

The Value of Design in Real Estate Development

This study investigates the financial performance of awarded architectural design for commercial office buildings in Manhattan, New York.

About the Project
Awarded design is based on the achievement of the architect and/or the architecture firm receiving prestigious awards from the industry such as the Pritzker prize, AIA Architecture Firm Award, the Architectural Innovation Award of the Wall Street Journal to name just a few. To measure financial performance, I use several datasets, Real Capital Analytics, Compstak, Walkscore and NYC public data for New York City. To identify awarded design and compare it to non-awarded design, I employ a matched-pair analysis. I find 846 building transactions with 89 awarded design transactions that are matched geographically to 757 nonawarded design transactions within a quarter mile radius over the 2000 to 2017 period. The results of the multivariate hedonic analysis suggest that, compared with buildings in the quarter-mile neighborhood, office buildings designed by awarded architects and awarded architecture firms have a statistically and economically significant transaction premium of 23.1 percent, ceteris paribus, with a model that explains just under 90 percent of the variation in transaction price. Results of this analysis are intended as way for designers to have agency in the design build development practice and for developers and investors to understand the value of engaging in awarded design effects.

About the Lab
The MIT Real Estate Innovation Lab is an R&D lab at the MIT's SA+P, Center for Real Estate that works with public and private data providers to link design and innovation to financial performance in the built environment.

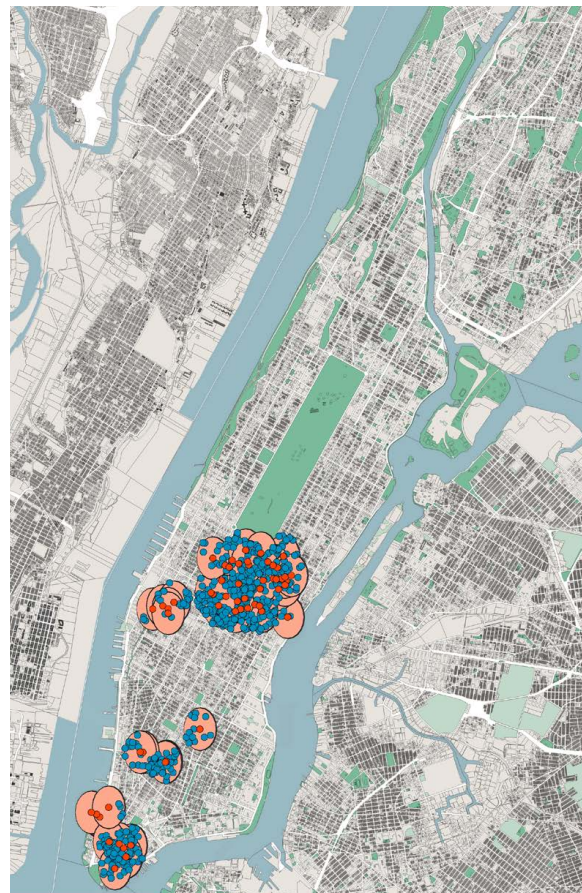
Support
We are grateful for the support of our data providers, and in particular, the founding lab partners.

→ Award Criteria

A total of 18 awarded architects/firms have designed 56 buildings in Manhatta, and 89 transactions were observed. Within the 18 firms, 4 firms have received more than 2 awards from 3 award categories

↓ Control Group Data

In order to understand the effect of the awarded architects and firms on the transaction price, we matched each of the awarded buildings in this sample to nearby commercial buildings in the similar location using the Geographic Information System (GIS).



Royal Gold Medal	Gold Medal	Gold Medal
Organization: RIBA	Organization: AIA	Organization: UIA
How often: Annual	How often: Annual	How often: Triennial
First awarded: 1848	First awarded: 1907	First awarded: 1984
From 1950: 69 awarded	From 1950: 59 awarded	From 1950: 26 awarded
Golden Lion	Innovator Awards	National Design Award
Organization: Venice Biennale	Organization: WSJ	Organization: Cooper Hewitt
How often: Biennial	How often: Annual	How often: Annual
First awarded: 2000	First awarded: 2010	First awarded: 2000
From 1950: 12 awarded	From 1950: 7 awarded	From 1950: 26 awarded
Architecture Firm Award	Pritzker Prize	
Organization: AIA	Organization: Pritzker Foundation	
How often: Annual	How often: Annual	
First awarded: 1962	First awarded: 1978	
From 1950: 55 awarded	From 1950: 41 awarded	

AWARDED FIRMS

Architecture firms who won the AIA Architecture Firm Award

Davis Brody Bond	'75	100 William Five Manhattan West
Gensler	'00	233 Spring Street 161 6th Avenue
KPF	'90	745 7th Avenue Five Time Square One Vanderbilt 111 Murray Street 1100 6th Avenue 441 8th Avenue 10 Hudson Yards
Murphy / Jahn	'05	425 Lexington Avenue 65 East 55th Street
Hugh Stubbins	'67	Citi Group Center

AWARDED ARCHITECTS

Architects who won the lifetime achievement awards and/or innovation awards

Aldo Rossi	'90	557 Broadway 555 Broadway
Alvar Alto	'63	809 UN Plaza
Jean Nouvel	'01 '08	45-47 W 53rd St
César Pelli	'95	3 World Financial Center 4 World Financial Center 900 3rd Avenue NY Mercantile Exchange
Norman Foster	'83 '94 '99	610 Lexington Avenue 425 Park Avenue
Fumihiko Maki	'11 '93 '93	51 Astor Place
Mies van der Rohe	'59 '60	Seagram Building
Philip Johnson	'78 '79	5 East 44th Street Sony Plaza Lipstick Building
Walter Gropius	'56 '59	200 Park Avenue

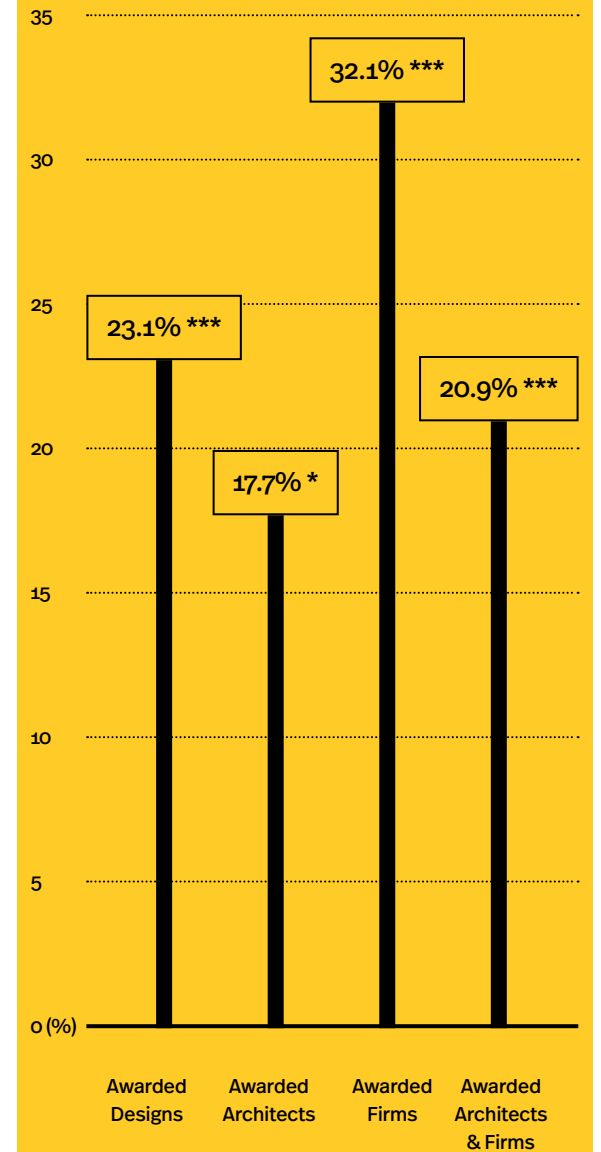
AWARDED ARCHITECTS & FIRMS

Architects/firms who won both award groups

Edward L. Barnes	'07 '80	499 Park Avenue 7 Byant Park
I.M.Pei	'10 '14 '68 '79 '83 '03	JP Morgan Chase HQ Deutsche Bank HQ 31 West 52nd Street 750 Seventh Avenue
Kevin Roche	'93 '82 '74	125 West 55th Street Ave of Americas Plaza 787 Seventh Avenue
Skidmore Orell & Merrill (SOM)	'57 '83 '88 '96	12 West 57th Street Paine Webber Building Marine Midland Bank Bertelsmann Building 300 Madison Avenue 34-36 East 51st Street One Manhattan West Two Manhattan West 450 Lexington Avenue 461 5th Avenue 510 5th Avenue Worldwide Plaza 830 3rd Avenue

↓ Study Results

When controlling for location and transaction time, building features and transaction features, the result of the hedonic analysis suggests that buildings designed by awarded architects/firms are transacted with a **23.1% premium** than buildings that are designed by non-awarded architects.



SIGNIFICANCE***
Asterisks in a regression table indicate the level of the statistical significance of a regression coefficient.
*** p<0.01, ** p<0.05, * p<0.1

COEFFICIENT %
The standard error is our estimate of the standard deviation of the coefficient.

NOTE:
The regression model controls for location and transaction time, building features (age, number of floors, building area, land parcel area, building class, renovation, and walk score), and transaction features (buyer type, seller type, and lender type)

