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## Residential Real Estate; Historic Districts Found to Lift Values

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In historic districts across New York City, from Fort Greene in Brooklyn to Mount Morris Park in Harlem, homeowners are severely restricted in how much they can redevelop or alter their properties, so that the character of their areas will be preserved.

Those restrictions, while often called a burden on homeowners, appear to have paid off for them, according to a new study. The study, by the New York City Independent Budget Office, offers some limited statistical support for the argument that home values are enhanced by historic-district designation.

The study found that despite the limitations on property rights and the higher cost of meeting historic-designation requirements, the sale prices of one-, two- and three-family homes, per square foot, within historic districts were higher than in nearby neighborhoods in every year studied since 1975. And on average over the entire period, prices of homes in historic districts increased in value slightly faster.

These findings remained even after taking into account differences in house and yard sizes, distances from the subway, age of homes and the relative affluence of neighborhoods. Over all, the study found, the typical house, which sold for \$38,000 in 1975, sold in 2002 for \$397,000 outside a historic district and \$458,000 in one.

But the study also reported that during several intervals -- including the last few years -- houses outside historic districts increased in value at the same rate or slightly faster, or that they decreased more slowly than those in the districts.

While the study did not prove that historic designation caused the increase in values, its findings suggested that at least in the neighborhoods studied, the designation did not make things worse. "It is not likely that property owners are adversely affected" by historic-district designations, the report concluded. They "may actually benefit from being included in a historic district," the report said.

The study was begun in the late 1990's at the request of two City Council members, Kenneth K. Fisher of Brooklyn and Andrew S. Eristoff of Manhattan. Both have since left the Council. Mr. Fisher recalled this week that the Landmarks Preservation Commission was looking at that time to expand the number of historic districts in the city, and that some homeowners were worried that preservation would hurt their home resale values.

Alan Treffeisen, who wrote the report on the recent study, said that studies around the country have typically found that historic-district designations have had a "small but positive" effect on home resale values. Most of the studies, he noted, have been small and limited. The New York study, in contrast, analyzed 31,093 property sales, including 3,948 in historic districts from 1975 to 2002 in six Brooklyn community boards with historic districts.

It found that since 1975, houses in historic districts increased in value by 10.2 percent a year, on average, compared with 9 percent in nearby neighborhoods, or after adjusting for inflation, 5.3 percent in historic districts, compared with 4.2 percent elsewhere. Outside historic districts, newer houses tended to command higher prices than older ones, while within historic districts older houses were worth more.

"There are individual homeowners who believe they will suffer an economic loss when a historic district is created," said Andrew Berman, executive director of the Greenwich Village Society for Historical Preservation. "This goes a long way to debunking that theory."

But Michael Slattery, a senior vice president at the Real Estate Board, an industry group, said the study had limited relevance to much of the New York real estate market, where properties are often valued by their development potential and designation as a historic district can reduce this potential.

In Fort Greene and Park Slope, Brooklyn, the relationship between historic-district status and house prices has changed over time, along with the neighborhoods, according to brokers and longtime residents. In the early years, the status was vital in building credibility and attracting people willing to invest money and time to restore vacant and damaged buildings.

Later, as prices rose within historic districts, surrounding areas were also in demand, and the boundaries blurred in buyers' minds. In Park Slope, Marc Garstein, president of Warren Lewis Real Estate, said that houses in the historic district cost more

than those nearby, but that those in some of the adjoining neighborhoods are rising faster. Today, he said, buyers pay more attention to school district lines than historic district lines.

In Fort Greene, Howard Pitsch, who is chairman of the Fort Greene Association and has been restoring a 150-year-old frame house for the last two decades, tirelessly gives tours of the neighborhood, pressing for a major expansion of the historic district to encompass streets that he said are architecturally indistinguishable from many streets inside the current district. Adding to the urgency is the fact that just outside the boundary of the district, an 11-story condo and medical office building, approved under the current zoning, is now rising on a long-vacant corner lot. He said that development could not have been built had the site been within the boundaries of a historic district.

Chart: "Historic Premium" Prices of homes in Brooklyn historic districts are higher than in nonhistoric ones, a new study has found. Graph shows the average price per square foot, in 2003 dollars. (Source by New York City Independent Budget Office)