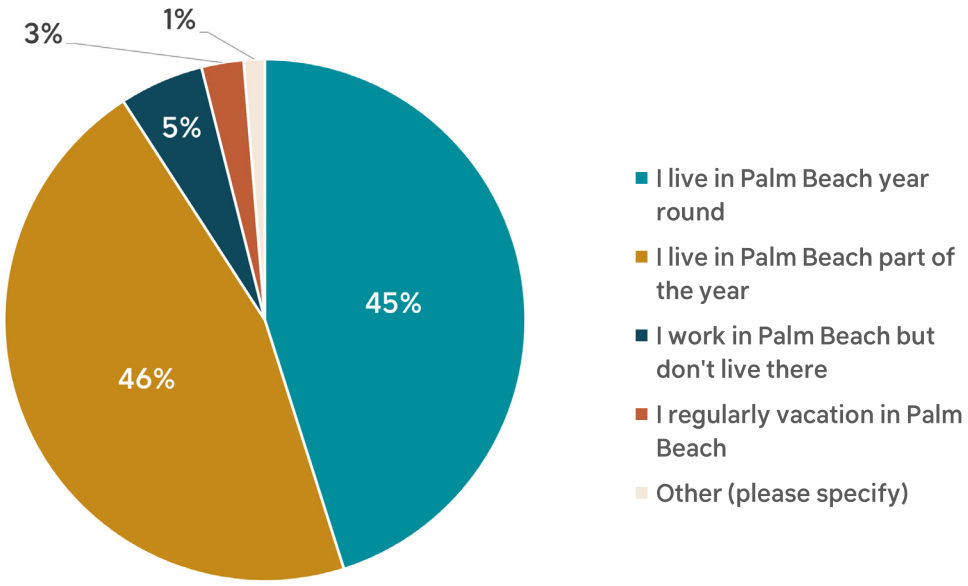
ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	6	251.0242675	41.83737791	3631.689928	0
Residual	2219	25.56306938	0.011520085		
Total	2225	276.5873368			

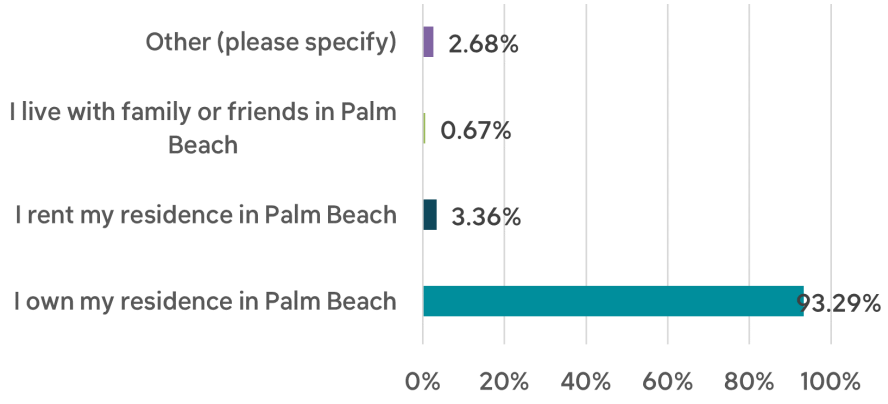
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	2.52627284	0.047628804	53.04086216	0	2.432871153	2.619674527	2.432871153	2.619674527
Total Area	0.433933129	0.019847878	21.86294779	4.02545E-96	0.395010772	0.472855486	0.395010772	0.472855486
Land Size	0.527628677	0.014834531	35.56760044	1.1662E-219	0.498537662	0.556719691	0.498537662	0.556719691
Water	0.065202414	0.003637761	17.92377655	3.35231E-67	0.058068643	0.072336186	0.058068643	0.072336186
Landmark	0.040905231	0.007605835	5.378138142	8.31613E-08	0.025989933	0.055820529	0.025989933	0.055820529
Grade	0.034476094	0.001285446	26.82034219	1.7283E-137	0.031955291	0.036996896	0.031955291	0.036996896
Condition	0.016908098	0.00807 1708	2.09473609	0.036307592	0.001079207	0.03273699	0.001079207	0.03273699

APPENDIX 2: COMPLETE SURVEY RESULTS

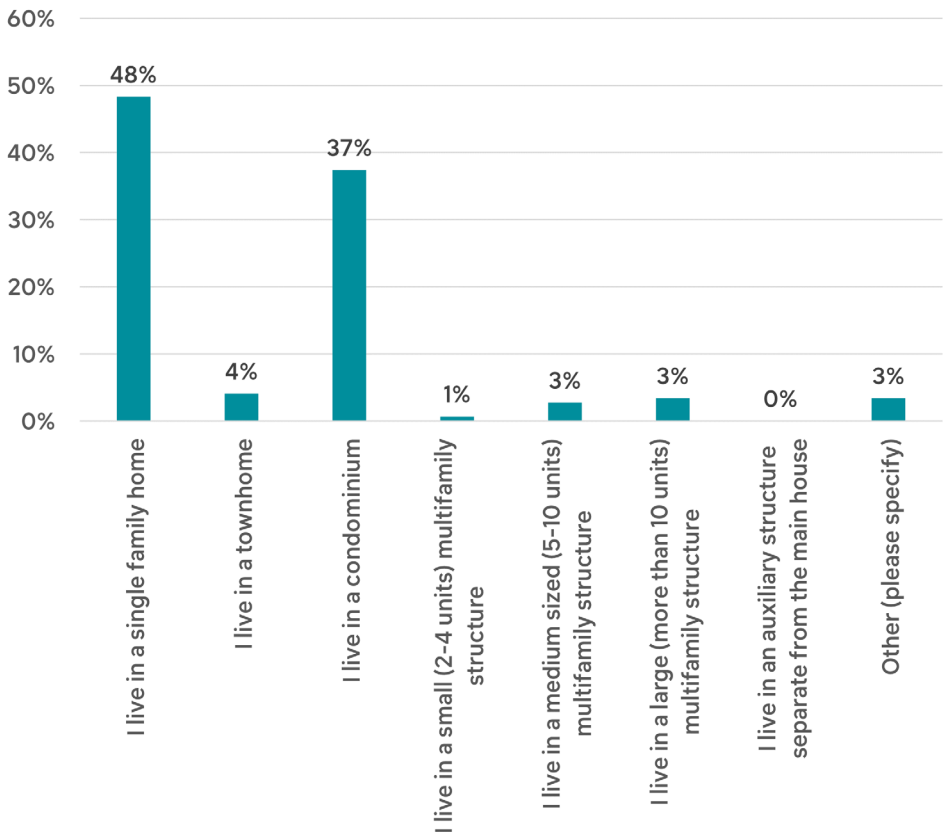
QUESTION 1: WHICH OF THE BELOW BEST DESCRIBES YOUR CONNECTION TO PALM BEACH?



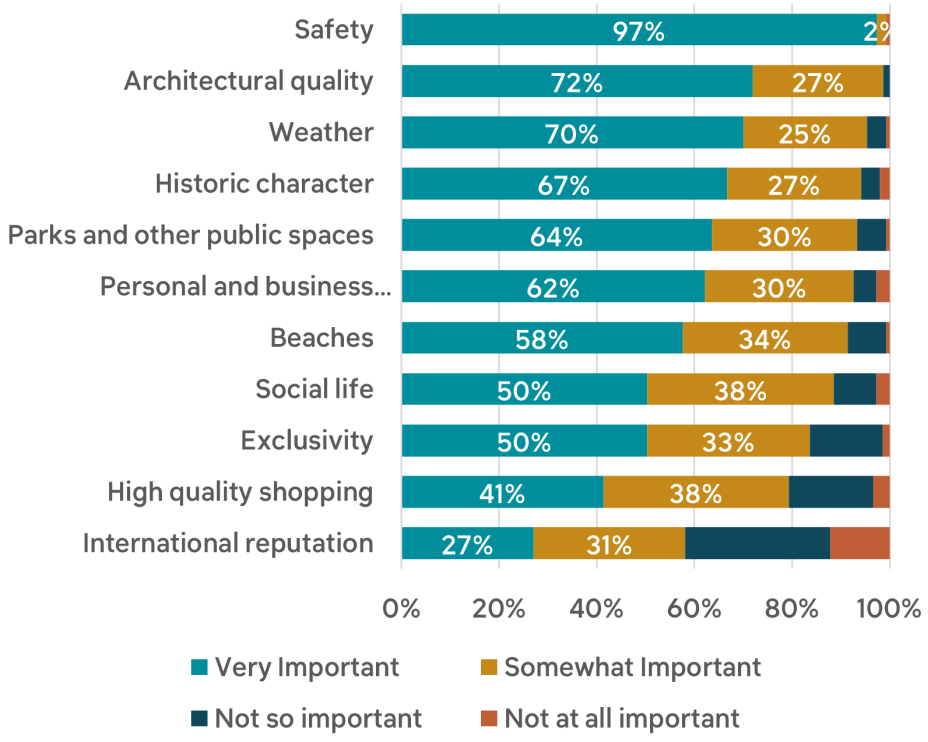
QUESTION 2: IF YOU LIVE IN PALM BEACH DO YOU OWN OR RENT?



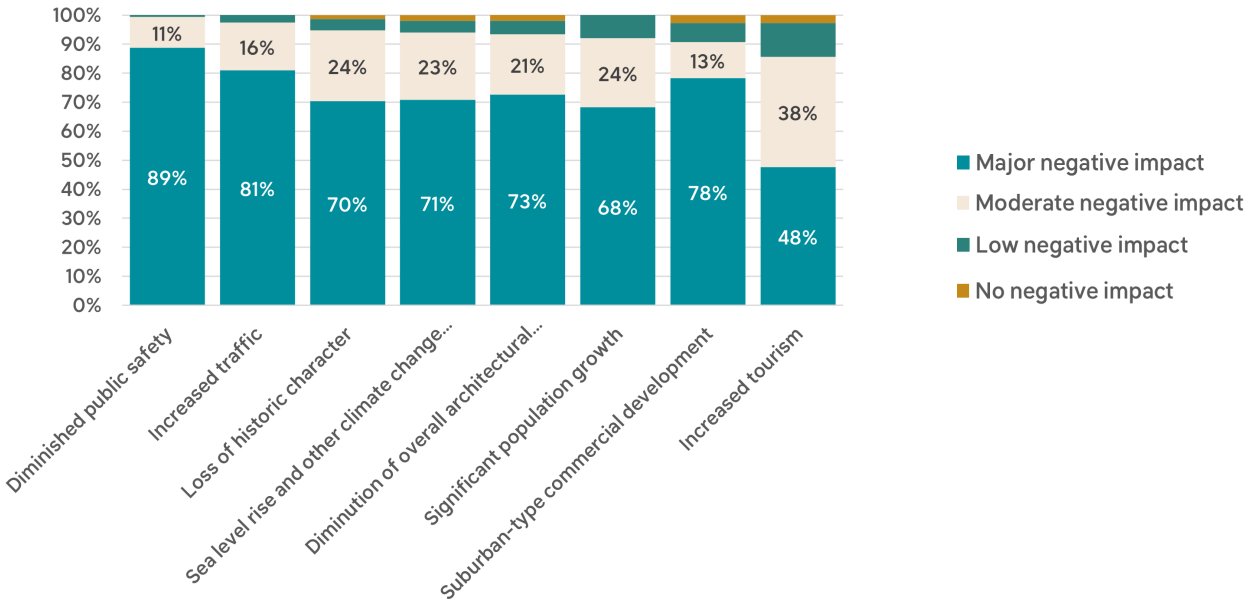
QUESTION 3: WHICH BEST DESCRIBES YOUR RESIDENCE IN PALM BEACH?



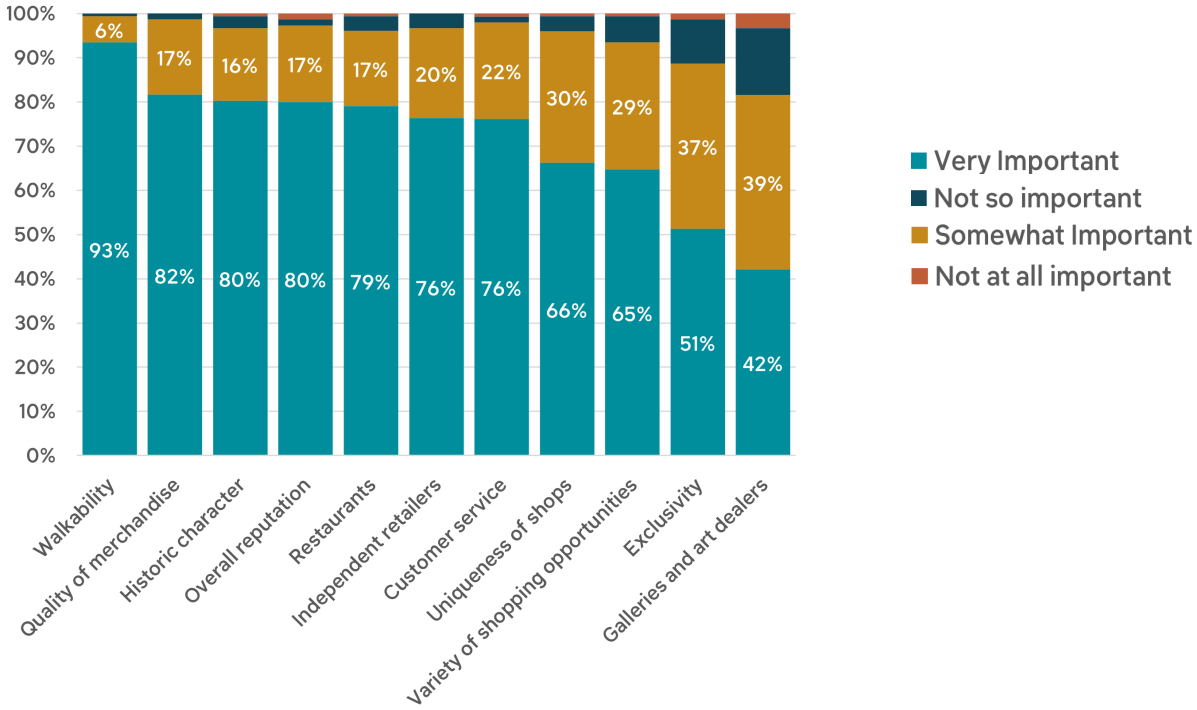
QUESTION 4: WHEN THINKING ABOUT PALM BEACH, HOW IMPORTANT ARE THE FOLLOWING TO YOU PERSONALLY?



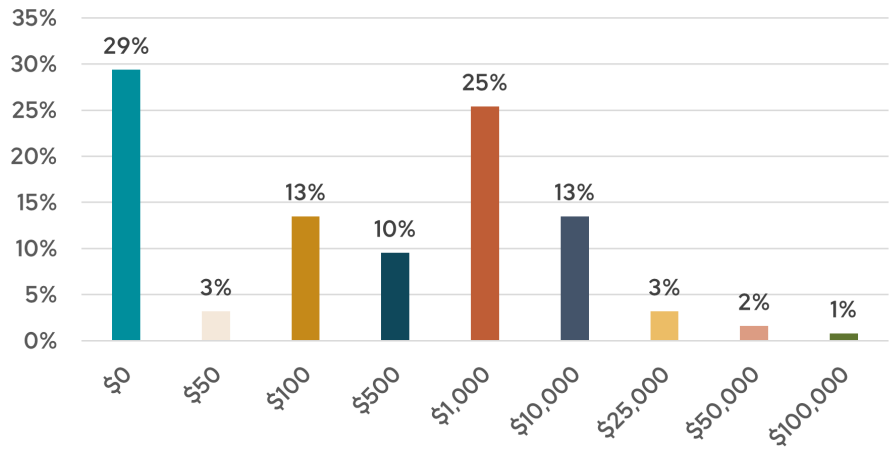
QUESTION 5: IN YOUR OPINION, WHICH OF THE FOLLOWING WOULD SIGNIFICANTLY REDUCE THE QUALITY OF PALM BEACH?



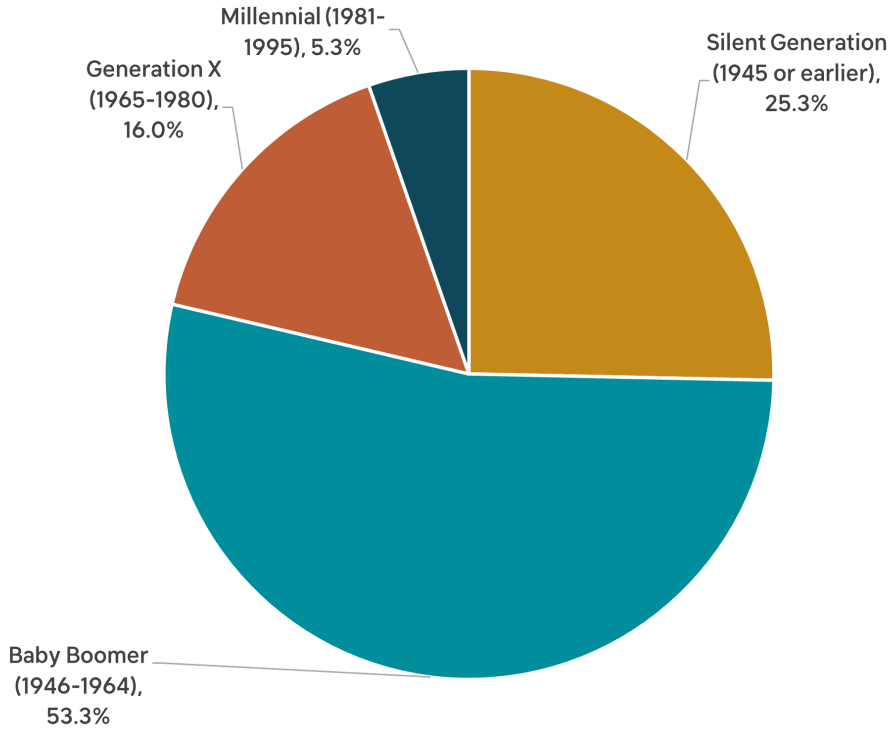
QUESTION 6: WORTH AVENUE AND THE VIAS HAVE AN INTERNATIONAL REPUTATION AS ONE OF THE WORLD'S GREAT SHOPPING AREAS. HOW IMPORTANT DO YOU THINK THE FOLLOWING ARE AS WORTH AVENUE ASSETS?



QUESTION 7: HOW MUCH, IF ANYTHING, WOULD YOU BE WILLING TO CONTRIBUTE AS A VOLUNTARY, ONE-TIME DONATION TO MAINTAIN THE HISTORIC CHARACTER AND QUALITY OF PALM BEACH?



QUESTION 8: IN WHICH GENERATION WERE YOU BORN?



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Emily Stillings, Murphy Stillings LLC

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Jennifer Day, Callaway and Price
James Meany, First Republic Bank

PRESERVATION FOUNDATION OF PALM BEACH

The Preservation Foundation of Palm Beach is dedicated to preserving the architectural and cultural heritage and the unique scenic quality of the Town of Palm Beach.

Through advocacy initiatives, educational programs, architectural resources, and cultural events, the Foundation's goal is to encourage the community to learn about and save the historic sites that truly make Palm Beach special.

Over the past 40 years, the Preservation Foundation has undertaken numerous projects throughout the island that protect the heritage and enhance the beauty of Palm Beach. Millions of dollars have been raised to restore historic resources like Sea Gull Cottage, Town Hall, and Bradley Park.

Projects such as Pan's Garden have fostered a deeper appreciation for the island's botanical heritage. Along with special exhibitions and publications that advance scholarship on the history of Palm Beach, the Preservation Foundation offers educational programs that serve over 5,000 students annually.

ABOUT PLACEECONOMICS

PlaceEconomics is a private sector firm with over thirty years experience in the thorough and robust analysis of the economic impacts of historic preservation. We conduct studies, surveys, and workshops in cities and states across the country addressing issues of downtown, neighborhood, and commercial district revitalization and the reuse of historic buildings.

This report was prepared by Donovan Rypkema, Rodney Swink, Katlyn Cotton, Alyssa Frystak, and Starr Herr-Cardillo. Rypkema is principal and founder of PlaceEconomics and was primarily responsible for the property value analysis, hedonic pricing analysis, and willingness to pay survey. Frystak is the Director of Research and Data Analytics at PlaceEconomics and handled data preparation and analysis. This report was co-designed by Katlyn Cotton and Starr Herr-Cardillo. Cotton is the Director of Marketing and Design at PlaceEconomics, and assisted with data preparation and analysis. Herr-Cardillo is a Content Writer and lead report editing. Site visits were conducted by Rypkema and Cotton. Editing was done by Starr Herr-Cardillo, Alyssa Frystak, and Rodney Swink, Senior Associate for Planning and Development. Assistance was provided by Heather Rypkema, PhD, in the creation of the Hedonic Pricing model and the interpretation of those results.

PROPERTY & VALUES
LANDMARKING
IN PALM BEACH

PRESERVATION FOUNDATION OF PALM BEACH

Knowledge. Stewardship. Culture.

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