The Built Heritage : Some British Experience

S.W. Creigh-Tyte[*]

Visiting Professor in Economics, University of Durham
Chief Economist, Department for Culture, Media and Sport, London

Introduction

In this paper British experience on the valuation of built heritage property is discussed concentrating mainly on England. Initially an overview of the organisational and regulatory infrastructure of the built heritage is presented and then the available empirical evidence on heritage valuation is discussed.

The Department for Culture, Media and Sport (DCMS – formerly the Department of National Heritage) was established in 1992. Its remit extends across a range of activities. Its responsibilities formerly rested with various Departments, including the Office of Arts and Libraries, Home Office, Environment and Employment Departments. The geographical coverage of DCMS varies according to the activities concerned. However, in terms of the *built heritage* its focus is upon England with parallel responsibilities being assumed by the territorial departments for Scotland, Wales and Northern Ireland, and their territorial sponsored bodies.

DCMS's heritage objectives are :

- to *identify and record* the more significant examples of the nation's heritage;

- *protect and* so far as practicable, *preserve* the built heritage;

- *promote access* to and enjoyment of historic buildings and palaces; and

Table 1 : *The Built Heritage in England*

Scheduled Ancient Monuments	17,759
Conservation Areas	8,700
Registered Parks and Gardens	1,300
Historic Wreck Sites	43
Historic Battlefields	36

– *maximise the private sector contribution* to the conservation of the built heritage, obtain good value

Basic policy rationale rests upon the *intrinsic* importance of the built heritage as a contribution to the quality of the environment as well as the understanding of the nation's history. While its intrinsic importance is of key interest, environmental quality and historic interest are key factors in attracting in-bound tourism.

The built heritage may be defined to comprise all aspects of the man-made historic environment - from archaeological sites to post-war buildings including designed landscapes, gardens, historic wreck sites and battlefields. In DCMS terms, "heritage" refers to built heritage including the Royal Parks in London. The size of this built heritage in England is illustrated in Table 1.

In addition to the above there are about half a million listed buildings in England, of which 9,000 are outstanding grade I and 20,000 grade II*. The grades give an indication of the building's relative historical and architectural importance.

DCMS's policies on the built heritage sector are a complex mixture of : general oversight and support; research, analysis and documentation; regulatory protection through listing and scheduling; direct and indirect ownership/guardianship and management; a range of "producer subsidy" grants to the owners of heritage properties; and (in the wider Government context) both direct and indirect tax reliefs to the owners of heritage properties. Total DCMS expenditure on the heritage stood at nearly £183 million in 1997-98, with over half of this (£105 million) going to English Heritage (EH - formally the Historic Buildings and Monuments Commission).

Inland Revenue's estimate of (the foregone direct) tax expenditure cost of Inheritance Tax relief for *total* heritage property and maintenance funds in 1996-97 was £40 million, £60 million in 1997-98 and £60 million in 1998-99. Similarly a survey of listed buildings by the English Heritage Non-Departmental Public Body in the early 1990s indicated that VAT relief on alterations was worth about £50 million per annum. See Creigh-Tyte (1997) for a detailed account of the mechanisms and bodies concerned.

1   Regulation of the Built Heritage in Britain

In 1948 a committee was established chaired by Sir Ernest Gowers "to consider and report what general arrangements might be made by the Government for the preservation, maintenance and uses of houses of outstanding historic or architectural interest which might otherwise not be preserved, including, where desirable, the preservation of a house and its contents as a unit". The completed Gowers Report of 1950 in turn led to the Historic Buildings and Ancient Monuments Act 1953 and the setting up of the Historic Buildings Councils, the predecessors of today's English Heritage, Historic Scotland, CADW/Welsh Historic Monuments, and the Historic Monuments and Buildings Branch of the Department of the Environment Northern Ireland. For a discussion of the arm's length policy in the wider cultural sector context see Creigh-Tyte (1998).

DCMS (formerly DNH) clearly improved opportunities for coherent policies on the protection of the national heritage. Thus 1994 saw the publication of a statement on conservation policy (Department of the Environment/DNH, 1994, PPG15) which stresses the importance of keeping historic buildings active, viable and in use wherever possible, the key role of the planning system in protecting all aspects of the built heritage and the need for local authorities to devise strategies for the designation and protection of conservation areas, which generally rely on local discretion and are outside direct DCMS control. There are about 8,700 Conservation Areas.

The Conservation Unit – a specialist team responsible for advising Government departments on the care of *their* historic buildings was moved from the Department of Environment to (then) DNH from 1994 to 1996. The unit has the leading role in monitoring the condition of the 1,600 historic buildings and monuments owned by the government itself.

DCMS takes executive decisions on the listing of historic buildings and the scheduling of ancient monuments, the protection of 32 historic wrecks in English waters, and on necessary repairs to historic buildings and the control of work on ancient monuments.

While English Heritage provides advice on both scheduling and listing, occupied buildings cannot be scheduled. Moreover, listing can only be applied to buildings and structures and not, for instance, field barrows or underground sites. Scheduling issues are dealt with by central government (DCMS), whereas planning decisions etc., affecting listed buildings are dealt with by local government.

1.1   Scheduling Ancient Monuments

English Heritage's Monuments Protection Programme involves the systematic assessment of all archaeological remains in England. It aims to identify which of the 600,000 known archaeological sites are of national importance

and which should be afforded protection under the Ancient Monuments and Archaeological Areas Act 1979. The aim is to complete 70 to 80% of the overall national programme by the year 2000, by which time well over 40,000 individual sites will have been scheduled.

DCMS's Secretary of State is responsible for scheduling ancient monuments, having taken advice from EH. Unlike listing, scheduling is discretionary, and seeks to identify only monuments of "outstanding" national importance (equivalent to Grade I or II* listed buildings). Most monuments are located in rural areas. Scheduled monument consent is required for work on monuments currently scheduled. Around 1,000 consent applications are processed by DCMS each year.

A revision to the Ancient Monuments Class Consents Order in 1994 gave general consent for certain minor works to scheduled ancient monuments. However, by their very nature scheduling and consent for work decisions on ancient monuments are for the most part less controversial than listing decisions.

1.2   Listing Buildings

Current listing procedures can be traced back to early ancient Monuments legislation. The Royal Commission on the Historical Monuments of England (RCHME) has since 1908 been engaged in the recording of archaeological sites and historic buildings. The present listing system was introduced under the Town and Country Planning Act 1947. Over the years, RCHME has increased the range of both age and type of building recorded and of the levels of record made. Beginning with a terminal date of 1700, first extended formally to 1714, then in effect to 1850, listing now has no formal cut-off date. Recording effort, which was originally concentrated on ecclesiastical and domestic buildings, now includes institutional and industrial buildings.

Over the years, listing has become the basis for the UK's protection of the architectural heritage. The number of listed buildings in the UK has quadrupled in recent times – from about 120,000 in 1970 and 250,000 in 1980 to nearly 500,000 today.

Following the completion of the geographical listing programme, the main thrust of English Heritage and DCMS activity will be refocused from area surveys to thematic surveys. Thematic studies offer a better opportunity for identifying, on a selective basis, the best examples of particular building types and periods. Spot-listing of individual properties will continue as a means of protecting buildings which have been overlooked or are under threat from demolition. In 1997-98 EH advised on 2846 spot listing requests and produced 942 recommendations to the government (99% of which were accepted).

Under the Planning (Listed Buildings and Conservation Areas) Act 1990, DCMS's Secretary of State has the statutory duty to compile lists of

buildings of special architectural or historic interest. The list places a mark against certain buildings to ensure their special interest is fully taken into account in decisions affecting their future. Buildings of national importance with one or more of the following criteria may be listed :

architectural interest in terms of design, decoration and craftsmanship;

- historical interest relevant to the nation's social, economic, cultural or military history;

- close historical associations (with nationally important people or events); and

- group value where buildings comprise together an important architectural or historical unity (e.g. squares, terraces etc.)

2   Listed Buildings in England

In December 1997, the number of listed buildings in England defined by the DCMS as being of architectural or historic merit stood at 451,287. This included 6,133 buildings classified as Grade 1 (i.e. of exceptional interest). At the request of the English Tourist Board, the Royal Commission on the Historical Monuments of England has counted 19,920 Grade II* list entries on their database. A total of 1,393 buildings were added to the list during 1997, a distinct slowing since 1987, the peak year, when 32,603 were added. English Heritage estimates that listed properties represented around 2 per cent of all dwellings and that two thirds belong to private and commercial owners.

Against the increase in the numbers of protected buildings must be set the demolition of such buildings. In the year to March 1998, listed building consent was given for the demolition of 58 listed buildings, of which 56 were listed Grade II and two Grade II*. Despite the large increase in the number listed buildings since 1979 the rate of demolition is now only a quarter of that in 1979. The notification of applications to demolish, which are sent to the Ancient Monuments Society (that has an interest in all types of buildings), indicate that in 1997 the most vulnerable types of building were barns, farms and farm buildings, hospitals, chapels and non-Anglican churches, stables and railway buildings. Over a fifth of the threatened buildings were in London and West Yorkshire. For the first time in 20 years, road development did not threaten any buildings, but fire claimed nine. Local authorities threatened only four compared with 236 in 1977.

The computerisation of the listed building records has meant that it is now possible to carry out detailed counts of the listed building stock. The RCHME calculated that there were 368,227 listed building entries for England. This figure has been subdivided by area, age and type of building. The Royal Commission's figure relates to "entries" – one entry may cover

more than one listed building, and so the aggregate figure differs from the number of listed buildings counted by DCMS.

Devon has the largest number of listed building entries (20,283) followed by Kent (17,714), London (16,998), Essex (14,223) and North Yorkshire (13,744). One hundred and fifty district councils account for 77 per cent of the total number of listed building entries. This list is headed by Cotswold (4,962), and South Somerset (4,623).

Analysed by age, the percentage of all listed buildings varies from 0.9 percent for the 13th century to 31.3 per cent for the 19th century, Twentieth century buildings account for only 2.8 per cent. This is likely to grow in the future as more emphasis is given to this period. Domestic buildings account for 65.2 per cent of all listed buildings followed by agricultural buildings (20.9%). Commercial buildings represent 13.2%, transport buildings 11.4% and religious buildings 11% (these percentages do not add the 100% due to multiple entries for buildings with several purposes).

In choosing buildings for listing, *factors other than architectural or historic interest* (e.g. state of repair, costs of maintenance, unsuitability for modern needs) *cannot* be considered, but these other factors *can* be taken into account if an owner wishes to demolish or alter a listed building. There is no statutory right of appeal against listing, although listed building consent and enforcement appeals procedures allow appellants to argue a building is not of special interest and should be removed from the list. The DCMS operates an informal procedure under which it will consider representations that a building should be removed from the list.

All buildings built before 1700 are listed as are most buildings dating from 1700 to 1840. After 1840 the best examples of particular building types and only buildings of definite quality and character are listed. Only selected buildings from the period after 1914 are normally listed and buildings less than 30 years old are normally only listed if they are of outstanding quality and under threat.

The owner of a listed building may not alter or demolish the building without consent from the local planning authority. However, listing does not mean that a building must be preserved intact for all time. Listing ensures that care is taken over decisions affecting a building's future, that alterations respect the character and interest of the building, and that the case for preservation is taken fully into account in considering the merits of redevelopment proposals.

There are some 8,000 applications to alter or demolish listed buildings per year. RCHME has the statutory right to record in all consent cases, and resources allow 300 to 350 cases to be recorded and analysed.

The built heritage forms a major attraction for visitors. In 1998, 2,001 historic buildings and monuments were regularly open to the public (excluding ecclesiastical properties and town-halls, banks etc., which are open normally because of their continuing economic and social functions) – see Table 2. Some 19.5% of these were government properties (including many

Table 2 : *Historic Properties (buildings and monuments)
regularly open to the public in England, 1998*

	Properties	% Total	Visits (000s)	%Total
Government Properties	391	19.5	10, 281	17.5
Local Authority Properties	498	24.9	6, 031	10.3
National Trust properties	238	11.9	7, 667	13.0
Private Properties	874	43.7	15, 091	25.7
Cathedrals and greater Churches	NA	—	19, 735	33.5
	2001*	100	58, 805	100

Source : *Hanna* (1999)

* in addition over 200 historic buildings were open by appointment.

ruined castles, etc). On the other hand, National Trust properties (owned by this major charitable organisation with 2.3 million members), which form almost 12% of the total, include archetypical "country houses" many of which are still inhabited. Private properties – including many famous "stately homes" – were the most common sub-group. These accounted for almost 44% of the total and over one quarter of visits (including visits to ecclesiastical buildings). The Historic Houses Association was founded in 1973 as a representative body for private owners and by April 1998 it had 1, 489 full members of whom 400 regularly open to the public.

3   Stated Preference, Prices and Returns

The built heritage sector gives rise to a range of "externalities". Architecture is not simply an art form available for private consumption. While a literature has developed on placing monetary valuations on "non-traded" goods in the natural environment, work on the economics of historic building preservation is much less common.

Quite apart from their unmeasured and unpriced elements, the valuation of collective consumption goods is seen to be more problematic where they are unique, so that where they are overused a trend may be set leading to their degradation or even destruction. Uniqueness and non-reproducibility often imparts non-use or passive value in addition to any user benefits (as measured by the price paid and consumer surplus). In static terms, the total economic value of environmental or collective consumption goods are sometimes categorised as option value (a quasi use value reflecting willingness to pay for preservation so as to retain the possibility of use in the future – either for the present generation or as a bequest value

for future generations), and intrinsic or existence value (reflecting people's preference for the continued existence of heritage resources, e.g. landmarks like the Tower of London, even though they never expect to visit and use them).

Allison et al(1995) discuss the background issues and potential dynamic benefits from the "neighbourhood effects" of conservation to counteract systematic market led under-investment. However, at present there is little clear empirical evidence on such effects from conservation policies. More case studies would clearly be helpful.

The *hedonic pricing* methodology aims to determine the relationship between the attributes of a good and its price, e.g. by comparing the value of two identical buildings, one of which is in a conservation area. Most studies have concentrated on residential property. Using a similar indirect approach, the travel cost methodology rests on the argument that the amount visitors are prepared to spend travelling to a particular site reveals the value they put upon that site. While used in the valuation of recreational sites (especially in rural areas) it clearly has limited application in the urban context, where many people live near or inside the "site".

A more direct approach to valuation is found in the*contingent valuation* methodology, where consumers are questioned on their willingness to pay for an environmental improvement or their willingness to accept compensation for a decline in environmental quality. Over the last decade or so this approach has developed rapidly and has been applied in urban conservation contexts.

In the remainder of this paper two distinct aspects of built heritage valuation are considered. Initially the focus is upon the stated preference studies carried out on specific heritage properties in England during the 1990s. Then consideration is given to the estimated investment performance of a distinct group of listed buildings – office buildings owned by institutional investors.

4   Stated Preference Studies in England

Following the pioneering work in Durham Cathedral (Willis, 1994) 4 other stated preference valuation studies have appeared during the 1990s. These studies are summarised in Table 3.

Even within this small group the foci of the studies differ. Two of the studies – Stonehenge as well as Durham Cathedral – relate to sites on the World Heritage List of the United Nations. Two of the studies – Durham and Warkworth Castle – are concerned with gaining access to the building, while the Lincoln Cathedral study concerns protection from air pollution damage. The Grainger Town exercise in Newcastle-upon-Tyne concerned the protection from abandonment/ neglect of a group of buildings, whereas

Table 3 : *Stated Preference Studies of Built Heritage in England*

Focus of the Study	Survey date	Authors	Sample Size	Willingness To Pay definition[1]	Willingness To Pay (US$)[2]		% zero WTP	% of stated (income[3])
1. Valuing access to the Durham Cathedral	1992	Willis, (1994)	92 (visitors)	Individual, per visit, OE, fee	1.4		36%	0.01% ($23,172)
2. Valuing visitor benefits to Warkworth Castle	1994	Powe and Willis (1996)	201 (visitors)	Individual, per visit, OE, fee	4		n.a.	0.01% ($30,769)
3. Renovation of historical buildings in Grainger City, Newcastle	1995	Garrod et al (1996)	217 (city residents)	Household, annual, OE, tax	16-22		47%	n.a.
4. Valuing aesthetic changes in Lincoln Cathedral due to air pollution	1998	Pollicino & Maddison (1998)	328 (Lincolnshire residents)	Household annual, DB DC, tax	51 : Lincolnshire Residents 85 : Lincoln residents		at least 21%	0.3-0.5%[4] ($15,576)
5. Valuing the impacts of road improvements upon Stonehenge	1998	Maddison & Mourato (1998)	a. 271 (national on-site) b. 525 (nationals off-site) c. 116 (foreign on-site)	Household, annual, 2 years, PC/CA, tax, (entry fee for foreigners)	a. 20-30 : on-site, nationals b. 6-11 : off-site, national c. 0.3-2 : on-site, foreigners		55% 65%	a. 0.08-0.09% ($25,243) b. 0.03-0.06% ($17,801) c. 0.0001-0.0004% ($26,977)

Source : Adapted from Pearce and Mourato (1998)

the Stonehenge study focusses on protecting an archaeological area from infrastructure impacts.

In the Stonehenge and Grainger City studies, the Contingent Valuation (CV) analyses were inputs into cost benefit analyses of investment decisions, (in the former case costly road removal and tunnelling near the stones) while at Durham and Warkworth charging for access and pricing strategy were the key issue.

All CV studies share the survey method of gathering preferences for non-market goods, but various operational approaches are possible. Open ended (OE) questions on the maximum amount interviewees would pay for

a specified good may be replaced by a payment card (PC) listing specified amounts, from which the interviewee is invited to select a response, or dichotomous choice questions eg., "would you be prepared to pay £ xxx a year for ..... if yes, and "would you be willing to pay £ $x + 5$,", if no, "and would you be willing to pay £ $x - 5$?"in the double bounded dichotomous choice method.

Co-joint analysis (CA) includes a range of survey-based methods which model preferences for bundles of characteristics of goods. Typically respondents are presented with sets of alternative options each of which is characterised by a number of attributes which are provided at differing levels across the various options. Respondents may then be asked to rank options or simply select their preferred option.

In the English studies to date, the access studies have both used an open ended individual entry fee approach. The other 3 studies have employed a household tax surcharge based questionnaire method (except for overseas visitors where an hypothetical entry fee was used).

The studies all revealed significant proportions of respondents unwilling to pay *anything* for the good eg., 36% for access to Durham Cathedral., but the sums involved on average were 0.2% of a percentage point of gross annual household income in the case of Durham.

The initial survey by Willis (1994) of Durham Cathedral in the North of England (a World Heritage site) produced a willingness to pay for access estimate of £0.80 ($1.40) per person per visit by actual visitors (almost twice the average contribution actually made by visitors) giving a valuation of £388,000 per year. This study can be extended using a (crude) benefits transfer approach. As Durham is a small town, the addition to this figure by residents is unlikely to be large – 20% or 25% might be added to the visitor figure giving a total of £466,000 to 485,000 for locals and visitors combined. Natural environment based studies have found that non-user values account for between 35% and 75% of total value. Given the magnificent view of Cathedral (and Castle) afforded from the main East Coast London to Edinburgh railway line, it seems not too fanciful to adopt an upper non-user estimate – giving a total static benefit figure of £1,552,000 per annum against £338,000 from actual visitors alone (although Allison et al (1995) p.33 prefer a more conservative 40% estimate).

Using a real discount rate of 6%, the present value of Durham Cathedral can be determined from this annual benefit of £1,552,000. Its present value is £19.8 million over a 25 year period, or above £25 million over 100 years and more. For comparison, the average house price in the mid 1990s was just over £50,000.

5 The Investment Performance of Listed Office Buildings

Owners of listed buildings face restrictions on their ability to alter or demolish their building which would not apply to owners of unlisted properties. Market forces should ensure that the impact of these restrictions are reflected in the price at which listed properties are sold to their next owner. However, the owner of a normal building which is listed for the first time will face limitations which did not apply before the listing decision, and which would not already have been discounted in the pre-listing purchase price. The grants VAT concessions etc.. available to the owners of listed buildings – as well as any costs/restrictions – should also be reflected in the price of such buildings.

In the 1990s, English Heritage approached the Royal Institution of Chartered Surveyors (RICS) because EH was concerned that development decisions affecting listed buildings were being taken without appropriate information on the potential of such buildings as investments. In particular, the concern was that perceptions in the commercial property market might discourage investment in Britain's commercial built heritage and encourage redevelopment rather than refurbishment.

The Investment Property Databank (IPD) were commissioned jointly by English Heritage and RICS to assess the financial performance of listed commercial buildings owned by institutional investors vis a vis other institutionally owned commercial buildings. IPD's databank allowed comparisons over the whole of the 1980s distinguishing between commercial office buildings according to their construction date. EH cross checked the main IPD coding of listed buildings against its own records to confirm listing and the listing category (Grade I, Grade II and small numbers of unlisted buildings located in a conservation area which were then eliminated from the listed category).

The four annual reports (published RICS 1993,1995,1996 and 1997 covering 1992, 1993, 1994 and 1995 respectively) represent a distinct methodological improvement over IPD work on earlier years since they not only distinguished unlisted office buildings in conservation areas, but concentrated *exclusively on offices* rather than both office and retail properties. In the latter case, it had been suggested that locational advantage might rival the age or listed status of buildings as an explanation of investment performance.

Even with these improvements. it is important to recognise that one cannot assume the IPD analyses are based on large homogeneous samples of directly comparable offices. As the report on 1997 notes, listed office buildings were held by only 108 out of the 193 institutions covered by the survey (RICS, 1997 p.1). Under 10% of all office investment comprise listed buildings and such units are typically less than one third the size and value of a similarly located modern block. Moreover. the analyses are li-

Table 4 : *Percentage Annual Growth in Estimated Rental Value*

	Listed		Unlisted			All
	pre-1945	1945 - 74	pre-1945	1945 - 1974	1975+	
UK 1995	0.7	−4.1	−1.7	−3.8	0	−1.2
(No. of properties)	(250)	(34)	(350)	(493)	(1263)	(2480)
UK 1980 - 95	1.9	2.9	2.1	1.8	2.5	2.2
CL 1995	3.3	−5.6	−1.8	−3.1	3.5	0.5
(No. of properties)	(146)	(14)	(182)	(128)	(216)	(721)
CL 1980 - 95	1.6	2.7	1.8	0.7	2.0	1.5
RLSE 1995	−5.3	7.7 (8)	1.9	−5.9	−1.6	−2.1
(No. of properties)	(39)		(59)	(167)	(673)	(972)
RLSE 1980 - 95	2.2	2.7	1.6	1.0	1.8	1.6
RUK 1995	−6.1	−4.4	−2.4	−3.3	−2.5	−2.9
(No. of properties)	(65)	(12)	(109)	(198)	(374)	(787)
RUK 1980 - 95	4.7	5.2	5.3	5.7	4.8	5.2

Source : RICS (1997)

mited to standing investment assets of the institutional investors, and so exclude the development, redevelopment or major refurbishment phases in each property's financial history.

The IPD data allow the UK to be sub-divided into 3 geographical categories – Central London (CL), the rest of London and South East (RLSE) and the rest of the UK (RUK). Results for 1995 and geometric means for the period 1980 – 1995 for the UK as a whole and each of the regions are summarised in Tables 4, 5 and 6.

Table 4 includes information on the number of properties in the various sub-samples in the 1995 analysis. Overall some 2,480 UK properties were included of which 284 – 11.5% – were listed. Some 160 of the listed properties – 56.3% of all the UK listed properties covered – were located in Central London, with no less than 146 of these having been built before 1945 – 58.4% of all the pre- 1945 constructed listed properties covered in the UK as a whole in the 1995 survey.

Estimated Rental Value (ERV) is the rent the valuer estimates could be charged if the unit concerned were let in the open market on the valuation date. ERV growth (ERV%) is the increase in the estimated rental value of properties held throughout the measurement period (in this case a year) expressed as a percentage of the rental value at the beginning of the period (year). The ERV results summarised in Table 4 are money weighted, that is they represent the overall percentage annual increase in ERV for all

Table 5 : *Total Percentage Annual Return*

	Listed		Unlisted			All
	pre-1945	1945 - 74	pre-1945	1945 - 1974	1975+	
UK1995	4.8	0.7	4.3	0.3	3.5	2.9
UK1980-95	8.9	7.4	8.4	7.4	8.0	8.1
CL 1995	5.8	1.1	5.4	2.1	6.3	5.0
CL 1980 -95	9.1	7.1	8.5	7.8	8.7	8.4
RLSE 1995	3.0	−4.2	3.3	−3.4	1.4	0.8
RLSE 1980-95	8.3	8.3	7.2	5.5	6.7	6.5
RUK 1995	−0.2	1.1	−1.1	−0.8	1.8	0.9
RUK 1980-95	9.0	10.3	9.4	9.9	9.6	9.8

Source : RICS (1997)

properties in the category concerned.

Successive RICS reports have discussed variations in annual growth rates between categories and from year to year - in part reflecting the macro-economic cycle. Thus RICS (1997) noted that listed office buildings had produced superior returns in 1994 and 1995, despite a falling market across all sectors, but this followed a three year period in which listed properties consistently under performed their equivalents.

Total return (Table 5) refers to the sum of capital growth *and* income return. Annual returns are money weighted with transactions timed to the month of completion and other capital expenditure timed at the mid – point of the year. In terms of overall annual returns for the UK as a whole over the 15 year period 1980 to 1995, listed properties built before 1974 match or exceed their unlisted equivalents of the same vintage. Moreover, the per-centage annual return for the oldest (pre-1945) listed properties exceeds the return for all properties by 0.8 of a percentage point.

Equivalent yield for 1995 (see Table 6) is IPD's estimate of the dis-count rate which equates the future income flows to current capital value. These projected cashflows are estimated using records of current tenant rates, ground rents, open market values, rent review and lease expiry dates, and tenant options to break. Upward only rent reviews to the expiry of the lease are assumed and it is assumed that options to break are exercised when the tenant rent exceeds the market rate. It is also assumed that vacant

Table 6 : *Estimated Equivalent Yield Percentage in 1995*

Equivalent Yield %	Listed		Unlisted			All
	pre-1945	1945 - 74	pre-1945	1945 - 1974	1975+	
UK 1995	8.29	8.31	8.13	9.47	8.00	8.28
CL 1995	8.09	7.43	7.79	7.73	7.11	7.40
RLSE 19955	8.99	9.80	10.34	11.45	8.66	9.00
RUK 19955	8.88	10.26	9.16	11.62	8.57	9.41

Source : RICS (1997)

or void units are let over a period of 18 months. In equivalent yield terms for the UK in 1995, the returns on both listed age categories exceeded the overall average yield (of 8.28%).

Two further aspects of investment performance are summarised in Table 7. Void rates simply refer to the failure of a building to generate rental income. The void rates in Table 7 express the percentage of estimated rental value (ERV) foregone compared to the (hypothetical) income, *if* the unit had been let in the open market on the valuation date. Across the UK as a whole and for all the regions the lowest void rates are recorded for buildings constructed from 1975 onwards. This is not surprising, since such properties are inherently less likely to be subject to renovation, etc. However, pre-1945 built listed properties in Central London also recorded low void rates, with 1945-1974 built properties in RLSE recording the lowest rates of any category and region.

Reversionary potential reflects the fact that open market rentals may differ from current rentals. In Britain, rental agreements only include provision for upwards not downwards rent revision, but where rents have fallen since an agreement was signed there is clearly the potential for revision at the end of a lease/rental term. Traditionally British office leases have run for 25 years, although this has shortened somewhat in recent years. Thus, on average, tenants are locked into a lease for around 12 years.

The data for 1995 illustrate the general fall in open market rentals since 1991, so that for all UK properties covered open market rents were about 81% of current rents. This phenomenon is described as "over renting". The data in Table 7 show "over renting" in all categories except offices built between 1945 and 1974 in the rest of the UK region, where for both listed and unlisted properties open market rents exceeded those currently paid by

Table 7 : *Reversionary Potential and Void Rates in 1995*

	Listed		Unlisted			All
	pre-1945	1945 - 74	pre-1945	1945 - 1974	1975+	
Void Rates as % ERV						
UK	7.7	11.1	12.2	10.5	6.1	7.9
CL	6.6	13.6	13.6	9.7	5.3	8.1
RLSE	8.4	1.6	9.7	11.6	7.4	8.1
RUK	12.1	12.0	6.7	10.8	4.9	7.1
Reversionary Potential						
UK	66.9	77.5	81.5	84.6	81.0	80.8
CL	61.9	65.1	78.3	70.7	73.1	72.2
RLSE	79.7	71.4	85.9	88.3	82.9	83.5
RUK	91.2	111.4	96.1	107.0	94.3	98.0

Source : RICS (1997)

tenants. Revisionary potential and "over renting" appears more important in the listed properties in the 1995 survey, although the difference between listed and unlisted properties varies between categories and regions.

6   Conclusions

Britain's built heritage policy involves a wide range of policy instruments regulatory and fiscal and a variety of actors across the public, voluntary and private sectors. Expenditure by central government including both direct expenditure and foregone tax revenues totals around £300 million per annum. In addition, the National Lottery launched in 1994 has boosted the funding available (predominantly) for capital projects with resources being mainly allocated on a challenge funding basis. Awards to a total value of over £1,100 million had been made by the Heritage Lottery Fund alone by the end of 1998.

In the 1990s Britain witnessed a considerable growth in studies on economic aspects of the built heritage, although this began from a very modest base. In terms of stated preference analysis, five distinct studies have been published since 1994, whereas prior to that date no built heritage as opposed to natural environment based - studies can be traced.

In terms of estimated investment returns, the IPD data base analyses on returns to listed and unlisted office property held as investments has tracked performance back to 1980. Over this period the impact of macroeconomic cycles is very clear, but there is no systematic evidence that listed buildings -- in this somewhat restricted category -- performed any worse in terms of rental or total returns to investors than equivalent unlisted properties.

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