



Economics Research Associates

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Real Estate Impacts of
Urban Parks

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Introduction

The following paper highlights findings with respect to the real estate impacts of urban parks. These findings are based in part on reports (such as *Urban Open Space -- An Investment that Pays*, Tom Fox, March 1990) and conversations with local brokers and park representatives. The following case studies examine the background and development of six urban parks (Post Office Square in Boston, Union Square Park and Bryant Park in New York City, Downtown Park in Bellevue, Washington, Shreveport Riverfront Park in Louisiana and Centennial Olympic Park in Atlanta), as well as the implications of development of the park on surrounding properties.

General Findings

Analysts have completed a number of studies that attempt to assess the value that urban parks add to the surrounding properties. Over the years the studies have become more refined, attempting to eliminate the impacts of outside factors such as house size, type, improved access to transit, and so forth. One of the earliest studies was completed by Frederick Law Olmsted, who looked at increased tax receipts for properties surrounding Central Park.

Following are the highlights of several earlier studies. All of the studies reveal a positive impact as a result of proximity to a park or other natural feature:

- A study completed in the early 1980's which examined the impact of four parks in Worcester, Massachusetts found that a house within 20 feet of a park was worth about \$2,675 more than a similar house 2,000 feet away from the park. It was also noted that after 2,000 feet the impact is negligible.
- A 1973 study showed that in a Columbus, Ohio neighborhood with access to a park, over seven percent of the selling price of a house was estimated to be attributable to proximity to the park and river.
- A 1985 study in Dayton, Ohio showed that five percent of the average selling price of homes near the Cox Arboretum and Park was due to proximity to the green space.
- A survey completed in Denver in 1991 revealed that the percentage of residents who would pay more to live in a neighborhood near a park or greenway increased from 16 to 48 percent from 1980 to 1990.

Some general findings include the following:

- Development of an urban park induces new development and/or improvement of existing properties.

- Although each case is different, lease/rental rates for units with view of an urban park command higher rates. In the case studies which we examined, the rental premium ranged from 10 to 40 percent.
- Introduction of a park into an urban setting can also stimulate overall leasing activity.
- Development of an urban park can also increase general citizen awareness and use of a previously neglected area.

Many of the impacts highlighted are quantitative, although it is important to also keep in mind the qualitative benefits, such as improved quality of life, increased pedestrian activity, and protection of the environment.

Post Office Square - Boston

Background

Boston's Post Office Square is a 1.7 acre urban park situated above a parking garage in Boston's financial district. The previous above-ground parking structure was unsightly; a non-profit group of businesses (Friends of Post Office Square) neighboring the site formed and developed the new garage/park. Post Office Square provides an interesting comparable for Cincinnati's riverfront park in that it opened fairly recently (1992) and is located in the center of a dense urban area.

The \$80 million construction of the park was financed through a \$50 million loan from the Bank of New England, while capital funds for the garage were raised through the sale of stock in the parking garage. The preferred stock offering of 450 shares linked each investment (\$65,000 per share) with parking rights in the garage. After the debt is paid, the City will receive all profits from operation of the garage, to ultimately be used for other neighborhood parks. Friends of Post Office Square have made a long-term commitment to managing the project.

The Milk Street Café operates within the park and pays rent to the group. The park is primarily an open lawn, with seven smaller green areas at the edges. A bronze and green glass sculpture situated at the north end of the park is surrounded by low seating walls; at peak demand, the park can accommodate 1,000 people seated. The parking includes numerous amenities (such as a car wash and high-finish lobby) and was called the "Garage Mahal" by the *Wall Street Journal*.

The park is surrounded by four one-way streets, with auto access to and from the garage provided on the east and west sides of the park. Surrounding land uses include both office space and a hotel. The Meridian Hotel is a four-star 326-room hotel located just off the park with rates generally starting at \$300. Office space in the area leases for as much as \$60 to \$80 per square foot.

Real Estate Impacts of the Park

Impacts on real estate surrounding the Park at Post Office Square have been notable, although it should also be noted that the opening of the park coincided with the start of the upswing in the real estate market following the collapse of Boston's office market in the late 1980s and early 1990s.

According to local real estate brokers, lease rates for office space now facing the park command a **ten percent premium** over office space within the same building but without a park view. Moreover, whereas buildings located two to three blocks from the park captured the highest lease rates before the park was built, today buildings adjacent to the park command the highest lease rates.

According to employees at the Meridian Hotel, rooms with a view of the park are not more costly; however, they show stronger occupancy.

Finally, at the time the park was being built, several adjacent property owners hired architects to modify their ground floor entrances so as to better relate to and take advantage of the new park.

Union Square – New York City

Background

During the 1960s and 70s, Union Square Park in New York City was overrun with drug dealers and was not viewed as an amenity by nearby property owners. In 1985, a \$3.6 million reconstruction project created a new plaza, opened up the park's center lawn, established clear site lines, and restored the Lincoln and Washington statues. The project was funded by the New York City Department of Parks and Recreation. An outdoor restaurant also opened in 1994. The Union Square subway station was also rehabilitated, thus further increasing the marketability of a Union Square location.

The park has also benefited greatly from community support. The 14th Street-Union Square Business Improvement District has contributed maintenance and security personnel in recent years and the Union Square Community Coalition has pledged money for plantings.

Real Estate Impacts of the Park

Municipal investment in the park in 1985 stimulated private investment in the area; the Zeckendorf Company began a \$200 million residential development next to the park after reconstruction began. Rehabilitation of the park has in fact stabilized commercial and residential properties located next to the park.

Similar to what has been experienced at the Park at Post Office Square, apartments with a view of the park sell for more than those without a view. According to Zeckendorf, properties with view of the park sell for 20 percent more than other apartments in the building.

Various other sources have confirmed these findings in New York City.

- According to a report issued by the Halstead Property Company, the single amenity that added the most value to a Manhattan apartment was a good park or

river view. Based on the study, a view above the tree line allowed identical apartments to sell for as much as 20 percent higher.

- The *New York Times* real estate section stated that in a survey of various properties surrounding Central Park, the premium for a park view ranged from \$10,000 to \$700,000 depending on the size, location and type of apartment.

Bryant Park – New York City

Background

By 1980, Bryant Park in New York City (located between Fifth and Sixth Avenues and West 42nd and West 40th Streets) had become known as “needle park” because of the prevalence of drug dealers. In 1980, the Bryant Park Restoration Corporation (BPRC) was formed to help restore the fledgling park. BPRC ultimately formed a Business Improvement District to help finance upkeep of the park given the introduction of a restaurant on-site. The park has been “opened up” to the street and the focus is now the great lawn, which takes up 18 percent of the total six acres. The park also includes perennial gardens and movable chairs, with maximum overall seating for up to 5,000 people. The park also includes several monuments which have been restored. Seven million square feet of office and retail space surround the park.

Real Estate Impacts of the Park

According to local leasing agents, 24 months after the park opened, leasing activity on 6th Avenue had increased 60 percent in the first eight months of 1994 compared to 1993. Proximity to the park is now viewed as a positive attribute, whereas years earlier, proximity to the park negatively impacted the marketability of properties. Rents for office space around the park have reportedly increased as much as 40 percent since renovation of the park.

Downtown Park – Bellevue, Washington

Background

Bellevue, Washington is located ten miles east of Seattle across Lake Washington and is emerging as a regional urban center. The City has been attempting to create a “sense of place” downtown, and as part of this initiative, they have planned for the addition of new city parks and plazas. Downtown Park, or the central park in the city, was envisioned as a retreat for city users and also to encourage pedestrian activity within the city.

Downtown Park encompasses 20 acres and is located several blocks west of the office core and immediately adjacent to a 50-year old regional shopping center. The circle-within-a-square design includes a meadow surrounded by a canal and walkway which is lined with plane trees. The park design was decided upon based on a competition, thus generating public interest in the park itself.

The park was funded through a public/private partnership, which included city purchase of the land (for \$14.4 million) and a fundraising drive organized by a nonprofit organization of local civic and business leaders. A 1988 bond issue also provided a portion of the funding.

Real Estate Impacts of the Park

Members of the local community strongly believe that development of the park was an important catalyst for residential development in the surrounding area. One property owner said that the presence of the park was instrumental in his decision to purchase the land. One of the first new housing developments downtown, the McKee/Parkside, borders the park and sold out very quickly. The first phase includes two bedroom luxury homes which face Main Street in Old Bellevue. The second phase includes larger and more expensive homes which face Downtown Park.

Shreveport Riverfront Park – Shreveport, LA

Background

The legalization of riverfront gambling, as well as construction of new lock and dam systems on the Red River, turned attention to the Shreveport waterfront. The new park is located on the site of an existing neglected park, and was thus already owned by the city. The 5.5 acre park slopes towards the river, with a waterfall serving as the focus of the park. Since there is little existing residential development nearby, the park users tend to be joggers and downtown office workers. The park is also used for programmed events, causing some concern about heavy usage of a park which was intended more for passive use.

Real Estate Impacts of the Park

The Shreveport Riverfront Park has succeeded in generating new interest in the waterfront. As evidence of citizen belief in the park, a bond proposal passed to acquire land for future phases of the waterfront development. Property assessments have also increased for the properties surrounding the park, and a new residential

development near the park was recently approved. Since Harrah's Casino is nearby, however, it is difficult to assess what portion of the increase in value is due to the park.

Centennial Olympic Park – Atlanta, Georgia

Background

The 21-acre Centennial Olympic Park was developed to serve as the gathering place for the 1996 Summer Olympics hosted in Atlanta. The park is owned by the State of Georgia and managed by the Georgia World Congress Center Authority.

The park is located adjacent to the Georgia World Congress Center and provides a link from the hotel district to the Congress Center and Georgia Dome. The park includes a signature plaza and a "fountain of rings" which cost \$2.5 million to develop. Park facilities also include a 1,200-seat amphitheater, a six acre great lawn, and a pathway of commemorative bricks. The park was developed entirely with private funds at a cost of \$65 million. As part of this, the park was the recipient of several land donations and in-kind services from the community.

Real Estate Impacts of the Park

The park serves as the focal point and catalyst for new development in the surrounding area and has enhanced pedestrian traffic and improved the local neighborhoods overall quality of life. The 80 acre area surrounding Centennial Park is commonly referred to as the Centennial Olympic Park Area, or COPA. Over the next ten years, the area is anticipated to develop as a mix of business, entertainment and residential uses. A new business park is developing just north of the Georgia World Congress Center, and is further enhanced by its location with the City's Empowerment Zone, which offers certain tax advantages to new businesses. Local and national developers have also shown an interest in constructing new housing in the area so as to create an active downtown area at night as well as during the day.

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