

PlacesMatter!



The Economic Value of Good Design 2009

Foreword



England's Northwest is filled with examples of good quality design – from the historic architecture of former

trade buildings to modern urban dwellings that have been brought to life with iconic features.

The Northwest Regional Development Agency (NWDA) recognises that good design is about better public spaces combined with strong, integrated communities – elements that are increasingly recognised as important in creating a better quality of life.

Once again the NWDA is pleased to support this research, which highlights the resilience of good design,

especially during an economically challenging time.

Affordable, energy efficient housing; vibrant cities, towns, coastal and rural areas; connectivity and integration – all will contribute to the sustainable recovery and long term resilience of the region's economy.

The NWDA has been instrumental in ensuring support for Places Matter!, the region's Architecture and Built

Environment Centre, to drive up the skills and knowledge of regeneration professionals and local authorities so that they can take forward the design agenda and ensure the quality of the projects we invest in.

Steven Broomhead
Chief Executive,
Northwest Regional Development
Agency



Introduction



Good quality design is as important in a difficult economic climate as it is in a boom.

Individual buildings can have a huge impact, while the collective quality of streets, townscapes, homes, shops, schools, public spaces and neighbourhoods become important anchors when the economy is uncertain.

With people making decisions every day about what is and is not important in their lives, the quality of the environment in which they spend their normal day can make a huge difference to health,

well-being and productivity. This applies whether it is the shop or office you work in or the school where you drop your child off in the morning.

A recession is not the time to settle for poorer quality in our surroundings, but to ensure we value the best of what we already have around us. Where new developments are taking place, it is crucial that they support high quality design that makes a positive contribution to our shared environment.

Martin Stockley
Chair, Northwest Regional Design Review Panel, Places Matter!



Preston's Avenham Park Pavilion
by McChesney Architects

Key findings

This study seeks to update the *Economic Value of Design 2007**, in order to reflect the significant economic changes that have occurred since it was produced.

The principal aim of this research has been to explore the role of good design in a challenging market. This has been done by analysing the costs of good design and investigating how high standards can still be achieved, despite the constraints facing developers.

In addition, the research includes an assessment of the potential economic value of good design in the current economic climate, drawing on the views of property agents and case study analysis.



New public realm in Crewe's Municipal Square

The main conclusions of this report are:

- Despite the economic downturn, the importance of design is widely recognised, although it is still necessary to ensure that people understand that design is about more than just the look of a building.
- The study reflects the original report's finding that good design has a positive impact on rental and capital values and, in particular, occupancy and take-up rates, as well as the overall market attractiveness of an area.
- Some see design as even more important during the recession, due to the increasingly selective requirements of both occupiers and property investors and the competitive advantage good design can provide.
- However, others argue that the importance of price has increased, potentially at the expense of good design, and it must be recognised that there will often be costs attached to achieving a higher specification and standard of design.
- Recognising that there are elements of good design that are cost neutral will be an important part of maintaining high standards, particularly in an environment where there are significant cost constraints.
- The public sector has a key role in ensuring that poor design is avoided wherever possible. Developers are under pressure to cut costs, and the public sector needs to make sure that they and wider stakeholders are fully aware of the long-term costs associated with poor design, as well as the benefits of good design.
- Case study analysis suggests that good design can still add value and help schemes to weather the effects of the recession.

*The Economic Value of Urban Design 2007. Available at www.placesmatter.co.uk

The context

Good design is not just about aesthetics. It is also vital in improving environmental, social and economic performance – as a mountain of evidence has demonstrated.

Since 1998, when the government commissioned the Urban Task Force, the principles of design excellence, social wellbeing and environmental responsibility have underpinned thinking and practice.

In addition to CABE, the Commission for Architecture and the Built Environment, the new Homes and Communities Agency, with an annual investment budget of more than £5bn, is committed to supporting better design in housing and regeneration schemes.

The Northwest Regional Development Agency (NWDA), whose remit is to stimulate economic growth and regeneration in Northwest England, understands the inter-relationship between design and social, economic and environmental factors.

Function, performance and impact on users are equally important and

likely to become more so as we better understand sustainable development.

This study, and the original *Economic Value of Design 2007*, complement research for the NWDA and Natural Economy Northwest into the economic value of green infrastructure*, as well as research by NWDA and English Heritage into the economic value of heritage.

What are the benefits of good design?

Economic value

Higher rent and capital values, market attractiveness, reduced whole life costs, improved economic performance and a better image of the area.

Social value

Identity and civic pride, vitality, community safety, social inclusion, better health and access to goods, services and amenities.

Environmental value

Improved built environment, greater energy efficiency, less pollution and ecological benefits.

So what constitutes good urban design?

The definition of good design used in this publication is based on the principles and messages set out in national reports and policy documents, best practice guidance and planning policies.

These show the themes underpinning good urban design are:

- **Character, image and response to context** – places which have their own

character and which are well related to their context;

- **Spatial coherence and townscape structure** – buildings which have a collective value when seen together, and create places which are distinctive and understandable;
- **Building design quality and external appearance** – buildings which are designed to be visually appropriate,



Formby Swimming Pool designed by Fielden Clegg Bradley Studios



Maintaining momentum

The message that design is important is gaining credence commercially. A survey by the Design Council, which promotes the use of design among UK businesses and public services, showed 54% of businesses were looking to use design to help them survive the recession. It also showed that the number of firms that regard design as integral to their business has doubled in the past three years, while 52% of businesses surveyed thought design was integral to the country's future economic performance.

It is vital that the progress of the last

decade is not lost as a result of the downturn. Support in getting design right is available from Places Matter! and other organisations.

As this publication shows, getting it right does not have to cost more. Targeting resources effectively can lead to savings and increased competitiveness in the longer term.

This publication draws upon latest research findings to discuss how design quality can be upheld in current economic circumstances. It also includes two short case studies of places where design quality has been prioritised to see how they are faring in the recession.

attractive and fit for purpose, providing architectural quality;

- **Movement, linkages, permeability and accessibility** – supporting good connections and well integrated;
- **Security and safety** – places which are inherently safer by design;
- **Mixed-use, density and diversity** – promoting uses which add to vitality and variety;

- **Adaptability and flexibility** – ensuring places and buildings are robust;
- **Sustainability and eco-design** – buildings and schemes which are more energy efficient;
- **Design process and ongoing maintenance and management** – ensuring an effective design process, starting with good analysis and ensuring ongoing care is considered.

* The Economic Value of Green Infrastructure 2008. Available at www.nwda.co.uk/pdf/EconomicValueofGreenInfrastructure.pdf

Why everyone benefits from good design

Places Matter! was established in May 2007 to enhance the quality of place-making in the Northwest. It is funded by the Northwest Regional Development Agency and based at the Northwest office of the Royal Institute of British Architects.

Places Matter! works in partnership with the Commission for Architecture and the Built Environment (CABE), English Heritage and local, regional and national agencies to raise awareness of the importance of good design in creating distinctive places, driving economic activity and improving quality of life.

Places Matter! activities include running practical learning events for professionals, commissioners and developers in the public and private sectors, and working with schools to help young people understand the towns and cities in which they live. It established the Northwest Regional Design Review Panel, which has provided expert advice on more than 100 schemes (see page 18), and has published a guide to celebrate successful public realm projects.

In 2007 Places Matter! published a major piece of research to demonstrate how good design can deliver economic, social and environmental benefits. The *Economic Value of Urban Design 2007* report provided evidence of the value of design in helping to stimulate the wider regeneration of an area by improving its image and attracting investment. The research highlighted the importance of

the public sector in championing good design and the impact this can have on civic pride and environmental factors such as energy efficiency.

Making the case

The research, conducted by Amion Consulting and Taylor Young, argued that designing a scheme well from the outset can reduce costs over time. Bad design, on the other hand, can be expensive in economic, social and environmental terms.

The research looked at the ways in which investors, developers, occupiers, public sector bodies and the wider

community can all benefit from good urban design. It also demonstrated how attention to design quality could – at a time when the economy was buoyant – increase rental or capital value, as well as accelerating the lettings or sales rate of a scheme. Significantly, it showed that getting the basics right through high quality urban design could add value through better use of space, rather than incurring extra costs.

The original research established an impact assessment framework to measure the economic value of design. It included case studies that demonstrated how attention to design quality had helped particular places across the Northwest to survive and thrive. The ways in which image

and response to context, density, sustainability, character, security and access were considered during development were found to contribute to an area's vibrancy and viability.

The report made a strong case for the benefits of good design – but times have changed dramatically since it was published in May 2007.

Places Matter! decided to analyse the impact of the economic downturn on its previous findings. It asked Amion Consulting and Taylor Young to re-examine the economic value of good design in light of the current economic climate. This latest research shows that getting urban design right is as important – if not more important – than ever.



Riding the storm

The latest research project and its findings

The *Economic Value of Urban Design 2007* report made a strong case for the benefits of good design. But to what extent can good design still add value when the economic situation changes? And how can design quality help mitigate the effects of market turbulence?

The latest study - *Economic Value of Good Design 2009* – looks at how good design can help secure sales of existing buildings, ensure that new developments provide maximum value and keep schemes competitive in the face of longer-term market fluctuations.

In order to reflect developers' concerns under present economic circumstances, the updated research focuses on the cost as well as the value of good design. Researchers reviewed the latest literature on the value of design, undertook case studies analysing how locations featuring high quality design are weathering the crisis, and conducted a survey of property agents in the region.

Opportunities and risks

With developers under increased pressure to maximise density and reduce overall costs, design risks becoming a casualty of the recession. However, the latest research shows this would be a serious error.

The researchers found evidence that the recession is threatening specification and design quality, but also found that it does not necessarily cost more to get

design right. Their report urges planners and developers to pay greater attention to cost-neutral aspects of good design. It is also important to look at the whole life costs of a development, and to ensure resources are targeted to add value.

The research found that good design is still recognised as important for adding value, despite current economic challenges. It is seen as having a positive impact on rent and capital values, as well as on occupancy rates.

Factors such as sustainability and energy efficiency are becoming increasingly significant in more competitive markets. Similarly, with occupiers becoming more discerning, well-designed properties are better placed to withstand future fluctuations in the market.

In addition, design skills can help balance the requirements of investors, developers, commissioners, planners and built environment professionals arising from changing property market dynamics.

The study finds that the public sector has a key role in educating decision-makers about the long term costs of getting design wrong.

Survey of property agents

A survey of 52 agents was carried out by Spirul Research in February 2009. The agents – covering the industrial, retail, office and residential markets – were asked for their views on the impact of good design and its current

Rostron Brow, Stockport, award winner,
Building for Life Awards 2008. View of rear flats
showing balconies and bridge link to terrace



significance. Their responses show good design is still seen as important in adding value and increasing occupancy.

Most property agents – 68% – said they believed good design was either very important or important, especially in the residential market, where 78% of respondents said it was very important or important.

Appearance, space and layout were identified as aspects of good design that are particularly vital during the downturn.

Some 74% of respondents to the survey said good design had a positive effect on rental and capital values, while 75% thought the impact of design on occupancy and take-up rates was either important or very important. That figure rose to 89% for agents in the residential sector.

While 71% of respondents thought design was either important or very important to the attractiveness of an area, only 48% thought it important or very important in obtaining funding for development.



Spinningfields, Manchester

Advantages of good design: What the property agents said

- 'It's what attracts people to a property in the first place.'
- 'Extremely important to saleability.'
- 'Even more important now – the most important thing is getting someone interested.'
- 'At times like this, design is something that can be used as a real selling feature.'
- 'Character of the area is important.'
- 'Space and layout is crucial.'
- 'Well-designed properties are the only ones that are moving at the moment.'
- 'Impression is important with offices.'
- 'People are looking for something with character and good space for money.'

The value of design in the downturn

The impact of global economic downturns on property markets is well documented. Investment is constrained, land values fall and the supply of residential and commercial property

outstrips demand. In Northwest England, average property prices fell dramatically at the start of the recession and there was a sharp decrease in sales.

The *Economic Value of Good Design 2009* study found that many aspects of design come under threat during a downturn. These include the quality of building materials and finishes specified, and the amount of space and attention given to landscaping.

The research found developers were seeking to reduce their contributions to infrastructure, landscape and other public realm costs, for example by renegotiating Section 106 'planning gain' agreements.

However, with planning officers still responsible for maintaining design standards and delivering national objectives such as brownfield housing targets, the public sector is well placed to champion quality. Good design should not be regarded as an add-on that the public sector should pay for, though. Design skills are crucial in helping investors, developers, occupiers,

CASE STUDY 1

Church Street / Cathedral Quarter, Blackburn

The high-quality regeneration of Church Street in Blackburn has helped the area compete for businesses and investment, and has had a direct impact on the quality and layout of a new shopping centre.

The project, led by Blackburn with Darwen Borough Council, is proving a catalyst for further improvements in the town.

It involved creating a pedestrian area along Church Street and converting and expanding the historic Waterloo Pavilions. The refurbishment includes new surfaces, artworks and access arrangements.

This has boosted the progress of related regeneration projects, including the £66m redevelopment of Lord Square at the Mall shopping centre.

Major proposals are also being drawn up for a mixed-use scheme including offices, residential development, and a new car park and hotel for Cathedral Quarter.

The use of high quality materials and details in the public realm has proved cost effective. Local businesses appear to be thriving and the scheme has created opportunities for independent traders in nearby Darwen Street.



The Cathedral Quarter takes shape: left, during the demolition phase, and far left, on completion

public bodies and the wider community find solutions that balance their needs.

It need not cost more to get it right

In the current climate, focusing on aspects of design that are cost neutral offers an opportunity to maximise quality without necessarily incurring extra costs. The research identifies the following design decisions that cost no

more to get right but can significantly impact on overall success:

- Getting the buildings in the right location and correct position on site.
- Appropriate balance and definition of public and private areas.
- Appropriate mix and intensity of uses across a site, recognising the need to create safe places which offer natural surveillance.

CASE STUDY 2

Concert Square, Ropewalks, Liverpool

The high standard of design in Concert Square, at the heart of Liverpool's historic Ropewalks, has helped keep the area buzzing despite the downturn.

The square's cafés and bars continue to do well, especially during evenings and weekends, and its high quality public space helps to attract new businesses.

The Ropewalks regeneration project has focused on heritage, creative industries and public realm. Concert Square was one of the first schemes to receive regeneration funding, in 1994/95. Once derelict, it was transformed by the creation of a new piazza with bars, restaurants, nightclubs, offices and loft style apartments.

Further office and residential development followed, and the Concert Steps development is now extending the core public realm and leisure route outwards from the main square.

Most recently, regeneration activity has focused on improving the area's management and maintenance. Investment is being targeted towards areas that had become shabby through intensive use.

While the residential market has cooled and the area remains dependent on regeneration grants, it remains a lively and distinctive social hub with a bright future.



Concert Square panorama: still lively despite facing more challenging times

- Appropriate scale, height and massing of buildings.
- An architectural response to new development informed by the best existing local buildings.
- Appropriate colours and finishes for building materials that complement the setting and need not cost more.
- Properly resolved fronts and backs of buildings to provide natural surveillance to the street and appropriate amenity to rear areas.
- Robust public realm designs and construction that will stand the test of time, but do not require expensive materials.

- Clear and legible layouts with entrances to buildings and gateways positioned to make a development easy to navigate.

The Economic Value of Good Design 2009 shows how the costs of design need to be fully understood by the client, the design team and the planning authority to ensure limited resources are targeted to best effect.

It also points out that some costs, such as labour and materials, might be reduced as a result of the recession and these savings could be used to ensure quality is maintained.

Thinking longer term

There is growing recognition among clients and professionals that although higher specification may add to initial costs, it can reduce the costs of a scheme in the longer term. In the present context there is a danger of initial costs being reduced at the expense of long-term performance.

However, there is increasing awareness of issues such as sustainability and the potential for reducing total property occupation costs through reduced utility bills. Demand for good standards of design and sustainability will only continue to increase, the research found.

Crucially, in a competitive market, developments that do not take design considerations on board will not secure increasingly discerning investors or occupiers. Well-designed properties will therefore be better placed to withstand fluctuations in the market.

How the recession has highlighted the importance of design

For the first time in years, prospective property occupiers can afford to be choosy. During the boom, land prices were at an all-time high, developers could get bank finance easily, and demand generally outstripped supply.

Developers were under pressure to maximise density and reduce costs. It was assumed it would be easy to find occupiers who would pay the market rate, regardless of the quality of design.

In 2009, banks have almost completely withdrawn from speculative property development. Prospective occupiers have dwindled to a select few. The market is in the doldrums and all over the UK, poorly designed developments, such as many city centre apartments, are standing empty.

In such conditions, developers are turning to institutional investors, who can be extremely selective. There is increased awareness of design issues such as energy efficiency, with its potential for reducing total occupation costs through lower utility bills.

Larger occupiers, such as government departments or utility companies, are looking for buildings with a BREEAM rating of 'excellent' and an Energy Performance Certificate with a rating of at least B, but preferably A.

Investors like pension funds and other institutions are heavily discounting the value of properties where there is evidence of poor design and low prospects of rental growth. This has been particularly evident in central Europe. Now that European investors, such as German banks, are looking to the UK, we can expect the impact to increase here.

Design review brings together a range of experts to ensure all a development's impacts are taken into account



Where we go from here

The key message is that a recession is no time to skimp on design – in fact good design is more important than ever. Property agents recognise this and it is important that local authorities, developers and all stakeholders understand it too.

Organisations such as Places Matter!, RIBA, the NWDA and CABE are working together to get the message across. It is particularly important to

stress that good design does not necessarily cost more, and to ensure limited resources are targeted to best effect.

As the dynamics of the property market change, design skills should be used to help balance the needs of various stakeholders. Appropriate skills are also important to ensure that the cost-neutral aspects of good design are maximised.

What Places Matter! is doing

- A presentation of the interim findings of the latest research was given to representatives of Regional Development Agencies across England at an event coordinated by CABE.
- Public and private sector professionals will be encouraged to take up support offered by Places Matter! and other bodies to ensure everyone maximises the potential of good design to help mitigate the downturn's effects.
- Best practice case studies showing how high quality design can help mitigate the effects of the recession will be shared among practitioners.
- Further presentations are taking place at workshops with relevant stakeholders and other organisations.
- The messages arising from the latest research will be disseminated as widely as possible.

How Places Matter! can help promote good design

A high quality built environment is crucial to economic prosperity and quality of life in the Northwest.

As the regional architecture centre for the Northwest, Places Matter! seeks to improve decision-making and increase skills, knowledge and opportunities among built environment professionals, developers and the public.

Free Design Review service

Places Matter! offers free access to an independent regional panel to review the design of schemes.

The Northwest Regional Design Review Panel consists of experts from a range of fields.

These include architecture, planning, development, urban design, civil and structural engineering, the historic environment, landscape design, sustainability and environmental services, highways and transport, community engagement and public art.

It can advise developers and planning authorities on the architectural, landscape and urban design characteristics of urban design frameworks, masterplans and development proposals, and on their climate change impacts.

It can also provide practical advice on ways in which developments can take on board considerations raised in the *Economic Value of Good Design*

in a Recession study. This includes attention to whole-life costings and cost neutral aspects of better design.

The panel produces reports to inform the evolution of scheme design. Developers and designers are encouraged to consider ways of adapting their proposals to accommodate the suggested changes, while planning authority officers use the reports in negotiations with developers.

To date the Northwest Regional Design Review Panel has examined well over 100 schemes from 36 of the region's 46 local authorities, representing in excess of £2bn of investment in the region. Ninety per cent of these schemes made changes to design as a result of design review.

Places Matter! can also provide expert assistance on development proposals and design competitions.

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Useful websites

Places Matter!
www.placesmatter.co.uk

The Royal Institute of British Architects
www.architecture.com

Northwest Regional Development Agency
www.nwda.co.uk

Architecture Centre Network
www.architecturecentre.net

Commission for Architecture and the Built Environment
www.cabe.org.uk

Design Council
www.designcouncil.org.uk

Homes and Communities Agency
www.homesandcommunities.co.uk

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