

## PLACE MAKING

VALUE AND THE PUBLIC REALM

**CBRE**

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**PLACEMAKING: THE PUBLIC REALM'S IMPACT ON VALUE****PLACEMAKING AND THE PUBLIC REALM**

Placemaking happens when buildings are transformed into vibrant urban spaces that offer wellbeing, pleasure and inspiration. Its success can be measured by improved lives, greater happiness and, when done successfully, an uplift in property values. Placemaking has many aspects, of which changes to the public realm are one of the most fundamental. Most cities devote a considerable amount of valuable land to the public realm, and many of the world's most iconic locations are public spaces.

## PLACEMAKING: THE PUBLIC REALM'S IMPACT ON VALUE

Urban area planners have long recognized the benefits of building and maintaining good public realm, but this doesn't mean that the issue has always been given the priority it merits. For instance, during the period when many western cities were in decline, from roughly the late 1960s to the early 1980s, the role of public spaces was often neglected. Any development, however poor, was pursued to generate some economic activity. Perhaps understandably, this approach to urban development is still pursued by many emerging-market cities where the need to relieve poverty means that economic growth is given overwhelming priority.

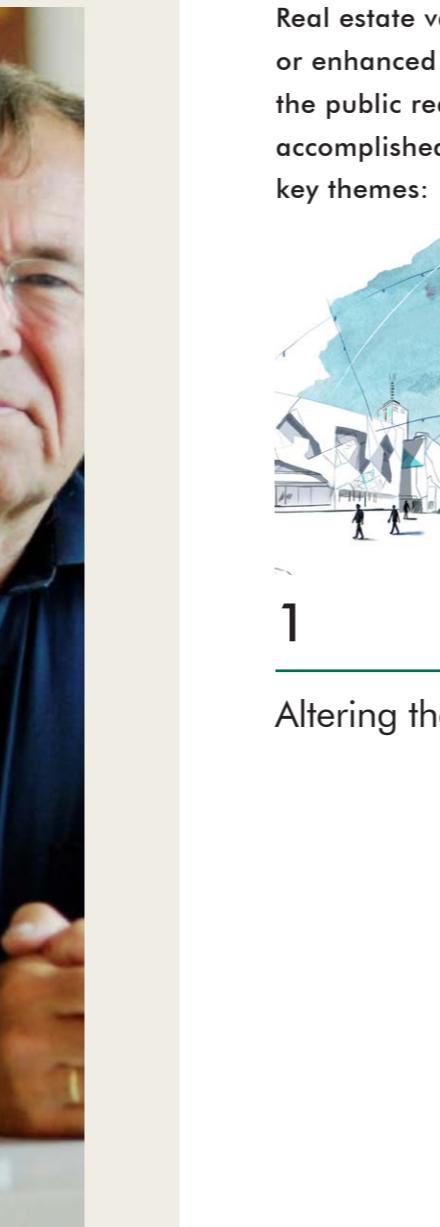
Since the mid-1990s though, when western cities began a widespread process of revival and repopulation, the quality of public space has once again come into focus. As well as the need to promote social wellbeing in the context of rapid and high-density urbanization, there are other reasons why placemaking is again an essential concern for those interested in property and planning. In the long period of deleveraging and low interest rates since 2008, property investment yields have fallen to a point where, in some markets, value can no longer be bought but

must be created. And rapid technological innovation has produced greater mobility and fluidity in peoples' choice of workplace and residence than ever before, creating a greater premium on the quality of places that they choose.

Despite this recent resurgence of interest in placemaking, the relationship between design of public space and the creation of value in the post-industrial, post-modern urban area is not widely understood. Public space is clearly of value for the overall vitality and 'liveability' of an urban area, but it is also critical to the commercial success of public authorities and private-sector developers and ultimately to the economic success of the urban area itself.

The architect Jan Gehl has shown how lack of attention to a high quality public realm can blight the human experience of the built environment<sup>1</sup> by impairing safety, comfort, stimulation or the desire to linger in urban spaces. Building on that work, this study looks more closely at the relationship between public realm and property values by examining the impact on real estate value of good public realm interventions.

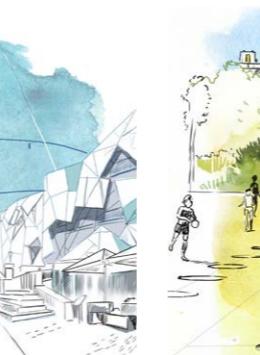
The study is a collaborative analysis using the Gehl methodology, which identifies twelve specific criteria to assess the human experience of place, and CBRE data to assess the effect of public realm interventions on property values, encompassing a range of indicators such as rents, land prices and capital values. We examine a number of public realm interventions across a wide range of global cities in 'before' and 'after' terms, to test our hypothesis that, as well as improving the quality of human experience in urban areas, they have created value in financial terms as well.



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## WHAT WE DISCOVERED

Real estate value was created or enhanced by placemaking in the public realm. This can be accomplished through the following key themes:



1

Altering the image of an area

2

Creating a new destination for visitors, residents, and workers in the vicinity

3

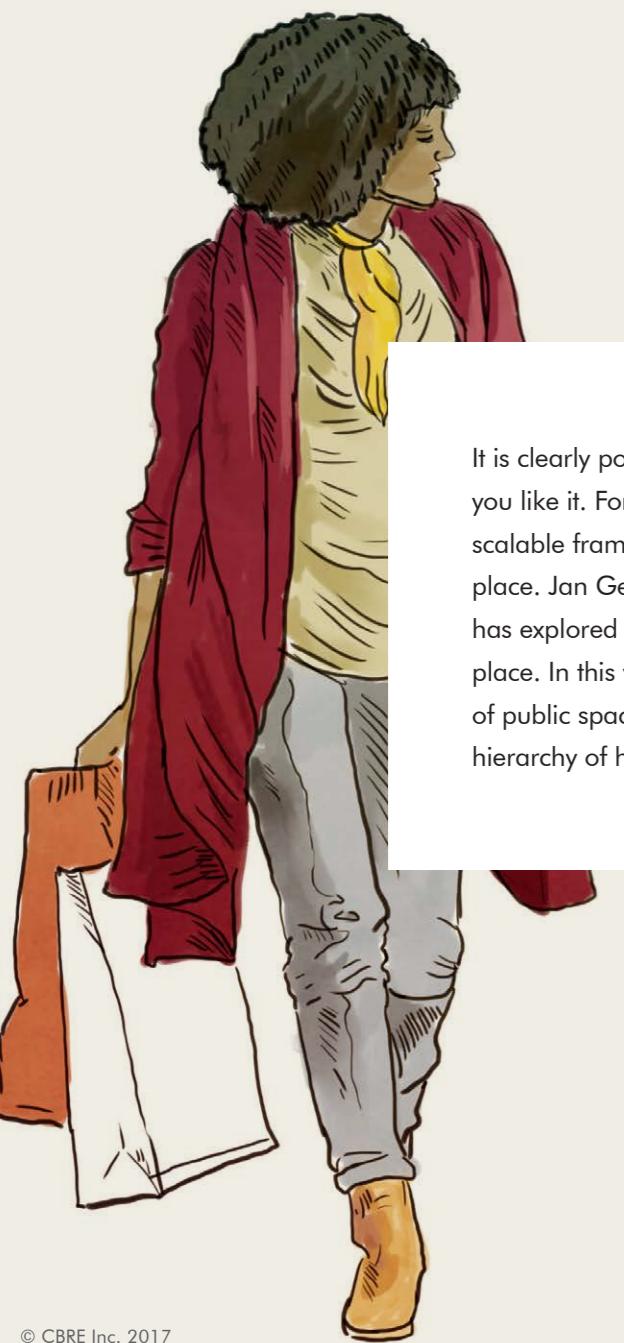
Adding an element of versatility to an area so that it can be used for events

4

Establishing the character of a newly developed area

Our case studies also showed that, in some cases, public realm interventions do not produce material benefits to real estate or the human experience. Over-ambition on project scale, or unfavourable conditions in the broader market, were often associated with failure to deliver. These case studies illustrate how placemaking can be more effective in the future.

## MEASURING THE HUMAN EXPERIENCE



It is clearly possible to think of your favorite urban place and, subjectively or intuitively, to explain why you like it. For the purposes of this analysis, though, it was important to use a more rigorous and scalable framework that generates comparable metrics on key elements of the human experience of place. Jan Gehl has long espoused a human-centric approach to urban design and, over the years, has explored the aspects of public spaces that are of most importance to the human experience of place. In this way, he has assembled a unique methodology and set of criteria to measure the quality of public space based on human experience. Much of the theoretical basis for this lies in Maslow's hierarchy of human needs, and the specific criteria are shown on the page opposite.

## MEASURING THE HUMAN EXPERIENCE



To assess the effect of the public realm on real estate values, we looked at changes over time in the appropriate real estate markets around the world to measure trends and also identify the commercial drivers of change. Real estate values are the product of demand from occupiers, which is measured by annual take-up or the net absorption of space, and demand by investors, which can be seen in capital inflows. In terms of value, occupier demand for space is reflected in rental values, while demand for assets by investors is indicated by the level of the yield. Together, rents and yield create capital values. Our approach to measuring the success of placemaking initiatives was to measure the evolution of values before, during and after new public realm is developed. This is distinct from, but dovetails with, the public realm's impact on human experience which is the other focus of the study."



## MEASURING THE HUMAN EXPERIENCE



- ① Federation Square, Melbourne (1998 – 2002)
- ② Liverpool One, Liverpool (2004 – 2008)
- ③ The High Line, NYC (2006 – 2014 – last phase opened)
- ④ Porta Nuova, Milan (2006 – 2016)

- ⑤ Israel's Square, Torvallerne, Copenhagen (2008 – 2014)
- ⑥ Place du Marché Saint-Honoré, Paris (1997 – 2002)
- ⑦ Magellan Terraces, Hafencity, Hamburg (~1997 – 2005)
- ⑧ Cheonggyecheon River Park, Seoul (2003 – 2005)
- ⑨ Granary Square, King's Cross, London (2008 – 2012)
- ⑩ Duke of York Square, London (1998 – 2003)
- ⑪ Parc André Citroën, Paris (1985 – 1992)

## PLACEMAKING: THE LINK BETWEEN PUBLIC REALM INTERVENTIONS AND REAL ESTATE VALUES

**“ Non-residential values dramatically improved since completion of the project, with values within 100 meters rising by 33%, and within 500 meters growing by 7.3%<sup>5</sup>.**

In almost all cases, placemaking creates benefits, either in human terms or real estate values or both. The locations that achieve both tend to share characteristics or outcomes, including a change of image for the area and/or the creation of a new destination, potentially enhanced by a variety of public events that drive visitors there and encourage them to stay and spend. Engagement of the public in formulating plans for a placemaking project is key, both in terms of contributing to a positive initial reception and the project's long-term success. The case studies used here to explore the overarching themes of successful placemaking are often illustrative of more than one aspect, demonstrating that successful placemaking can be due to a number of positive outcomes that work together to sustain the area's vitality in the longer term.

### KEY THEME 1: CHANGE OF IMAGE

When placemaking alters the public image of a location, the result is dramatic. Restoring a historic identity to a place or creating an image that enhances the tenant profile, or both, are key outcomes supported by the input of local stakeholders through public consultation.



On a larger scale, the restoration of the stream in Cheonggyecheon River Park in Seoul brought new life to the area while contributing significantly to the economic competitiveness of the urban area. When restoration work began in the 2000s, 24.1% of Cheonggyecheon's occupiers departed the area<sup>2</sup>. Serious pollution issues caused by the 6.9 kilometer-long overpass, carrying an estimated 168,000 cars every day, exacerbated the area's decline.

Replacing the overpass with the stream that formerly ran through the site and biodiverse wetlands alongside precipitated a dramatic transformation of the area. An extended series of public consultations, organized by the Cheonggyecheon Restoration Citizens' Committee, helped to gauge public opinion and communicated the project's goals. A full score across Gehl's 'human experience' criteria reflects the park's immense popularity with locals and tourists, with an average of 64,000 visitors per day. The business district has also seen a 0.8% increase in the number of workers, versus a decrease in downtown Seoul of 2.6%<sup>3</sup>. There has been a 35% reduction in air pollution<sup>4</sup>.

## PLACEMAKING CASE STUDIES

MAP REFERENCE	PLACE AND TIME	WHAT WAS THERE BEFORE?	WHAT HAPPENED?	WHAT WAS THE OUTCOME?	PROPERTY VALUE CHANGE	GEHL SCORE*
1	Federation Square, Melbourne (1998-2002)	Jolimont Railway Yards, a major transport hub in the city center.	A civic and cultural square was built on a deck above the still fully operational station. The fragile structure of the deck is unable to bear heavy loads, limiting the development of further large buildings on the square. A large screen is used to project key sporting and civic events, which acts as an additional draw. The square was completed in 2002 at a project cost of A\$467m.	Area became a new focal point of the city, and a popular meeting point.		Protection: 89% Comfort: 100% Enjoment: 100% <b>Total:</b> 97%
2	Liverpool One, Liverpool (2004-2008)	The 42 acre site consisted of a combination of retail space, vacant buildings and a car-park in the area leading towards the waterfront.	Largest private-led redevelopment project in Europe. Opening in 2008, and costing around £900m to develop, the project comprises around 200 shops, more than 500 apartments, two hotels, 25 restaurants, a 14-screen Odeon cinema, four office buildings, a revitalized five acre public park and a public transport interchange.	The shopping center is outstandingly successful, with a low vacancy rate and continuously rising footfall. The center has attracted new brands such as Harvey Nichols. Retail further away in Liverpool has not really benefited from a large increase in supply of space, and so vacancy rates and rents have suffered.		Protection: 78% Comfort: 78% Enjoment: 78% <b>Total:</b> 78%
3	High Line, NYC (2006-2014 – last phase opened)	Elevated derelict train tracks surrounded by the old meatpacking district on the fringes of Midtown New York.	Elevated walkway with views of the Hudson River and city that opened in 2009 at a total project cost of around US\$50m. Walkway features gardens and amenities such as artworks, sunbathing decks made of reclaimed teak, seasonal food vendors and an amphitheater.	Visitor numbers have substantially increased to approximately 6 million a year. The project has formed the backbone of the revitalization of the Chelsea and Meatpacking districts.		Protection: 100% Comfort: 100% Enjoment: 100% <b>Total:</b> 100%
4	Porta Nuova, Milan (2006-2012)	After the Porta Nuova Station was destroyed in 1960, the functions of the Varesine area were shifted, leaving an empty lot in the inner city that over time lost its functionality and connection to the city center.	Three districts redeveloped to form Porta Nuova Garibaldi, Porta Nuova Varesine and Porta Nuova Isola with a green public space to link the three. The 42 acre public realm was integral to the overall plans to create continuity among the three areas and act as a destination in its own right. The scheme opened in three phases, reaching completion in 2012.	The area has become a new commercial and residential center, attracting 12 million visitors in the first year after opening.		Protection: 78% Comfort: 72% Enjoment: 67% <b>Total:</b> 72%
5	Israel's Square, Tørvallerne, Copenhagen (2008-2014)	A car-park, with Europe's largest underground parking facility, in between Tørvallerne market and H.C. Ørsteds Park in the central city area.	Area converted to a large open square at a cost of US\$57m with two glass and steel framework covered markets, one for affordable stalls and the other for pricier items. During the summer, 80 outdoor stalls fill the rest of the square. A variety of amenities and spaces to meet are provided as well, including a ballgames and skating area.	Now a busy marketplace and meeting point in an area close to the city's university and tourist center.		Protection: 100% Comfort: 100% Enjoment: 100% <b>Total:</b> 100%
6	Place du Marché Saint-Honoré, Paris (1997-2002)	Large multi-story concrete car-park in the heart of Paris, adjacent to the luxury retailing street of Rue Saint-Honoré.	Starting in 1997, the car park was demolished and replaced with a transparent five-story building accommodating offices, shops, a parking space and a fire station. The commercial building covers the existing street axis with an atrium that runs the entire length of the building like a pedestrian street. Outside, the square was remodelled and repaved to provide a welcoming space for the public.	Square provides an offshoot to the Rue Saint-Honoré and an attractive destination for visitors to relax and spend time in one of the many cafés.		Protection: 100% Comfort: 72% Enjoment: 89% <b>Total:</b> 83%
7	Magellan Terraces, Hafencity, Hamburg (~1997-2005)	Part of a brownfield site of disused port and industrial land in between the Speicherstadt (historic warehouse district of the port city) and the River Elbe.	Redevelopment of the site is ongoing, with a total of 157 hectares within the redevelopment project. Magellan Terraces was completed in 2005 at the heart of the commercial area of the Hafencity, and contain 4,700 square meters of public spaces that are a hallmark of the project, designed to integrate the urban landscape with the waterfront.	Terraces allow visitors and workers in the area to enjoy the waterfront in an area that was previously completely inaccessible to pedestrians.		Protection: 100% Comfort: 100% Enjoment: 100% <b>Total:</b> 100%
8	Cheonggyecheon River Park, Seoul (2003-2005)	Originally a stream, the site had deteriorated into an open sewer. In the early 20th century it was paved over, and then made into a 12-lane highway.	Stream reintroduced with walkway and green spaces alongside to form an urban riverpark. Several historic bridges restored over the stream to connect each side. As the stream had dried up by the time the project occurred, water had to be pumped from the River Han to sustain flow. Project completed in 2005 for US\$385m.	Temperatures in the immediate vicinity have dropped and wind speeds increased, and pollution substantially reduced. Area has become a top tourist destination and an important amenity for workers and residents.		Protection: 100% Comfort: 100% Enjoment: 100% <b>Total:</b> 100%
9	Granary Square, King's Cross, London (2008-2012)	Brownfield site in central London near King's Cross station that was formerly warehousing and industrial land that became contaminated with refuse sorting and paint manufacturing industries.	Site is 67 acres in total. The redevelopment project has not yet been completed in some areas. The overall development is large enough to create a new postcode in London, with 50 new buildings, 1,900 new homes and 20 additional streets. Granary Square, an open space with fountains in the middle surrounded by a variety of restaurants and cocktail bars, opened in 2012.	As part of the King's Cross redevelopment, Granary Square has contributed to a remarkable reversal of the reputation of the area into an attractive urban quarter.		Protection: 89% Comfort: 94% Enjoment: 100% <b>Total:</b> 94%
10	Duke of York Square, London (1998-2003)	Former Ministry of Defense army barracks in the upmarket neighborhood of Chelsea.	The Cadogan Estate, which owns a large portion of the wider area and has an active placemaking interest there, purchased the site in 1998 and redeveloped it as a public square with mixed-use buildings and the Saatchi gallery at a cost of £120m. Now used for community activities and larger scale events like Chelsea in Bloom.	Square forms an enclosed food and fashion hub, with 30 stores and six restaurants offering visitors a variety of social and retail experiences.		Protection: 100% Comfort: 100% Enjoment: 100% <b>Total:</b> 100%
11	Parc André Citroën, Paris (1985-1992)	Used as the car maker Citroën's auto-manufacturing plant in a location slightly displaced to the southwest of the city's main tourist areas.	Site purchased by the city of Paris and regenerated as a public park at a cost of ₣61m, as part of a wave of policies by the local government at that time to green the city. The park, which opened in 1993, is well landscaped, with spaces designed to enhance bio-diversity and to enable the public to gather and enjoy the space.	Large park allows tourists and residents a space to relax and socialize in a city that has little green space relative to most other major European cities.		Protection: 78% Comfort: 83% Enjoment: 78% <b>Total:</b> 81%

Note: Percentages represent overall score out of 12 Gehl criteria.

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## PLACEMAKING: THE LINK BETWEEN PUBLIC REALM INTERVENTIONS AND REAL ESTATE VALUES



Commercially, the principal benefits have been to the residential and office markets. Hedonic modelling techniques demonstrate an 8% increase in value for properties within 500 meters and between 5% and 6% for properties within 2 kilometers. Non-residential values dramatically improved since completion of the project, with values within 100 meters rising by 33%, and within 500 meters growing by 7.3%<sup>5</sup>.

Public realm intervention can consequently bring about an improvement in human experience and real estate value through a change of image that attracts prosperous and dynamic new tenants. Similar patterns were seen in the Magellan Terraces in Hamburg and Liverpool One shopping center in Liverpool. Due to its proximity to the waterfront, Magellan Terraces was always a popular choice of location for international shipping and logistics firms. However, since the area



has acquired a more mainstream appeal, these industries have been joined by law, consultancy, media, advertising and banking. The area's attractiveness has also received a boost from the addition of the Elbphilharmonie concert hall, one of the largest and most acoustically advanced halls in the world. At Liverpool One, the substantial improvement in the human experience of the place has paved the way for high-end brands, such as Apple, to locate there. Retail rents have increased by 17.5%, compared with a 7.4% decline in

Liverpool as a whole since 2008. However, the Gehl scoring for the area suffered from the lack of attraction to the center beyond retail opening hours, so it remains to be seen whether this has an effect on its long-term success.

Successful placemaking initiatives can revitalize an area and act as a magnet for people wanting to both live and work in a place that offers an attractive environment, with consequent benefits for property values.



**"Retail rents have increased by 17.5%, compared with a 7.4% decline in Liverpool as a whole since 2008."**

## PLACEMAKING: THE LINK BETWEEN PUBLIC REALM INTERVENTIONS AND REAL ESTATE VALUES



### KEY THEME 2: CREATION OF A DESTINATION

The creation of destination through placemaking acts as a support for ambitious redevelopment projects. With the High Line, New York, the development of a highly popular urban walkway has helped stimulate the overhaul of the surrounding area.

The project is a classic example of successful placemaking, combining civic engagement with urban area planning and private funding.

Plans for redeveloping the walkway came from the bottom up, with the group 'Friends of the High Line' gaining backing from city authorities and private funding through a series of high-visibility displays of the plans at Grand Central Terminal and the Museum of Modern Art.

Railway lines that had been unused for more than a decade, since their purpose of delivering raw materials to the Meatpacking and Chelsea industrial districts had lapsed, were transformed in three sections into a walkway raised 30 feet above Manhattan's West Side, complemented by planted gardens and a number of other static attractions. This set the scene for the rezoning of Hudson Yards, an area encompassing 17m sq. ft., to allow for residential and commercial development.

At the outset, the High Line provided an opportunity to walk continuously for 1.5 miles, a rarity in a urban area laid out in a grid where walkers must frequently stop for motor vehicles. The walkway now attracts approximately 6 million visitors per year<sup>6</sup>, and is the backdrop for broader regeneration of the surrounding area with 30 new projects underway or planned since 2009, including upscale residential apartment buildings,

restaurants and luxury hotels. The main success story from a real estate perspective has been residential. The rezoning of the area has facilitated the development of 15 new residential buildings and the addition of 2,000 new units, a 50% housing stock increase. By 2014, the median resale price for residential real estate surrounding sections 1 and 2 of the High Line increased to \$1.42m and \$877,000, respectively, outpacing the neighborhood at large where the median sale price was \$763,000. Values have also been more resilient to the slowdown in the luxury housing market this year. Since May 2016, prices for homes in sections 1 and 2 have appreciated by nearly 10% and 9.4%, respectively, while prices for luxury-tier homes in Manhattan have depreciated by 0.3%<sup>7</sup>.

Commercial developments have also benefited, with asking rents in buildings adjacent to the High Line Park on average 51% higher than rents in comparable buildings one block away. As there is a limited supply of office space around the park, with availability in 2012 at 4% compared with 21% for buildings one block away, demand is driving rents higher and prompting new development activity. For instance, the High Line Building at 450 West

14th Street was completed in 2011, as well as a proposed 12 story office building at 437 West 13th Street, and a recently completed 80,000 sq.ft. building at 15 Little West 12th Street. In addition, a 240,000 sq. ft. expansion of Chelsea Market is planned.

The second example of placemaking that has succeeded in creating a destination out of public space is Federation Square, Melbourne. In a similar way to the High Line, the site for Federation Square is close to a train station and rail tracks. However, unlike these two former developments, the rail tracks at the site itself are still used.



This meant that any decking structure had to allow for these lines to function, posing a significant challenge to the planners with structural work only possible during breaks in the train timetable in early morning hours. In addition, some of the planned uses for buildings on the square, including television studios and a concert hall, were noise-sensitive, requiring 1.4 kilometers of concrete 'crash walls' and more than 4,000 vibration-absorbing spring coils and rubber padding underneath the decking to absorb the vibrations produced by passing trains.

Despite these difficulties, the project, which aimed to create an area for the public to congregate in the heart of the city for the first time, has achieved its goal. On average, the square is visited by 10 million people every year<sup>8</sup> and serves as a focal point in the urban area for visitors and residents to congregate. With a capacity for 15,000 people and a large screening facility, Federation Square is perfect for showing a variety of major sporting events such as the Australian Open tennis championship. The construction of the square coincided with substantial investment in public infrastructure more generally in the area, with a 160% increase in the area of streets that connect to the square so that it can fulfil its potential as a key linkage

between the central business district and the cultural and entertainment precincts of Melbourne. Although Gehl was not able to appraise the area before the redevelopment, a visit following the works demonstrated it had become "the new heart of Melbourne" and received full marks for all but one measure (microclimate, due to the exposed nature of parts of the square) of the quality of the human experience.

In terms of real estate value, there has been some benefit to the immediate vicinity, although comparing the value of real estate on the square itself with the railyards that were there before would not be a valid exercise. The shift in tenant profile has included the introduction of a number of dining and small galleries, including Movida (2003) and the Riverland Bar (2003).

Retail rents and capital values in the Central Business District (CBD) (adjacent to the square) have shown particular strength since October 2002, when the square opened. In addition, the number of sidewalk cafés between 1993 and 2004 increased by 450%. These changes are also likely to be thanks to the public investment in the central areas of Melbourne.

## PLACEMAKING: THE LINK BETWEEN PUBLIC REALM INTERVENTIONS AND REAL ESTATE VALUES

### KEY THEME 3: VERSATILITY OF PUBLIC REALM

Porta Nuova is a good illustration of how the adaptability of new public space for a variety of events as part of a broader development project has reinforced the area's status as a new visitor destination.

Since the 1960s, the Porta Nuova area had shown general decline. Previous attempts at redevelopment had generally failed to reverse this trend due to the difficulties presented by fragmented ownership of the area. In overcoming this issue through a long process of extensive negotiations and collaboration with municipal authorities, a master plan that integrated the historic districts of Garibaldi, Varesine and Isola with a series of pedestrian zones and green spaces could be successfully implemented.

Before any excavations began on site, around 150 meetings were held with the public that settled into specific working groups. These helped to address residents' concerns that the design would be compatible with the existing neighbourhoods, there would be a large area of green space in between buildings, and the urban highway would not disrupt the ability of pedestrians to traverse the area<sup>10</sup>.

Despite the stated intention of the developers to put 'people' at the heart of the project, Gehl's analysis shows that this was only partially successful. A lack of seating to allow members of the public to sit and stay was part of the problem, as well as the fact that the podium and plaza is raised six metres (20 feet) above street level, reducing the accessibility of much of this area. The result is a new district that makes a clean break away from the function and character of the surrounding area.

Nonetheless, the principal public realm elements in the scheme have attracted visitors and established Porta Nuova as a destination in the city. With a total pedestrian area of more than 160,000 square meters, of which 90,000 is dedicated to the park and public gardens, there is ample scope for large gatherings. In the first year after opening, the project attracted 12m visitors. Public events are held two or three times a week, including the Milan Fashion Week in 2015 and open-air concerts. Placemaking, it seems, does not have to tick every box in terms of detailed design in order to be an overall success.

As it is, the project has also been a success from a real estate perspective, as measured from 2004 to 2009, and 2010 onwards<sup>11</sup>. Retail rents have increased by 27%, while the wider area has seen no rental growth; office value changes are summarized in the table below. In addition, the 231 meter skyscraper by César Pelli, home to the bank UniCredit and the centerpiece of the development, sold in February 2015 to a Qatari investor for an estimated €2bn<sup>12</sup> one of the biggest property sales ever in Italy.

Location	Before 2010 (per m <sup>2</sup> )	After 2010 (per m <sup>2</sup> )	% change
Office values	Area immediately surrounding Porta Nuova	5,300	7,750
Office values	Wider area	4,500	4,280
Office rents	Area immediately surrounding Porta Nuova	303	362
Office rents	Wider area	272	306



The stand-out performer of the project has been the residential development. In the same year that the Isola and Varesine districts were completed, apartment sales in Porta Nuova averaged €9,500 per square meter, in line with some of Milan's more expensive neighborhoods but more than twice the average in areas near the development<sup>13</sup>. Public realm, as a lynchpin for the Porta Nuova development, set the scene for sustained uplifts in real estate values beyond that of the wider development area.



### KEY THEME 4: PUBLIC REALM INTERVENTIONS AS PART OF WIDER REDEVELOPMENT

The examples aforementioned demonstrate how placemaking can turn an area around for visitors and for real estate values. There are also instances where placemaking is part of a complete overhaul of an area, and can play a key role in defining the character of the project. In the following case studies, it is impossible to separate the before-and-after effects of public realm works on real estate values because the public realm works were side by side with the broader development. What can be measured is how the development has performed in terms of vacancy and values since the project opening.

At Granary Square, King's Cross, London, a former 67 acre industrial site is being transformed into a mixed-use development consisting of 20 new streets, 10 new major public spaces and up to 2,000 new homes and serviced apartments. Granary Square is the focal point, and is immediately encountered by visitors arriving at King's Cross station. The square performs well on Gehl's key criteria, offering a range of uses and activities, good connectivity and a community feel. As with many of our case

studies, the public space is adaptable and lends itself to large public gatherings for events such as screenings of sports matches or concerts.

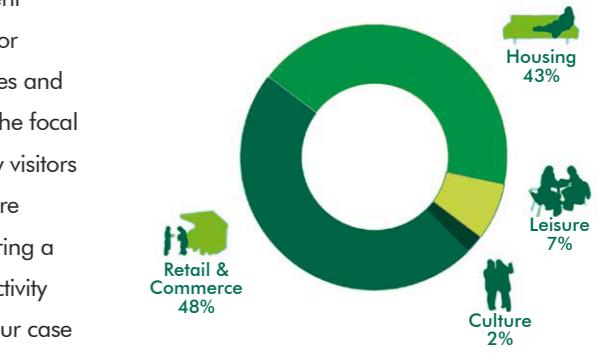
The stand-out performers from a real estate perspective have been retail and residential. While average house prices in prime Central London rose by 48% between 2011 and 2016, average prices in King's Cross have increased by 61%. There has also been a marked improvement in retail quality. It is likely that without high-quality design of the public realm, this vast new area of development would struggle to establish a reputation in the market as a desirable location for retailers and residents alike.

### Granary Square, King's Cross Case Study mixed-use redevelopment

Location	Before 2010 (per m <sup>2</sup> )	After 2010 (per m <sup>2</sup> )	% change
Residential values*	Area immediately surrounding Porta Nuova	4,000	10,000
Residential values*	Wider area	3,900	3,700
Residential rents*	Area immediately surrounding Porta Nuova	103	430
Residential rents*	Wider area	130	160

\*Source: Nomisma and various sources (2016)

**"20 new streets, 10 new major public spaces and up to 2,000 new homes and serviced apartments."**



## PLACEMAKING: THE LINK BETWEEN PUBLIC REALM INTERVENTIONS AND REAL ESTATE VALUES

A similar story has played out in the Duke of York Square, London, which between 2000 and 2003 was redeveloped by Cadogan Estates from a military barracks to a public square, opening the area to the public for the first time in 200 years. Given that the previous use was so different from the present, the public realm intervention has been key in defining the new character of the square as a quiet space for visitors to eat and shop.

On Gehl's criteria, the project has been a resounding success. Pedestrians are prioritized, and enjoy space to socialize and spend their leisure time. Being a mixed-use development, the square is active at all hours of the day, creating a lively environment in which residents and visitors feel secure. Public events held in the square, such as Chelsea in Bloom, which last year attracted 88,500 visitors, have been popular. In the summer, the opportunity to dine al fresco without disruption by traffic entices Chelsea's residents to the square's restaurants and cafes. The Saatchi Gallery adds an additional cultural draw.

The impact on real estate values is not easy to measure given that most of the office rents are linked to RPI (Retail Prices Index) rather than open-market review. In addition, Cadogan Estates took occupation of approximately 9,000 sq. ft. of the new office space, leaving little of the remaining space to judge rents from. In terms of retail, the square has clearly established itself as a destination, with some big-name clothing brands and up-and-coming restauranteurs occupying space in the square.

In the past decade, Duke of York Square has been at the center of a flourishing residential market that between 2000 and 2015 appreciated 333% in value<sup>14</sup>. Such a substantial rise in prices has been driven by broader market forces than just the improvements to the square. It therefore remains to be seen whether Duke of York Square will retain its value if prices in the broader market fall.



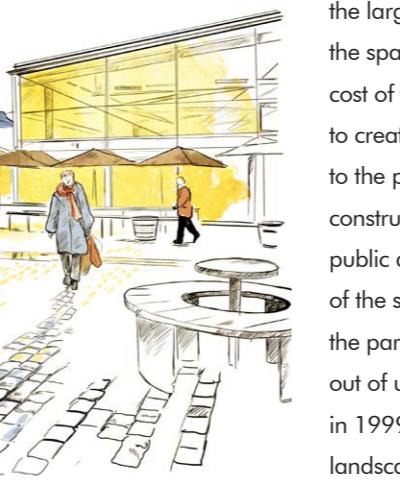
## PLACEMAKING: ROOM FOR IMPROVEMENT

**“Overall, there was a 55% increase in pedestrian flow to the market at Israel’s Square between 2013 and 2015<sup>16</sup>.**

In our research, we have found many examples of public realm placemaking success in terms of improving the human experience of an urban landscape and generating an uplift in real estate values. However, in some cases the impact of a placemaking project has fallen short either in terms of the added human or economic value.

The Parc André Citroën, Paris is one illustration. The substitution of an industrial site with a park undoubtedly improved the urban experience, but the scale and ambition of the project has reduced its human experience rating by Gehl. The main reasons for this are a lack of seating areas and integration with the riverfront, and the large-scale geometric design that renders the space less intimate in feel. At a total project cost of €61m, the park was relatively expensive to create considering that the costs only related to the park area and not additional building construction.

Annual operating costs exceed the public authority's ability to pay, and so many of the striking water features that are part of the park's design have been neglected and are out of use. The introduction of a hot air balloon in 1999 to allow visitors to view the urban landscape from as high as 150 meters has not boosted visitor numbers enough to support the effective management of the rest of the park.



Real estate values before and after the park project cannot be established given that the development occurred more than two decades ago and falls outside the usual boundaries used to measure prime real estate values. Despite this, local market commentary has indicated that residential values have substantially increased since the park's opening. However, the slightly peripheral location of the area relative to the CBD and its residential character have meant that office development has not taken off since the park's opening. The positives in terms of residential uplift following the park's opening are therefore indicative that placemaking initiatives do not have to tick every box in terms of the human experience to deliver additional value for real estate.

Israel's Square, Copenhagen has been more successful in sustaining a higher number of visitors and establishing the area as a worthwhile destination, but the impact on real estate values has been disappointing. When the former car park was converted into two covered markets –one traditional, one very upmarket – plus an extensive public realm, the positive impact on the human experience of the area was substantial. The quality of the new design is reflected in a full

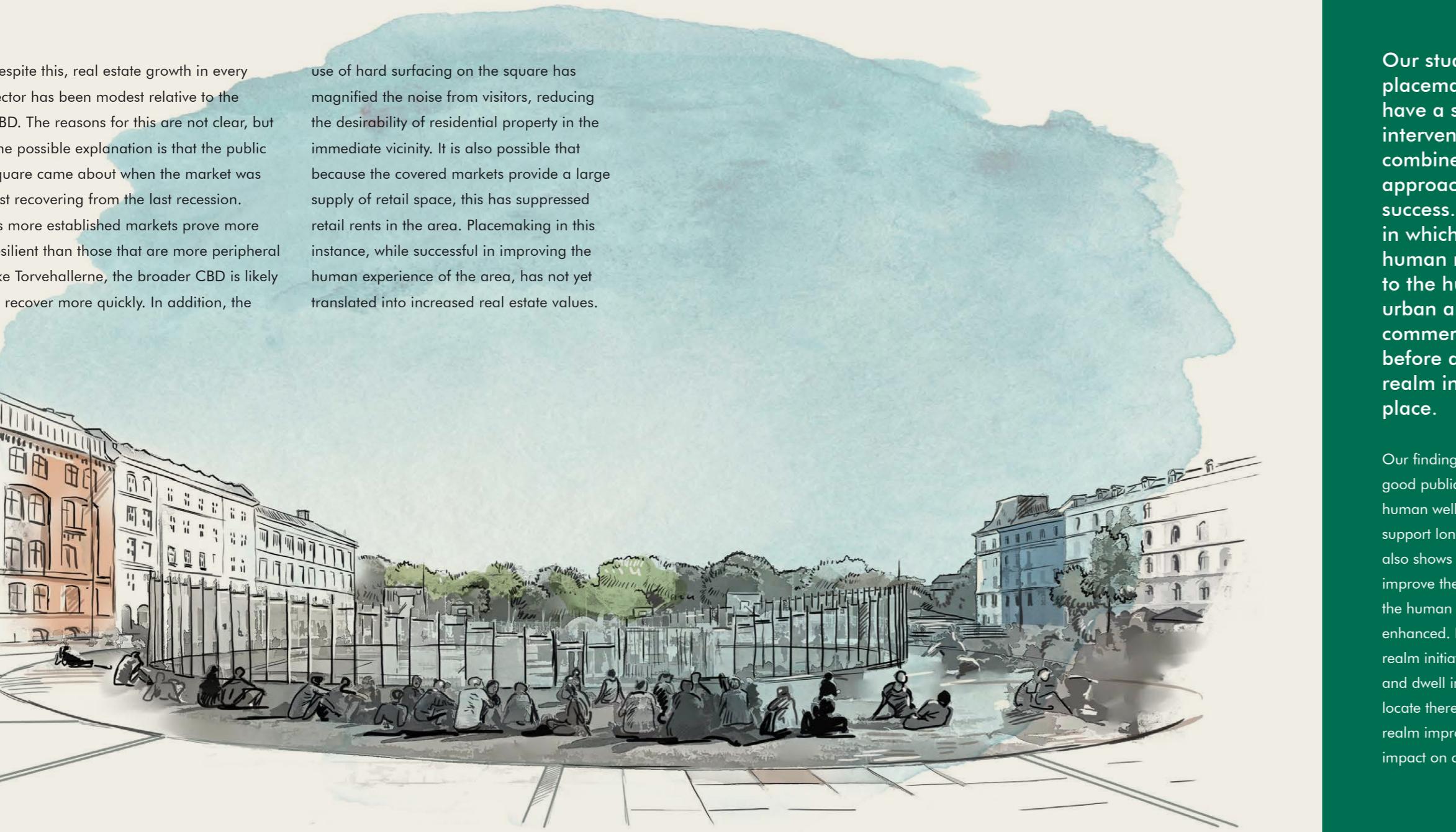
score from Gehl on every metric. The space allows a variety of uses, from ballgames to roller-skating, and as many as 1,000 people are able to sit under the trees and awnings in the evening. Unlike Parc André Citroën, the public realm is usable throughout the day and night, encouraging a variety of age groups to frequent the square.

Overall, there was a 55% increase in pedestrian flow to the market at Israel's Square between 2013 and 2015<sup>15</sup>.

## PLACEMAKING: THE LINK BETWEEN PUBLIC REALM INTERVENTIONS AND REAL ESTATE VALUES

Despite this, real estate growth in every sector has been modest relative to the CBD. The reasons for this are not clear, but one possible explanation is that the public square came about when the market was just recovering from the last recession. As more established markets prove more resilient than those that are more peripheral like Torvehallerne, the broader CBD is likely to recover more quickly. In addition, the

use of hard surfacing on the square has magnified the noise from visitors, reducing the desirability of residential property in the immediate vicinity. It is also possible that because the covered markets provide a large supply of retail space, this has suppressed retail rents in the area. Placemaking in this instance, while successful in improving the human experience of the area, has not yet translated into increased real estate values.



**Our study reviews 11 placemaking initiatives that have a specific public-realm intervention at their heart. We combine two distinct but related approaches to determine their success. One, assesses the way in which public spaces meet human needs and contribute to the human experience of urban areas. The other, looks at commercial real estate values before and after the public-realm intervention has taken place.**

Our findings support the conclusion that good public realm interventions improve both human wellbeing and real estate values and support long-term value resilience. Our study also shows that creativity and investment can improve the public realm in such a way that the human experience of a place is materially enhanced. By focusing on this aspect, public realm initiatives create greater desire to visit and dwell in an area and greater demand to locate there permanently. In this way, public realm improvements have a very positive impact on commercial real estate values.

- **Creating a new destination by the establishment of new commercial or recreational facilities.** Particularly the latter, that enable greater human interaction.

- **Adding versatility to an area so that it can be used for events.**

Events create a buzz and help raise awareness of area.

- **Establishing the character of a newly developed area.** Great public space implies that an area is for

fun, recreation and meeting – not just living and working.

While the scale, strength and duration of the impacts we have observed depend on context, there are certain common mechanisms that produce value improvements. Improvements to image or creation of new destinations generate increased shopper flow, and this particularly benefits the retail sector and the level of rents. Good public amenity boosts value in the office sector by making it easier for companies to attract and retain talent.

Residential values are improved because buyers take account of local amenities in their purchasing decisions.

### CONCLUSION

We find that improvements in the public realm create wellbeing and value uplift in four ways:

- For developers and investors, value resilience depends on the success of place. Not all developments will have the ability to create an outdoor public realm that is attractive, well thought out and free to use, but some will. This opportunity, with the ability to enhance the brand of a building and location, should be taken. Where it is not available, there should be a clear contribution to the public realm that exists.

- For occupiers, who are concerned with recruiting and retaining increasingly scarce talent, proximity to great public spaces is important. The boundaries between work and leisure time are ever more blurred, so the walls of the workplace become ever more permeable. The public realm and the work-anywhere culture are inextricably linked.

In summary, good placemaking has positive impacts on the quality and human experience of urban spaces, and on property values. As highlighted above, this has specific implications for different stakeholders. Paying close attention to the characteristics and value benefits of good placemaking, and incorporating them in commercial real estate appraisals, will help to ensure that these advantages are realized.

**Public realm is defined as the areas between buildings that are accessible to all. The interiors of building are also in many senses 'public spaces' but there are often restrictions on entry that put them in a slightly different category than true public realm.**

In order to investigate the value of public spaces, CBRE collaborated with Gehl Architects to measure the human and financial impacts of public realm initiatives.

First, a set of specific public realm interventions were selected that involved substantive capital or operational expenditure and which took place at least three years ago. Where possible, these interventions were located in cities in which CBRE has an office and reasonable market share so that rental and/or value data can be provided.

Case studies were chosen in every major region in the world and on a variety of scales to explore how placemaking initiatives can differ according to context and size. While the interiors of buildings are also in many senses 'public spaces', there are often restrictions on entry which put them in a slightly different category to truly public spaces, which was why only outdoor initiatives were examined.

Any available rental and capital value evidence for the area that covers the period before and after the intervention was collected from local offices. This was used to analyze the extent of the change compared with the surrounding area. Where the results were inconclusive or data unavailable, the report focused on those results that yielded significant findings, hence why all three sectors (retail, office, and residential) were not covered systematically in each case study.

## METHODOLOGY

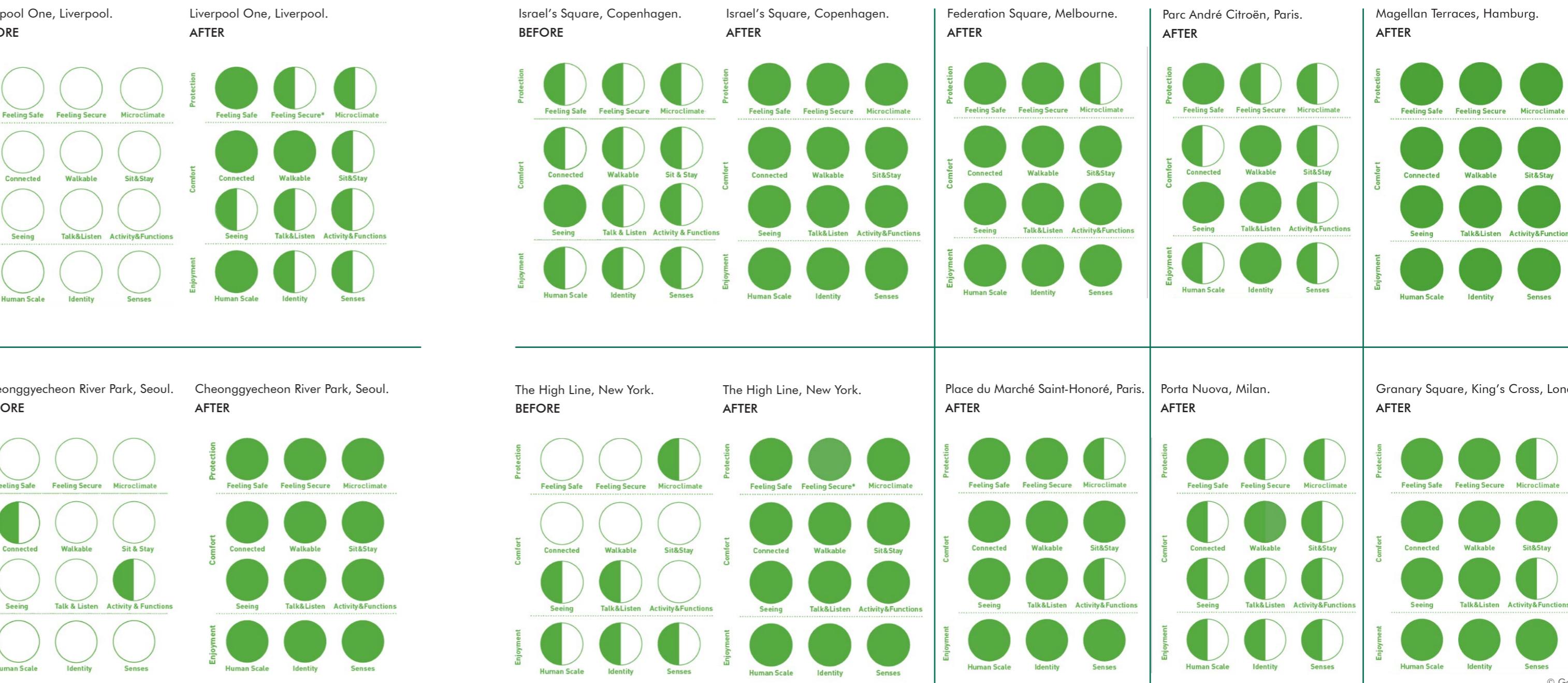
This analysis was undertaken in conjunction with the assessment of human experience undertaken by Gehl Architects according to its quality criteria. These were carried out in the early months of 2015. This meant that sometimes the 'before' scenario was not possible to assess, as the public realm works took place well before this date range. In addition to considering the 12 quality criteria, Gehl also took a series of pedestrian counts. This allowed the impact of the works on visitor numbers to be assessed.

For more detail on the Gehl methodology, see its website ([gehlpeople.com](http://gehlpeople.com)) or Gehl's publication "Life Between Buildings".



## APPENDICES

## Key



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