HERITAGE AUSTRALIA:
A REVIEW OF AUSTRALIAN MATERIAL REGARDING THE ECONOMIC AND SOCIAL BENEFITS OF HERITAGE PROPERTY
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SOCIAL BENEFITS OF HERITAGE
PROPERTY

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## EXECUTIVE SUMMARY

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Executive Summary

Introduction

This document is an initial coverage of Australian material regarding the economic and social benefit of heritage property. The brief was to research and identity issues relating to the value of conservation. The report, as well as covering Australian material, is based on the concepts contained in the 1996 UK report by the Royal Institute of Chartered Surveyors (RICS) on “the value of conservation” (Allison et al., 1996). Along with researching the value of heritage sites this report will investigate the effects that heritage listing can have on “ordinary” real estate.

Stakeholders

Often community members assume that the local or federal government monitors and maintain heritage issues, and that they, as members of the general community, are not really one of the stakeholders in these issues. This research, as well as identifying the normal stakeholders, also brings to the fore the individual property owner.

The role of the various levels of Government is also briefly discussed as well as the role of government instrumentalities. Property owners, whether they are public bodies, public and private companies or corporations can also be affected by the conservation of property.

Some potential stakeholders of a heritage listed property include:

- the owner
- tenant
- general community
- tourists/tourism related businesses
- government authorities.

All of these parties operate in the property market, and the market drives value, including the value of heritage listed premises. The difference as to how a heritage listed premises operates in these markets as opposed to a non-listed premises must be appreciated by all the stakeholders.
Economists view of the benefits of heritage

Economists often appear to deal in theory rather than in the practicalities of the property market. The question arises: can conservation be left solely to the market participants? In a more esoteric sense economists appear to conclude that conservation must occur, but they fail to comment on how much it costs and more importantly, who should pay for it. They agree that costs usually fall on the existing owner, while benefits, whatever they may be, accrue to others.

The market may give the users of heritage properties the opportunity to pay the owners through a voluntary scheme for such use, but often this does not occur and the market fails. The market fails in such instances, primarily due to the fact that normal supply and demand situations may not apply to heritage listed properties, particularly in the case of a stand alone property in middle to lower socio-economic areas.

The community has demanded that certain suburbs, areas, precincts and individual properties of heritage value should be preserved. This is to ensure their continued existence for present and future generations. Research has shown that in many cases designating an area or precinct for conservation may be in line with the market, but it is not the always the case. Designating an individual property in a “non-conservation” area or precinct could possibly run against overall market forces, this is the exception rather than the norm.

Heritage listed properties form a very small part of the overall property market, but the cost to conserve and restore can be high. Many commercial property market players have a negative view of heritage listing, to the extent that they may wrongly regard it as a stigma on the property. However some commercial property developers can see the long term benefits of heritage property and can see the social and economic benefits in restoring and reusing them, especially where a property belongs to a particular heritage area or precinct.

Economic and social benefits of heritage property

The benefits of most goods and services, including heritage property, usually accrue to those who own them or pay for them; not to those who use them. In the case of many heritage properties the reverse is true. An area with architectural or heritage
significance may benefit those who reside in it, those nearby or those who just pass through or visit it, as in the case of a heritage property or precinct drawing tourists to the area. These indirect benefits can be extremely difficult to measure, are really static and can apply to an area or a single building.

Benefits can be dynamic and can be reflected in higher returns in the form of increased overall value and rents. The returns may be greater than the cost of restoration and maintenance. The market however, may view the cost as prohibitive and the end market consumer may not be prepared to meet the rental levels required. This could be said to be true of any property/development situation, but may erroneously appear to be accentuated in the case of heritage properties.

The various methods of measuring economic and social benefits of heritage property are reviewed and discussed. These include the Hedonic Pricing Method, the Travel Cost Method and the Contingent Valuation Method. They can be used for valuing certain characteristics of either the urban or natural environment. Most have been used to study the natural environment.

The three methods mentioned have been applied in many overseas cases, but little research has been carried out in Australia. There is mainly anecdotal evidence to support or refute the hypothesis that conservation practices bring measurable dynamic benefits to a community or society as a whole in all cases. More factual analysis needs to be entered into, especially in the Australian context. The economic and social benefits could be multi-faceted, but driven by a large scale agenda applied to an area, rather than on an individual property basis.

Conclusions and issues for research

Conclusions will probably remain general because:

- the external and internal factors/features that affect heritage property are dynamic in nature as is the overall market (that is, constantly changing)
- heritage conservation is an imprecise term, sometimes used and interpreted by the different stakeholders for different reasons (that is, many stakeholders interpret it from their own subjective position, rather than objectively)

On the other hand, it is possible to suggest the following five scenarios:
• employment can be created through conservation
• there are definite costs of conservation but this is more that often offset by the benefits (economic, social, and psychological).
• area and precinct conservation helps people maintain their socio-cultural identity
• conservation of property may have long term economic benefits to the owner, and the greater community in the form of tourism and related businesses
• isolated property conservation, when properly used, can benefit the owner as well as those in the immediate vicinity.

The social benefits to the community of investing in property conservation is well established. However, the economic benefits to the other stakeholders (such as developers, owners etc.) needs thorough quantitative research. The risk to these other stakeholders may be high, but so may the returns. Players in the market, given a choice between investing in a heritage listed property and a non-heritage listed property, may in many instances “shy away” from the heritage listed property. This is often because developers wrongly perceive that heritage listed properties have inherent economic and restrictive problems, that may detrimentally affect their future potential.

There is a definite need to carry out detailed and objective case studies with an aim to accurately measure the benefits of conservation. This appears to be quite feasible in relation to suburbs, areas and precincts, but not so in the case of stand alone/single isolated properties, were there is a perceived increase in costs involved in preserving heritage property. Again there appears to be a misconception that the cost of restoration is greater than the cost of renovation. Commentators all agree that the community as a whole benefits in the medium and long term through the conservation of heritage property. There appears to be an emerging role for Public, Private Partnerships (PPP’s) in conserving property. How much each partner is prepared to contribute and who reaps the benefits are hurdles yet to be jumped.

In recent years local government bodies have become more pro-active in ensuring the retention of potential conservation properties, and many have adopted a procedure for assessing most properties that come up for redevelopment for possible heritage listing. This is a positive concept that will benefit the community as a whole. There is a definite consensus that certain properties must be preserved, how this is
funded is the big question. This area needs a great deal of research with the government, at all levels, taking a proactive role in the process.
1.1 Introduction

The economic and social benefits of heritage property have become a matter of interest over recent years. As the community at large, government departments, property owners, purchasers and developers try to reconcile differences in opinion as to the value of conserving different types of properties, there has arisen a practice of questioning conservation practices as disaffected parties attempt to strengthen their position. The need to preserve premises that are thought by some to be of heritage value has been front-page news in many local and national newspapers.

As with any matter relating to property, there are two or more parties that are affected, and as such their concepts of value and benefits are of prime concern.

1.2 Aims and objectives

This document is an attempt to consolidate material from all over Australia, and to a limited extent from overseas, on the economic and social benefits of heritage properties.

The main body of this document concentrates on the economic and social benefits of heritage property and the possible methods of measuring these benefits. It will review concepts of the value of heritage properties from all stakeholders’ viewpoints.

The role of heritage listed property in relation to the property market will also be discussed and reviewed.

1.3 Scope and limitations

Although this document will draw on material from Australia and (to a lesser extent) overseas, the bulk of the research is related to the Australian and New South Wales context. Examples used, scenarios and case studies have focussed on New South Wales.

There is a paucity of material covering the concepts of property values in relation to heritage listed properties. Elementary property valuation theory has been reviewed to give the reader an appreciation of real world market value concepts.
1.4 Methodology

For the purposes of this document the main methodology adopted will be that of a literature review. This will be enhanced by the use of theoretical scenarios and where possible brief case studies.

Some of the scenarios used are based on actual circumstances, but due to privacy requirements, the names of the parties concerned and the amounts involved have been altered.
2.1 Government

Government involvement with heritage property relates directly back to the three tiers:

- Federal
- State
- Local

Most individuals within New South Wales are primarily affected by State and Local Government actions and decisions in relation to heritage property.

In New South Wales heritage legislation began to be formulated in the mid 1970s. The main ideology of the legislation was ensconced in the New South Wales Environmental Planning and Assessment Act 1979, which backed up the 1977 State Heritage Act, but was not brought into force until 1986.

In 1987 a government directive required local government to prepare mandatory and comprehensive ‘Heritage Local Environmental Plans’. The concept being that local councils would prepare a comprehensive inventory list of heritage locations, properties and items, detailing their heritage significance in both a local and national context, and establishing measures to ensure their significance was maintained when changes were or are proposed.

In the late 1990s the New South Wales State Government prepared a major heritage system review, which led to amendments to the Heritage Act including the creation of a State Heritage Register. At both Local and State government levels the registers are not static, but are amended and added to frequently, to accommodate the changing views of the community.

In 1996 the New South Wales Heritage Office was established as an autonomous management instrumentality, previously being only a branch of the NSW Department of Planning.
Recent changes to the Australian Government EPBC Act have introduced a National Heritage List and a Commonwealth Heritage List for government owned properties.

Local Government (City, Shire and Municipal Councils) still undertake the vast majority of heritage listings. This being at the community and property owner level, therefore has the most obvious public impact.

2.2 The community

The community in the context of this document, covers all those parties that to a greater of lesser extent, whether realised by those parties, are affected by heritage listings.

It must be remembered that heritage listing could include a suburb, area or precinct, a group of properties, a single property or part of a property. This includes buildings, landscapes, archaeological sites, Aboriginal and maritime heritage.

The parties affected by a heritage listing could include:

- owners
- immediate adjoining neighbours,
- nearby neighbours residing in the area,
- adjoining suburbs, areas and precincts,
- people passing through the area, although no residing in the area,
- tourists.

It can be seen from this that in many instances those affected by heritage properties, or the impact it has on them, may be far reaching and never comprehensively ascertainable.

2.3 Property owners

The various parties in the conservation process could include:

- public companies
- private companies
- private individuals – including sole proprietors, couples and families
When the legislation was introduced to conserve heritage property, it was done so on the premise that the public good is more important than the right of the individual and this reflects, to some extent, democratic societies values. This is very similar to other planning legislation introduced by the various levels of government, such as provisions of open space, infrastructure and environment.

Many government bodies have inherited heritage listed properties, such as court houses, police stations, fire stations, schools and hospitals, usually by default. The fact that these heritage listed properties are owned and maintained by such government bodies is a direct benefit to the community. The suitability and quality of such property for use by the government body may be, in some instances, below accepted market and industry standards, but again, the benefit to the community as a whole outweighs such a short term loss of amenity. It could be argued that as these government bodies are most times funded by taxes that they have an implied public commitment to maintain them for the public good.

2.4 The property market and heritage property

As will be discussed later in this document the property market is very dynamic, and is subject to all the usual economic forces that affect supply, demand and value. In a normal property market transaction, the property is exposed to a large pool of buyers in competition with other similar properties. The market negotiates and determines the price or 'value' of a property. Even in a situation where an area/suburb is subject to heritage conservation, the market will treat the property as "one of many" and a true reflection of the added heritage value will more than likely be achieved. However with a “stand alone" heritage property this may not always be the case (Deodhar, 2004, p.6) (see Exhibit 2.1).

The property in a suburb or precinct that is heritage listed would normally show an overall added value (Deodhar, p. 28, 2004), whereas the stand alone or isolated property may, in an area where heritage is not widely appreciated, have an overall community benefit, but could be negative, positive or neutral to the owner.
depending upon the individual characteristics of the property, but in most instances reflects market value. These concepts have been supported by two documents focussing on the Australian city scenario (Williamson et al, 1999 and Deodhar, 2004).

Exhibit 2.1 - Heritage market concepts (added value concepts)

The benefit concept is obvious in an area like the Rocks in Sydney. Tourists and other visitors bring benefits to nearly all stakeholders and properties located in that area. This is reflected in visitor numbers, higher rents and increased property values. The heritage market is often a specialist market. Restoration can give a property added value that it may not normally have had. The market it is seeking is targeted, with specific economic benefits eg. accommodation, recreation, crafts and food and beverage.

An example of a stand alone heritage listing is Elizabeth Farm Cottage at Parramatta. This property is isolated from other heritage properties because of the mixed nature of surrounding development due to the local authority not maintaining
the original nature of the precinct, apart from the single significant property. It has an irreplaceable historical, social and even educational benefit to the community which must be maintained. It could be said to have an “invaluable” value, and trying to quantify the amount on an economic basis may prove impossible.

The general residential property market is quick to recognise areas that have become or are becoming gentrified. For example a terrace in Paddington has a heritage benefit whereas a terrace at Smithfield (they do exist) in Sydney’s west is discounted as it may be regarded as an impediment to development. One must not forget that in the 1930s Paddington was regarded as a lower class dormitory suburb. The properties were just a “roof over your head”, they then had no heritage value or significance. Today it is the reverse, with many professional people paying a premium to live there.

The heritage value may be linked to the number of people who desire to own that property, not foregoing the locational value factor. Conversely, a study by Eves, Adair (2003), showed that in the case of waterfront units in heritage properties the occupational benefits may not be greater than those of new properties, due to short term lifestyle changes and trends in property accommodation and type.
3.1 Introduction

This chapter will investigate the literature relating to the economists view of heritage property and the economic and social benefits of heritage.

When reviewing the economic benefits of heritage property there has been a tendency, as evidenced by the literature review, to comment on the added value concept. In many instances this is true, but as can be seen later in this document, with some specific heritage properties there can be a decrease in value. Before we start to appreciate the economic benefits, it is necessary to understand the concept of market value.

Market value is defined for the purpose of this document as follows:

Market Value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. (TIASVC, 1995)

No matter how economic benefits are measured the public at large (and all the stakeholders) appear to relate the financial outcome in quantifiable dollar terms.

Research has been carried out previously on the economic benefits of natural and cultural heritage sites, as well as the value of heritage collections (as maintained by Museums etc.) This research has tended to concentrate on theoretical economic models for valuing the added benefits or dollar value of such area/site.

These economic benefits, as can be seen throughout this document, can apply to whole cities, suburbs, areas, precincts and individual properties.

3.2 Factors affecting the benefits of heritage property

It has long been held that, in a true market economy, there are factors which drive people to maximise their returns. That is, aim for the best/highest profit; or maximise
the efficiency of their investment. In relation to heritage property, as with any property, all parties want to relate to a definable dollar value.

There are always as a matter of course, factors that vary the conditions under which this could or could not occur. For example, in perfect supply and demand situations the market will be in equilibrium with the supply meeting demand. In many cases however, especially in regards to heritage property, a scarcity factor comes into operation, that throws out this equilibrium as in a true market transaction scenario. Situations may also arise where there are monopolies or cartels operating in a market that, again, can upset a true market scenario.

It must be recognised however that there are items that may have to be consumed by a group, which unlike normal consumer goods have no market scenario or voluntary bargaining mechanism to ensure that the price paid is equal to the collective valuation . (Allison et al. 1996). This is especially true with heritage listed properties that are one of a kind and have irreplaceable historic value. The heritage value (benefit) to the community becomes basically “invaluable” (as stated previously).

Another example of this would include the provision of “community infrastructure and services” so that funds collected through the Federal and State taxation systems pay for the provision of these services. Similar provisions are in place to benefit heritage listed property eg: land tax and rate relief, state and local government grants etc.

To place a value on these infrastructure and services is difficult as “profit” is not maximised but rather a community benefit accrues to the many consumers. In most cases the effects on those who use the services could be minimal whereas the effect in the owner may not be so minimal. These effects can be positive and negative.

As Abelson, (2000, p.145) points out, “What do we mean by public benefits? In one sense, all benefits are private because all benefits accrue ultimately to individuals. However, there is a common distinction in economics – that between internal and external impacts – on which we draw here. In the case of heritage buildings, the internal impacts are those experienced by the owners and users of a building. These internal effects we will refer to as private benefits or costs. In practice most private
benefits (and costs) of a heritage building accrue to the owner who can charge occupiers or visitors for use of the property."

The factors/impacts that can affect the value of heritage listed properties are the same as those that affect any property.

Such internal factors are well documented in valuation theory. (Murray, Rost and Collins etc.).

Inherent features are those factors which arise directly from the land itself. These include:

- location
- aspect-views
- land – area, topography
- zoning – land use controls, restrictive covenants.

It is obvious from the above list that the owner, to a great extent, has no control over these factors. Heritage listed properties fall under the area of zoning and restricted use.

The external factors that can affect the value can be best described as those in the neighbourhood, state or nation, outside the subject properties boundaries. They could include:

- surrounding development – the nature and condition of the surrounding development is the tangible evidence of the status of an area/locality. Again this may reinforce the concept that a heritage area/ precinct enhances values, economic benefits and development potential
- nature and condition of streets – this is similar to the statement made above. An area that is conserved, with tree lined streets/avenues, sandstone kerbs and guttering, will all add to the benefits
- distances to amenities – is the area compact, and are the usual amenities such as transport, churches, schools etc. close by. Again the concept of precincts is reinforced
- services available – such as town water, electricity, gas, sewerage etc.
• interest rates – will affect purchasing investment and development decisions
• taxation considerations. – this could become crucial in relation to heritage listed properties, especially where concessions could be given to aid in the conservation of threatened premises.

These external factors may be important, and if ignored, the property market is left to operate without any form of macro and micro intervention, which will not achieve the highest level of market efficiency.

Again the owner of a property has little or no control of these external factors. Heritage properties could be affected by surrounding development eg. a heritage listed property could have the surrounding area re-zoned to medium or high density residential or commercial, which would more than likely detrimentally affect it.

The economic basis under which the overall property market functions is to a lesser or greater extent “elastic”, the market will probably fail (as does happen from time to time).

A prime example of this could occur where the market:

• fails to appreciate the significance of a heritage property and the economic and social benefits that can be derived from it,
• assumes that a heritage listed property or affected properties value is decreased by such listing,
• views the cost of restoration as an inhibitor to full redevelopment or development.

The retention of heritage buildings is seen as offering a good mix to modern retail, entertainment and office buildings within a city core. This in total adds to the richness of built form and architectural excellence, that gives a city character and charm. (Hansen. 2000).

Cities, as Hansen (2000) points out, that “try to ‘brand’ themselves, especially with regard to historic features of the CBD, to capture special investment opportunities, which, at the government level, are seen as intrinsic to its capital city’s sustainability.”
Those people who frequent the CBD precinct often, without realising it, appreciate the building or townscape. The value they may place on it is very hard to ascertain.

This is very evident in the case of land and buildings as stated by Allison et al. (1996, p.3):

“Those who pass by a house or through an area cannot be made blind to its attractiveness (or ugliness), not entirely to its historical associations. Architecture, by its nature, cannot be made into an art form which is only for private consumption, as can painting or music. It cannot avoid affecting the welfare of people other than its owner.”

For example a building or set of buildings, such as St Andrews Cathedral and Sydney Town Hall make statements about the owners and are easily defined. Sometimes, however the effect can be accidental. In the case of Ultimo, Sydney, the area was developed and houses built by a variety of builders/developers, purely as a dormitory working class suburb. It was not purpose built with any future heritage/social benefit in mind, but by its nature the area/precinct has gained great cultural significance. This is common in many areas in Sydney as in other large Australian cities and towns.

Abelson (2000) also states that the benefits of a heritage building are really external benefits that cannot be appropriated by the owner. He then goes on to list such benefits:

- owners of other commercial properties in the precinct,
- owners of residential properties in the precinct,
- tourist visitors to the area (i.e. Those who visit the precinct for the prime purpose of tourism),
- other visitors to the area (i.e. Those who are in the area for working, shopping or other purposes),
- the general public (people who value a heritage listed building who neither own a local property nor visit the area).
In many cases it is these external or public benefits that provide the main justification for a heritage listing.

These benefits would include education and interpretive value for future generations. The community at large expects the Government, at all levels, to protect and maintain the buildings as a link to the past.

The market price for these land and buildings should be equal to the sum of the value put on the existence of them by all those who have any interest. The problem is that the value attached by those other than the owner/occupier, say the community or local authority may be substantial. This may, in some circumstances lead to different perspectives of value and result in a disparity of worth. This disparity of worth is the “gap”, and may be positive or negative, reflecting the heritage benefit or deficit.

As well as the benefits previously detailed, other parties may also benefit from a heritage listing. These parties could include those who renovate/restore and maintain such buildings. Extra work may be created in the specialised heritage-building sector and a multiplier effect may come into operation through employment income benefits. Heritage listing may also impact on Government income, either positively or negatively.

Questions start to arise as to who should acquire such individual or groups of properties and how should they be funded? With this disparity of worth the problem of possible compensation arises. It is well to state that these land and buildings should be preserved for all of those who have an interest, both now and in the future, but who pays?

State and local governments have been proactive in this area and this is reflected in land tax and rate relief in regards to land valuations. That is, there are specific provisions that have to be taken into account when deducing land values for properties affected by heritage listing. There are also grants that can be applied for by owners of such properties to aid in upkeep and restoration.
At a local level, large scale intervention and assistance is unlikely due to a lack of funds.

In many instances the many facets of town planning controls may be used to preserve and enhance the benefit of the land, buildings and areas for all interested parties. The density of development that surround properties can be reduced but in many instances previously approved and unsympathetic structures can detract from or be a detriment to such property (eg: Elizabeth Farm Cottage, Parramatta).

What happens, especially in most western countries is that town-planning controls are used on a regular, but many times ad-hoc basis, to preserve buildings and areas that are thought to be of heritage significance. Alteration or even demolition of these type of properties could not only affect those in the neighbourhood but also those who do not reside in the area. The value placed on these lands and buildings by those outside the area could have to be taken into account when determining their continued existence.

It is well understood that these controls should not be arbitrary. The economic benefit and to some extent the social benefit, should be definable and this social benefit created is equal to the cost placed on the owner or the community. In simple terms, the value placed on the conservation of land and/or building and/or an area should be at least equal to the cost of preserving it, although conservation is something we undertake to benefit present and future generations. It is not unreasonable to view the cost as being amortised over a fairly long period of time and being relatively economically feasible. In other instances the total cost to the community can largely be measured by the cost of opportunities forgone because the site cannot be developed or redeveloped (Alison et al. p.4). As stated before, this can be measured by the difference between the value of the land and/or buildings subject to normal planning controls, and its value with its opportunities for redevelopment constrained by the new heritage or conservation controls. The obvious question that arises from all of this is “who pays for such conservation?”.

Hall, C.M. (2000) raises the point that the choice for heritage conservation has both a value and a cost. Again there seems to be much written on the value of heritage but little attention has been given to the cost. McMillan (1997)
recognised that ‘...there is a financial cost in pursuing heritage conservation. Someone has to pay the cost’. The community as a whole exercises choices regarding the quality and nature of heritage conservation. These decisions are not without cost.

As stated by Hall in 1998, (p. 356) “the question is essentially whether the local community (rate payers) should bear the increased financial burden or whether it should be borne by the broader community (state or federal).”

It could be viewed that rate payers, either directly or indirectly pay for the conservation of property in the local community, through user pays or rate subsidies.

The above statement starts to assume that there is a “public” and political willingness to pay for such conservation. Heffernan (1997) put it succinctly, (p.505):

“...(heritage building conservation)...has been spectacularly successful. In the space of a decade, mass popular movement established itself, seemingly out of nowhere, and convinced the community and thereafter, governments, that there was value in preserving heritage buildings.”

Heritage conservation clearly affects a relatively small proportion of properties. Where it does, the effect is critical and those owners rightfully say, “the concept is fine but who pays or who derives the ultimate (probably very long term) economic benefit?”. Economic impact, either beneficial or detrimental, will usually be borne by the first affected owner, at the time of listing. The benefits will primarily accrue to society as a whole (whether direct or indirect) but such negative impact will only apply to the owner. In theory the gains to society should be greater than the economic impact on the owner, who is in many situations is an individual (as distinct from a government body or organisation).

Properties located in or near recognised heritage areas and precincts possess clear advantages over “one-off” properties in more isolated sites (Williamson, Wilde, Piasente, 1999; Deodhar, 2004). This does lead to the concept of a property by
property (or project by project) basis of analysis for economic benefit or viability, in relation to isolated of “one-off” properties.

As well as the individual physical characteristics of a property the surrounding development, even if not the same type of building, could have an impact on such economic benefits. A village type environment (eg. Leura in the Blue Mountains west of Sydney) that forms a harmonious or unified aesthetically pleasing atmosphere of a typical rural type village, will have a definite beneficial impact on “one-off” listings. Communities will often see such benefits before a local authority, and move to have a whole area preserved.

Such conservation will apply not only to residential property, but retail, commercial and even sometimes older-style industrial premises. (eg. Morpeth near Maitland NSW). The actual location of these premises plays a substantial role in determining their value.

The shared (public good) characteristics of an area, whether natural or the built environment, and this includes the conservation of heritage properties, usually means that some of the elements of them will not survive without some form of collective action on the part of the community. (Bennett, 2000). Usually this has taken the form of direct government action, but the acquisition and maintenance of conservation properties or areas comes at a cost. This is the same for any development, whether new or conservation.

In the Sydney central business district and other commercial areas the designation of a premises could in many instances increase the value. Tenants may be prepared to pay higher rents for the chance of occupying such a property than they would for a new individually developed site. It is pointed out here that this has not yet been tested empirically. The major problem that has occurred over the last decade is the development of “high tech” buildings catering for computers and advanced communication needs (cable ducts, raised floors, false ceilings etc.). Technological obsolescence has become a major drive in the commercial world, which may, in the mind of owners, tenants and developers, make heritage listed properties less attractive, especially for specific commercial or industrial uses.
Ultimately the benefits of conservation may not even accrue to the owners of occupiers/tenants in many instances, but as stated previously, to society as a whole.

### 3.3 Heritage property, the market and valuation methods

Although heritage property forms only a small proportion of the property market, it may consume a substantial amount of investment, either from public and/or private sectors. The property market is dynamic and is driven by a multitude of factors and this is also true of the heritage sector.

Although the market appears to be cyclical in nature and operating as a whole, there is, at any time, more than one market operating.

The markets can be broadly categorised as:

- residential
- commercial
- industrial
- retail
- rural.

All of the above markets will have heritage listed properties or conservation areas in them. Sub-markets then exist in a number of ways; such as owner/occupiers and investors. Further sub-markets then operate either by property size, class type and dollar value.

It is obvious from this that as well as being dynamic in nature the markets are not consistent. The actual economic value of conservation at any given point in time in the market may be distorted by external factors (as mentioned previously).

The private sector, especially in relation to development and redevelopment, may move their funds in and out of any market, (this includes the heritage sector), depending upon their estimation of the economic viability. If such a project contains or affects a heritage listed property and there is a financial surplus, especially in the case of the rising or buoyant market, any additional conservation cost could be absorbed (Allison et al. 1996).
When looking at property in the overall market, the retention and restoration of heritage listed property, may affect, to a greater or lesser extent the potential use. This is a factor that all parties will take into account when assessing their investment decisions (see Exhibit 3.1).

Before a building can be demolished a Development Application (D.A.) must be lodged with the local council. Council’s can now place a building (property) on a heritage list, when identified during the consideration of D.A. for its demolition. This process helps to ensure that no heritage property is accidentally lost and that local government can be seen to be proactive in conservation practices.

“A client or purchaser can make all the right enquiries and obtain a “clear” section 149 certificate, issued under the provisions of the Environmental Planning and Assessment Act (1979) yet the property can be subsequently listed and development denied” (Garder, 2000).

This may, at first, appear to disadvantage a property purchaser, but it must be remembered that the community good must in every instance be taken into account. As with any development there is a risk involved, of which all developers are aware of and take into account. As the risk factor increases the markets interpretation of value tends to decrease. This can be likened to a typical “before and after” valuation process as used in many compulsory acquisition scenarios, but not forgetting there may be a very long term overall benefit.
Exhibit 3.1 – Typical Brownfield Development Cycle as viewed by the market


As stated by Dominy (2004: p.10) “At the end of the day, after all, in a capitalist economy, and rightly or wrongly, the typical developer is most interested in the bottom-line profit, relative to the perceived risk exposure”.

The developer or owner is concerned with economic viability from day one and the property is a part of a business. It must perform as such and economic efficiency of the building/property is the prime consideration. It becomes obvious that developers and owners may not wait for the long-term outcome, as profit is the main driver of their enterprise. This profit motive of the enterprise may have very little
direct relationship with the overall community and “humanist” public-good concepts which underpin the notions of heritage values.

The specialist, or more select market, that operates with regard to heritage listed properties forms a definite value added sub-market enterprise.

People who purchase property, such as individual houses may be prepared to invest the time and money into restoring a heritage property. They usually undertake this on the basis that it can be either a short, medium or long term capital gain investment. That is, they are prepared to invest considerable amounts of funds, time and effort in a quality restoration project of their home, which may be heritage listed. They realise that many times the benefits they are deriving are not only financial, but the pleasure of living in a quality property of heritage significance. How does one value that?

There is another scenario where the building may be a large scale commercial building, that is, there may not be that large a pool of buyers to start with, as compared to residential property. The considerable amount of investment required to enter the commercial market tends to limit those interested in acquiring such properties (see exhibit 3.2).

However the pool that exists is still considered large enough to generate the normal competitive market that operates to reflect the true current unencumbered market value. Once a heritage order is placed on a property, the market (pool of buyers), like it or not, take that listing to be a form of ‘stigma’. They, the buyers, realise that there will definitely be problems (usually in the form of a greater risk) in restoring or redeveloping the premises. Even if there is form of grant to aid in the restoration of the premises, as McArthur (2000) states, ‘...some applicants are even questioning whether the effort to win a grant is a worthwhile investment in precious human resources’. Similarly, investors and developers would raise the question, is it worthwhile putting time and effort (money mainly) into undertaking such a venture? This must be viewed on the basis that there is a competitive market and if their funds can be more easily invested elsewhere, with a lesser risk they will do so. They must be able to see a fairly immediate tangible benefit.
Exhibit 3.2 – Commercial Heritage Scenario

Commercial Building, no Heritage Listing, Current Market → Pool of buyers

Pool of buyers → Building cannot be demolished. Redevelopment must retain heritage significance

Building cannot be demolished. Redevelopment must retain heritage significance → Select pool of buyers

Select pool of buyers → Building now heritage listed “added value” concept

Building now heritage listed “added value” concept → Building redeveloped to comply with heritage requirements Unique “added value”

Building redeveloped to comply with heritage requirements Unique “added value” → Tenants/occupiers prepared to pay premium for added value occupancy benefits
Abelson, (2000), as mentioned before, suggests that there are ways to measure benefits in the various scenarios.

- **Benefits to owners of other commercial properties in the precinct:**
  
  1. by estimates of changes in the income of local property owners over time, discounted to the present.
  2. By estimates of changes in the capital or rental value of the properties.

The above does have some drawbacks. As with many theoretical economic valuation approaches, estimates are made rather than collecting and analysing current market data. The greater the number of estimates the greater the margin for error.

- **Benefits to owners of residential properties in the precinct:**

  The benefits should be reflected in the capital or rental value of local residential properties. Again accurate figures could be ascertained by analysing data over a period of time or perhaps as Abelson suggests, by asking owners how much they would be prepared to pay for conservation of a heritage building. Many times the answers will come back as a zero, (i.e. They themselves are not prepared to pay) but they would expect the state or local authority to pay for such retention. This is perhaps the first mention of the concept that it the public as a whole or as a group in an area want the retention of heritage property they may to be prepared to actually pay for it.

- **Benefits of tourist visitors to the heritage building or precinct:**

  The thought here is that tourists may gain pleasure from visiting an area because of an enhanced environment. Tourists visiting an area may expend funds in the area in the form of food, souvenirs museum entrances etc. What they actually pay and what they might be prepared to pay could be two different figures. As mentioned elsewhere in this document, one way to assess the value is by the travel cost method. The other method is to ask the tourist what they would be willing to pay or contribute to conserve a heritage building. The second method would again be an estimation of value.
• **Benefits of other visitors to the heritage building or precinct:**

The visitors may also gain pleasure from visiting the building or precinct. The only possible way to measure this would be asking these visitors what they would be prepared to pay to conserve the building or area.

• **Benefits to the general public. This is sometime known as the non-use or existence benefit:**

To try and value these benefits is almost impossible. The benefits definitely exist but how to access and then assess the general publics’ estimate of value is open to question. It must be remembered that the general public includes locals, interstate people as well as international people. What these people, (the general public) know or don’t know about the building or precinct would probably skew the result.

**Table 1: Public Benefits and Possible Valuation Methods**

<table>
<thead>
<tr>
<th>Public benefits</th>
<th>Possible valuation methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local commercial properties</td>
<td>Net income, property value or stated preference</td>
</tr>
<tr>
<td>Local residences</td>
<td>Property value or stated preferences</td>
</tr>
<tr>
<td>Tourist visitors to the precinct</td>
<td>Travel cost method or stated preference</td>
</tr>
<tr>
<td>Other visitors to the precinct</td>
<td>Stated preference</td>
</tr>
<tr>
<td>The general public</td>
<td>Stated preference</td>
</tr>
</tbody>
</table>

(a) People visiting the site or precinct primarily as tourists.
(b) People visiting the site or precinct for an non-tourist purpose
(c) People who value the site or precinct but who do not own property in the precinct and who do not visit the site. These benefits are sometimes called non-use benefits.


Some of the above methods are dealt with in more detail elsewhere in this document.
As discussed earlier, the normal supply and demand scenario is not always really applicable to heritage properties, except in many heritage precincts or areas, such as Balmain, Kuringai, Concord, Burwood, Ashfield etc.

Because the property market is dynamic and there are many external factors driving the market the effects on heritage property may appear to be exaggerated. Developers and investors will tend to shy away from heritage property in ‘troughs’ in the market as their likelihood of maintaining their profit margins will be at a greater risk. Naturally the reverse will apply in a buoyant market. In other words the property market will distort the economic value, either positively or negatively, of the heritage property. Some of this distortion will probably be only in the mind of the developer or investor rather than a true financial outcome in the majority of cases.

Many times heritage property forms part of a site that is prime for redevelopment. The highest and best use of the property is for redevelopment and this is greater than the current use value with the heritage property. Although heritage listing may secure the future of a property, it may not necessarily mean that it will be maintained. This really reflects the conflict between the market and the conservation of heritage properties. The question does arise as to whether it is valid argument for the demolition of heritage property if the highest and best value is greater than the current use value? In most cases the answer is no, because it benefits the owner at that time, but dis-benefits society as a whole and precludes future owners who may be prepared to accept the cost. This is an area that needs further investigation. It must also be remembered that sometimes heritage-listed properties are not the magnificent buildings of last century, but sometimes single residential properties in isolated locations, on prime blocks of land suitable for total redevelopment. Again the juxtaposition of the owners’ rights and the communities’ benefit come into play, so that both sides end up in a position to contribute to, and jointly own the beneficial outcome. The overall aim is for both parties to end up in a “win/win” situation.

Owners of income producing properties that are heritage listed, are primarily concerned the ‘return’ on their investment. If the return is decreased or disadvantaged by the listing, the tendency to maintain the building may be reduced. Most owners of such buildings would consider themselves to be the owner of the freehold/fee simple and be free to extract the highest return not burdened by the heritage listing. Such listing is often regarded as a definite impediment to their
potential to extract such maximum return, either in the form of rent or redevelopment.

The cost to maintain some types of heritage buildings may also be prohibitive. There is a great difference between redevelopment and conservation. Again what incentives exist for such an owner to expend on specialised maintenance? Rents will probably not increase as most tenants in the market today require modern, technologically advanced premises.

The conservation costs may be seen by the owners to be of a public benefit but not as a direct economic benefit to them.

As has been seen recently in New South Wales, the sometimes sudden listing of a property that is nearing the end of its economic life, can impose an unwelcome burden on the current owners. That is, the return generated by the income from the property is below market, or the use of the premises ceases to be the “highest and best use” in terms of standard valuation concepts. This is a risk taken by anyone who invests in the property market but it can appear to be compounded with heritage listed premises. Often a heritage listing can actually enhance rental potential.

There may be a perception by some property investors and owners that conservation policies are negative, or have a negative impact on their property, rather than there being the possibility of a true positive impact. There is the exception of total urban regeneration, but this usually only occurs with massive government (public) investment or where an area goes through a full gentrification process, eg. Walsh Bay.

It is hard to measure the benefits and value of heritage properties when a non-sale/price (or a non-traded asset) commodity is to be determined. Under usual market conditions the property would be traded and the price obtained reflects the markets’ interpretation of the ‘value’ or benefit.

Market prices could quite often be a poor reflection of the true benefit or value of a heritage property. There is the value to the public or community at large of such properties. How is this benefit/value ascertained? The benefit/value is quite often long term and quite static as the real market shuns such value concepts. There are
many external factors that come into play with heritage properties that are not understood either by investors, developers and the community at large.

The best examples of this are the retention of areas of natural heritage, quite often environmentally sensitive natural sites. This could also apply to man-made resources such as buildings, structures etc. The public may appreciate the retention of such premises on a long term basis, but is unaware of either the value or cost to retain such a property. As the property is heritage listed such benefit or value may remain constant for long periods of time. Market values may never be available simply because the property will never be traded in the open market.

There may be no public access to the property, as it is in private ownership, whereas public properties and areas are available most times. The owners of heritage properties are never really in a position to, reap all the added benefits, but they tend to benefit in the same way as the public does.

Unique properties may attract a value greater than their market price, but again this is difficult to define. These properties may also attract a use that exceeds the norm. This in turn may lead to a rapid deterioration of the structure, which decreases the value. These unique properties cannot be reproduced so access may have to be curtailed. This then leads to a non-use or passive value, which again is hard to quantify. The value of these types of properties may well exceed their market and use value. Once these non-user benefits or values have been identified these could be added to the current value to give a Total Economic Value. (TEV). (Allison et al. 1999).

### 3.4 Methods of measuring benefits

As with all value concepts the actual figure should be determined at a specific point in time. Research has shown that there are accepted, though not necessarily by all, different kinds of static value.

- **Option value** - this is known as the benefit which consumers might derive from resources. It really displays the public willingness to pay for the preservation of heritage property rather than see it demolished. That is, forego the opportunity of it being in existence for future generations. The property would be conserved for
the general public rather than a select few able to visit or inspect it. The demand for and supply of such properties is impossible to ascertain. As the term implies there is an option, either retain the property or remove it, but the value is totally questionable.

- **Intrinsic or existence value** - this is a very complex and unclear type of value. It may also be considered to be a form of sentimental value. These types of value have no relation to demand and supply and fall well outside the normal conceptual framework of current use or market value. Many people have individual preferences for the retention of heritage properties and such value judgements are more subjective than objective. Where there are a large number of people with such preferences these values may over-ride the property owners value and the property is retained. Again, the obvious question is, who pays for it?

It may be possible then to preserve heritage properties and then try to ascertain their Total economic Value (TEV). This TEV consists of, (as described by Allison et al. 1999):

\[
\text{TEV} = \text{user value} + \text{option value} + \text{existence value}.
\]

- **User value** - the occupation and use of a heritage building may represent direct value that is quantifiable. Its appearance, which gives pleasure to the general public as well as the occupiers would be considered to an indirect benefit/value.
- **Option value** - (as described above) this could be known as the potential value. A good example of this would be St. Mary’s Cathedral in Sydney. What would tourists be prepared to pay to visit it?
- **Non-use value** - (as described above in intrinsic or existence value) the price people would be prepared to pay simply to know a particular property was going to be preserved, even though they would never expect to visit it. This role to preserve such properties normally falls on government at all levels who rarely have the resources to maintain or even purchase such properties. No comprehensive research has been carried out on the non-use benefit of heritage proclaimed residential urban areas. In fact, specifically in Sydney, the question has probably never been asked whether or not all such areas need preservation. In fact there may be no public willingness to pay for their preservation.
Other methods of measuring the value of non-market transactions have also been brought forward.

Bennett, (2000) discusses the use of Revealed Preference (RV) and Stated Preference (SP) techniques. He also relates the use of the best-known SP technique, the contingent value method (CVM) as detailed elsewhere in this document. Another technique in measuring the value of non-transaction heritage property is Choice Modelling, (CM). The main advantage in using CM is that the data collected is far richer. Respondents are given a sequence of choices with varying attributes and thus a trade off occurs between these attributes. This, in theory, should mean that a more accurate measure of the static value should be reflected.

For example the use of a CM application could be applied to a commercial or residential building or between alternative historic restoration projects. As Bennett (2000) shows these alternatives would be described using such attributes as:

- era of building
- physical condition of the building
- location of the site
- visitation arrangements-post restoration
- tax (Cost) impost

The community, or public at large, could demonstrate their willingness to have an area conserved.

The supply of possible heritage property is to a great extent limited. We have already looked at the possible value people could place on heritage properties, and the various concepts of value. There is however dynamic factors that could come into play. Conservation or heritage listing of property could have an unexpected beneficial effect on value. It could hasten overall urban regeneration and in some instances increase the call for further listings.

This argument stems from a presentation given by Davis and Whinston (1961) on the analysis of urban renewal. They pointed out that in the urban context, individuals pursuing their own interests and reacting to market prices tend to under invest in their properties. They appear to be more concerned with self-interest, which is
understandable, than with the overall public good. There is the concept that if a
neighbourhood under invests, then a gradual deterioration will occur across the
whole area. This could eventually lead to the formation of a slum area.

This Davis and Whinston argument can also work in the opposite. Many times the
market affecting heritage properties is driven by the dynamics of location and
increasing property value in surrounding precincts. The market dynamics will slowly
encroach on older areas, then gentrification and regeneration will take place.

Although it is rare for this to apply to commercial buildings, as the total investment for
an individual owner could be large, investment by public agencies may help
encourage whole areas to undertake conservation and improvement. Davis and
Whinston also related the concept that once heritage areas are upgraded new
businesses would take up occupation and then a multiplier effect would start. New
business would arise, then new jobs, more accommodation and so on (e.g. Walsh
Bay).

When studying this concept in relation to an individual property of architectural
significance in a non-heritage listed area two effects could occur. In the first scenario
the value of the property will be decreased (as discussed earlier in this paper). The
listing would restrict the way in which the property might possibly be altered. This
relates to the simple economic concept that the restraints placed on the property
restrict the potential for an increase in value. Conversely the listing of a whole area
could result in an increase in value. It could be evident that properties with higher
architectural value tend to attract higher income occupiers that in turn attract
higher income neighbours. The whole area may then undergo a true gentrification
as the high-income earners protect their investment. These higher income earners
then regard their investment as both worthwhile and secure. An example of this
would be Haberfield in Sydney.

It could be held that an area that is listed as having heritage significance
immediately experiences a rise in property values because the physical environment
surrounding them becomes more secure and more likely to be easily realisable on
any future sale.
Such areas may not be evident at first inspection and may, in many instances, not even be heritage listed. Although many such areas may be occupied by ‘middle class’ people in the Australian context this will usually not deter improvement of the area being undertaken.

This concept also can be related to commercial, industrial and retail premises. Many times the people who take up occupation, especially in relation to older premises are seeking less expensive, almost subsidised rents due to the nature of the premises. This may not apply to specific tourist areas, but is quite evident in city fringe areas. The use of areas is always under constant change and industrial may become a mix of residential, commercial and retail as gentrification takes place. This places pressure on the overall type of upgrading that may take place and subsequently the concept of conservation of that whole area as a heritage precinct.

The role of cities have changed from the production and industrial areas, to that of administrative and service areas, providers of cultural activities and leisure-oriented service activities. Tourism is the prime example of this. The provision of these and other services contribute a major part of urban economic output and welfare. (Allison et al. 1999).

As can be seen in Sydney the distribution of goods and services has moved to the various suburbs located on major access and by-pass arterial roads. This has meant that the older inner areas became ripe for redevelopment into medium and high density residential housing. As the population earns more income they are freer to choose the environment where they work and live. The areas of the city that can provide a better environment appear to attract more residents. The physical factors that influenced population location, such as ports, railway lines, natural resources and the provision of physical infrastructure become less important.

One of those factors that may become important in the mind of the resident is that of living in a quality heritage area. This may not even be apparent to the residents but it plays an ever-increasing role as the inner city areas and older established inner suburbs gentrify. Those suburbs and areas that fail to provide a high-quality living environment will lose the high income, skilled labour force of entrepreneurial talent. There is also some evidence, (anecdotal not empirical) that the rate of new and successful business formation tends to be higher among immigrants and the more
educated groups attracted by the enhanced living environment that heritage conservation may generate. (Allison et al. 1999).

Certain areas of cities lend themselves to this concept and these seem to have influenced urban policy makers. For example, Hall and Cheshire (1987), in summarising the common features of successful urban policy, wrote:

“...we can see from the successful cases – several in the United States, including some older industrial cities, some in Europe – that some share key features. There is a concentrated, simultaneous effort to revitalise a substantial swathe of the inner city most affected by the previous decline. This invariably involved redevelopment of part of the downtown for shops and offices, sympathetic conservation and rehabilitation of a nearby waterfront or historic area for leisure activities, comprehensive upgrading on the inner-city housing stock, block by block, associated with architecturally-sympathetic new private housing close by – and improvement of access, especially through improved public transport.”

What does become evident is that the amount of public funds that must be expended on such a venture are usually very large. It flows from this that unless some obvious political advantage is apparent the project will not proceed. This again can be seen in areas such as ‘The Rocks’ in Sydney. Linked to this is the involvement of private developers who can see a distinct advantage, usually in the form of increased profits, by taking on portions of the redevelopment.

It is not usually a prerequisite that heritage listing forms part of the regeneration process, or that it be a catalyst for it to occur. It is however hard to separate those factors that could start or enhance such regeneration or redevelopment process relating to possible heritage areas. Public sector authorities may target an area or adopted several policies in addition to heritage listing of the built environment to specifically to assist and encourage regeneration. An example of this could include an area that is heritage listed. This area may have more relaxed planning rules to encourage private capital investment. Again many of these policies may appear to be more of a political nature than an true conservation thrust.
The new concept of Public, Private Partnerships, known in the property industry as a PPP, have started to emerge in the central city and inner suburbs. This type of partnership not only serves to preserve heritage properties, usually owned by a non-profit organisation who do not have the funds to restore the premises, but ultimately there is still a sufficient profit margin to attract private companies. There has been some ground breaking research carried out in this area but most of it is restricted due to the confidential financing and profit sharing arrangements that have been entered into.

3.5 Cost benefit analysis

It is difficult if not impossible to place a value ‘figure’ on the urban environment. There is no real profit area that can be ascertained, so therefore pure financial considerations are not applicable. The actual benefits of heritage areas are real and can be seen in many areas. These benefits can accrue to the community as a whole as well as to individual property owners.

Having regard to economic theory there are methods that could be used to place a ‘value’ on these benefits. As with most economically based theoretical methods or models there are problems. Firstly the cost of assessing the true market prices and then valuing each alternative would be prohibitive to make such a process feasible. Secondly, if the costs are imposed on one group, (a negative benefit), and then the benefits are redistributed to another group, this is obviously politically unacceptable.

The most obvious way to assess any benefits accruing to one group is to use a cost benefit analysis. There are however more useful alternatives that could be employed in an attempt to assess a true value figure. Unfortunately the general public, (and many politicians) appear to view every outcome in dollar terms rather than a more holistic long-term basis. These concepts have been refined further to include a accounting type approach similar to a balance sheet. The value of these heritage assets are always open to question, especially in relation to the value of the overall urban environment. It has even been suggested that some heritage properties may not appear on the balance sheet as an asset but rather a liability. When this occurs it is many times purely an accounting practice and is not reflective of the long term economic and social benefit that is inherent in the property.
Lichfield (1988) suggested that these assets or liabilities be placed on the ‘balance sheet’ but no actual value be assigned to them. It was also that the overall concept be developed into a Community Impact Analysis (CIA) or Community Impact Evaluation (CIE).

Another approach suggested by Nijkamp and others is the multicriteria analysis. (Nijkamp 1975, 1988; Paelinck 1976; Voogd 1988). The various criteria are ranked according to what is the most relevant or the ‘best’. Buckley (1988) stated ‘that unless the best alternative outweighs the others on all criteria, a weight, explicit or implicit, is being attributed to the attainment of each criterion of each alternative, and this weighting is to some extent subjective’.

The Analytical Hierarchy Process developed by Saaty (1980; and Zahedi 1986) is a more mathematical approach to decision making alternatives. This method was designed to formalise the process of choosing between alternatives in the absence of full information.

It appears that there has been very little quantitative/empirical analysis on the value of the urban environment in New South Wales. There is anecdotal evidence, but this is more a general nature. Perhaps the cost benefit analysis (CBA) approach would be the most appropriate as it is broadly grounded in economic theory and may resolve the weighting problem in a more objective way. Again most people want a dollar value placed on the various weighting components so that any increase or decrease can be quickly calculated.

As mentioned earlier in this document, costs are associated with this heritage process. These costs can be direct or indirect. The direct costs are borne by either one or both of two parties. That is, the public sector or the private owner. Obvious direct costs could include; acquisition costs, conservation costs, administration costs. Indirect costs could include foregone development values. Some of these costs would be offset by land tax, rate relief, planning gains and funding grants. The aim of any cost benefit analysis is to try and establish what exactly are the benefits. The problem is how to place a monetary figure on these indirect benefits. These benefits will probably never be traded in the market place, but the local community will definitely derive benefits.
There are methods that have been developed to place value figures on these benefits. These methods are:

- Hedonic Pricing
- Travel Cost
- Contingent Valuation

Most methods revolve around asking respondents about their willingness to pay (in real money terms) for the retention of heritage property rather than see it degraded or lost forever. These types of surveys could be said to be biased as they may appear to be subjective rather than objective. The structure of the survey and how the questions are asked is crucial. This reflects the potential difficulties with such methods.

One problem with these methods of placing a value on conservation is that it is being carried out at a specific point in time, usually referred to as a present value concept. The value to future generations may well be unquantifiable.

### 3.6 The hedonic pricing method

The Hedonic Pricing Method was developed by Rosen (1974), based on the earlier consumer theory work of Lancaster (1966). The overall methodology involves trying to determine the relationship between the attributes of a good and its price. The ‘goods’ in this case is the heritage benefit. Such a benefit could have a number of attributes or characteristics, each with its own value figure. The value figures for each characteristic is only theoretical as there is no operating for it. It could be held that the value of the heritage listing of an individual property is the difference between the selling price of that property so listed and the selling price of an identical property not so listed. This appears to be logical, but in practice no two properties are identical and they would rarely, if ever, sell in the open market at exactly the same time. It should be remembered here that the resultant figure could be positive or negative.

There have been studies carried out in Europe and England on the ‘value’ of the location in relation to conservation areas. These mainly apply to residential areas rather than individual commercial premises. The results of these studies showed a positive effect on value, which is understandable, and the degree or percentage of
value increase could be calculated. In regards to heritage listed properties it would be hard to calculate building characteristic attributes on an individual basis rather than the proximity to locational or conservation attributes.

One study carried out in the United States of America by Asabare et al (1989), showed that architectural style had a defined impact on the value of residential property. Another study carried out in 1994 by Moorhouse and Smith on houses in Boston also found that the individuality of any style commands a higher price. Could this flow onto heritage properties?

Relating this to commercial buildings is more difficult. Tenants will pay for architectural quality in new modern buildings more so than in older buildings of architectural quality. (Hough & Kratz 1983).

3.7 Travel cost method

The Travel Cost method (TCM) is based on the concept the cost of travel to a conservation or recreational area can be used as a visitors’ willingness to pay. The real costs of travel to the area were a proxy for the value of the product. This did not make an allowance for the travel or on-site time that the consumer was prepared to incur. If people actually walked to an area, say a heritage area, there would be no travel cost. It could be held that the lost opportunity cost of earnings or alternative leisure time might provide a basis for measurement.

It can be seen already that there are inherent problems with this method. It consists of a large number of estimates and this will usually lead to a larger margin for error. With heritage listed areas it may well be impossible to measure who is actually visiting the area because it is heritage, those using it as thoroughfare and those who actually live there, without a comprehensive, costly survey. The validity of such data samples could be brought into question.

3.8 The contingent valuation method

This method directly questions consumers, whether living in area or passing through, on their willingness to pay (WTP) for the retention of a conservation or heritage area. This could also be applied to a individual property. This method uses the direct
approach with the respondent stating, in their own estimation, an actual dollar figure for the preservation of say one building that is thought to be of heritage significance.

Studies using this method have been carried out in the United Kingdom. This option value, (the option to retain or lose a site/building) was found to be between 10% and 20% of the site value. (Willis 1989). The WTP method has been used in Victoria to assess the value of national parks to the consumer. The method is complicated attempting to take into the many variables that influence the consumer (visitor) to travel to the national park. As with all methods the result may not be positive. The study of a conservation area or heritage building may in fact show that there is no consumer interest, based on the WTP analysis at all, yet it could be political suicide to move for redevelopment or demolition of the site. These are the type of problems inherent with heritage and conservation areas.

The three methods detailed in this chapter have weaknesses and strengths. Whether or not the methods will give an accurate value figure for heritage property or the price differentiation is questionable.

The Hedonic Pricing Model has the strength of considering the value consumers living in the immediate are place on heritage properties and these could be reflected into actual property pricing prices. However, it does not really take into account the valuations by visitors.

The travel cost method does have the advantage that if the visitors to an area or a building live a large distance from them, then the data compiled has a great degree of validity. (See Wills, Shafer et al 1993).

The Contingent Valuation Method is probably the least rigorous, but the most popular. Perhaps its acceptance, especially by politicians, is because it is compatible with the concept of democracy and valuation by the population at large.
Chapter 4: Conclusions

This document has shown that there are definite economic and social benefits for the conservation of heritage property. The benefits to the various stakeholders are many times hard to quantify and need more thorough research. It shows that although some participants in the market may tend to shy away from heritage listed property, they wrongly perceive that such properties have inherent economic and restrictive problems, whereas there is a distinct and lucrative value added market that can be accessed.

There is a definite need to carry out a number of case studies with the aim to measure the different types of benefits of conservation using the methods of measurement detailed in the report. This appears to be quite feasible in relation to suburbs, areas and precincts, but is more difficult in relation to stand alone or isolated heritage listed properties. This literature review/study also reveals that there is a perceived misconception that the cost of restoration is greater than the cost of renovation. The emerging role of public/private partnerships in conserving heritage property is seen as one of the ways of the future.

The role of Local Government bodies in becoming more pro-active in ensuring the retention of possible conservation property is seen as another step in aiding in the preservation of heritage property for future generations. This is a positive concept that will benefit the community as a whole. This is an area that needs research with government at all levels. How both the funding of such research and the funding of future conservation is undertaken is the big question.

Overall conclusions will probably remain general because the drivers of the property market and more specifically the heritage market are dynamic and it is difficult to ‘stop the market’ at one point of time and assess it. Heritage conservation is an imprecise term which is many times interpreted by the various stakeholders for different reasons in a subjective manner rather than in an objective one.

The study does show that conservation can and does create employment. There are costs associated with conservation but these are more than offset by the economic, social and psychological benefits. Precinct and area conservation helps people maintain their socio-cultural identity which would more than likely be lost through large scale demolition and redevelopment. Conservation does sometimes appear
in the short term to come at a cost, but again, the long term benefits to the owner of the property and the community as a whole outweigh this cost. When carried out properly the heritage listing of a stand alone or isolated properties can benefit the owner as well as those in the immediate vicinity.

It can be seen that further more detailed qualitative and quantitative research is needed in many of the areas raised in this report.
Abelson, P. Valuing the Public Benefits of Heritage Listing of Commercial Buildings. This paper reviews the main methods of valuing the benefit of heritage listings of commercial buildings to the community, and examines the application of these valuation methods to seven listed properties in Sydney. The main public benefits considered are benefits to businesses and residents in the precinct, to tourists and other visitors to the area, and to the general public. The main valuation, travel cost method and economic impact analysis. Of these methods only stated preference techniques have much general application and these techniques require careful implementation and considerable resources. These general observations are confirmed by detailed analysis of the valuation issues that arise for seven heritage listed commercial buildings in Sydney. The paper concludes with a suggested approach for valuing the public of these or other heritage listed commercial buildings in a large city.

Allison, G. et al. The Value of Conservation?: A Literature review of the Economic and Social Value of the Cultural Built Heritage. This literature review marks the third stage of research jointly sponsored by the Royal Institution of Chartered Surveyors, English Heritage, and the Department of National Heritage. The brief was to identify issues for future research by the sponsors on the basis of a critical review of the methods which have been or can be used to measure, or value, the wider benefits to society of conserving historic buildings and areas.

Arnold, C. Heritage Properties – An Unjust and Inequitable System of Valuation. This paper discusses two recent decision by the Queensland Land Court which have revealed a disturbing disparity between the effects of that State’s different heritage legislation on property values.

Avrami, E. Values and Heritage Conservation. Sites, objects and buildings acquire significance as cultural heritage because of the values ascribed to them, be they historical aesthetic, social or others. To ensure that conservation initiatives consider social as well as physical conditions, values need to be analysed through a participatory process that promotes sustainable conservation by engaging communities in the preservation of their own heritage.
Bell, J. *Heavier Load.* Property managers face a host of expanding responsibilities from strategic planning, to finding a properties’ added value.

Bennett, J. *Natural Heritage Valuation Methods: Applications to Cultural Heritage.* The situation facing decision makers with responsibilities is the natural heritage arena is strikingly similar to that facing those who determine policies for the management of cultural heritage. In both cases, information for decision making is derived from a complex mixture of market and non-market sources. The collection and integration of these data present significant challenges to the economics profession. In response to demands for this data from both public and private sector decision makers, economists working in the field of values of both market and non-market impacts. Many of these techniques have also been applied to the estimation of values arising from cultural heritage protection. In this paper, a critical review of these techniques is undertaken. The debates that have occurred in the environmental economics literature as to the validity of the non-market valuation techniques would appear to be equally relevant to the case of cultural heritage applications.

A focus of the paper is the potential for cultural heritage applications of Choice Modelling, a non-market valuation technique that has been developed over the past five years in the context of environmental protection. A feature of Choice Modelling is its ability to yield a breakdown of the value a heritage protection proposal provides into its component parts-such as the so-called “use” and “non-use” values. Furthermore, Choice Modelling applications enable market data to be more accurately extrapolated to cover circumstances for which no data are currently available-such as is the case where a protection proposal will generate entirely new market conditions. It is concluded that these and other features of the technique provide it with some significant advantages over competing valuation techniques such as the Contingent Valuation Method.

Benson, V. O. and Klien, R. *The Impact of Historic Districting on Property Values.* Recent economic revitalisation within older urban neighbourhoods has been attributed to historic district designation policies. Preservation advocates believe that significant increases in property values are the direct result of historic districting. In this article, the relationship between historic district designation and changing land values is examined, specifically in two historic districts in Cleveland, Ohio. It is concluded that preservation policies must be revised to meet current urban needs.
**Blackall, I. The Rocks: A Real Estate Microcosm.** This article overviews the Rocks area of Sydney with regards to it being a microcosm of real estate.

**Bourke, M. Real Value of Historic Properties.** This paper looks at the history of valuing heritage properties in Australia based around the central debate ‘to preserve or not to preserve’.

**Butler, R. W. The Loss of Regional Heritage and the Development of Regional Heritage Tourism in Western Countries: a Re-occurring Paradox?** It is paradoxical that during a period in which the rural heritage and landscape of many western countries is changing radically and even disappearing, tourism based on perceptions of that heritage has grown tremendously. This paper briefly examines these changes in the rural landscape and the replacement of many traditional activities and lifestyles with activities associated with leisure and tourism. While many of these activities were thought to be compatible with the traditional rural milieu and what was perceived to be the rural idyll, in reality tourism and leisure have themselves caused significant change in many rural area in western countries have little in common with anything rural beyond the location. This paper explores some of the issues and difficulties posed by this pattern of development, and reflects on the likely implication for the future. Some specific research and policy implications are suggested in conclusion.

**Carnegie, G.D. and Wolnizer, P.W. The Financial Value of Cultural, Heritage and Scientific Collections: An Accounting Fiction.** That museums and like collections have cultural, heritage, scientific and education values is widely appreciated. However, accounting standard setters in Australia and New Zealand have recently advocated that public arts institutions bring their collections to account as assets for financial reporting purposes. There are no similar requirements in the US, European Union (including UK) and Canada; nor has the International Accounting Board made such a recommendation. From surveys of current accounting practices, it is apparent that, by and large, arts institutions in the English-speaking world do not report their collections for financial reporting purposes. This paper demonstrates that it is not technically proper to recognise cultural, heritage and scientific collections as assets for financial reporting purposes.
Cegielski, M., Janeczko, B., Mules, T. and Wells, J. Economic Value of Tourism to Places of Cultural Heritage Significance. This exploratory study of tourism to three heritage Australian mining towns has aimed to measure the economic impact of such tourism on the host regions and to learn more about the motivations and behaviour of visitors to the towns. Greater understanding of such factors provides necessary input into the management and conservation of similar heritage places.

Information from the towns surveyed in this study and from what is known about locations on the World Heritage list suggest that factors other than listing may be important. Accessibility, marketing activities and the flow of information about locations all appear to be important determinants. Nevertheless, it is clear from surveys reported in this study that national listings would be a very important source of information for people interested in visiting cultural heritage attractions.

Chin, L. S. Managing Urban Conservation: Maximising Returns (Singapore). This paper discusses how urban conservation is managed. Singapore does not have a long history, yet, like all countries it has had to embark on a journey to conserve its historic buildings. Had the journey not begun more would have been lost. This paper looks at the various measures Singapore has taken in its short term period since its conservation plan was announced in 1989. Old buildings are basically properties. To make the conservation program succeed there must be economic incentives given to the owners. This paper looks at a number of schemes offered to attract people to buy and restore conservation properties. It also brings out the social benefits of the conservation program, especially the community spirit and social cohesiveness it generates.

Chisholm, A. and Fraser, I. Cattle Grazing in the Alpine National Park: Preserving Natural or Cultural Heritage? The decision made in 1998 to continue cattle grazing, in the Alpine National Park (ANP) in Victoria has been contentious. There exists significant scientific evidence detailing the adverse environmental impact of grazing. However, when account is taken of cultural and heritage values arising from
the cattle grazing tradition a simple choice is not obvious. This paper examines the cessation of grazing an alternative solutions that allow for the continuation of grazing, that recognise the complex economic, social and political dynamic of this issue. The potential of economic instruments in resolving this unique land use conflict is examined. It is argued that the compensation of graziers for change in existing institutional alpine grazing arrangements can help to facilitate a resolution of the conflict.

Common, M. *The Role of Economics in Natural Heritage Decision Making.* It is useful, if artificial, to distinguish two sorts of decisions—whether an area should be accorded protected status, and if so how it should be managed. While economics offers some useful broad insights into the first sort of questions, there are serious limitations, at the level of principle and of practice, to the use of environmental cost benefit analysis as the primary vehicle for making this sort of decision. Given a decision for protection that permits multiple uses, those responsible for the management of the area have to decide on desirable use levels and on how to bring them about. The use of economics here faces similar problems to those attending the first sort of decision, but it is argued, economic analysis can legitimately have a larger role in this context.

Cotterill, D., Sinclair, K. M. and Nohel, T. *The Economic Benefits of Heritage Restoration.* With limited state budgets, heritage conservation has to compete for funding alongside other essential community services. In order to secure funding Heritage Victoria and SKM Economics prepared a study to identify and quantify the benefits of heritage conservation. The study was based on evaluation of the $16 million Government Heritage Restoration Program undertaken by the Victorian Government between 1994 and 1998. The results led to Victorian Government establishing new $15 million Public Heritage Program to fun over three years from 1999 to 2002.

While the study considered the broader benefits of heritage restoration, because of the need to justify funding compared with the provision of other services, it put more emphasis on establishing the quantifiable economic benefits of restoration.

This paper is based on the study and identifies benefits of heritage restoration as the catalyst for economic development, extension of economic use and the attraction of increased visitation and patronage.
Deodhar, V. Does the Housing Market Value Heritage? Some Empirical Evidence. This paper discusses an empirical study conducted in Sydney’s upper north shore with the primary aim of estimating the market price differential between heritage-listed and regular, unlisted houses using the hedonic price technique. The research also examined the relationship between market price and the level of heritage significance of heritage houses. After controlling for main property attributes, heritage-listed houses were found to enjoy a premium over unlisted houses. This premium is a measure of the combined value placed by the market on both the heritage character of houses and their statutory listing status. The level of heritage significance was also found to have a positive influence on price.

Dominy, C. Statutory Heritage Protection in New South Wales: Challenges for the Property Professions. A statutory system of heritage protection has existed in New South Wales (NSW) since 1977. Over the last 20 years the system has evolved from one characteristics initially by its ad-hoc emergency protective nature into one characteristics by more systematic, forward-looking mechanisms for protection and preservation.

Firstly, this paper briefly examines the social, economic and political climate which originally gave rise to a system of statutory heritage protection in NSW. This is particularly significant in light of the legacies which continue to exist in the NSW heritage system, some 20 year after its inception.

Secondly, this paper briefly analyses the evolution of the NSW statutory heritage protection system since its inception in the late 1970s. A series of bureaucratic, administrative and practical implementation difficulties quickly emerged and then continued throughout the period 1978 to 1990, culminating in a comprehensive Heritage System Review during the 1990’s.

Thirdly, this paper concludes with a critical evaluation of the NSW statutory heritage system in its contemporary format, and the implications of the current system for the various property professions. The chief implications for property professionals revolve around matters pertaining to the cost of meeting statutory heritage requirements made in the name of ‘public good’, compared to the financial incentives and mechanisms for recompense which now exist. This paper identifies four areas of concern and finds that satisfactory solutions will not be easily exercised in the assessment of ‘heritage significant’; the quality and consistency of heritage management by local government authorities; the need for more adequate
financial compensation and incentives for owners of heritage-affected properties; and the need for more clearly-defined use-parameters for heritage properties.

**English Heritage. Heritage Dividend 2002.** This report examines the regeneration impact of area based heritage funding through Conservation Area Partnership schemes (CAPS) and Heritage Economic Regeneration schemes (HERS) from April 1999 to October 2002. It shows once more that heritage funding is making a highly significant contribution to the regeneration and sustainable development of communities across England. By investing in the physical fabric of towns and villages – the buildings and the public spaces between them – we ‘pump prime’ wider regeneration initiative and, together, improve business confidence, give pride to local communities and strengthen the sense of place which makes the historic environment so popular.

**English Heritage. The State of the Historic Environment Report, Section 2: Economic Value.** The historic environment enriches the quality of our lives. As a result, it is a major economic asset. In a global economy, it gives us a unique competitive advantage, and plays an essential part in delivering effective regeneration. It is also an irreplaceable resource, representing hundreds of years of human investment and environmental capital. It needs to be used productively, not wasted.

**Gale, D.E. The Impacts of Historic District Designation: Planning and Policy Implementations.** The designation of historic districts in residential neighbourhoods has grown in popularity in the US in recent decades. An analysis of residential historic district designation in Washington DC finds little support for the idea that such designations cause displacement of low-income and elderly households.

**Garder, M. Advising on Heritage- Broadening the Role of the Valuer.** With many more properties being affected by heritage schemes and demolition control valuers have to be able to identify heritage issues. The author uses an example where a local Council purchased an industrial building for demolition and was prevented from demolition by its own heritage study.

**Gleye, P. H. With Heritage So Fragile: A Critique of the Tax Credit Program for Historic Building Rehabilitation.** Federal tax credits for rehabilitating historic buildings have contributed substantially to revitalising older urban districts since 1981. Certain
provisions of the program however, have inadvertently proved detrimental to the historic resources intended for rehabilitation. Negotiations leading to passage of the Tax Reform Act of 1986 focused on the financial formulas for rehabilitation tax credits, but did not address substantive adjustments. This paper proposes ten policy revisions to the program’s design standards for historic building rehabilitation and to the classification of historic resources eligible for tax credits, to realise more fully the program’s goals and better protect irreplaceable historic buildings.

Hall, B. Property Valuation and Incentives for Conservation and Sustainability. This paper poses the question does property valuation have a part to play in encouraging sustainability and conservation through rating and taxing programs? Addressing the issues of whether rating and taxing processes are appropriate mechanisms to achieve environmental incentives; the purpose of valuation and it’s connection or lack of connection with environmental issues; the merits of unimproved value against those of site value with regard to conservation; and the concern that the ‘market’ may not fully recognise environmental issues and the need for this recognition in assessing the value to the community of properties with significant conservation values.

Hall, M. Integrated Heritage Management: Dealing with Principles, Conflict, Trust and Reconciling Stakeholder Differences. As with many other avenues of public activity heritage management is increasingly focussing on recognition of commercial and economic values. This paper does not focus on the means by which the economic valuation of heritage can be undertaken, rather it concentrates on the way in which economic values need to be communicated to heritage stakeholders as one component of the valuation process in order to achieve effective heritage management strategies.
Hansen, R. Urban Heritage Revitalisation – Adaptive Reuse in the Wider Policy Context. The concept of adaptive reuse of heritage places is instrumental in ensuring the future maintenance, care and well being of these places. For many years, the focus has been mainly on how to achieve appropriate adaptive use with minimal impact on original fabric and protection of the overall integrity of the place. However, in the last decade or so several local planning authorities have formulated and implemented planning and development policies and programs which actively promote this concept as an integral part of injecting life and vitality into our urban environments. These policies generate considerable direct and indirect social, cultural and economic benefits for communities, as well as financial rewards for the owners of these heritage places. The use of planning policy to encourage adaptive use of heritage places in successfully being undertaken in the City of Melbourne. A selection of heritage places that have been reinvented and revived as a result of this approach will demonstrate the links between policy and practice. The key ingredients of the Melbourne City Council’s approach will be identified for future policy makers seeking to maximise the benefits of adaptive use of places of cultural heritage significance.

Harris, P. Urban Renewal of a Pacific Maritime City. This article looks at Sydney, Australia’s largest, wealthiest, oldest and most multicultural city, and how it is reshaping its future within the context of its Maritime heritage. The city is one of the regions youngest cities and the fact that it is undergoing substantial redevelopment so soon in its comparatively short history is of economic, social and strategic importance.

Heffernan, M. Life After Listing – Heritage Assets in Perspective. To many, heritage properties remain a mystery owners and developers fear the potential for cost overruns and statutory and bureaucratic impediments, valuers and financiers see the risks of dealing with ‘one off’ properties that seem less predictable than Greenfield developments. This article argues that this is nothing intrinsically good or bad about heritage listing or heritage assets in general. Rather, excellent opportunities exist for those willing to make investment decisions on such assets on the basis of normal, property-specific investment and valuation criteria and an understanding of current technical and statutory parameters of this sector and an acceptance that the re-use of buildings is consistent with building and life cycles and contemporary asset management theory.
Heritage Office. Does Heritage make good economic sense? This article provides an overview of case studies on the economic effects of heritage listing. The article is drawn from a study commissioned by Australian heritage agencies and management by the NSW Heritage Office. The report find that the benefits of heritage listing often outweigh the costs of heritage conservation. The cutting edge project involved in retaining and restoring the old GPO

Hone, P. The Financial Value of Cultural, Heritage and Scientific Collections: A Public Management Necessity. The Australian community devotes substantial resources to building and maintaining public collections, such as its public museums and galleries. There has been comment in this journal and elsewhere on the case for placing a financial value on cultural, heritage and scientific collections. In this paper the framework proposed by Carnegie and Wolnizer (1995) is extended to show that the valuation of the service flows that come from public collections is not only feasible; it is also desirable from a public management perspective. The paper presents the case for valuing public collections and analyses alternative valuation procedures. It concludes that the valuation of public collections is an essential component of any sound system of management of the resources applied to the running of activities such as public museums and art galleries.

Hundloe, T. Travel Will Change the World. Tourism is the world’s largest industry. Today 600 to 700 million tourists travel the world. By 2020, a fifth of the world’s population will travel. People will learn about the culture of their host; their hosts will learn about the cultures of visitors; Religious, ethnic and tribal borders will eventually break down. This is the optimistic, and hopefully not utopian, vision of the author.

For the purposes of this paper, culture is loosely defined as “the complex of values, customs, beliefs and practices that constitute the way of life of a specific group” (Eagleton, 2000, p.34). Culture with a capital C (the arts) is an element of culture so defined; while modern uses such as ‘police culture’ and ‘café culture’ are not. However, one must be careful that the broad definition makes it difficult to separate cultural capital from social capital and moral capital. The paper presents data on cultural and historical tourism to various countries and seeks evidence to either prove or disprove (the latter being the scientific method) the author’s thesis.
**Hutcheson, J. M. The Life Cycle Economics of Building.** Research into managing building (as assets) in Sydney, Australia, for continuous use, with a view to maximising the short-, medium-, and long-term returns on these buildings, is reported upon. The research arose from the needs of property owners to maintain a continuous positive cash flow (profit) rather than accepting a series of major disruptions in cash flows owing to complete refurbishment programs throughout the economic life of the property. The critical areas of building defects are assessed and particular attention in paid to the evaluation of building life cycles. Maintenance programs are derived for building with a view to optimising operating costs. A start model for managing building for continuous use is presented, commencing with design and progressing via construction through start-up and ongoing long-term cash flows.

**Lai, P. and Young, E. The Role and Relevance of Indigenous Cultural Capital in Environment Management in Australia and the Pacific.** This paper first explores the characteristics of Indigenous cultural capital, which expresses a holistic view of the environment and encompassing utilitarian and non-utilitarian goods and services and the ecosystem. The paper then provides an economic and social interpretation of the composition and ‘ownership’ of cultural capital, and then discusses the implication of this in the use and management of natural resources. Examples are drawn from Australia and the Pacific to illustrate key points. Lastly the paper suggests an approach that recognises Indigenous cultural sustainable economic development challenges of today and the future.

**Lally, P. Identifying Non-market Public Amenity Value using a Values Jury.** Within the past few decades there has evolved a growing concern by policy administrators for greater public input into democratic decision-making processes. This has extended especially into the area of environmental planning. Political trade offs in this area have for so long involved non-commensurate criteria using numeraires that are largely incompatible. The demand for incorporation of non-market considerations such as ‘intrinsic; and existence values, is driving a need for innovative approaches to be taken in identifying these other forms of value, Non-market valuation methods such as contingent valuation are becoming popular overseas but are received with a degree of scepticism in Australia and New Zealand. The purpose of this paper is to report in the trial of an alternative method, the values jury. The jury process invites members of the public to consider their willingness to trade-off environmental
features using a financial scale. Participants in the trial identified a willingness to forgo the benefits of specific local environmental features as long as an appropriate level of compensation was guaranteed to the affected community. Also identified, was the level of public amenity compared to the market value for those features. The trial confirmed the viability of using the jury approach and highlighted some of the major advantages that such an approach may have over alternative non-market valuation methods.

**Leaver, B. Cultural Heritage: An Economic Value Not Fully Realised.** This article gives a brief introduction to the positive economic contribution that heritage may make to communities, particularly in the form of tourism.

**Lockwood, M. and Spennemann, D. Value conflicts between natural and cultural heritage conservation – Australian experience and the contribution of economics.** Conflicts between natural and cultural heritage conservation occur across several domains. People disagree over the definitions of terms such as ‘natural’, ‘cultural’ and ‘wilderness’. There are a range of views on matters of principle, such as whose heritage should be considered, and whether non-negotiable standards should apply to some conservation issues. Clashes of culture occur between various stakeholders; Indigenous and non-Indigenous Australians, ‘mainstream’ and minority groups, and amongst professionals from different disciplinary backgrounds. The aspirations and behaviour of traditional owners, environmentalists, recreationists, traditional users, and those who have links with previous uses and sites, can lead to a range of management issues. On public land, management agencies face the difficult task of allocating scarce resources, and are sometimes forced to decide between natural and cultural heritage. They may also have to address conflicting management objectives.

This paper discusses each of these domains, and give examples of where such conflicts have influenced Australian cultural and natural heritage conservation. We then identify where economic methods and instruments have the potential to contribute to their resolution.

**Logan, W.S. Heritage Planning in Post-Doi Moi Hanoi – The National and International Contributions.** Economic stagnation has minimised redevelopment pressures so that Hanoi’s Old Sector remains largely intact. Its protection is important for the national
an local economies and as part of Vietnam’s cultural policy. The 1986 introduction of the doi moi policies in Hanoi has led to rapid environmental change, now exacerbated by the lifting of the US-led trade embargo. Threats to Hanoi’s distinctive character have prompted planning interventions by international agencies, foreign governments, and Vietnamese authorities. However, critical planning tasks still await action. It is not clear that the political will exist to strike a balance between economic growth and protection of Hanoi’s built heritage.

McArthur, S. The Economic Rationale for Adaptive Reuse—case study of the North Head Quarantine Station. This paper will provide a cultural tourism developer/operator’s perspective on generating economic returns from cultural heritage, and the need to develop economically orientated tools to assess the condition and resources to conserve and present the significant of a heritage site. Specifically, this paper will briefly outline the economic arguments and assessment processes that led the NSW National Parks and Wildlife Service to tender out a 45 year lease for the Quarantine Station in Sydney to Mawland Hotel Management. Mawland’s proposed adaptive reuse of the site has been designed to generate sufficient wealth to better conserve the site and increase public access, interpretation and marketing. The Proposal will also return a profit share to the National Parks and Wildlife Service for the conservation of other cultural heritage sites within Sydney Harbour National Park. The Environmental Impact Assessment of the Proposal required Mawland’s consultants to identify the condition of the site, past spending on conservation, public access and interpretation and the economic impacts resulting from the Proposal. This exercise should provide some ideas and lessons to enhance the economic management of other heritage sites.
**Mules, T. Regional Economic Impacts of Tourism in Heritage Mining Towns.** Mining played an important role in the economic development of Australia during the mid to late 1800’s. In many cases, when the minerals ran out so did the people, leaving behind communities where economic development stood still for over a century. The result was a number of towns processing well preserved building and streetscapes of the 1850’s to the 1890’s.

These constructs have developed as tourism attractions for people; particularly Australians interested in the past. In many cases the towns in question are in rural regions, and tourism offers the prospect of economic growth to balance the regional economic decline.

This study measures the economic impact of tourism activity in three historical mining towns, namely Maldon (Victoria), Burra (South Australia), and Charters Towers (Queensland). These three were chosen for the study because of their high potential for further development as cultural heritage tourism attractions.

Sample surveys of visitors were carried out in the three towns over the period February to May 2000 using local people as paid interviewers. At least five hundred interviews were conducted in each town, with information being sought on tourist behaviour, impressions, and opinions as well as expenditure.

Expenditure details were collected according to category of expenditure, and regional input output models were used to estimate the multiplier effects of the expenditure on each host region. The results provide useful benchmark data should the towns be placed on a National Heritage Register. The economic value through tourism of such listing could then be measured.

**Oxley, R. Valuing and Surveying Historic Buildings – the Future.** The majority of Britain’s Grade II listed building, and those within conservation areas, are residential. It is therefore highly probable that a significant proportion of these buildings will, at some time, be subjected to the influences of the housing market. The housing market can impose complex pressures upon the historic housing stock of Britain, with arguably the most onerous being the mortgage valuation and the pre-purchase survey.

Currently there is little formal recognition, nor a coordinated response, to the problems caused or instigated by the housing market on the historic housing stock. Consequently the damage being suffered by these buildings is continuing unabated.

This paper provides an introduction to the poignant issues; including an analysis of the nature of the problems suffered, together with a positive solution to mitigate the levels of unnecessary damage being suffered.
Page, J. Can we put a value on heritage? The wide scope of historic heritage makes its economic valuation so much more complex and therefore more prone to failure even than environmental or cultural economics. English Heritage is leading the way in the United Kingdom in thinking about the economics of conservation by researching an effective methodology for valuing the wider social and economic impact of conservation policies. Three approaches to the economics of conservation are explored in this article.

Property Council of Australia. Response to Commonwealth Consultation Paper on “A National Strategy for Australia’s Heritage Places”. This paper is a response to the Commonwealth Governments efforts to established a national approach to heritage conservation and management as outlined in the paper “A National Strategy for Australia’s Heritage Places”. In this paper the Property Council of Australia advocates that: any national heritage strategy that evolves must provide certainty for owners and developers; the structure should be simple and transparent and enable the possibility of local government to make decisions about heritage; Commonwealth and State heritage agencies should also abide by agreed heritage standards; the regulatory frame work which evolves should be consistent with a set of ‘best practice guidelines’; and where the community recognizes and enforces the heritage status of a site, this status results in additional costs in reduced values for the owner, any national heritage strategy should include a compensatory mechanism for the owner, any national heritage strategy should include a compensatory mechanism for owners faced with this predicament. This paper contains a number of recommendation in relation to the ‘best practice’ for heritage legislation.

Raison, B. Australian Heritage Commission Listings – Effect on Historic Property Rights and Values, Particularly in the Australian Capital Territory. Interest in preservation of historic housing and the effects of legislation on property use and values has been aroused in Canberra since the first Australian Heritage Listings were recognised in the capital in 1980. This article aims to develop further historic interest in Canberra and promote a better understanding of the issues by tracing the background and function of the Australian Heritage Commission and discusses the particular implications for Canberra.
Raison, B. V and Webb, G. R. 

**Heritage Listings: Help or Hindrance?** In this paper the authors discuss heritage registration and how it affects private property. There are conflicting views on whether heritage registration is a help or handicap to property owners, depending on the perspective of the owner or the developer, and the type of property.

Reynolds, P., Mangan, J., Wyld, J. and Heath, G. 

**Local Authority Property Management and the Maintenance of Heritage.** The aim of this paper is to focus attention on two sectors of local authority spending where heritage may be an important determinant of cost and where the resources necessary are possibly restrained by funding arrangements. The sector concerned are parks and public open spaces and museums and art galleries. The paper starts with a brief review of the funding system and tests its appropriateness to match locally-perceived resource needs with those available from the centre.

Robins, P. 

**BTR Research Relevant to Heritage Tourism: Past Findings and Future Potential.** International heritage tourists are identified and categorised by a number of demographic and other factors, including but not limited to, age, sex, country of residence, duration of stay in Australia, main purpose of trip and itemised expenditure. These characteristics are then examined and comparisons made over the course of the nineties and inferences made about international heritage tourism to Australia in the future.

No profile of a domestic heritage tourist exists to provide a benchmark, so the international profile is used as a starting point to identify heritage tourists from data in BTR’s new National Visitor Survey (NVS).

The NVS sample of 80,000 domestic households provides a good source of information on domestic overnight and day trip heritage tourism from 1998 and 1999, using similar factors to those for international visitors. Due to lack of time-series data, inferences cannot be made for domestic heritage tourism at present.

Syme, L. 

**Heritage Assets Have Value.** Several recent studies indicate that the satisfaction received by the community from heritage, which includes the whole range of conservation assets, hugely exceed allocated funds for their care and protection. The University of Canterbury’s Department of Psychology’s study, which looked at the community’s perceived value of government services, ranked
An ongoing study estimating an economic value for Egmont National Park found that willingness to pay to protect environmental quality in the park was about $18 per household, while government funding for this park’s management is around $1 yearly per household.

**Thorley, P.** *Current Realities, Idealised Pasts: Archaeology, Values and Indigenous Heritage Management in Central Australia.* This paper addresses the inter-cultural meanings and assumptions which have arisen in the interpretation of heritage and its conservation in central Australia. Conflicting views of heritage conservation are grounded in particular constructions of the past which are adapted and redefined in relation to the present. In central Australia, Indigenous notions of time and property have stressed the symbolic value of objects in terms of the Dreaming and their active role in exchange. The definition of objects as personal effects and their enhancement of social values through exchange. The definition of objects as personal effects and their enhancement of social values through exchange have been at odds with archaeological understandings of the same objects as artefacts and attempts to conserve them as items of heritage significance. Specific examples discussed include the use of artefacts in economic exchanges, interpretation of archaeological sequences, and the application of concepts of significance through land rights and heritage legislation.

**Throsby, D.** *Conceptualising Heritage as Cultural Capital.* This paper reviews recent developments in the theory and methodology involved in the evaluation of cultural heritage. Economists traditionally identify three types of capital: physical capital, human capital and natural capital. Recent suggestions that a fourth type of capital should be recognised, namely cultural capital, are reviewed. Cultural capital is defined as an asset embodying or yielding both economic and cultural value. The paper considers the means by which these types of value may be assessed and considers the implications of such assessment for investment decisions in heritage projects. The concept of sustainability in the management of cultural capital is also discussed, drawing parallels with the treatment of natural capital in ecological economics.

**Walker, A.** *Leisure, Heritage and the City: A Potent Combination.* Of all the forms of commercial development it is arguable that property devoted to leisure uses has a
greater affinity with the historic qualities of the urban environment than any other. This paper will trace the impact that the provision for leisure activities has location specific features of our urban areas. In an era of the ‘experience economy’ leisure property is in a unique position to capitalise on the unique qualities of the town. In doing so it must respect the heritage it seeks to exploit, creating a sustainable future and not just a synthetic experience.

**Westwood, R. M. Valuation of Property Subject to National Estate Classification.** In the day-to-day discharge of his duties the practising valuer is confronted with a host of statutes, regulations and opinions regarding the National Estate. His assessment of the value of a particular parcel of land or property must have due regard to these factors. He must become conversant in interpretation of the law affecting classified property. In some instances he must be credited with psychic powers and anticipate the decisions of Councils, Planning Appeals and Building Appeals Boards.

**Williams, R. Theories and Methodologies in NSW Public Sector Asset Valuation: The Treasury Perspective of the Debate Between the Property Managers and the Accountants.** Over the last decade, a number of countries have embarked on reform of their public sectors with the objective of minimising costs and getting value for money for their citizens. New South Wales has been at the leading edge of such reforms, specially with respect to financial management reforms. The NSW Government’s Financial Management Reform Program has four key elements: improved decision-making regarding the optimal allocation of scarce public sector resources amongst competing uses and outcomes; improved management of resources to achieve economy and efficiency in the provision of services; better quality, more responsive and effective delivery of services and effective accountability for performance.

Accrual accounting asset valuation and asset capitalisation policies integrate with Total Asset Management strategies. They provide relevant (current) and reliable (objective) information to assist the TAM strategy allocate scarce public sector resources and achieve economy and efficiency in the provision of services.

**Williamson, S., Wilde, L. and Piasente, C. What are the Effects of Heritage Registration on Inner Melbourne Residential Property Values?** Generally, there appears to be a widespread belief that the impact of heritage registration is negative when
considering the value of residential properties. This thesis reports on the finding of an examination of selected heritage registered residential dwellings in inner Melbourne. These dwellings were analysed (in conjunction with comparable properties) in order to establish the impact on value (if any) as a result of being listed on the Victorian Heritage Register. The use of primary data within the report enables an unbiased and valid conclusion to be reached.

Within the report, a heritage overview and critical review of previous studies and publications is provided in order to enable a broader understanding of heritage issues. The analysis of this issue has enabled the writers to assess the impact of heritage registration on property values addressing possible recommendations for further research.

**Young, M. Opportunities and Needs: A research agenda for Heritage Economics Research.** This agenda arises from comments and papers presented to Australia’s first heritage economics workshop. Heritage economics is a new field of research. It seeks to contribute to the improved management, development and conservation of heritage values. Heritage values are usefully partitioned into natural heritage values and cultural heritage values. Typically, Indigenous values are the suite of values typically represented by historical buildings, sites and precincts. Papers presented at the workshop suggested a rich set of research challenges and opportunities that could deliver short and long-term benefits to the Australian Heritage Commission and other people interested in the management, protection and development of heritage economics. They include research on: Valuation – especially the development of techniques that can be used to help evaluate policy choices; Instrument choice – what policies are available to heritage managers, how effective are they and how can interaction among them be managed to maximum advantage; Regional development opportunities – how to quantify and evaluate the relative benefits of alternative heritage policies.

**Zeppel, H. Indigenous Heritage Tourism and its Economic Value in Australia.** *Indigenous culture and heritage are a major tourist attraction in Australia.* The income generated from the sale of Aboriginal arts and crafts in AUD$200 million per annum, with half derived from tourist sales. In addition, Aboriginal cultural tourism generates $5 million, while mainstream tourism enterprises owned by Indigenous organisations are worth $20-30 million per annum (National Aboriginal and Torres
Strait Islander Tourism Industry Strategy, 1997). The tourist consumption of Indigenous cultural products and heritage sites generates several economic values. These include Commodity Values of portable Indigenous cultural products (e.g., art, craft, souvenirs) and amenity values associated with leisure and recreation on Aboriginal lands, at tourism promotion of indigenous heritage and cyber-values from placing Indigenous cultural products on the Internet. In addition to economic value, growing Indigenous concerns with copyright and cultural or intellectual property issues in Indigenous heritage tourism also need to be addressed.


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