

Property Value Appreciation for Historic Districts in Alabama

July 31, 2002

Submitted to the Alabama Historical Commission

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Executive Summary

- The purpose of this study is to analyze the impact of historic designation on property values in Alabama. The Alabama Historical Commission (AHC) staff provided the specific historic districts to be analyzed, as well as the dates of designation.
- Using the market values of properties in the historic areas and in the community at large, an event study, a property values comparison over time, and a repeat-sales-analysis were conducted.
- The event study analyzed the data by looking at pre- and post-designation property values. The hypothesis here is that historic designation will lead to higher property values in a historic area, relative to the overall property prices in the community.
- The repeat-sales-analysis compared property price appreciation rates in historic designated areas with the rates obtained from the general surrounding areas. Again, the expectation, on *a priori*, is that the designation ordinance results in higher property value appreciation in a historically designated neighborhood, relative to property prices in the general surrounding area.
- The property values comparison over time highlighted the long-run property value trends in a historic area versus those of general housing prices.
- Our analysis concentrated on the property price trends in the following neighborhoods:
 - Garden District, Montgomery, designated in 1983
 - Leinkauf Historic District, Mobile, designated on June 24, 1987
 - Old Forest Park District, Birmingham, designated in 1994
 - Old Decatur District, Decatur, designated on October 11, 1990
 - Old Town District, Huntsville, designated in 1974
 - Old Town District, Selma, designated in 1976
 - Silk Stocking District, Talladega, designated on September 21, 1992
- The results of the event study, which compared the pre- and post-designation housing-price-appreciation rates, indicated that in the Montgomery **Garden District**, historic properties appreciated by **42.35 percent**, compared to **8.30 percent** for residential properties in the Montgomery area. When counting all properties sold for the time period 1981-2001, the average annual rate of return for residential historic properties within the Garden District was **7.22 percent**, compared to **4.04 percent** for similar residential properties in the Montgomery area. Counting properties listed as sold two or more times (repeat-sales-analysis), it was found that the average annual price-appreciation rate is **9.51 percent** for historic houses and **4.04 percent** for residential properties in Montgomery.

- The average price-appreciation rate for historic residential properties located inside the **Old Decatur District**, from the pre-designation to the post-designation period, was **29.80 percent**, while for residential properties located in Decatur, it was **15.37 percent**. Counting all properties listed as sold during the time period 1988-1998, the average annual rate of return for residential historic properties was **7.65 percent**, compared to **5.91 percent** for residential properties in the Decatur area. When counting all properties sold two or more times, the average annual-price-appreciation rates were **10.97 percent** and **5.91 percent**, for the Old Decatur District and Decatur, respectively.
- The average sales price of historic residential properties located in the **Forest Park District** increased by **50.25 percent** after the designation ordinance, compared to **18.37 percent** for residential properties located in Birmingham. For the time period 1992-2001, and for all properties sold, the average annual rate of return for residential historic properties was **10.41 percent**, compared to **4.28 percent** for residential properties in Birmingham; the same rates were **11.06 percent**, compared to **4.28 percent**, for properties that were listed as sold two or more times.
- For the time period 1975-2000, the average annual rate of return for residential historic properties within the **Old Town District in Huntsville** was **13.45 percent**, compared to **6.02 percent**, for residential properties in the Huntsville area (counting all properties sold), and **20.05 percent**, compared to **6.02 percent**, for properties that were listed as sold two or more times by the MLS books.
- The average sales price for residential historic properties in the **Leinkauf District** appreciated by **60.25 percent** from the pre-designation to the post-designation period, compared to a rate of **10.88 percent** for residential properties in Mobile. For the time period 1985-2000, and counting all properties, the average annual-rate-of-appreciation for residential historic properties within the Leinkauf District was **10.03 percent**, compared to **3.49 percent** for residential properties in the Mobile area. The repeat-sales-analysis suggested that for properties sold two or more times, the price-appreciation rate for historic neighborhoods was **12.66 percent**, compared to **3.49 percent** for the Mobile residential housing market.
- The average sales price for historic residential houses in the **Silk Stocking District** increased **31.55 percent** from the pre-designation to the post-designation period, while the average sales price of residential properties in the Talladega area appreciated at a rate of **14.62 percent**. Counting all properties listed as sold during the time period 1990-2001, the average annual-rate-of-appreciation of residential historic properties within the Silk Stocking District was **27.78 percent**, compared to **3.95 percent** for residential properties in the Talladega area. Counting only those properties in the historic district that were reported as sold two or more times, the average annual-rate-of-appreciation was **65.47 percent**, compared to **3.95 percent** for Talladega.

- Counting all properties sold during the time period 1977-2000, it was found that the average annual sales price for residential historic homes located within the **Old Town District in Selma** increased at a rate of **11.92 percent**, compared to a rate of **5.11 percent** for residential properties in Selma; when counting those properties listed as sold two or more times by the MLS books, the rates were **11.36 percent** and **5.11 percent**, for the historic district and Selma, respectively.
- In all cases, it was found that historic designation has a positive and substantial impact on the value of properties located in a historic neighborhood. This conclusion is found to be true in the short-run (the results from the event study), and in the long-run- as indicated by the results reported by the repeat-sales and general long-run price trends.

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Introduction:

The purpose of this study is to analyze the impact of historic designation on property values. The study was conducted on behalf of the Alabama Historical Commission (AHC). The AHC staff provided the specific historic districts to be analyzed as well as the dates of designation and a list of all historic properties located within those historic districts. Auburn University Montgomery (AUM) utilized the market values of properties as a measurement tool for the study. Auburn University Montgomery collected data from the Multiple Listings Services (MLS) books in six out of the seven districts studied, and subcontracted with an appraiser for the data collection process in the Silk Stocking District of Talladega.

According to the Cambridge Historical Commission, “historic districts are areas in which historic buildings and their settings are protected by public review. Historic district ordinances are local laws that are adopted by communities using powers granted by the state. Historic districts comprise a city's significant historic and architectural resources. Inclusion in a historic district signifies that a property contributes to an ensemble that is worth protecting by virtue of its historic importance or architectural quality. Historic districts deserve special protection because they enhance our shared quality of life.”

The purpose of the study is to analyze whether historic designation has a positive, negative, or neutral effect on market values of properties located within a district. Specifically, AUM analyzed market values of residential properties within locally-designated historic districts and compared those values with similar residential property values in the surrounding areas. It is believed that this is the most feasible approach to answer the question stated above.

In order to answer the above referenced question, an event and a repeat-sales study was conducted. The event-study-methodology analyzes the data by looking at pre- and post-designation property values. The hypothesis here is that historic designation will lead to higher property values in the historic area relative to the overall property prices in the community. The repeat-sales approach compares property-price-appreciation rates in historic designated areas with the rates for the community at large. Again, the expectation, on *a priori*, is that the designation ordinance results in higher property value appreciation in the historic designated neighborhood relative to the rest of the community.

Similar Studies in Other States:

Several other states have analyzed the impact of historic designation on property values. The following section of the report presents the executive summaries of some of these studies.

Profiting from the Past:

The Economic Impact of Historic Preservation in Georgia

- Year: 1999

- The report was authored by Joni Leithe and Patricia Tigue of the Government Finance Officers Association of the United States and Canada. The report was a collaborative effort of the Athens-Clarke County Unified Government and the Historic Preservation Division, Georgia Department of Natural Resources.
- Methodology: NA
- Findings:
 - Studies in four cities confirm that historic preservation enhances property values:
 - In Tifton, a sample of locally-designated historic neighborhoods grew, on average, almost 11 percent between 1983 and 1996, compared to 9 percent for a sample of non-designated neighborhoods.
 - In Rome, a sample of properties in historic designated districts increased 10 percent more than non-designated properties during the period 1980 to 1996.
 - In Athens, a study of seven neighborhoods found that between 1976 and 1996, the average assessed value of properties in national- and local-designated areas grew almost 48 percent, while properties in non-designated areas in three different neighborhoods grew 34 percent.
 - In Savannah, a study of three neighborhoods (two of them were part of the National Register) with a similar mix of business and residential characteristics, between 1974 and 1997 (after adjusting for inflation), showed that:
 - The two neighborhoods within the National Register appreciated by 603 percent and 279 percent respectively.
 - The neighborhood that was not listed on the National Register appreciated by only 15 percent.
 - In downtown Tifton, property values increased by 76 percent between 1980 and 1996.
 - In downtown Milledgeville, property values increased by 270 percent between 1976 and 1996.
 - In downtown Rome, property values increased by 636 percent between 1976 and 1994.

Historic Preservation and the Economy of the Commonwealth:
“Kentucky’s Past at Work for Kentucky’s Future”

- The study was originally published in 1997.
- It was prepared and written by Donovan D. Rypkema, a Washington, DC-based real estate and economic development consultant.
- Methodology: NA
- Findings:

- Since 1970, property values in downtown Bowling Green have shown astounding growth over 25 years.
- In Shelbyville, residential values in the downtown historic district considerably exceed the rate of appreciation in a new subdivision.
- Historic preservation attracted \$175,000,000 of investment in Louisville, enhancing the value of entire neighborhoods.

The Value of Historic Preservation in Maryland

- The study was originally published in April 1999.
- It was prepared and written by Donovan D. Rypkema, a Washington, DC-based real estate and economic development consultant.
- The study was made by the economic research firm Lipman, Frizzell & Michael, on historic districts in six communities.
- Findings:
 - \$208 million was invested, in the past five years, in all six districts.
 - Private investment was typically higher in historic districts than in the rest of the jurisdiction.
 - Direct construction investment of \$24 million in those six historic districts occurred annually.
 - 434 local jobs annually
 - When looking at the change in property values over an extended period, generally, the rate of appreciation of properties in historic districts was greater than the community as a whole.

Profiting From the Past:

“The Impact of Historic Preservation on the North Carolina Economy”

- The study was published in December 1997.
- It was prepared and written by Donovan D. Rypkema, a Washington, DC-based real estate and economic development consultant.
- Findings:
 - From *The Impact of Historic Preservation on New Bern*:
 - Total appraised value of 57 historic homes was \$790,276 in 1970, and the total value in 1986 was \$6,115,969, an appreciation of almost 800 percent.
 - From *Swiss Bear Newsletter, 1995*:
 - In 1978, the property values in downtown New Bern were \$8,700,000, and in 1994, the values were \$42,300,000, which represents a 486 percent increase.

- This caused the yearly county revenue to increase by \$196,560.
- During the same period, the entire county experienced a 260 percent increase in property values.

Historic Districts Are Good for Your Pocketbook

“The Impact of Local Historic Districts on House Prices in South Carolina”

- The study was published in January 2000.
- The study was made by John Kilpatrick of the University of South Carolina’s College of Business.
- Methodology and Data Used:
 - Each study used **sales prices** rather than appraisal values.
 - Several different statistical models were used to test the impact of local district designations.
 - A cross section of local historic districts in South Carolina was studied, from small towns to large cities, from the coast to upstate.
 - Different methods used:
 - Repeat-Sales-Methodology
 - Real Estate Appraisal Model
 - Event Study Technique
 - Other

- Findings:

- 1. Overview:**

“These studies show that historic preservation zoning, which establishes local districts with design review, increases property values.”

- 2. Study Results:**

- Columbia:
 - The study focused on two locally-designated historic districts: Elmwood Park Historic District and University Historic District.
 - A repeat-sales-methodology was used to measure the effect of local districts on house prices over time, as follows:
 - Collected sales-price data on the 27 houses in the two districts that had sold two or more times between 1980 and 1994.
 - Calculated the average annual rate of return for houses in the two local historic districts using the sales price and time between sales.
 - Calculated the average annual rate of return for all houses sold in Columbia during the same time period.
 - Compared the two rates of return.

- **The annualized rate of return for houses in the two local districts was 7.3 percent, while for the entire Columbia market, it was 5.8 percent.**
- **Therefore, the average homeowner in one of the local historic districts enjoyed a per-year gain in house value that was 26 percent greater than did homeowners outside the districts.**

– Beaufort:

- A real estate appraisal model that calculates the value of unique or significant features was utilized to measure the value of local historical district designation time, as follows:
 - Collected sales data on 47 houses within the Beaufort Historic District, 18 historic houses outside the district, and 134 non-historic houses outside the district from 1990 through mid-1996.
 - Developed a model that included typical real estate appraisal variables, as well as a variable for a historic district location.
 - Applied the appraisal model to sales data.
- **The average house in the local historic district sold for 21 percent more than a hypothetical identical house in an adjacent but non-designated area.**

– Greenville:

- The study focused on two locally designated districts: Hampton-Pinckney Historic District and East Park Avenue Historic District.
- An event study technique was used to determine the impact on house prices of local district designation, as follows:
 - Collected data on houses that were sold before and after designation in the two districts (including sales price, date of transaction, structural features, 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 and 21 after-designation sales.
 - Compared before and after data using several statistical tools.
- **The mean price per square foot of houses within the two districts jumped significantly in the years following their designation.**
- **In East Park Avenue, the mean price per square foot went 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.**

– Other Cities:

- Aiken:
 - A comparison of sales prices from March 1997 to March 1998 shows that **prices of houses in three local districts were statistically higher than the prices of other downtown houses** (houses in local historic

districts were on the market longer: 168 versus 119 days for other downtown houses).

- Eighty-two sales were analyzed in Aiken, nine in local historic districts, and 73 outside the districts.

- Anderson:

- A comparison was made of sales in 1996 for houses in two local districts (Westside Historic District and Boulevard Historic District) and for similar houses outside the districts.
- Ten sales in both historic districts were compared with 36 sales of comparable properties outside the districts.
- **Houses in the local historic districts were 36 percent more valuable than similar non-district houses.**

- Georgetown:

- Five sales in Georgetown's local historic district from mid-1995 to mid-1997 were compared with sales of similar houses outside the district.
- **Houses in the local Georgetown Historic District were worth 11 percent more than houses not located in the district (almost \$11,000 more for a median-priced house).**

- 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 a house.**
- Nine sales were analyzed between 1995-96.

- Summerville:

- The three sales that occurred during the studied period (1994-97) in Summerville's local historic district were compared with similar non-district houses that sold during the same time period.
- **Houses in the locally designated Old and Historic District were 23 percent more valuable than houses outside the district.**

- Sumter:

- Three sales in the historic district were compared to sales of comparable non-district houses.
- The analysis of house sales in the mid-1990s in the Hampton Park Historic District shows that **a 17 percent premium was paid for houses within the district.**

Virginia's Economy And Historic Preservation:

"The Impact of Preservation on Jobs, Business, and Community"

- The study was published in 1996.
- It was prepared and written by Donovan D. Rypkema, a Washington, DC-based real estate and economic development consultant.
- Findings:

- From *The Importance of Historic Preservation in Downtown Richmond*:
 - “Between 1980 and 1990, the assessment total made a quantum leap upward by 245 percent, from \$23,135,886 to \$56,761,000.”
 - “Citywide, the aggregate value of real estate increased by 8.9 percent.”
 - “The per-square-foot value of the renovated properties is \$21 a square foot greater than that of new construction.”

- From a study made in Staunton, between 1987 and 1995:
 - Staunton residential properties not located in historic districts appreciated an average of 51.1 percent.
 - Residential properties in every one of Staunton’s historic districts appreciated at a rate between 51.9 percent and 66.0 percent.
 - Non-historic commercial properties appreciated on average, 25.2 percent.
 - Average rates of appreciation of commercial properties in historic districts ranged from 27.2 percent to 256.4 percent.

Historic Designation and Property Values in Alabama:

The AHC requested that we closely examine the following historic districts in Alabama:

- Garden District, Montgomery, designated in 1983
- Leinkauf Historic District, Mobile, designated on June 24, 1987
- Old Forest Park District, Birmingham, designated in 1994
- Old Decatur District, Decatur, designated on October 11, 1990
- Old Town District, Huntsville, designated in 1974
- Old Town District, Selma, designated in 1976
- Silk Stocking District, Talladega, designated on September 21, 1992

Auburn University Montgomery collected property-value data from the Multiple Listing Service (MLS) books published in the different areas. The MLS books are a compilation of data of all houses that were listed and/or sold by area real estate agencies during a certain period of time in a specific area. Square footages of houses were also compiled from the MLS books and in those areas where the data was unavailable, the information was collected from county court houses. Multiple Listing Service books were available in all areas, with the exception of Talladega. The Wren Munroe & Associates firm was commissioned to collect information for the Silk Stocking District of Talladega.

For most of the districts selected, AUM was able to collect all necessary data to perform the event study, as well as the price comparison over time and the repeat-sales. For the Silk Stocking District in Talladega and the Old Town District in Selma, data for the event study was unavailable.

Using the data collected, an event study was performed to analyze the data, by looking at pre- and post-designation property values. The hypothesis here is that the designation

will lead to higher property values in a historic area, relative to the overall property values in the community.

The repeat-sales-methodology compared property-value appreciation rates in historic designated areas with the rates obtained in the general surrounding areas. These two approaches were formulated to study the data and make better inferences.

According to John Kilpatrick, in **“The Impact of Historic District Preservation Ordinances on Two Neighborhoods in Greenville, South Carolina,” Kilpatrick Research Group, June 1997**, the event study methodology is “used in the real estate finance literature, to examine the house price impact ‘before and after’ the enactment of the preservation ordinance.” According to **Dean Gatzlaff and David Geltner, in “A Repeat-Sales Transaction-Based Index of Commercial Property,” a study for the Real Estate Research Institute, January 1998**, “the repeat-sales-methodology appears to work well in filtering out transaction noise and producing return indices that should be highly usable by decision-makers and academic analysts alike.”

For every district where data was available, an event study was used to measure the property values both pre- and post-designation. In order to avoid statistical noise, AUM did not utilize data from the year prior to designation. This is because historic property values will normally be adjusted upward in anticipation of the forthcoming ordinance. Given this, AUM looked at property values of at least one year prior to designation and for the two years after designation.

Additionally, the relative long-run property price trends in the historic designated areas were also analyzed. Here, the rates of change in price of all the historic properties listed as sold during the time period covered by the study were calculated, and then the rates were converted to an annual average basis. These rates were compared to the average sales price increase for all residential properties in the community.

Finally, for the repeat-sales-methodology, AUM computed the price-appreciation rates of historic properties that were listed as “sold two or more times.” These appreciation rates were then converted to average annual rates and compared to the appreciation rates of residential properties in the general surrounding areas.

Due to the large size of statistical worksheets, all data was stored electronically in a floppy disk that was submitted to the AHC.

Garden District, Montgomery

According to the nomination form presented by the AHC to the National Register of Historic Places, the Garden District “consists of approximately 750 structures, most of which were built between 1850 and 1930. The houses in the northern half of the district tend to be closely-spaced, modest cottages while the majority in the southern end tend to be large homes set well back from the street on spacious lots.”

It is acknowledged that a comparison of annual sales-price-appreciation rates on a per-square-foot basis would be a better indicator of the property values trend. However, only information on a per-square-foot basis for the historic designated districts was available. Given the data limitation, the average sales price, as opposed to that of per-square-foot sales price, for both types of properties (historic versus general properties) was used to compare the different price-appreciation rates. Nonetheless, it was found that for historic properties, the rates of price appreciation on a per-square-foot basis were very close to the sales-price-appreciation rates.

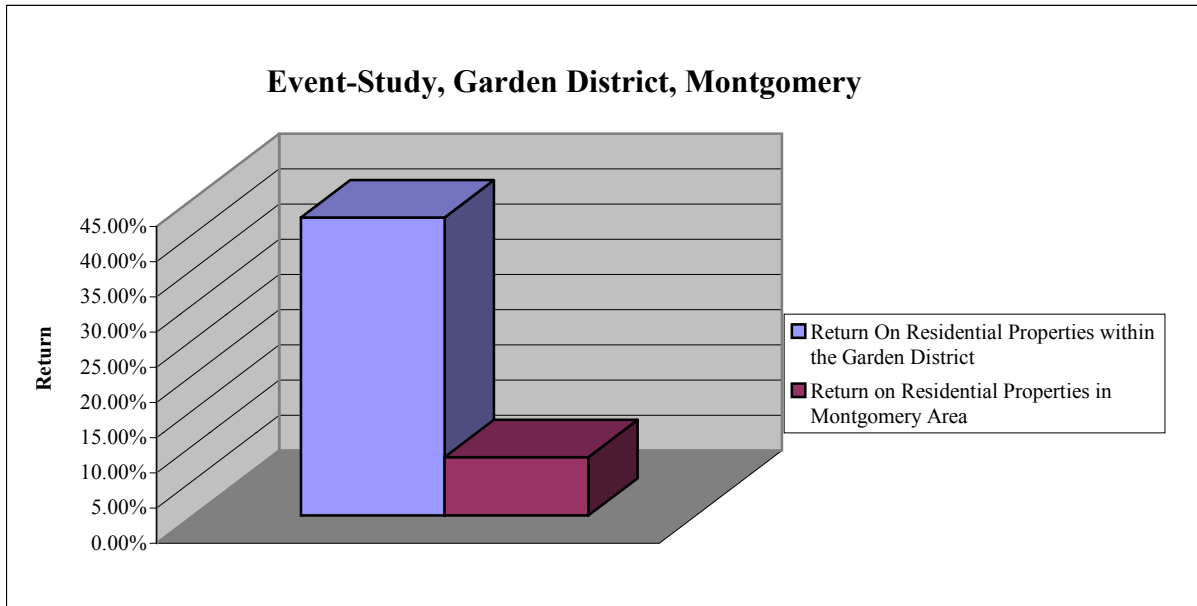
The Garden District was designated as a historic area in 1983. For the event study, AUM used the average price of properties sold in 1981 as the pre-designation data and the average price of properties sold during 1984 and 1985 as the post-designation sample. For 1981, the sample size consisted of 15 properties sold within the historic district, while for years 1984 and 1985, the sample size consisted of a total of 23 properties sold. These samples represent all properties listed as sold in the Garden District for the time period. All data was collected from the **Comparable Books, “Multiple Listing Service of the Montgomery Board of Realtors,”** and was provided by **Sandra Nickel Realtor.**

Auburn University Montgomery compared the rate of change in price of historic residential properties located within the Garden District with the rate of change in price of residential properties in Montgomery. Historic properties within the Garden District appreciated **42.35 percent** for the post-designation time period, compared to only **8.30 percent** for residential properties in the Montgomery area. As *Table 1* indicates, the rate of change in price per square foot of historic properties within the Garden District was even greater than the sales price (51.57 percent vs. 42.35 percent).

Table 1

Event Study, Garden District, Montgomery							
Year	Average Sales Price in Garden District (\$)	Change in Price	Square Footage	Price per Square Foot in Garden District (\$)	Change in Price per Square Foot	Average Sales Price in Montgomery Area (\$)	Change in Price
1981	54,801		2,378	22.99		56,466	
1984-1985	78,009	42.35%	2,198	34.84	51.57%	61,150	8.30%

Graph 1



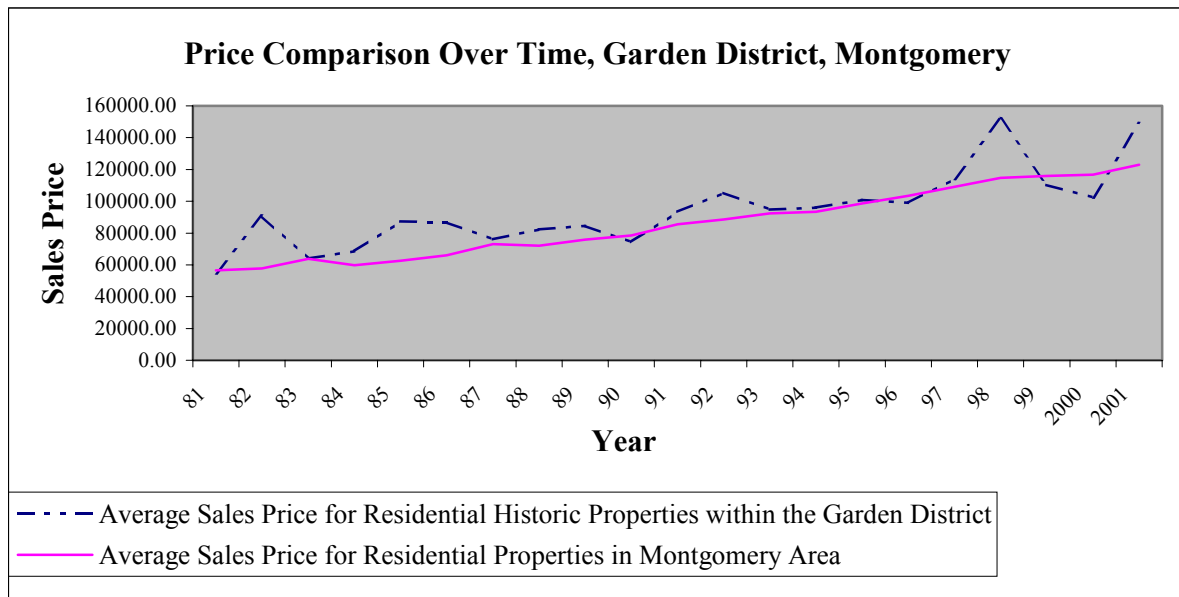
For the property value analysis over time, AUM compared the average annual return on residential historic properties within the Garden District for the time period covering 1981-2001 to that of residential properties in Montgomery. Sample sizes for the average sales price of properties within the Garden District include all properties listed as sold in the MLS books of the Montgomery Board of Realtors.

For the time period 1981-2001, the average rate of return for residential historic properties within the Garden District was **7.22 percent**, compared to **4.04 percent** for residential properties in the Montgomery area. As indicated in *Table 2*, the annual average change in price per square foot for historic houses was 6.18 percent, a rate of return that is close to the return that is obtained using sales prices. *Graphs 2* and *3* illustrate the findings displayed in *Table 2*.

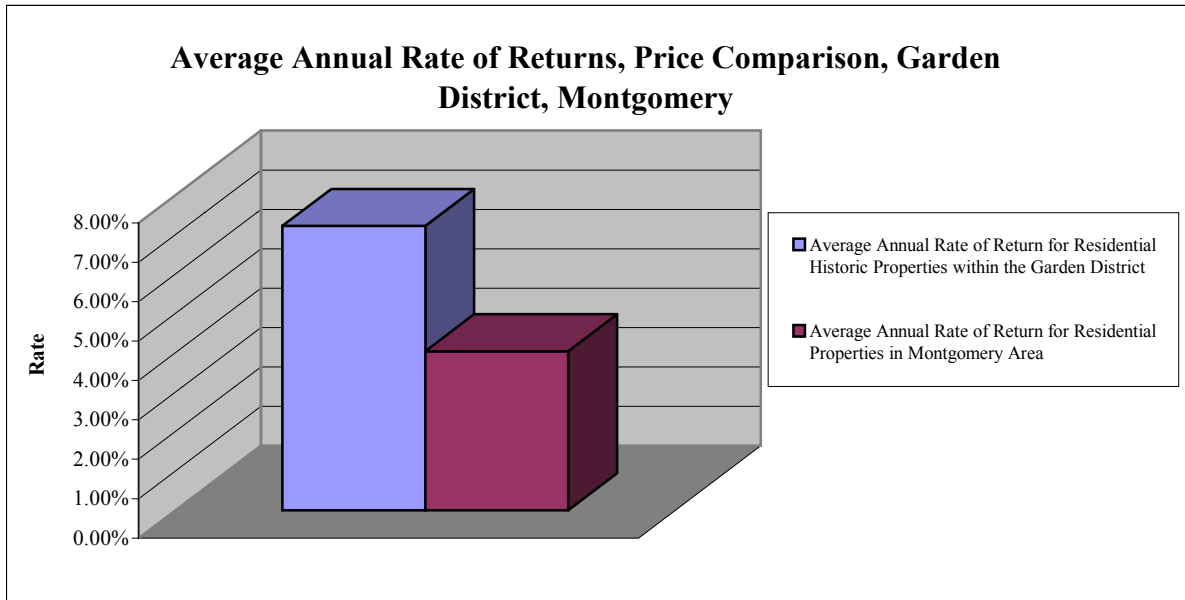
Table 2

Price Comparison Over Time, Garden District, Montgomery							
Year	Average Sales Price in Garden District (\$)	Change in Price	Square Footage	Price per Square Foot (\$)	Change in Price per Square Foot	Average Price In Montgomery Area (\$)	Change in Price
1981	54,801.00		2,378.00	22.99		56,466.00	
1982	90,823.00	65.73%	2,456.00	36.98	60.85%	57,832.00	2.42%
1983	63,966.00	-29.57%	2,364.00	27.52	-25.58%	63,800.00	10.32%
1984	68,679.00	7.37%	1,752.00	37.5	36.26%	59,700.00	-6.43%
1985	87,339.00	27.17%	2,644.00	32.19	-14.16%	62,600.00	4.86%
1986	86,646.00	-0.79%	2,411.00	33.97	5.53%	66,037.00	5.49%
1987	76,044.33	-16.27%	2,197.67	35.16	-4.91%	73,000.00	10.54%
1988	82,402.86	8.36%	2,159.50	36.51	3.84%	72,000.00	-1.37%
1989	84,576.73	2.64%	2,061.82	40.17	10.01%	75,900.00	5.42%
1990	74,502.78	-11.91%	2,160.06	36.20	-9.89%	78,543.00	3.48%
1991	93,322.47	25.26%	2,659.63	35.40	-2.19%	85,552.00	8.92%
1992	105,258.93	12.79%	2,247.71	45.65	28.94%	88,624.00	3.59%
1993	94,755.76	-9.98%	2,133.71	43.63	-4.43%	92,310.00	4.16%
1994	95,976.70	1.29%	2,167.85	44.02	0.90%	93,441.00	1.23%
1995	100,838.14	5.07%	2,214.81	42.38	-3.74%	98,584.00	5.50%
1996	99,055.56	-1.77%	2,280.22	42.92	1.29%	103,454.00	4.94%
1997	114,177.78	15.27%	2,395.33	43.86	2.18%	109,149.00	5.50%
1998	151,884.21	33.02%	2,649.74	56.41	28.62%	114,701.00	5.09%
1999	110,255.56	-27.41%	2,271.06	49.84	-11.65%	115,901.00	1.05%
2000	102,456.00	-7.07%	1,949.00	52.60	5.55%	116,764.00	0.74%
2001	148,861.11	45.29%	2,580.00	61.11	16.18%	123,010.00	5.35%
Average	94,601.09	7.22%	2,292.05	40.81	6.18%	86,065.14	4.04%

Graph 2



Graph 3

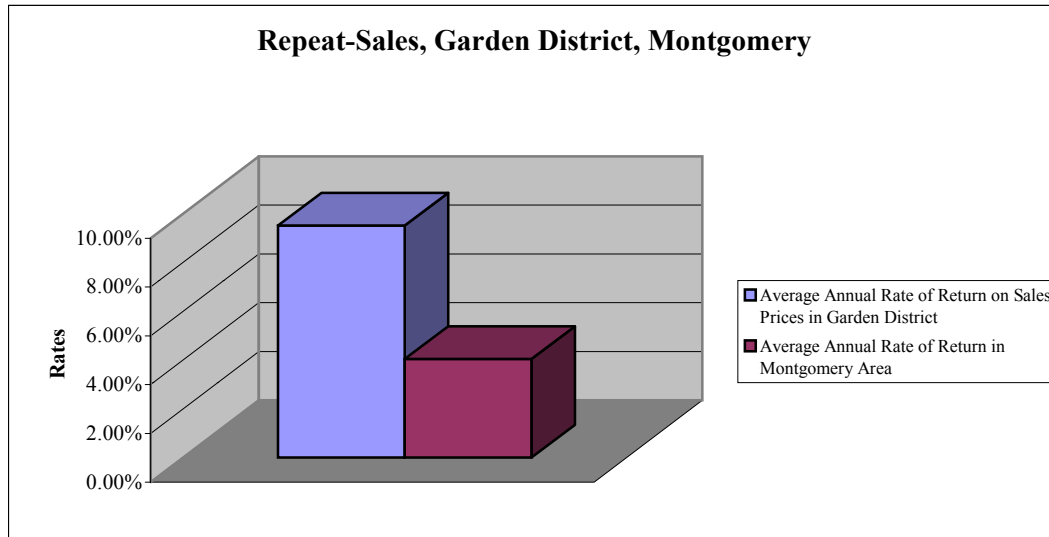


For the repeat-sales-methodology, AUM compared the annual rate of return for properties sold two or more times within the historic district against the average annual return for residential properties in Montgomery. *Table 3* shows that after removing outliers, the average annual rate of return for residential historic properties that were listed as sold two or more times by the MLS books is **9.51 percent**, compared to **4.04 percent** for properties in the Montgomery area. Again, the average annual rate of return, based on price per square foot for properties within the Garden District, is similar to the rate based on sales price (9.03 percent vs. 9.51 percent). A total of 77 properties were listed as sold for the period 1981-2001. *Graph 4* illustrates the results from *Table 3*.

Table 3

Repeat-Sales, Garden District, Montgomery		
Average Annual Rate of Return on Sales Prices in Garden District	Average Annual Rate of Return on Price per Square Foot in Garden District	Average Annual Rate of Return in Montgomery Area
9.51%	9.03%	4.04%

Graph 4



Old Decatur District, Decatur

According to the nomination form prepared by the AHC and submitted to the National Register of Historic Places, the Old Decatur District “contains 347 buildings dating primarily between the 1860s and the 1940s, and includes a riverside park and one pre-Civil War home. The district, which extends roughly east to west from the shore of the Tennessee River to an extension of Bank Street (Lee Street), embraces over 116 acres of buildings, constituting Decatur’s earliest surviving commercial and residential architecture.”

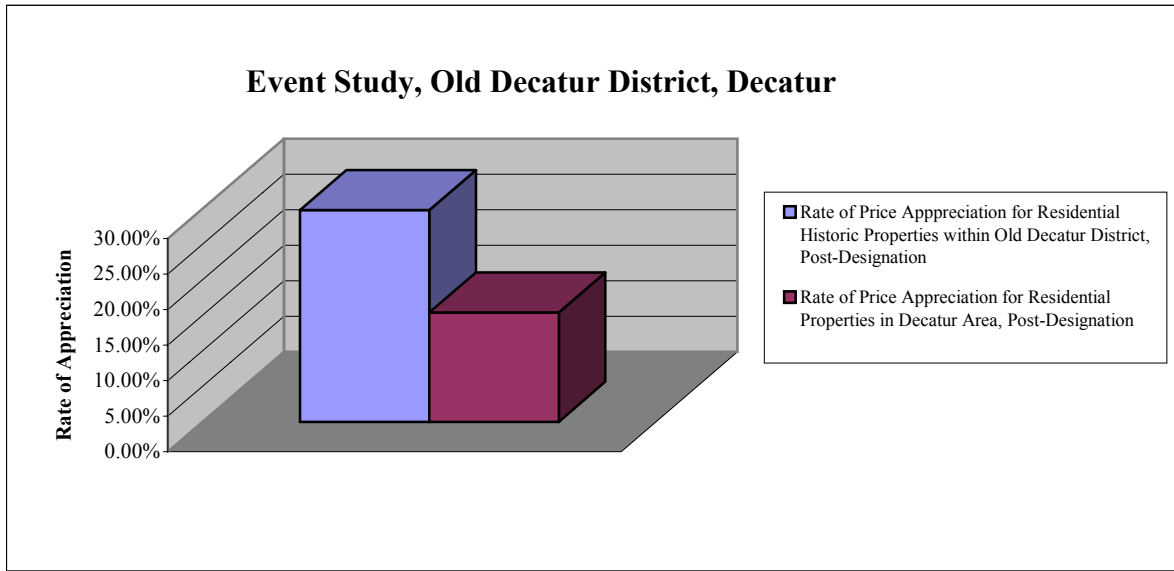
The Old Decatur District was designated as a historic area on October 11, 1990. Pre-designation data covered 1988 and first quarter 1989 and consisted of a total of five properties listed as sold in the **Multiple Listing Service** books of the **Morgan County Board of Realtors**. The data was provided by **Mark Moody** from **McMillan & Associates**. Post-designation data consisted of all properties listed as sold for the years 1991, 1992, and 1993. A total of 15 properties were sold during this period. Auburn University Montgomery opted to use a three-year period for the post-designation data due to the small number of houses sold in years 1991 and 1992 (eight samples).

The average rate of change in post-designation prices of historic residential properties located inside the Old Decatur District was **29.80 percent**, while for residential properties located in Decatur, the rate was **15.37 percent**. Average price per square foot increased from \$29.16 to \$43.15, appreciating 47.98 percent. Even when the sample was truncated to cover 1991 and 1992 as the “post-designation” sample, we found that historic residential properties located within the historic district appreciated by 33.55 percent, compared to 10.44 percent for residential properties outside the district. *Table 4* shows both types of analyses and their results. *Graph 5* shows the analysis using only years 1991, 1992, and 1993 as post-designation values.

Table 4

Event Study, Old Decatur District, Decatur							
Year	Average Sales Price in Old Decatur District (\$)	Change in Price	Square Footage	Price per Square Foot (\$)	Change in Price per Square Foot	Average Price In Decatur Area (\$)	Change in Price
1988-1989	68,875.00		2,347.50	29.16		65,305.00	
1991-1992	91,981.25	33.55%	2,163.75	41.41	42.02%	72,121.50	10.44%
1991-1992-1993	89,398.80	29.80%	2,021.33	43.15	47.98%	75,343.25	15.37%

Graph 5



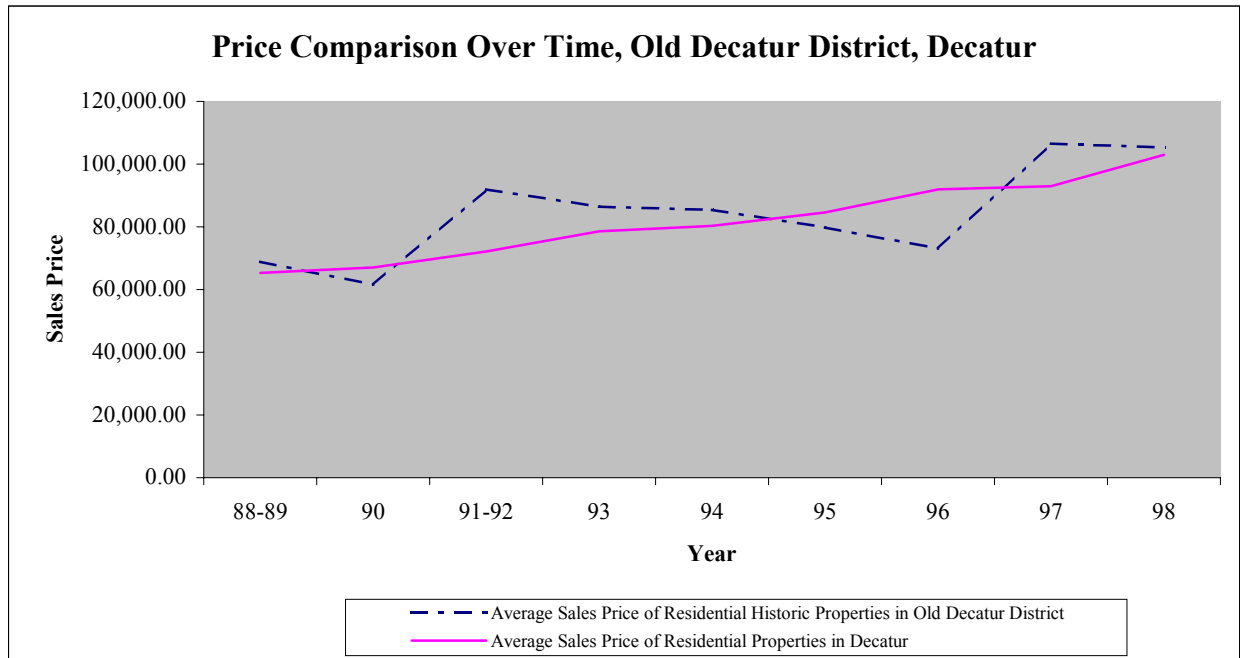
For the property-value analysis over time, AUM compared the average annual return on residential historic properties within the Old Decatur District and the average annual rate of return on residential properties in Decatur. The sample covered the period 1988-1998. The data includes all properties sold within the Old Decatur District and the Decatur area, as reported in the MLS books of the Morgan County Board of Realtors.

For the time period 1988-1998, the average rate of return for residential historic properties within the district was **7.65 percent**, compared to **5.91 percent** for residential properties in the Decatur area. As indicated in *Table 5*, the annual average rate of change in price per square foot for historic properties in Old Decatur was 9.45 percent, a rate that was almost 2 percent greater than the overall property appreciation rate for the same properties. *Graphs 6* and *7* illustrate the data and results from *Table 5*.

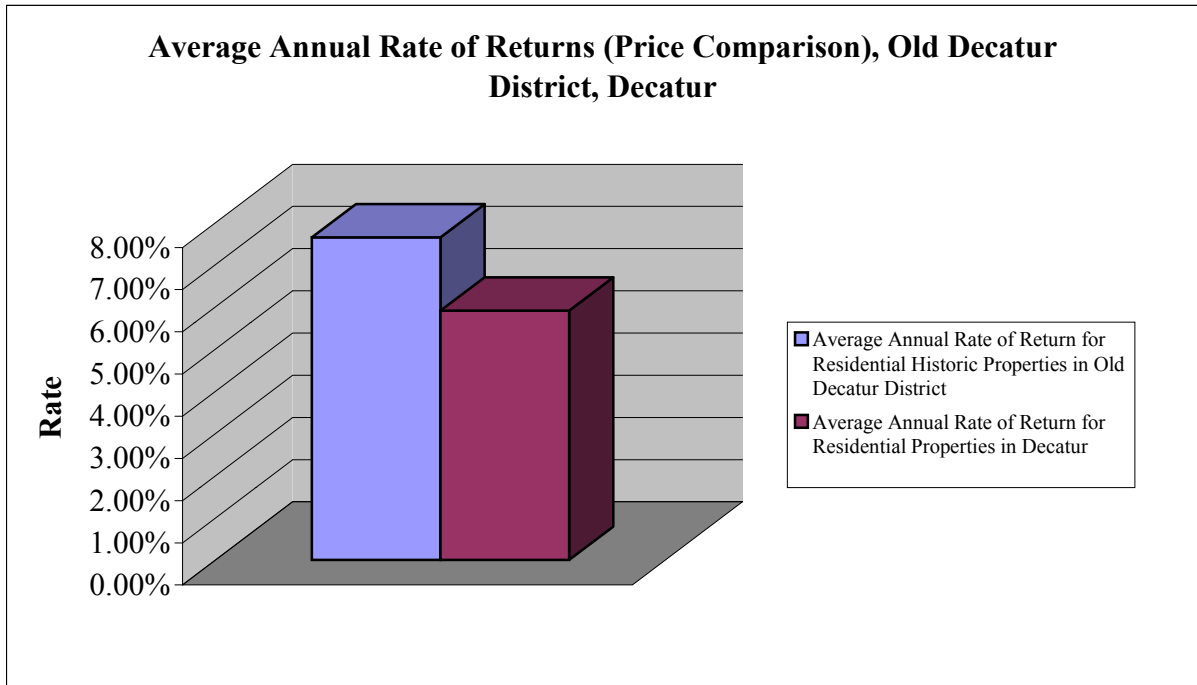
Table 5

Price Comparison Over Time, Old Decatur District, Decatur							
Year	Average Sales Price in Old Decatur District (\$)	Change in Price	Square Footage	Price per Square Foot (\$)	Change in Price per Square Foot	Average Price In Decatur Area (\$)	Change in Price
1988-1989	68,875.00		2347.50	29.16		65,305.00	
1990	61537.5	-10.65%	2037.63	31.99	9.73%	67,044.00	2.66%
1991-1992	91,981.25	49.47%	2163.75	41.41	29.43%	72,121.50	7.57%
1993	86,447.43	-6.02%	1858.57	45.13	8.99%	78,565.00	8.93%
1994	85,400.00	-1.21%	2180.80	41.33	-8.43%	80,309.00	2.22%
1995	79,750.00	-6.62%	2042.50	40.04	-3.11%	84,588.00	5.33%
1996	73,100.00	-8.34%	1477.75	48.42	20.92%	91,939.00	8.69%
1997	106,500.00	45.69%	2509.00	41.55	-14.18%	92,990.00	1.14%
1998	105,300.00	-1.13%	1983.50	54.96	32.26%	102,979.00	10.74%
Average	84,321.24	7.65%	2066.78	41.55	9.45%	81,760.06	5.91%

Graph 6



Graph 7

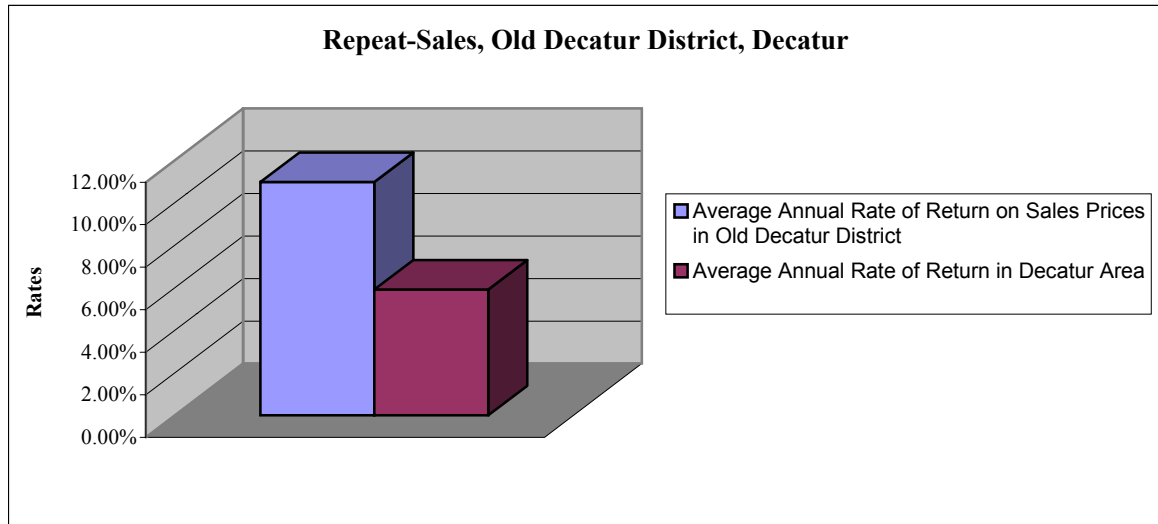


For the repeat-sales-methodology, AUM compared the annual rate of return for properties sold two or more times within the historic district against the average annual return for residential properties in Decatur. The average annual rate of return for residential historic properties that were listed as sold two or more times by the MLS books was **10.97 percent**, compared to **5.91 percent** for similar properties in the Decatur area (*Table 6*). A total of 10 properties were listed as sold two or more times during the period 1988-1998. The average annual rate of return on price per square foot for residential historic properties within the historic district is 8.03 percent. *Graph 8* portrays results from *Table 6*.

Table 6

Repeat-Sales, Old Decatur District, Decatur		
Average Annual Rate of Return on Sales Prices in Old Decatur District	Average Annual Rate of Return on Price per Square Foot	Average Annual Rate of Return In Decatur Area
10.97%	8.03%	5.91%

Graph 8



Forest Park District, Birmingham

According to the nomination form completed by the AHC for the National Register of Historic Places, the Forest Park District “is a large suburban residential park of approximately 230 acres located 2 miles from downtown Birmingham. It occupies a slope near the crest of Red Mountain and the whole is designed on broad, sweeping lines with the streets and sidewalks following the natural contour of the mountain. Homes in the district occupy large lots on steeply sloping terrain. Most of the homes were designed by accomplished architects for individual owners, rather than as commercially developed structures. Ninety (90%) percent of the structures are considered to contribute to the district and of the 90 percent, 75 percent are considered architecturally significant.”

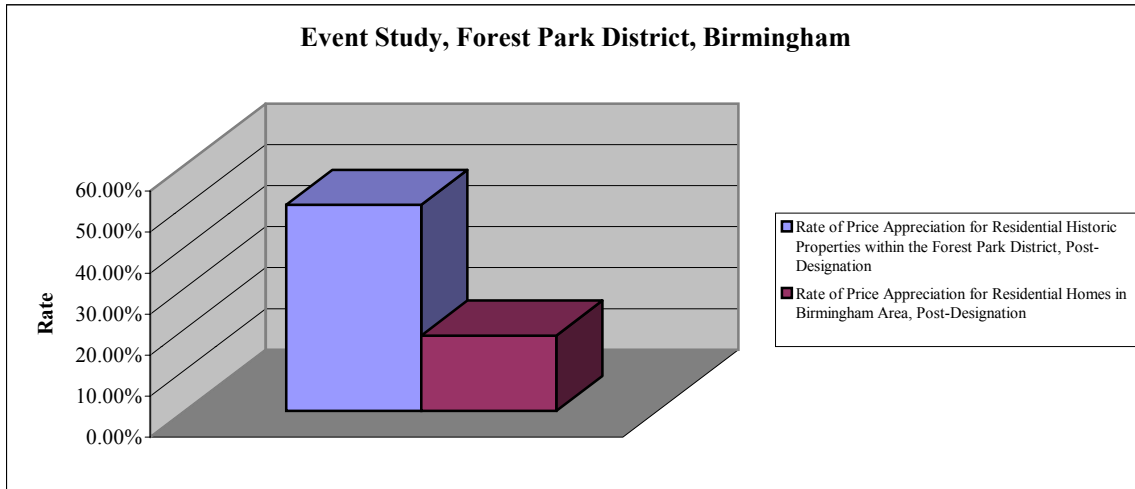
The Forest Park District was designated as a historic area in 1994. Concerning the event study, 1992 is the basis year for the pre-designation data, and consists of a total of 22 properties listed as sold in the **Multiple Listing Service, Inc.** books of the **Birmingham Area**, provided by **Jim Kelley** from **Lawrence Arendall Humphries (LAH) Real Estate, Inc.** Post-designation data consists of all properties listed as sold for the time period 1995-1996, which totals 32 properties.

As shown in *Table 7*, the average sales price of historic residential properties located in the Forest Park District increased by **50.25 percent**, from \$154,954.55 pre-designation, to \$232,823.18 post-designation. The value of residential properties located in the Birmingham area increased by **18.37 percent**, from \$110,502.00 pre-designation, to \$130,796.50 post-designation. Again, residential historic houses within the historic district registered a greater price-appreciation rate after designation (31.88 percent higher) than residential properties in surrounding areas. Average price per square foot went from \$54.72 to \$73.62, increasing in value by 34.53 percent. *Graph 9* portrays the results of the event-study-methodology.

Table 7

Event Study, Forest Park District, Birmingham							
Year	Average Sales Price in Forest Park District (\$)	Change in Price	Square Footage	Price per Square Foot (\$)	Change in Price per Square Foot	Average Price In Decatur Area (\$)	Change in Price
1992	154,954.55		2,842.77	54.72		110,502.00	
1995-1996	232,823.18	50.25%	3,199.45	73.62	34.53%	130,796.50	18.37%

Graph 9



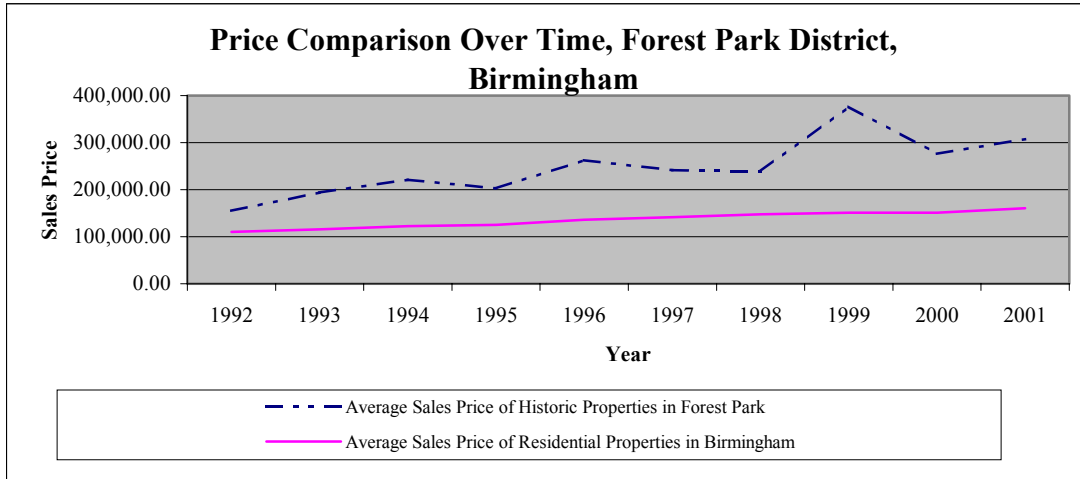
In order to find trends over time, AUM compared the average annual return for residential historic properties within the Forest Park District and the average annual return for residential properties in Birmingham, using data for the period 1992 to 2001. The sample includes all properties sold within the Forest Park District and the Birmingham area as reported in the MLS books of the Birmingham Association of Realtors.

Table 8

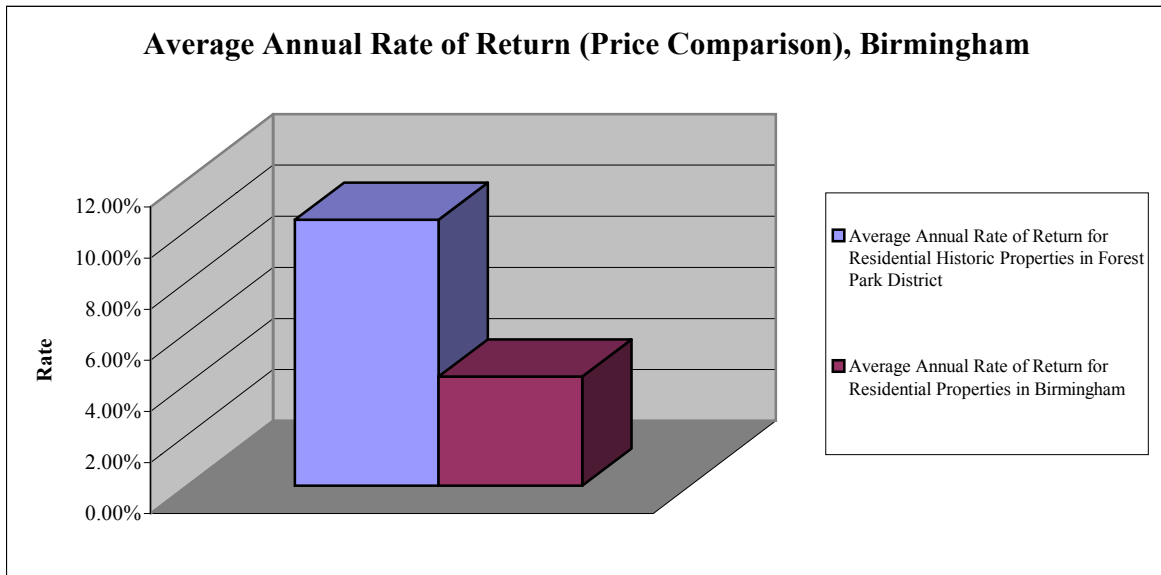
Price Comparison Over Time, Forest Park District, Birmingham							
Year	Sales Price In Forest Park District (\$)	Change in Price	Square Footage	Price per Square Foot (\$)	Change in Price per Square Foot	Average Sales Price In Birmingham Area (\$)	Change in Price
1992	154,954.55		2,842.77	54.72		110,502.00	
1993	194,024.50	25.21%	3,010.23	66.94	22.33%	115,507.00	4.53%
1994	221,125.00	13.97%	3,215.95	68.18	1.86%	122,451.00	6.01%
1995	202,860.00	-8.26%	3,004.80	69.97	2.62%	125,429.00	2.43%
1996	262,786.36	29.54%	3,394.09	77.26	10.42%	136,164.00	8.56%
1997	241,571.18	-8.07%	3,229.12	73.86	-4.41%	141,235.00	3.72%
1998	238,454.12	-1.29%	2,896.00	79.57	7.73%	147,533.00	4.46%
1999	376,900.00	58.06%	4,001.94	97.61	22.67%	151,016.00	2.36%
2000	276,384.09	-26.67%	2,765.79	100.63	3.10%	151,254.00	0.16%
2001	307,356.25	11.21%	3,013.69	100.77	0.14%	160,723.00	6.26%
Average	247,641.60	10.41%	3,137.44	78.95	7.39%	136,181.40	4.28%

For the time period 1992-2001, the average annual rate of return for residential historic properties within the historic district was **10.41 percent**, compared to **4.28 percent** for residential properties in the Birmingham area. On an annual basis, the rate of return for historic properties within the historic district was 6.13 percent higher than the rate of return for similar properties in the surrounding areas. As indicated in *Table 8*, the annual average change in price per square foot is 7.39 percent. *Graphs 10* and *11* illustrate the data and results from *Table 8*.

Graph 10



Graph 11



For the repeat-sales-methodology, AUM compared the annual rate of return for properties sold two or more times within the historic district against the average annual return for residential properties in Birmingham. Auburn University Montgomery found that the average annual rate of return for residential historic properties was **11.06 percent**, compared to **4.28 percent** for similar properties in the Birmingham area (*Table 9*). A

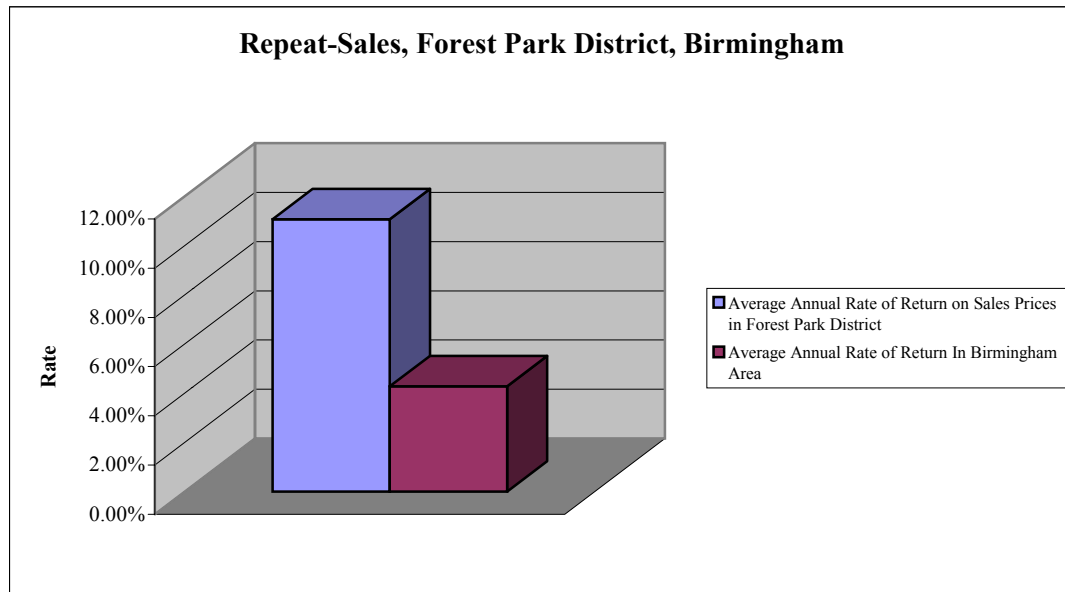
total of 37 properties were listed as sold two or more times during the period 1992-2001. The average annual rate of return on price per square foot for residential historic properties within the historic district was also 11.06 percent.

Table 9

Repeat-Sales, Forest Park District, Birmingham		
Average Annual Rate of Return on Sales Prices in Forest Park District	Average Annual Rate of Return on Price per Square Foot	Average Annual Rate of Return In Birmingham Area
11.06%	11.06%	4.28%

Graph 12 shows results from Table 9.

Graph 12



Old Town District, Huntsville

The statement of significance prepared by the AHC for the National Park Service states that “Old Town is a city-zoned historic district composed mainly of middle class urban residences built between 1870 and 1930. These one- and two-story frame structures represent two phases of Huntsville architecture, the asymmetrical picturesque homes of the Victorian era and the bungalows and revival style of the early twentieth-century.”

The Old Town District in Huntsville was designated as a historic area in 1974. Due to the unavailability of MLS books going back to 1972, the event study could not be performed. Specifically, values for the Huntsville area could not be collected. Although data on historic houses within the Old Town District since 1972 was collected, comparable data for the city of Huntsville was not available.

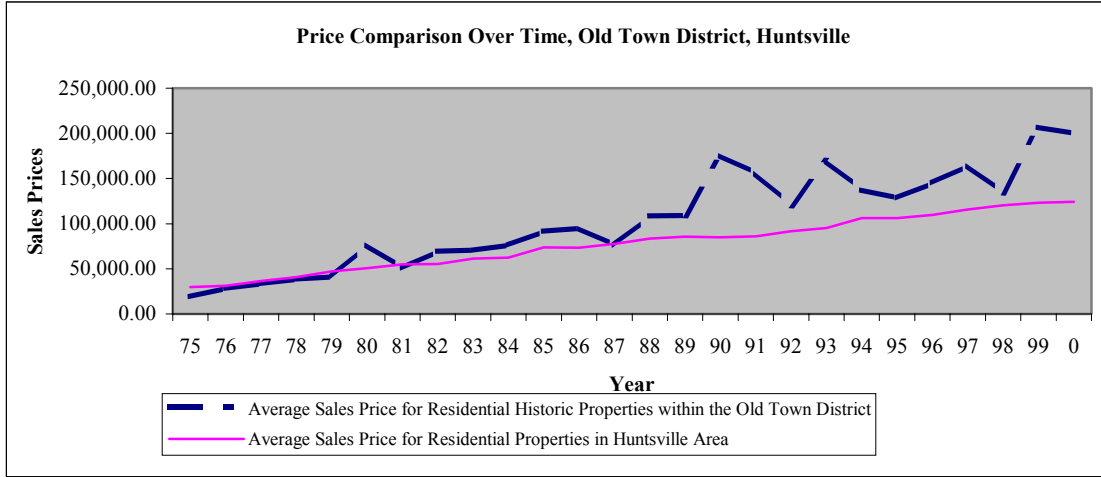
For the property value analysis over time, AUM compared the average annual return for residential historic properties within the Old Town District and the average annual return for residential properties in Huntsville. Data was collected from the **Multiple Listing Service** books for the **Huntsville Area** at the **G.W. Jones & Sons Real Estate Investment Company, Inc.** and at **Mazza Realty**. Auburn University Montgomery utilized data for the period 1975-2000. Sample sizes for the average sales prices of properties within and outside the Old Town District consist of all properties listed as sold in the MLS books of the Huntsville area.

For the time period 1975-2000, the average annual rate of return for residential historic properties within the Old Town District was **13.45 percent**, compared to **6.02 percent** for residential properties in the Huntsville area. On an annual basis, the rate of return for historic properties within the historic district was 7.43 percent higher than the rate of return for residential properties in the surrounding areas. As indicated in *Table 10*, the annual average change in price per square foot is 10.46 percent. *Graphs 13* and *14* illustrate the data and results from *Table 10*.

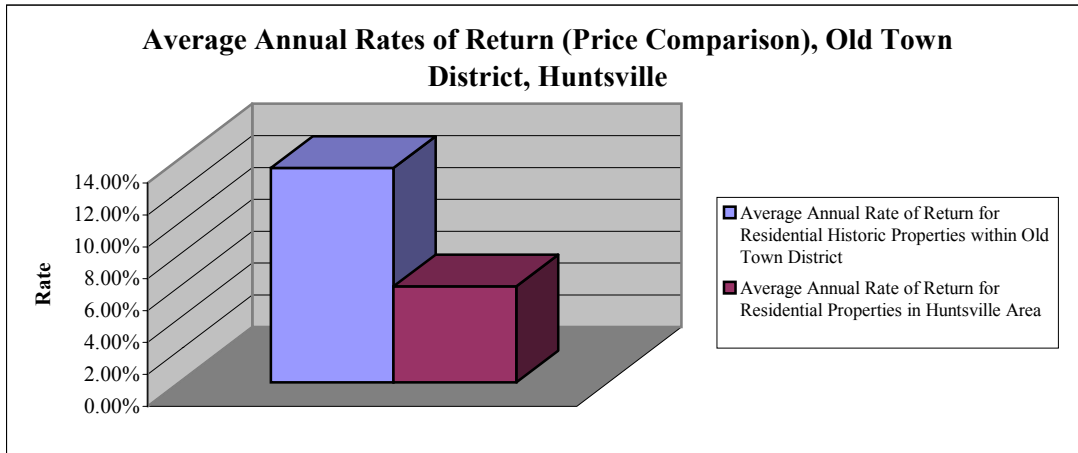
Table 10

Price Comparison Over Time, Old Town District, Huntsville							
Year	Average Sales Price in Old Town District (\$)	Change in Price	Square Footage	Price per Square Foot (\$)	Change in Price per Square Foot	Average Sales Price In Huntsville Area (\$)	Change in Price
1975	19,000.00		2,179.00	9.10		29,654.00	
1976	28,162.09	48.22%	2,547.45	10.94	20.23%	31,312.00	5.59%
1977	33,562.50	19.18%	2,473.75	13.59	24.24%	36,506.00	16.59%
1978	38,758.33	15.48%	2,408.83	16.22	19.39%	40,567.00	11.12%
1979	41,142.86	6.15%	2,197.14	19.77	21.87%	46,930.00	15.69%
1980	76,556.36	86.07%	2,901.18	26.86	35.85%	50,812.00	8.27%
1981	50,518.75	-34.01%	2,446.25	22.26	-17.10%	54,825.00	7.90%
1982	69,275.00	37.13%	2,201.38	30.00	34.75%	55,358.00	0.97%
1983	70,490.91	1.76%	1,922.18	35.95	19.83%	61,138.00	10.44%
1984	76,104.55	7.96%	2,110.45	35.10	-2.37%	62,443.83	2.14%
1985	91,622.22	20.39%	2,049.56	42.17	20.14%	73,712.00	18.05%
1986	94,728.57	3.39%	2,343.57	39.49	-6.35%	73,136.00	-0.78%
1987	76,275.00	-19.48%	1,837.38	44.19	11.89%	77,515.83	5.99%
1988	108,863.64	42.73%	2,057.64	50.22	13.67%	83,668.17	7.94%
1989	108,945.00	0.07%	2,014.50	53.18	5.90%	85,779.50	2.52%
1990	175,111.11	60.73%	3,026.78	59.25	11.40%	85,119.17	-0.77%
1991	155,833.33	-11.01%	2,886.00	57.71	-2.60%	86,073.83	1.12%
1992	120,122.73	-22.92%	1,808.09	66.91	15.94%	91,537.50	6.35%
1993	169,650.00	41.23%	2,787.33	61.81	-7.62%	95,265.17	4.07%
1994	137,525.00	-18.94%	2,285.63	63.16	2.19%	106,111.13	11.39%
1995	128,642.86	-6.46%	2,404.14	54.10	-14.35%	106,221.00	0.10%
1996	145,285.71	12.94%	1,930.86	76.39	41.21%	109,724.00	3.30%
1997	164,164.29	12.99%	2,411.00	65.51	-14.25%	115,958.00	5.68%
1998	134,250.00	-18.22%	1,872.92	73.30	11.91%	120,516.00	3.93%
1999	206,937.50	54.14%	2,610.88	80.84	10.28%	123,235.00	2.26%
2000	200,166.67	-3.27%	2,275.00	85.32	5.54%	124,123.00	0.72%
Average	104,680.58	13.45%	2,307.26	45.90	10.46%	77,970.81	6.02%

Graph 13



Graph 14



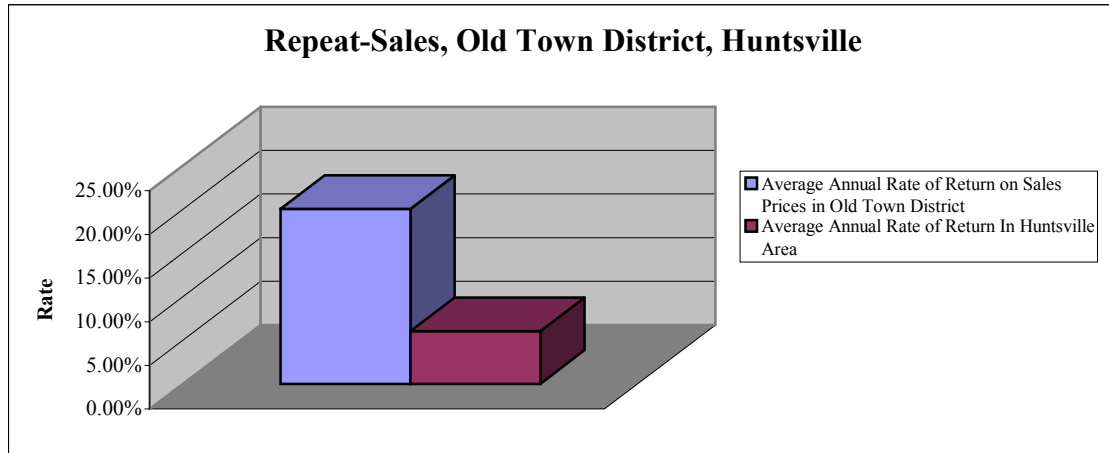
For the repeat-sales-methodology, AUM compared the annual rates of return for properties sold two or more times within the historic district against the average annual returns for residential properties in Huntsville. Auburn University Montgomery found that the average annual rate of return for residential historic properties was **20.05 percent**, compared to **6.02 percent** for residential properties in the Huntsville area (*Table 11*). A total of 62 properties were listed as sold two or more times during the period 1975-2000. The average annual rate of return on price per square foot for residential historic properties within the historic district is 18.54 percent.

Table 11

Repeat-Sales, Old Town District, Huntsville		
Average Annual Rate of Return on Sales Prices in Old Town District	Average Annual Rate of Return on Price per Square Foot	Average Annual Rate of Return In Huntsville Area
20.05%	18.54%	6.02%

Graph 15 illustrates results from Table 11.

Graph 15



Leinkauf District, Mobile

According to the nomination form prepared by the AHC for the National Register of Historic Places, “the Leinkauf Historic District is comprised of 333 primary structures covering an area of approximately 110 acres.” “Leinkauf is composed of 287 contributing primary structures (86 percent) and 46 non-contributing primary structures (14 percent).” The majority of buildings “were constructed between 1896 and 1940, with the greatest portion built between 1905 and 1936.” “Housing forms and styles throughout the district reflect the range of styles and forms popular from 1900 to 1940.”

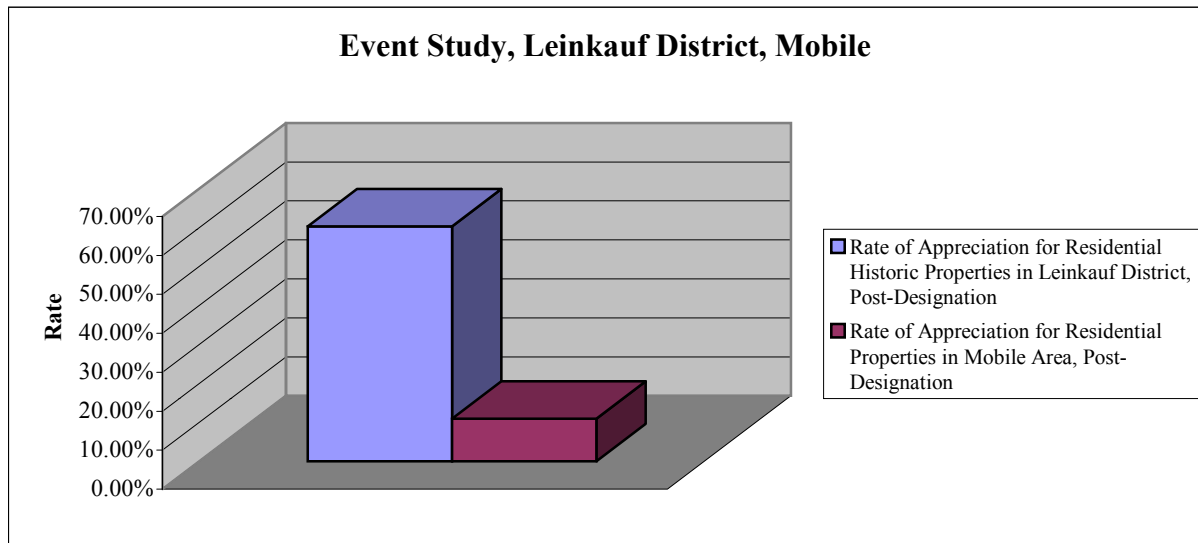
The Leinkauf District in Mobile was designated as a historic area in 1987. In line with the prior approach used in other historic districts, AUM decided to exclude 1986 data, which is the year prior to designation. Therefore, pre-designation data covers 1985 and consists of a sample of six properties listed as sold in **Multiple Listing Service** books for the **Mobile Area**, provided by **Carolyn Norman**, from **Norman Realty**. Post-designation data covers years 1988 and 1989 and consists of a sample of 10 properties listed as sold in the MLS books.

Results of the analysis are shown in Table 12. The average sales price for residential historic properties located within the Leinkauf District increased from \$38,000 pre-designation to \$60,895 post-designation, appreciating at a rate of **60.25 percent**. The average sales price for residential properties located in the surrounding area (Mobile) increased from \$61,100 to \$67,750, appreciating at a rate of **10.88 percent** post-designation. Therefore, historic houses located in the Leinkauf District appreciated at a rate almost five times greater than did similar residential properties in the Mobile area (60.25 percent versus 10.88 percent). The average price per square foot for properties within the historic district went up by 24.08 percent. Graph 16 illustrates results from Table 12.

Table 12

Event Study, Leinkauf District, Mobile							
Year	Average Sales Price in Leinkauf District (\$)	Change in Price in Leinkauf District	Square Footage	Price per Square Foot in Leinkauf District (\$)	Change in Price per Square Foot in Leinkauf District	Average Sales Price in Mobile Area (\$)	Change in Price in Mobile Area
1985	38,000.00		2,551.33	17.99		61,100.00	
1988-1989	60,895.00	60.25%	2,571.00	22.32	24.08%	67,750.00	10.88%

Graph 16



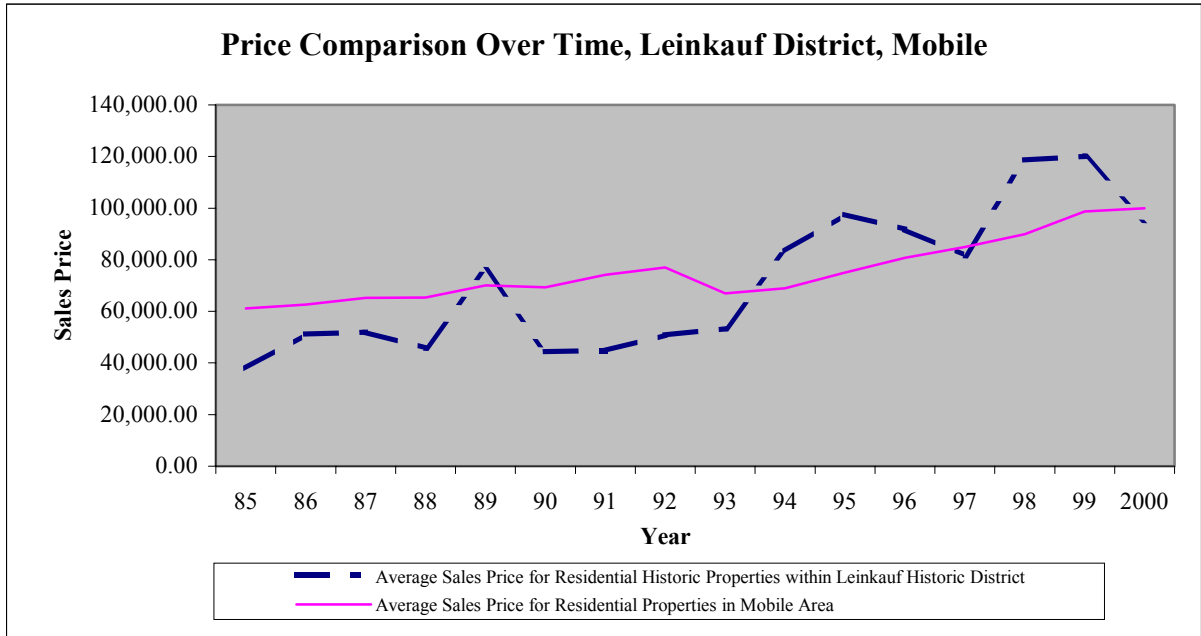
For the analysis of property values over time, AUM compared the average annual return for residential historic properties within the Leinkauf District and the average annual return for residential properties in Mobile. Auburn University Montgomery utilized data for the period 1985-2000. The sample sizes for the average sales prices of properties within and outside the Leinkauf District include all properties listed as sold in the MLS books of the Mobile area.

For the time period 1985-2000, the average annual rate-of-appreciation of residential historic properties within the Leinkauf District was **10.03 percent**, compared to **3.49 percent** for residential properties in the Mobile area (*Table 13*). On an annual basis, the rate of return for historic properties within the district was 6.54 percent higher than the rate of return for properties in the surrounding areas. As indicated in *Table 13*, the annual average change in price per square foot is 9.45 percent. *Graphs 17 and 18* show all results contained in *Table 13*.

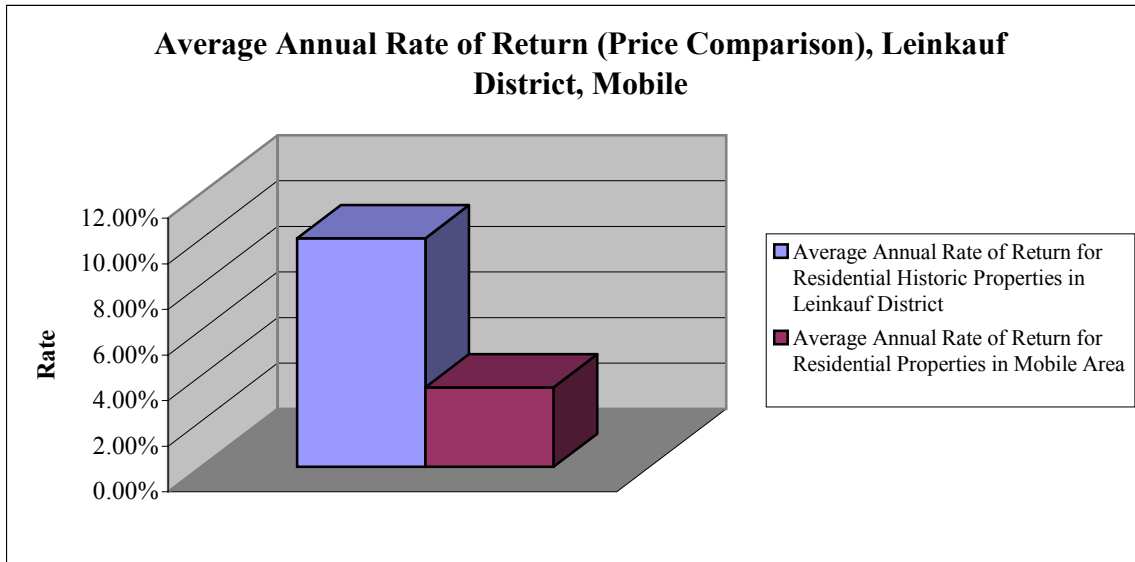
Table 13

Price Comparison Over Time, Leinkauf District, Mobile							
Year	Sales Price (\$)	Change in Price	Square Footage	Price per Square Foot (\$)	Change in Price per Square Foot	Average Price in Mobile Area (\$)	Change in Price
1985	38,000.00		2,551.33	17.99		61,100.00	
1986	51,218.18	34.78%	1,981.00	24.22	34.63%	62,600.00	2.45%
1987	52,018.50	1.56%	2,144.00	25.71	6.16%	65,200.00	4.15%
1988	45,790.00	-11.97%	2,114.40	20.71	-19.48%	65,400.00	0.31%
1989	76,000.00	65.98%	3,027.60	23.94	15.64%	70,100.00	7.19%
1990	44,400.00	-41.58%	2,175.00	21.32	-10.98%	69,300.00	-1.14%
1991	44,784.00	0.86%	1,750.14	29.99	40.70%	74,200.00	7.07%
1992	50,889.88	13.63%	1,634.75	30.37	1.26%	77,000.00	3.77%
1993	53,263.64	4.66%	2,182.27	26.35	-13.25%	67,000.00	-12.99%
1994	83,337.50	56.46%	1,979.25	41.27	56.64%	69,000.00	2.99%
1995	97,616.67	17.13%	2,104.33	42.30	2.51%	75,000.00	8.70%
1996	91,709.33	-6.05%	1,843.47	54.60	29.08%	80,751.00	7.67%
1997	81,650.00	-10.97%	1,666.88	68.21	24.92%	84,925.00	5.17%
1998	118,700.00	45.38%	2,385.71	50.07	-26.59%	89,919.00	5.88%
1999	120,059.38	1.15%	2,192.69	53.26	6.36%	98,700.00	9.77%
2000	95,289.33	-20.63%	1,916.78	50.13	-5.87%	100,000.00	1.32%
Average	71,545.40	10.03%	2,103.10	36.28	9.45%	75,637.19	3.49%

Graph 17



Graph 18

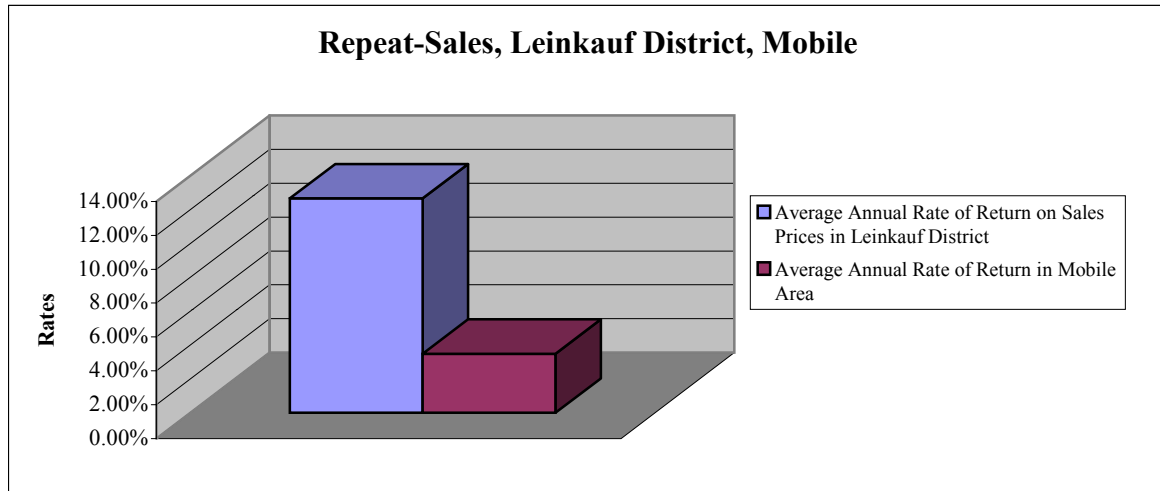


For the repeat-sales-methodology, AUM compared the annual rates of return for properties sold two or more times within the historic district against the average annual return for residential properties in Mobile. It was found that the average annual rate of return for residential historic properties located inside the Leinkauf District was **12.66 percent**, compared to **3.49 percent** for residential properties in the Mobile area (*Table 14*). A total of 33 properties were listed as sold two or more times during the period 1985-2000. The average annual rate of return on price per square foot for residential historic properties within the historic district is 13.10 percent. *Graph 19* illustrates results from *Table 14*.

Table 14

Repeat-Sales, Leinkauf District, Mobile		
Average Annual Rate of Return on Sales Prices in Leinkauf District	Average Annual Rate of Return on Price per Square Foot	Average Annual Rate of Return In Mobile Area
12.66%	13.10%	3.49%

Graph 19



Silk Stocking District, Talladega

According to the nomination form presented by the AHC to the National Register of Historic Places, “the Silk Stocking District is an L-shaped area of approximately 113 acres located south of the courthouse square. It is the finest remaining concentration of the late nineteenth-century and early twentieth-century homes in Talladega.” “Fifteen structures in the district date prior to 1870.” “A majority of the homes in the district were built between 1885 and 1915 for leading merchants, lawyers, doctors, and local officials, and consequently, were the finest in town.”

Due to the unavailability of Multiple Listing Service books for the Talladega area, AUM commissioned **Wren Munroe & Associates** to conduct a data search. According to Wren Munroe, the information “was drawn from Talladega Listing Service member realtors, appraisers’ files, and public records.”

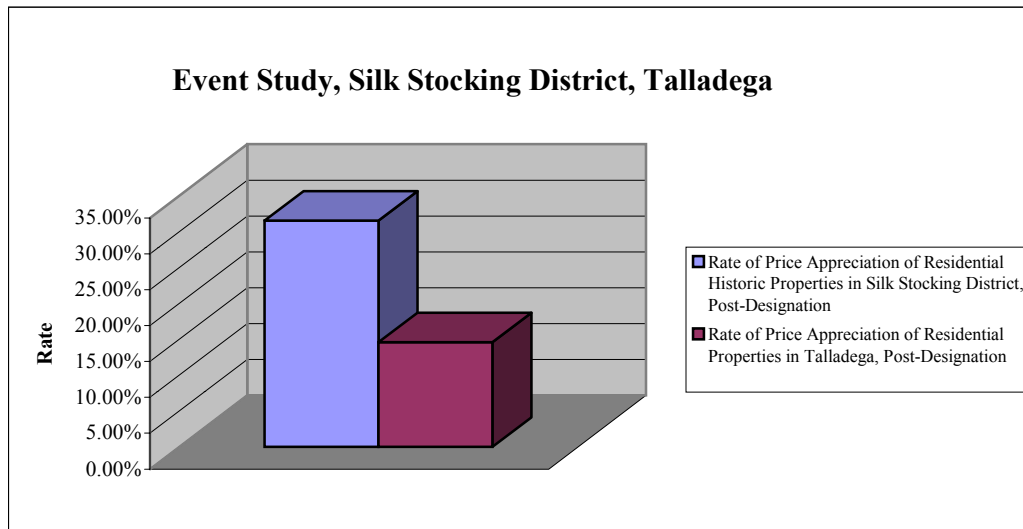
The Silk Stocking District was designated as a historic area on September 21, 1992. Sale prices for 1990 and 1991 were used as the pre-designation data and 1993, 1994, and 1995 were used as the post-designation data. **Only two properties** were found to be sold during 1990 and 1991, while 11 properties were sold during the period 1993-1995. The small pre-designation sample size makes the event study results less robust. The results are shown in *Table 15*.

Table 15

Event Study, Silk Stocking District, Talladega							
Year	Average Sales Price in Silk Stocking District (\$)	Change in Price	Square Footage	Price per Square Foot in Silk Stocking District (\$)	Change in Price per Square Footage	Average Price In Talladega Area (\$)	Change in Price
1990-1991	62,250.00		3,050.00	21.87		50,008.00	
1993-1994-1995	81,887.78	31.55%	3,201.76	26.21	19.86%	57,317.33	14.62%

The average sales prices for historic residential houses in the Silk Stocking District increased from \$62,250 pre-designation to \$81,887 post-designation. This constitutes an appreciation rate of **31.55 percent**. The average sales price of residential properties in the Talladega area appreciated by **14.62 percent**, from \$50,008 pre-designation to \$57,317 post-designation. In line with previous cases, the data shows the positive impact of historic designation on the sales price of properties. Houses inside the Silk Stocking District appreciated at a rate that was two times greater than that of similar properties outside the district (31.55 percent versus 14.62 percent). The price per square foot appreciated by 19.86 percent. *Graph 20* illustrates the results obtained using the event-study-methodology.

Graph 20



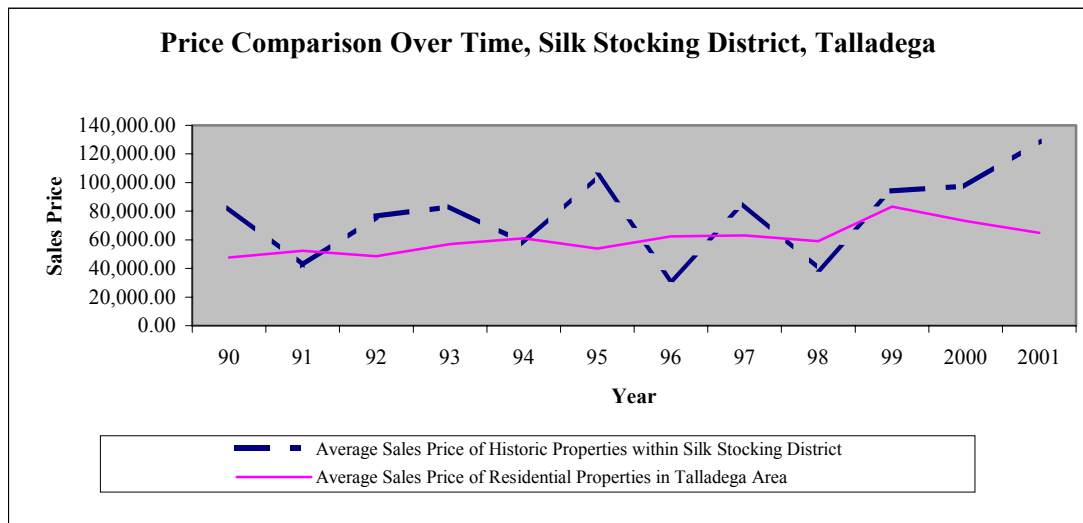
In order to find trends in property values over time, AUM compared the average annual return for residential historic properties within the historic district and the average annual return for residential properties in Talladega. Auburn University Montgomery utilized data for the period 1990-2001. The sample sizes for the average sales prices of properties within and outside the Silk Stocking District include all properties listed as sold by appraisers, realtors, and public files in the Talladega area. *Table 16* shows all data and its results.

Table 16

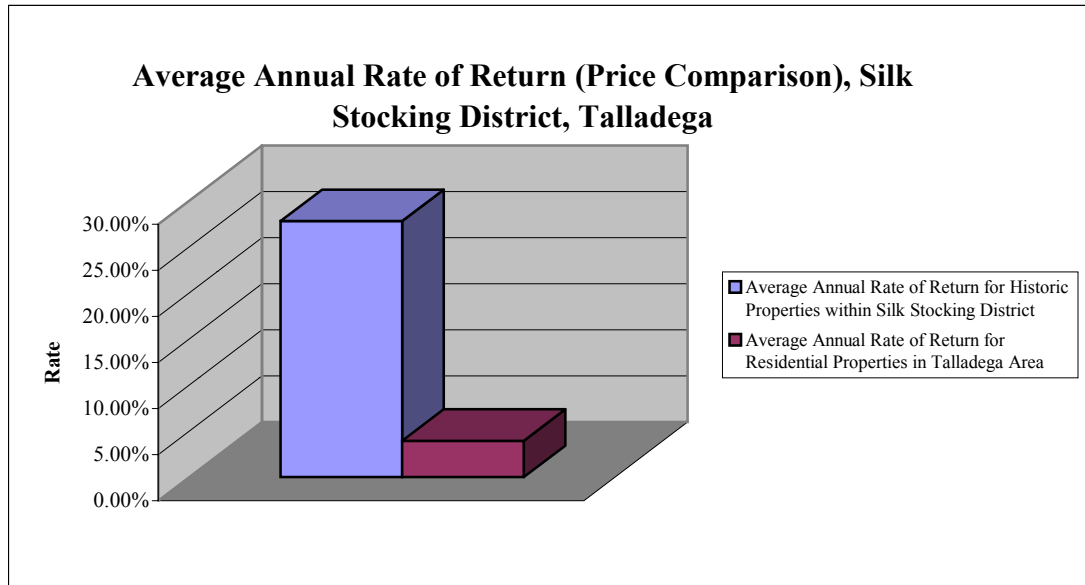
Price Comparison Over Time, Silk Stocking District, Talladega							
Year	Average Sales Price in Silk Stocking District (\$)	Change in Price	Square Footage	Price per Square Foot in Silk Stocking District (\$)	Change in Price per Square Foot	Average Sales Price In Talladega Area (\$)	Change in Price
1990	82,500.00		2,600.00	31.73		47,593.00	
1991	42,000.00	-49.09%	3,500.00	12.00	-62.18%	52,423.00	10.15%
1992	76,500.00	82.14%	3,277.50	24.77	106.42%	48,469.00	-7.54%
1993	83,250.00	8.82%	2,658.33	28.78	16.18%	57,042.00	17.69%
1994	57,580.00	-30.83%	2,919.60	22.21	-22.82%	61,007.00	6.95%
1995	104,833.33	82.07%	4,027.33	27.64	24.43%	53,903.00	-11.64%
1996	32,500.00	-69.00%	2,619.00	12.39	-55.16%	62,415.00	15.79%
1997	84,750.00	160.77%	2,489.50	34.54	178.75%	63,120.00	1.13%
1998	39,500.00	-53.39%	2,697.00	15.42	-55.37%	59,094.00	-6.38%
1999	94,055.56	138.12%	3,659.56	27.02	75.27%	83,262.00	40.90%
2000	97,550.00	3.72%	3,331.25	32.09	18.78%	73,034.00	-12.28%
2001	129,000.00	32.24%	2,870.00	44.70	39.28%	64,804.00	-11.27%
Average	77,001.57	27.78%	3,054.09	26.11	23.96%	60,513.83	3.95%

For the time period 1990-2001, the average annual rate of appreciation for residential historic properties within the Silk Stocking District was **27.78 percent**, compared to **3.95 percent** for residential properties in the Talladega area. On a yearly basis, the rate of return for historic properties within the historic district was 23.82 percent higher than the rate of return for residential properties in the surrounding areas. As indicated in *Table 16*, the annual average change in price per square foot was 23.96 percent. *Graphs 21* and *22* portray all results contained in *Table 16*.

Graph 21



Graph 22

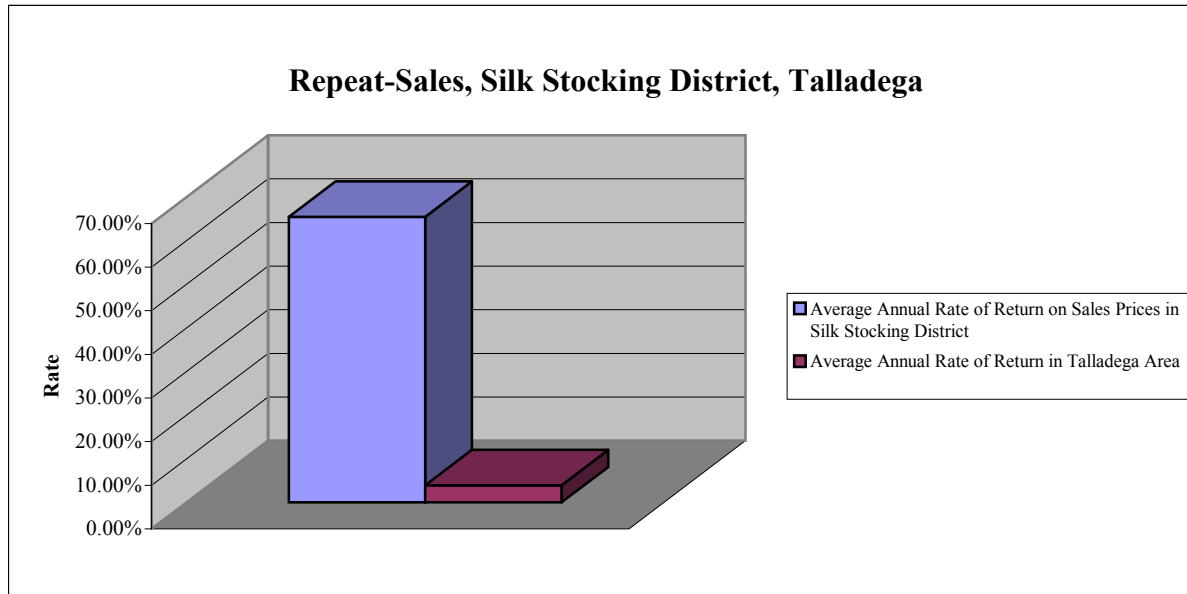


For the repeat-sales-methodology, AUM analyzed the data collected by Wren Munroe, focusing on the properties that were reported as sold two or more times. Auburn University Montgomery found that the average annual rate of return on residential historic properties located inside the Silk Stocking District was **65.47 percent**, compared to **3.95 percent** for similar properties in the Talladega area (*Table 17*). A total of only nine properties were reported as sold two or more times during the period 1990-2001. All properties reported to be sold two or more times were used to calculate the final results (outliers included). The average annual rate of return on price per square foot for residential historic properties within the historic district was also 65.47 percent, because no change in square footage was reported in the data. *Graph 23* illustrates the data reported in *Table 17*.

Table 17

Repeat-Sales, Silk Stocking District, Talladega		
Average Annual Rate of Return on Sales Prices in Silk Stocking District	Average Annual Rate of Return on Price per Square Foot	Average Annual Rate of Return In Talladega Area
65.47%	65.47%	3.95%

Graph 23



Old Town District, Selma:

According to the nomination form prepared by the AHC for the National Register of Historic Places Inventory, “the Old Town District [in Selma] includes portions of 59 blocks. It contains the major residential area of nineteenth-century Selma, as well as portions of 16 blocks of early commercial and public sections of the town.” “In the 43 primarily-residential blocks, a surprising unity has been maintained. Of approximately 450 structures, 303, or 67 percent, appear to have been built before 1910. Of these, 126, or 28 percent, have been judged to possess architectural and/or historic merit. Of the 177 ‘background’ buildings, many conceivably would have been given a higher architectural rating in a community less rich in its architectural heritage. The great majority were built as dwellings, and still remain single-family housing units. One- and two-story white frame houses predominate.”

The Old Town District in Selma was designated as a historic district in 1976. Due to the unavailability of Multiple Listing Service books for the Selma area in years prior to 1976, the event study was not performed. Data for the price appreciation and the repeat-sales were collected from the **Multiple Listing Service** books for the Selma area and other records provided by **James McDonald** from **Appraisals Unlimited**.

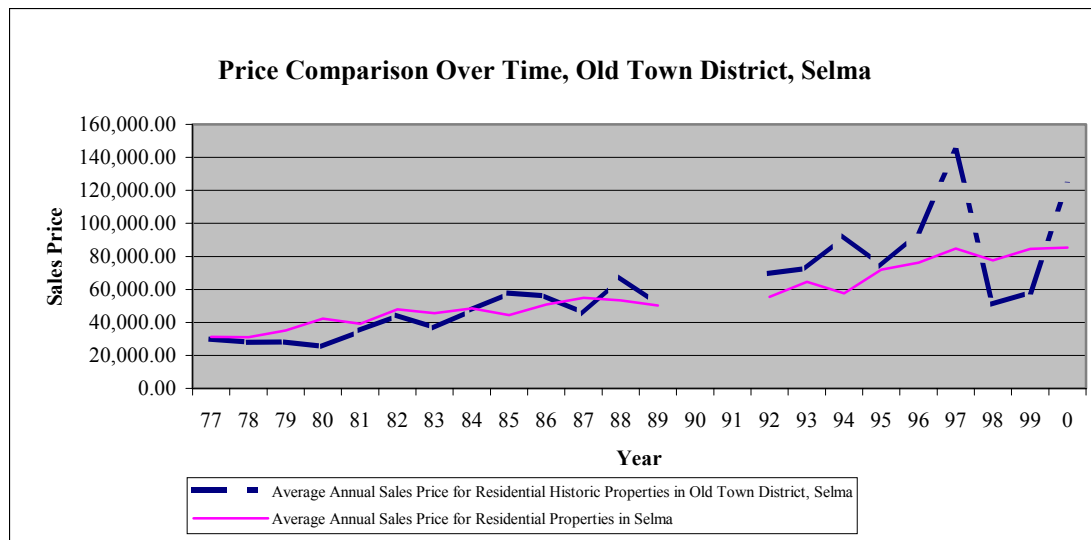
For the property values analysis over time, AUM compared the average annual return for residential historic properties within the historic district and the average annual return for residential properties in Selma. Auburn University Montgomery collected sales values of all properties listed as sold for the period 1977-2000, with the exception of years 1990 and 1991. Data on those two years was not available. As indicated in *Table 18*, the average annual sales price for residential historic homes located within the Old Town District increased at a rate of **11.92 percent**. The average annual rate of return for residential properties in the whole Selma area was **5.11 percent**, which is 6.81 percent

lower than for similar properties in the historic district. Also, the average annual increase in price per square foot for residential historic houses within the historic district was 5.97 percent. *Graphs 24 and 25* illustrate AUM’s findings.

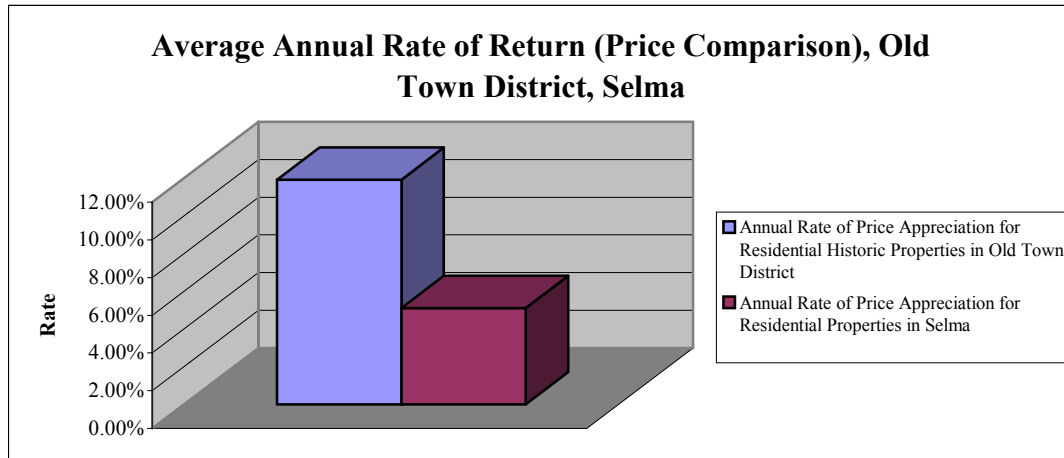
Table 18

Price Comparison Over Time, Old Town District, Selma							
Year	Sales Price In Old Town District (\$)	Change in Price	Square Footage	Price per Square Foot in Old Town District (\$)	Change in Price per Square Foot	Average Price In Selma Area (\$)	Change in Price
1977	29,850.00		1,407.50	26.53		31,278.00	
1978	27,870.00	-6.63%	2,189.80	12.49	-52.91%	31,084.00	-0.62%
1979	28,166.67	1.06%	2,441.33	12.00	-3.97%	35,088.00	12.88%
1980	25,316.67	-10.12%	2,331.33	11.50	-4.12%	42,282.00	20.50%
1981	35,125.00	38.74%	1,655.25	28.64	149.03%	39,135.00	-7.44%
1982	44,360.50	26.29%	3,065.00	15.17	-47.03%	47,847.00	22.26%
1983	36,650.00	-17.38%	1,997.50	21.28	40.29%	45,642.00	-4.61%
1984	47,525.87	29.67%	2,348.13	20.70	-2.76%	48,498.00	6.26%
1985	57,719.20	21.45%	3,322.80	18.76	-9.35%	44,392.00	-8.47%
1986	55,837.00	-3.26%	2,456.50	23.37	24.59%	50,901.00	14.66%
1987	45,454.55	-18.59%	2,364.91	21.03	-10.05%	54,829.00	7.72%
1988	67,581.82	48.68%	3,070.36	21.90	4.14%	53,317.00	-2.76%
1989	50,714.29	-24.96%	2,493.43	20.25	-7.54%	50,293.00	-5.67%
1990							
1991							
1992	69,666.67	12.46%	2,803.67	28.23	13.15%	55,456.00	3.42%
1993	72,884.38	4.62%	3,029.94	24.52	-13.15%	64,490.00	16.29%
1994	92,468.75	26.87%	3,201.63	27.12	10.62%	57,544.00	-10.77%
1995	74,084.09	-19.88%	2,609.27	30.62	12.88%	72,045.00	25.20%
1996	95,128.57	28.41%	3,214.71	31.14	1.69%	76,191.00	5.75%
1997	144,100.00	51.48%	4,448.80	30.59	-1.76%	84,816.00	11.32%
1998	51,080.00	-64.55%	2,121.00	25.10	-17.96%	77,501.00	-8.62%
1999	58,333.33	14.20%	2,321.67	24.30	-3.17%	84,506.00	9.04%
2000	123,541.67	111.79%	3,361.25	34.67	42.65%	85,370.00	1.02%
Averages	60,611.77	11.92%	2,647.99	23.18	5.97%	56,022.95	5.11%

Graph 24



Graph 25

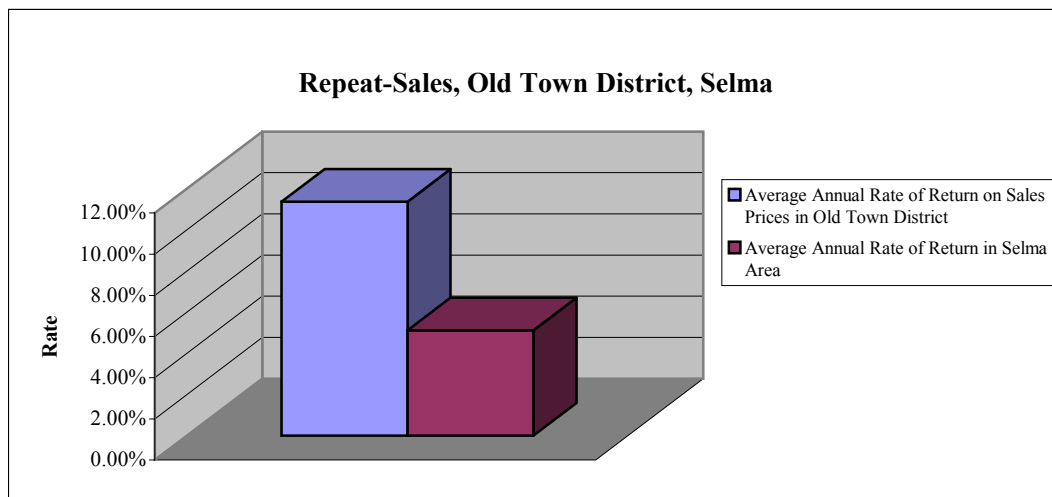


For the repeat-sales-methodology, AUM compared the annual rate of return for properties sold two or more times within the historic district, against the average annual return for residential properties in Selma. It was found that the average annual rate of return for residential historic properties located inside the Old Town District was **11.36 percent**, compared to **5.11 percent** for residential properties in the Selma area (*Table 20*). Data on years 1990 and 1991 was not available. A total of 35 properties was listed as sold two or more times during the period 1977-2000. The average annual rate of return on price per square foot for residential historic properties within the historic district was 11.39 percent. *Graph 26* shows results detailed in *Table 19*.

Table 19

Repeat-Sales, Old Town District, Selma		
Average Annual Rate of Return on Sales Prices in Old Town District	Average Annual Rate of Return on Price per Square Foot	Average Annual Rate of Return In Selma Area
11.36%	11.39%	5.11%

Graph 26



Conclusion:

The study analyzed the impact of historic designation on property values in Alabama. The Alabama Historical Commission (AHC) staff provided the specific historic districts to be analyzed, as well as the dates of designation.

Using the market values of properties in the historic areas and in the community at large, an event study, a property values comparison over time, and a repeat-sales-analysis were conducted.

The event study analyzed the data by looking at pre- and post-designation property values. The hypothesis here is that historic designation will lead to higher property values in a historic area relative to overall property prices in the community.

The repeat-sales-analysis compared property price appreciation rates in historic designated areas with the rates obtained from the general surrounding areas. Again, the expectation, on *a priori*, was that the designation ordinance would result in higher property value appreciation in the historically designated neighborhood relative to property prices in the general surrounding area.

The property values comparison over time highlighted the long run property value trends in the historic areas versus the trend in general housing prices.

Our analysis concentrated on the property price trend in the following neighborhoods:

- Garden District, Montgomery, designated in 1983
- Leinkauf Historic District, Mobile, designated on June 24, 1987
- Old Forest Park District, Birmingham, designated in 1994
- Old Decatur District, Decatur, designated on October 11, 1990
- Old Town District, Huntsville, designated in 1974
- Old Town District, Selma, designated in 1976
- Silk Stocking District, Talladega, designated on September 21, 1992

The results of the event study, which compared pre- and post-designation housing price appreciation rates, indicated that in the Montgomery **Garden District**, historic properties appreciated by **42.35 percent**, compared to **8.30 percent** for residential properties in the Montgomery area. When counting all properties sold during the time period 1981-2001, the average annual rate of return for residential historic properties within the Garden District was **7.22 percent**, compared to **4.04 percent** for similar residential properties in the Montgomery area. Counting properties listed as sold two or more times (repeat-sales-analysis), it was found that the average annual price appreciation rate is **9.51 percent** for historic houses, and **4.04 percent** for residential properties in Montgomery.

The average price-appreciation rate of historic residential properties located within the **Old Decatur District**, from the pre-designation to the post-designation period, was **29.80 percent**, while for residential properties located in Decatur, it was **15.37 percent**.

Counting all properties listed as sold during the time period 1988-1998, the average annual rate of return for residential historic properties was **7.65 percent**, compared to **5.91 percent** for residential properties in the Decatur area. When counting all properties sold two or more times, the average annual price-appreciation rates were **10.97 percent** and **5.91 percent**, for the Old Decatur District and Decatur, respectively.

The average sales price of historic residential properties located in the **Forest Park District** increased by **50.25 percent** after the designation ordinance, compared to **18.37 percent** for residential properties located in Birmingham. During the time period 1992-2001, and for all properties sold, the average annual rate of return for residential historic properties was **10.41 percent**, compared to **4.28 percent** for residential properties in Birmingham; the same rates were **11.06 percent**, compared to **4.28 percent** for properties that were listed as sold two or more times.

For the time period 1975-2000, the average annual rate of return for residential historic properties within the **Old Town District** in **Huntsville** was **13.45 percent**, compared to **6.02 percent** for residential properties in the Huntsville area (counting all properties sold), and **20.05 percent**, compared to **6.02 percent**, counting properties that were listed as sold two or more times by the MLS books.

The average sales price for residential historic properties in the **Leinkauf District** appreciated by **60.25 percent** from the pre-designation to the post-designation period, compared to a rate of **10.88 percent** for residential properties in Mobile. For the time period 1985-2000 and counting all properties, the average annual rate of appreciation for residential historic properties within the Leinkauf District was **10.03 percent**, compared to **3.49 percent** for residential properties in the Mobile area. The repeat-sales-analysis suggested that for properties sold two or more times, the price-appreciation rate for historic neighborhoods was **12.66 percent**, compared to **3.49 percent** for the Mobile residential housing market.

The average sales price for historic residential houses in the **Silk Stocking District** increased **31.55 percent** from the pre-designation to the post-designation period, while the average sales price of residential properties in the Talladega area appreciated at a rate of **14.62 percent**. Counting all properties listed as sold during the time period 1990-2001, the average annual rate-of-appreciation for residential historic properties within the Silk Stocking District was **27.78 percent**, compared to **3.95 percent** for residential properties in the Talladega area. Counting only those properties in the historic district that were reported as sold two or more times, the average annual rate of appreciation was **65.47 percent**, compared to **3.95 percent** for Talladega.

Counting all properties sold for the time period 1977-2000, it was found that the average annual sales price for residential historic homes located within the **Old Town District** in **Selma** increased at a rate of **11.92 percent**, compared to a rate of **5.11 percent** for residential properties in Selma; when counting those properties listed as sold two or more times by the MLS books, the rates were **11.36 percent** and **5.11 percent** for the historic district and Selma, respectively.

In all cases, it was found that historic designation has a positive and substantial impact on the value of properties located in a historic neighborhood. This conclusion is found to be true in the short run (the results from the event study), and in the long run -- as indicated by the results reported by the repeat-sales and general long-run price trends.