

HOMES

To Discover an Up-and-Coming Neighborhood, Look for the Museum

Many homeowners are drawn to property near new museums and art districts whose cultural offerings boost real-estate values

By Alina Dizik

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A number of cities around the globe have discovered that a new museum or arts district not only revitalizes downtowns, they improve real-estate values as well. Home buyers are drawn to the buildings' bold architecture, as well as the rotating exhibits, guest lectures and attractive indoor and outdoor common areas.

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What's more, the museums attract corporate employers and tourists, bolstering the neighborhood's restaurant and entertainment scene. The phenomenon is what's now called the Bilbao effect—named after Guggenheim museum in Bilbao, Spain, which opened in 1997 and was a catalyst for the revitalization of the Basque town.



The Guggenheim Museum in Bilbao, Spain, which opened in 1997 and revitalized the area. Photo: Bloomberg

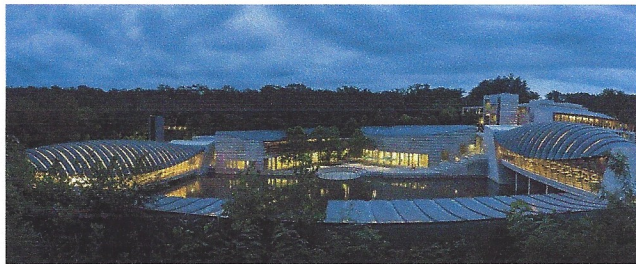
“Museum developments enhance neighborhoods and boost the value of real estate nearby,” says Stephen Sheppard, an economics professor at Williams College in Massachusetts who studies the impact of new museums on nearby real estate. According to his research, property values of homes near museums rise between 20% and 50% over the course of five years to create “vibrant communities.”

In 2015, Steve Freeman purchased a 1954 Midcentury Modern home in downtown Bentonville, Ark., for \$850,000. He chose it, in part, for its location on a nature path between downtown and the Crystal Bridges Museum of American Art, which opened in 2011.



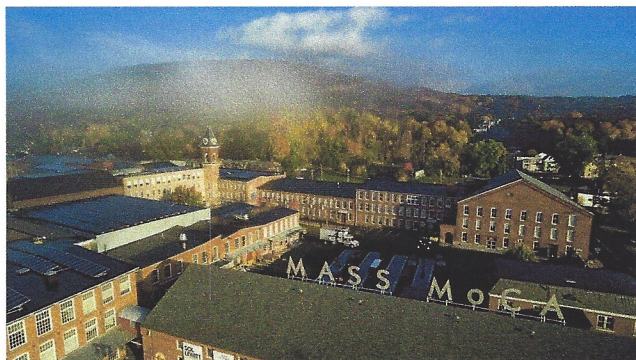
The master bedroom in the Freeman home, which is located near the Crystal Bridges Museum of American Art. Photo: Beth Hall for The Wall Street Journal

Mr. Freeman, who is 55, completed a 2½-year renovation last year that cost about \$2.5 million and moved in with his wife, Julie, and three school-age children. To build a 2,000-square-foot addition, they used stone from the same Arkansas quarry that was used in the home's original construction. The couple added custom outdoor fireplaces, mahogany wood siding, new windows and gutted the kitchen and a bathroom. The location makes the investment worth it, says Mr. Freeman, the owner of a retail-services company. "It's a good feeling to have a nice safe environment with so many amenities," he says.



Crystal Bridges is set on 120 acres in Bentonville. Photo: Dero Sanford

Set on 120 acres, the modern art museum is the brainchild of Walmart heiress Alice Walton. The Moshe Safdie-designed campus has revitalized the downtown Bentonville area, with more restaurants and entertainment venues settling in, says John Mayer, an agent with Caldwell Banker specializing in downtown Bentonville. In 2012, a year after Crystal Bridges opened, only two homes were sold downtown for \$300,000 or more. So far this year, 56 homes have sold for over \$300,000, including new construction, he says. "All of a sudden...people were concerned about walkability," he says.



Aerial views of the Massachusetts Museum of Contemporary Art in the Berkshires. Photo: Douglas Mason

In the Berkshires, the Massachusetts Museum of Contemporary Art in North Adams, Mass., now has one of the largest collections in the country. While high-end homes are still rare, many out-of-state buyers are starting to look in the area and revamp existing properties, says real-estate agent Kim Burnham. "Anything within walking distance to Mass MoCA is exploding," says Ms. Burnham. Time on the market decreased to 98 days in 2018 from 256 days in 2016, according to Multiple Listing Service data. There are still plenty of bargains: The most expensive homes sell for \$250,000, but they need a lot of work, she says.

Near the museum, homeowners are gut renovating a number of brick Tudors and Victorians while keeping the character of the façades. Also near the museum is Greylock Works, a former cotton-spinning mill that now has an events space, artisanal food offerings, a distillery and conference areas. Earlier this month, the planning board approved plans for 51 one- to three-bedroom condos in what was the Main Mill building. Pre-sales will start in spring 2019, but pricing hasn't been disclosed.

Arthur DeBow moved from Portland, Ore., two years ago to a home that's just two blocks from Mass MoCA. Now the curator of a local gallery, Mr. DeBow purchased a duplex for under \$100,000.

"When we looked at it in the pictures, it almost looked like a haunted house," says Mr. DeBow, who is 63. He and his partner, William Archer, gut-renovated the 4,500-square-foot 1880s home over three years and now rent out half of it. In making their cross-country move, the couple left much of their previous furniture behind. Their new home features bold wall colors and a more modern style. "We embraced starting over," he adds.

Even before the year-old Remai Modern art museum in Saskatoon, Saskatchewan, Canada, was completed last year, it had plenty of buzz among luxury buyers. Prices for luxury single-family listings in the River Landing area within walking distance of the museum can reach up to \$2.28 million, with an average of \$570 per square foot.

"It's really put River Landing on the map," says Dawn Foord, an agent with Remax in Saskatoon.



Remai Modern, an art museum in Saskatoon, Saskatchewan. Photo: NIC LEHOUX

Local developer John Nasser is one of the partners completing No. 1 River Landing, a 20-floor high-rise next door to the Remai in the spring. A weekend sales event in 2016 pre-sold most of the units in the building, with the developers adding another four floors that also sold out. One-bedroom units start at \$243,000, with two-bedrooms starting at \$531,000.

The Remai Modern has “shifted the center of downtown toward the art gallery,” Mr. Nasser says. Buying the lot was a long bet on the building’s eventual proximity to the institution. “We knew the value of it,” he says.

In Chattanooga, Tenn., the Hunter Museum of American Art and growing arts district have reshaped the residential landscape downtown, says Geoff Ramsey, president of the Greater Chattanooga Association of Realtors.

In the past few years, developers have been buying teardowns to build new single-family homes and townhouses, he says. “Anything within a 15-minute walk of the Hunter has just blown up,” he says. The average sale price of homes with .75 miles of the museum was \$573,000 in July 2018, compared with \$271,100 in July 2016, according to MLS data.

This fall, hotelier Mitch Patel opened the Edwin, a 90-room boutique hotel next to the Hunter. With the location a draw, Mr. Patel has built a private residence for himself on the fourth floor. The three-bedroom, 2,800-square-foot condo will serve as a weekend home for his family, including three school-aged sons, says Mr. Patel, who owns a portfolio of 34 hotels and lives in the nearby suburb of East Brainerd.

Understanding the Bilbao Effect

When the Guggenheim Foundation completed a museum in Bilbao in 1997, no one imagined it would come with a global moniker. Two decades later, the Bilbao effect is enticing cities to think big.

In Spain’s Basque country, the combination of a futuristic structure by Frank Gehry and a town shedding its industrial past turned Bilbao into a household name.

“There was an entire urban regeneration strategy,” says Adrian Ellis, a New York-based cultural planner who works with museums and other institutions around the world. “The museum was the jewel in the crown.” In 2016, the Guggenheim generated €485.3 million (\$554.6 million) as a result of its activities and maintained 9,000 jobs, according to a study of the museum’s economic impact. In 2017—its 20th anniversary—the museum drew a record 1.3 million visitors.

The Guggenheim was the first project that was completed in a re-imagining of Abandoibarra, Bilbao’s former industrial area that separated the city from the riverfront, says Luis Miguel Lus Arana, professor at the University of Zaragoza who studied the Bilbao effect. In the early 1990s, Bilbao worked to reinvent the waterfront area of the city by adding a conference center, a concert hall, the museum and a light rail to create a new arts district, but the Guggenheim is what “placed Bilbao on the map,” Lus Arana says.

Hotels, airline routes, fine dining, luxury real estate and retail followed. “It was a provincial city...suddenly it became fashionable overseas,” he says. Last year, nearly 5 million passengers landed at the city’s airport, an increase of 8.4% over the previous year.

While others have tried to revitalize towns with splashy museums through their own Bilbao effect, it’s not easy to replicate. In this case, the continuing success is credited to the government’s thoughtful involvement, adds Mr. Ellis. “They have a long-term commitment to the operating budget,” he says.