Market Acceptance of Smart Growth
Housing Premiums in Smart Growth Communities

New Partners for Smart Growth
February 4 - 6, 2010
Seattle, Washington
Market Acceptance of Smart Growth:
What Happens When You Build Smart Growth?
People Appreciate it!

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February 4 - 6, 2010
Lee Sobel, US EPA
The Need For Research

“Normal”

“Risky”
The Need For Research

• Developer
• Builder
• Lender
• Buyer
• Businesses
• Planning Authority
• Elected Officials
• Community

“Risky”
Methods for Measuring

- Consumer polling
- Hedonic regression
- Infrastructure investment / tax revenue
- walkscore.com
- British Model - £s per hectare; land & built
- Sales per square foot
- Compound Annual Growth Rate (CAGR)
Similar Conclusions for Smart Growth

- Higher land development value
- Higher sales per square foot
- Achieve market premiums
- Premiums sustained over time
Value Study

The market value of sustainable urbanism in three locations tested against the standard developer product in the local area.

Exemplars were –
Poundbury, Dorchester
Fairford Leys, Buckinghamshire
Crown Street, Glasgow

All displayed a market premium of between 18-48% when their current value analysed by Savills Residential Research
Sustainable Urbanism Pays

Source: Savills Research
Sales per square foot

- Urban SFD versus Suburban SFD: 100 – 150%
- Urban infill condo units versus Urban SFD: 40%
- Urban infill condo units versus Suburban SFD: 51 – 200%

- Case study markets (2007):
  - Denver and Highland Ranch
  - Seattle and Kirkland
  - New York City and Westchester County
  - Detroit and Birmingham

Source: *The Option of Urbanism; Investing in a New American Dream*, Christopher B. Leinberger. 2008
EPA Effort

- Smart Growth Program
- Community Assistance
  - Education, Policy, Technical Assistance
- Stakeholders lack clear understanding of the investment potential of smart growth
  - Private investors, public leaders, local stakeholders
- Market-based way to measure smart growth.

Compound Annual Growth Rate

- Formula for computing performance of investments over time,
- Allows for easy comparison between two investments,
- Stabilizes and smoothes variations found between individual years in the home sales prices,
- Describes the rate of change between the beginning year and the end year, if the change had occurred at a steady rate.

Case Study Criteria

- Smart Growth Principles; site and design,
- Location – greenfield site connected to existing regional infrastructure,
- Active amenity program (11th Principle),
- Over 15 acres – complete neighborhood,
- Distinctly smart growth product. Not something already understood by investment market,
- Market comparable conventional project,
- Demonstrate adequate long-term resales.

17 Case Studies, 21 comparisons

- Abacoa, Jupiter, FL
- Afton Village, Concord, NC
- Amelia Park, Fernandina Beach, FL
- Belmont Bay, Woodbridge, VA
- Birkdale Village, Huntersville, NC
- Celebration, Osceola County, FL
- Fairview Village, Fairview, OR
- Haile Village Center, Gainesville, FL
- I’On, Mount Pleasant, SC
- Kentlands & Lakelands, Gaithersburg, MD
- King Farm, Rockville, MD
- Middleton Hills, Middleton, WI
- Mount Laurel, Birmingham, AL
- Orenco Station, Hillsborough, OR
- Southern Village, Chapel Hill, NC
- Town of Tioga, Newberry, FL
- Vermillion, Huntersville, NC

Findings: Premiums over time

- Not enough data: 3
- Equivalent: 2
- Conventional: 6
- Smart Growth: 10

Total comparisons: 21

Additional Findings

• Smart growth housing units share similar characteristics to their conventional counterparts,
• In approximately 80% of the comparisons conducted, housing units in smart growth developments sold for higher average prices (13%) per square foot,
• Smart growth housing units hold their value over time,
• Smart growth housing units are larger, on average, than their conventional counterparts,
• In every year studied, two-thirds of the smart growth units had higher sales prices,
• Similar property taxes and community association dues,
• The premiums for smart growth projects range from 1% to 16%, and average of 5%,
• Smart growth premiums due to design and site characteristics (one example: mixed housing types on the same street).

Who is the buyer?

“The only distinguishing characteristic of residents of neighborhoods planned according to the principles of the New Urbanism that we have been able to discern is that they were fortunate enough to have had the choice.”

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Thank you

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