Historic Districts Are Good for Your Pocketbook: The Impact of Local Historic Districts on House Prices in South Carolina
Recent studies in South Carolina found that local historic district status increases house values. The market recognizes the extra protection offered by local district status and rewards owners with a higher rate of return on their investments.

- In Columbia, house prices in local historic districts increased 26% per year faster than the market as a whole.
- In Beaufort, houses in the locally protected historic district sold for 21% more, all other factors being equal, than similar houses not in the district.
- In Greenville, establishing a local historic district caused prices of houses in the district to go up. House prices rose, on average, over 50% in just a few years.
- In six smaller towns and cities across the state, local historic district status was a positive factor in determining the value of a house. For example, in Georgetown, houses in the local historic district sold for 11% more than comparable non-district houses, while in Anderson, district houses sold for 36% more.

Local historic districts create a win-win situation for both homeowners and the community:

- Current owners can sell their houses for higher prices or make use of their increased equity,
- New homeowners can protect their investments in their houses and enjoy greater price gains, and
- The community strengthens its tax base.

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1 This is not to suggest that local designation lowers commercial property values. However, the South Carolina studies focused on residential properties, since the majority of locally designated properties in the state are residential.

What is a local historic district?

South Carolina has many neighborhoods of older and historic houses, from mill villages in the upstate to antebellum streets in Charleston. Countless owners have invested hundreds of hours and thousands of dollars to maintain and restore these houses.

In many communities, local laws help owners protect their investments by maintaining the historic look and feel of their neighborhoods. Beginning with Charleston in 1931, over 30 communities across South Carolina, from Anderson to Cheraw, from Fort Mill to Beaufort, have helped protect historic properties by adopting preservation zoning ordinances.

A preservation ordinance protects historic properties by officially recognizing historic areas, buildings and sites as local historic districts and landmarks. Owners of these locally designated properties get approval from a locally appointed board for exterior changes, additions, new construction, relocation and demolition, so that changes complement the historic appearance of the building and its surroundings. This approval process is called design review. By encouraging appropriate alterations and new construction that fits in with existing buildings, design review in local historic districts helps protect and enhance property values. It helps preserve the historic appeal of the neighborhood and protects owners from out-of-place intrusions.

Many historic properties and districts also receive federal recognition of their significance through listing in the National Register of Historic Places. However, this federal recognition provides limited protection for the historic properties because National Register listing has virtually no impact on what can be done to a property.

Overview

From 1995 to 1998, the South Carolina Department of Archives and History funded four studies on house prices in local historic districts by John Kilpatrick of the University of South Carolina’s College of Business.

The purpose of the studies was to answer the question frequently asked by homeowners in potential local districts and by potential buyers of houses in existing districts — “Will historic preservation zoning lower our property value?”

Studies in other states had found that the impact of local historic district designations on house prices is positive, including studies in Greensboro, North Carolina; Knoxville, Tennessee; and Fredericksburg, Virginia. While there was anecdotal evidence about the positive economic impact of local historic districts in South Carolina, there was no data to support it. To insure reliable results, the studies were carefully designed.

3 A 1983 study in Charleston found that residential properties in the local historic districts had higher restoration rates than properties outside the district, but did not measure the impact on house prices.
Data used: Each study used sales prices rather than appraisal or assessment figures, which may not measure market values.

Statistical tests: Several different statistical models were used to test the impacts of local district designation. For example, the statistical model used in Columbia measured the long-term effect, while the model in Greenville focused on the impact on sales prices just after designation. By using several models, the research confirmed that historic district status has positive impacts in both the short and long term.

District selection: A cross-section of local historic districts in South Carolina was studied, from small towns to large cities, from the coast to the upstate: Aiken, Anderson, Beaufort, Columbia, Georgetown, Greenville, Rock Hill, Summerville, and Sumter. In each community, the local districts had been in place for several years. Some of the districts also had honorary National Register recognition.

Each of the four studies is explained and results are summarized on the following pages. They show that the answer to the question “will historic preservation zoning lower our property value?” is a resounding “No.” In fact, these studies show that historic preservation zoning, which establishes local districts with design review, increases property values.

“Transaction prices of residential real estate in designated historic districts consistently indicate that the market values the protections which flow from such designation.”

John Kilpatrick, real estate researcher and author of the four studies on house prices
As early as 1963, the City of Columbia had preservation provisions in its zoning laws. A separate preservation ordinance was adopted in 1974. The study focused on two locally designated historic districts — Elmwood Park Historic District and University Historic District.  

Elmwood Park is an early suburb adjacent to the downtown which developed in the first decades of the twentieth century. It includes Queen Anne, foursquare, Colonial Revival, and Craftsman-influenced houses. The University Historic District, adjacent to the University of South Carolina campus, developed about the same time and contains a wide variety of turn-of-the-century house styles.

The question for the Columbia study: Does local historic district designation have a positive, negative, or neutral long-term effect on the prices of houses? A repeat sales methodology was used to measure the effect of local districts on house prices over time. The results show that local historic district designation

Repeat Sales Methodology
Here’s how it worked in Columbia:
1) Collected sales prices data on the 27 houses in the two districts that had sold two or more times between 1980 and 1994.
2) Calculated the average annual rate of return for houses in the two local historic districts using the sales prices and time between sales.
3) Calculated the average annual rate of return for all houses sold in Columbia during the same time period.
4) Compared the two rates of return.

4 Elmwood Park Historic District was also listed in the National Register of Historic Places in 1991.
had a definite positive impact. House prices increased faster in the protected neighborhoods than in the market as a whole. The annualized rate of return for houses in the two local districts was 7.3%, while for the entire Columbia market it was 5.8%. Therefore, the average homeowner in one of the local historic districts enjoyed a per year gain in house value 26% greater than homeowners outside the districts.

"... the influence of historic district designation appears to be continuous over time. In other words, the economic benefits of designation do not flow only to the owners at the time of the preservation ordinance. Rather the benefits appear to flow to subsequent owners as well."

John Kilpatrick, study author

Study Results: Beaufort

The City of Beaufort adopted a preservation zoning ordinance in 1972. The local historic district encompasses houses and commercial buildings, and it includes buildings from the colonial era to the early twentieth century. The research focused on the residential properties in the historic district.5

The question for the Beaufort study:
Can a traditional real estate appraisal model be used to calculate the value of historic designation?

5 The district is also recognized as a National Historic Landmark.
A real estate appraisal model that calculates the value of unique or significant features was used to measure the value of local historic district designation. The results found that the average house in the local historic district sold for 21% more than a hypothetical identical house in an adjacent but non-designated area. The average priced home outside the historic district (about $153,000) would have sold for about $185,000 inside the district. Since there were no economic subsidies for owners of historic houses, the higher value is attributed to the historic district status.

“...It is clear that even when accounting for traditional and important appraisal variables such as square footage, quality, time of sale, and other characteristics, that models which use ‘district’ homes as comparables for ‘non-district’ homes without adjusting for district value are flawed. Clearly, appraisers, lenders, investors, and real estate brokers who attempt to estimate values of historic dwellings versus non-designated properties must take this premium into account.”

John Kilpatrick, study author

Study Results: Greenville

The City of Greenville adopted a preservation zoning ordinance in the late 1970s. The house price study focused on two locally designated districts, the Hampton-Pinckney Historic District and the East Park Avenue Historic District. H ampton-Pinckney Historic District, Greenville
Pinckney was Greenville's first trolley suburb and includes many Victorian houses, as well as Craftsman bungalows and foursquares. It was designated a local historic district in 1979. East Park Avenue includes good examples of house styles popular in the early 20th century — Craftsman, Tudor, Neo-Classical and American foursquare. It was locally designated in 1989.

The question for the Greenville study: What happens to house prices before and after a neighborhood is officially designated as a local historic district?

An event-study technique was used to determine the impact on house prices of local district designation. The results show that the mean price per square foot of houses within these two local districts jumped significantly in the years following their designation. In East Park Avenue, the mean price per square foot increased from $39.45 before designation to $49.97 after designation. In Hampton-Pinckney, the mean price per square foot increased from $14.05 before designation to $31.84 after designation.

Event-Study Technique
Here’s how it worked in Greenville:
1) Collected data on houses in the two districts that sold in the years before and after designation, including sales price, date of transaction, structural features (such as square footage, garages, fireplaces, heating and cooling systems, etc.), days on the market, and special financing. In East Park Avenue, 16 sales before designation were compared to 20 sales after designation. In Hampton-Pinckney, data was collected on 12 before designation sales and 21 after designation sales.
2) Compared before and after data using several statistical tools.

| Mean Price Per Square Foot: Before & After Local Historic District Designation |
|------------------------------|--------------|
| $0.00                      | $20.00       |
| $20.00                     | $40.00       |
| $40.00                     | $60.00       |

“...Property owners appeared to recognize the value of historic district designation, and purchasers of properties in those neighborhoods reacted positively to the enactment of preservation district ordinances covering those neighborhoods.”

John Kilpatrick, study author

6 Hampton-Pinckney Historic District was listed in the National Register of Historic Places in 1977.
7 A comparison with non-historic house prices was not calculated, so the study does not tell us if similar increases took place in non-designated areas.
“Historic district designation provides protection from negative externalities. The economic value of this protection far outweighs the negative value of any use, maintenance or other restrictions placed by the ordinances. We know that the protection far outweighs the restrictions because the value jump is both economically and statistically significant.”

“Historic district designation places a ‘seal of approval’ on the historic nature of the individual properties within the district. In other words, the properties are now publicly recognized as having some historic value which, like a painting or antique, has an intrinsic value separate and apart from normal utility derived from the use of the property.”

John Kilpatrick, study author

Study Results: Aiken, Anderson, Georgetown, Rock Hill, Summerville, and Sumter

The first three studies looked at house prices in local historic districts in larger cities with strong housing markets. However, many smaller cities and towns in South Carolina have also adopted preservation ordinances to recognize and protect their historic buildings.
The question for this study of smaller cities and towns: What impact do local historic districts have on house prices in smaller communities, which typically have less active real estate markets?

House prices in local historic districts in Aiken, Anderson, Georgetown, Rock Hill, Summerville, and Sumter were evaluated. Each has had a preservation ordinance in place for several years. Several of the local districts are also listed in the National Register. To measure the impact of local district status on house prices, several different statistical tests were applied. While the smaller number of transactions made it more difficult to measure impact, positive effects of local district designation were still found.

In Aiken, a comparison of sales prices from March 1997 to March 1998 shows that prices of houses in the three local districts were statistically higher than other downtown houses. However, these higher prices may have contributed to the houses in the local historic districts being on the market longer, 168 days vs. 119 days for other downtown houses.

In Anderson, a comparison was made of sales in 1996 for houses in two local districts (Westside Historic District and Boulevard Historic District) and similar houses outside the districts. Houses in the local districts were 36% more valuable than similar non-district ones.

In Georgetown, houses in the local Georgetown Historic District were worth 11% more than houses not in the district. This translates into nearly $11,000 for a median-priced house.

In Rock Hill, the analysis of sales in four local historic districts found that local district location was a positive factor in predicting the price of the house. As in the Beaufort study, this highlights the need for appraisals to include the value of historic district location.

In Summerville, houses in the locally designated Old and Historic District were 23% more valuable than similar houses outside the district.

In Sumter, the analysis of house sales in the mid-1990s in the Hampton Park Historic District indicates a 17% premium was paid for houses in the district.

“In all six towns surveyed, the impact of historic district designation appears to be positive on prices of residences within those districts.”

John Kilpatrick, study author
Conclusion

The South Carolina studies add to the growing body of evidence nationwide that local historic districts have positive financial rewards for property owners. These four studies have received national recognition, and the findings have been presented at several conferences, including the National Preservation Conference.

How can these results benefit your community?

If your community is one of the more than 30 in South Carolina that has a historic preservation ordinance, these results provide property owners and local officials with a compelling economic incentive to continue supporting local historic districts. Support takes many forms, including:

- Providing information to owners about the maintenance and repair of historic buildings.
- Complying with decisions made in the design review process.
- Developing and distributing guidelines on appropriate changes in the historic districts.
- Coordinating historic district zoning with base zoning.
- Providing more staff support.
- Designating additional local historic districts.
- Offering financial incentives to assist the rehabilitation of historic properties.

If your community does not have any zoning provisions to protect historic properties, these results can be used to encourage property owners and local officials to consider adopting a preservation ordinance. Encouragement can include:

- Helping people in your community learn about the financial benefits of local historic districts through newspaper articles, public meetings, even word of mouth.
- Bringing property owners in older neighborhoods together to encourage the governing body to adopt a preservation ordinance through letters, phone calls and attendance at public meetings.
- Drafting a preservation ordinance for the planning commission and town council to consider.

The State Historic Preservation Office offers technical assistance, training, and grants to assist you in supporting and developing a local preservation program. Grants may be used to develop or revise ordinances, create design guidelines, develop educational materials, and conduct surveys of historic properties.
For More Information

For more information about local historic districts contact:
State Historic Preservation Office
South Carolina Department of Archives and History
8301 Parklane Road
Columbia, SC 29223
803-896-6170

The National Alliance of Preservation Commissions
PO Box 1605
Athens, GA 30603
706-542-4731

If you would like copies of a research report(s) contact:
State Historic Preservation Office
South Carolina Department of Archives and History
8301 Parklane Road
Columbia, SC 29223
803-896-6170

For more information about the economic impacts of historic preservation:

Studies on the economic impact of historic preservation are available from the National Trust for Historic Preservation's series “Dollars and Sense of Historic Preservation.”

National Trust for Historic Preservation
1785 Massachusetts Avenue, N.W.
Washington, D.C. 20036
202-588-6255

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