HERITAGE COUNTS 2016

Heritage and the Economy

The historic environment is intrinsically linked to economic activity, with a large number of economic activities occurring within it, dependent on it or attracted to it. Bespoke studies have attempted to unravel the complex relationships and interdependencies between heritage and economic activity to understand and estimate the value added of heritage.

Heritage and the Economy 2016 summarises the findings from these studies and also introduces new research: the Heritage Economic Impact Indicator Workbook 2016. The workbook and technical note can be found on the Heritage Counts website.

Heritage Economic Impact Indicator Workbook (TBR 2016)

In 2016, Historic England commissioned Trends Business Research (TBR) Ltd to produce an interactive Excel-based workbook that estimates the national and regional economic impact of the heritage sector.

Headline findings

Heritage Gross Value Added (GVA)

£21.7bn

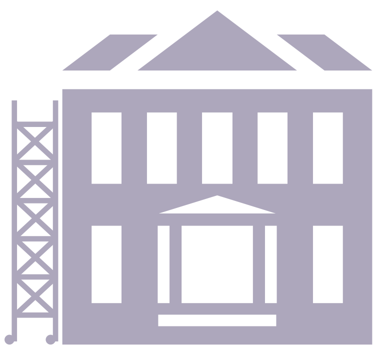
2% national GVA

Heritage tourism expediture

£18.4bn

Heritage workforce

328,700 jobs



Heritage construction output

£9.7bn

1. The net economic impact of the heritage sector

Heritage is an important source of economic growth and prosperity. It is however difficult to monetise and isolate the added value or net impact of heritage from the activities attracted to it or embedded within it. In recent years progress has been made in other sectors to develop a robust method that captures the net value of embedded sectors. Using a method adapted from DCMS' *Creative Industries Estimates* (DCMS 2015) the Heritage Economic Impact Indicator Workbook (TBR 2016) estimates of the net economic impacts of heritage.

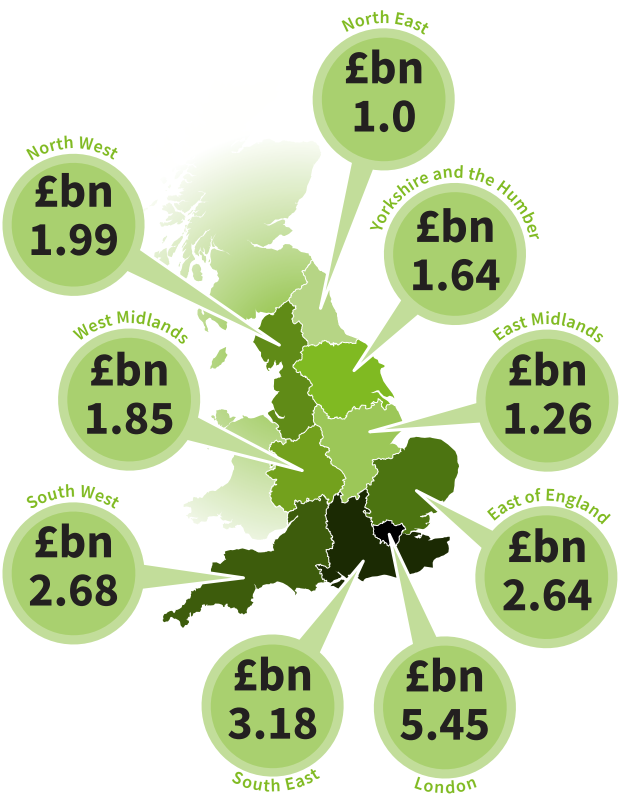
2. Sector-based economic impact estimates of heritage

The economic value and impact of heritage can come from a variety of sectors and functions, including: tourism; the demand from the construction sector to service heritage buildings; conservation activity; economic activity in historic buildings; investment in the investigation, research and display of archaeological sites and structures and education.

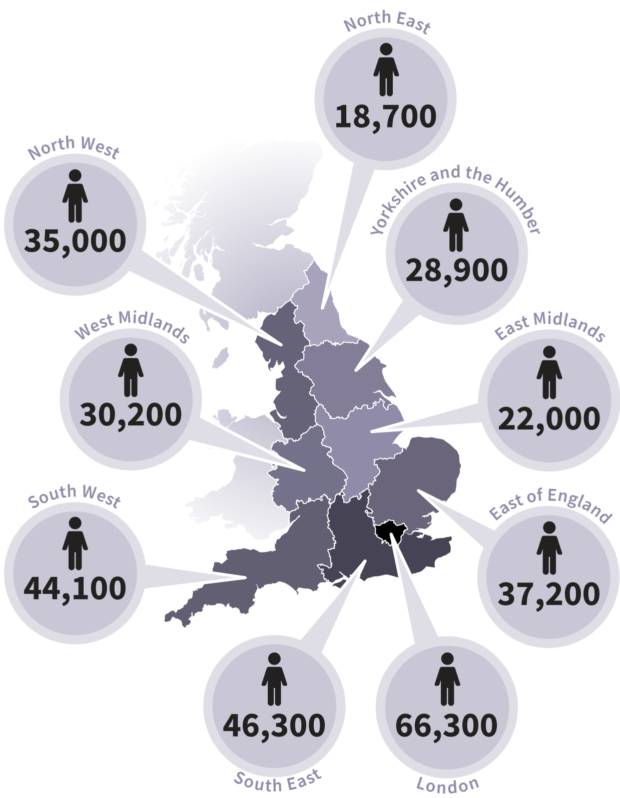
Heritage Economic Impact Indicator Workbook (TBR 2016)

In 2013, heritage directly generated **£10 billion in gross value added (GVA) in England**. If indirect and induced effects are considered, heritage sectors' contribution to GVA **increases to £21.7 billion. This is equivalent to** 2 per cent of national GVA (TBR 2016).

In 2013, there were **164,100 direct heritage jobs in England**. If indirect and induced heritage employment is included then this figure rises to **328,700 heritage jobs or** 1 per cent of total national employment (TBR 2016).



The regional makeup of direct, indirect and induced heritage GVA in England.



The regional makeup of direct, indirect and induced heritage employment in England.

NOTE: DCMS released estimates measuring the economic impact of DCMS sectors in August 2016 (DCMS 2016a). The heritage sector's contribution to GVA is included in the analysis. However, it is not separated from overlapping DCMS sectors. The GVA value of heritage is embedded in the cultural sector, tourism sector and creative industries estimates.

> The development of our historic built environment can drive wider regeneration, job creation, business growth and prosperity.
> *Culture White Paper 2016* (DCMS 2016b)

- **Investing in the historic environment generates economic returns for local places.**
  On average, £1 of public sector expenditure on heritage-led regeneration generates £1.60 additional economic activity over a ten year period (AMION and Locum Consulting 2010).

2.1 Heritage Tourism.

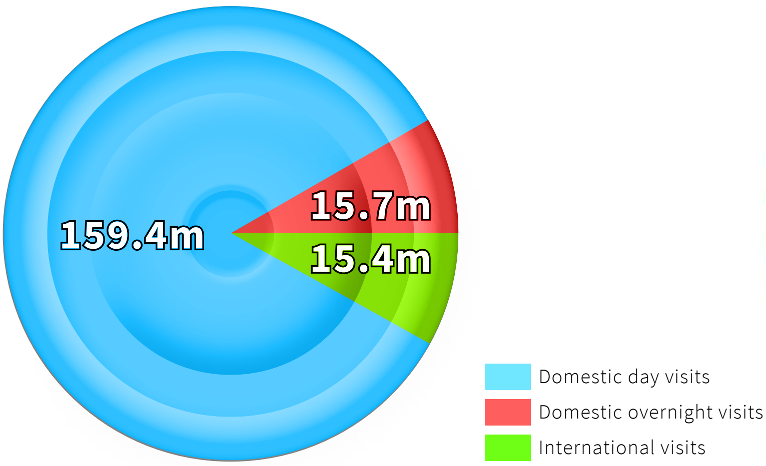
Heritage tourism is a significant contributor to the economy.

Archaeologists excavating at Ashby de la Zouch Castle, Leicestershire © Historic England.

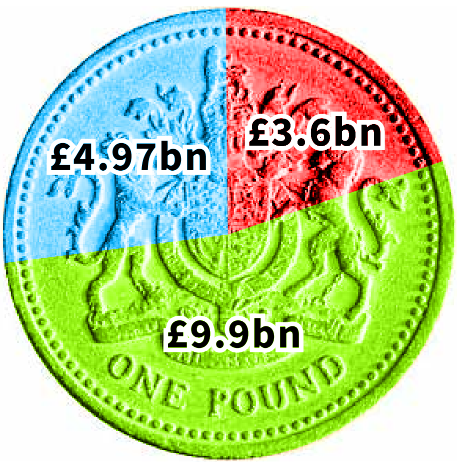
Heritage Economic Impact Indicator Workbook (TBR 2016)

In total, domestic and international heritage-related visits generated £18.4bn in expenditure in England in 2014. Using the Oxford Economics (2013) multipliers, this level of heritage tourism expenditure contributed £11.0bn in GDP and 285,700 jobs. If indirect effects are included this rises to £24.2bn in GDP in 2014. Heritage tourism expenditure accounted for 22 per cent of all tourist spending in 2014.

Domestic overnight visits: 17 per cent of all domestic overnight trips in England in 2014 or 15.7 million trips are heritage-related trips. Domestic overnight visitors spent £3.6bn on heritage-related trips in 2014 (TBR 2016).
Domestic day visits: In 2014, it is estimated that 12 per cent of the total or 159.4 million day visits were motivated by heritage-related activities. Domestic Day visitors spent £4.97bn on heritage-related day visits in 2014.
International visits: There were 15,392,000 heritage-related international visits in 2014. There has been a steady increase since 2010. International tourists spent £9.86bn on heritage-related visits in 2014.



Visits



Spend

Using a different method to estimate the value of tourist activities, a TNS study (TNS 2015), estimates that 32 per cent (£15.3bn) of the *average* annual spend from domestic and international tourism in the UK between 2011 and 2014 is attributable to activities broadly defined as heritage-related activities. This study uses an omnibus survey of domestic visitors to attribute spend. TBR use the proportion of heritage related activities provided in the *Great Britain Tourism Survey* and *Great Britain Day Visit Survey* to apportion spend.

Heritage tourism generates benefits in the local economy.

- **Visiting heritage generates money for the local economy** – For every £1 spent as part of a heritage visit, 32p is spent on site and the remaining 68p is spent in local businesses: restaurants, cafés, hotels and shops (HLF 2010).

- **On average, half of the jobs created by historic visitor attractions are not on the site, but in the wider economy** (GHK 2010).

- **UNESCO estimates the financial benefit of World Heritage Sites (WHS) to the UK to be £85 million per year** (UNESCO 2015).
  The WHS brand is a significant marketing tool, increasing tourist numbers and spend, local employment, house prices and local economies.

- **14 per cent of visitors stayed in the area** as a result of a historic houses/castles attraction, while 15 per cent stayed in the area as a result of visiting other historic properties (VisitEngland 2016a).

- **Heritage events enhance local economies.**
  Despite the annual, nation-wide event being free, the Norwich Heritage Economic and Regeneration Trust (HEART) estimated that £755,725 was indirectly spent in the city as a result of the four day event in 2013 (Norwich HEART 2013).

Heritage plays a key role in attracting domestic visitors.

According to the *Taking Part Survey*, three quarters of adults (73.2 per cent) in England, or approximately 40 million people, visited a heritage site at least once in 2015/16. This is a statistically significant increase (from 69.9 per cent) since the survey (DCMS 2016c) began in 2005/06.

- When asked about their most recent UK holiday in 2015, **63 per cent of domestic travellers cited being able to visit a historic building or monument as their 'sole reason' or a 'very important reason' why they took their holiday** (TNS 2015).

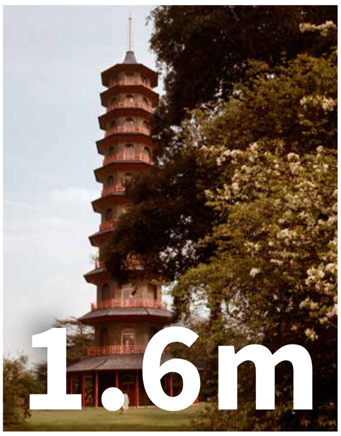
- Heritage tourism is **more popular in Britain, compared with most of Europe** – UK citizens have the 4th highest participation rates for visiting a historical monument or archaeological site in the past 12 months (65 per cent) – this is 13 percentage points higher than the EU average (European Commission 2013).

The top four most visited paid attractions in England in 2015 are heritage attractions (VisitEngland 2016):

most visited **paid attractions** in England

Tower of London

Westminster Abbey



Kew Gardens

St Paul's Cathedral

Wells, Somerset © Historic England

Heritage is a big motivator for international visits.
Heritage is a key part of the UK brand and tourism. History and heritage is a strong product driver for most overseas markets.

- In 2015, the UK was ranked 5th out of 50 nations in terms of being rich in historic buildings and monuments, and 6th for cultural heritage in the *Anholt Gfk Nations Brand Index* (VisitBritain 2015)
- The UK was ranked 3rd in the Overall Brand Ranking in 2015 (VisitBritain 2015)

- **30 per cent of overseas visitors cite heritage as the biggest single motivation for their visit to the UK – the largest single factor for non-business visitors** (Oxford Economics 2010)

- **In 2011, 48 per cent of inbound visitors holidaying in the UK visited a castle or historic house during their stay** (VisitEngland 2011). This figure is more than:
  - Museums, art galleries (43 per cent)
  - Theatre, musical, opera, or ballet (14 per cent)

Only shopping (71 per cent), visiting parks or gardens (54 per cent), or going to the pub (50 per cent) were as, or more, popular activities among inbound visitors.

NOTE: The definition of heritage visits in tourism studies vary (for example some measure visits to historic properties, while others have a wider definition of heritage which also includes visits to parks and gardens; religious buildings; historic towns, etc). It is also necessary to distinguish between visitor activities; visits and trips.

A **trip** refers to the travel by a person from the time of departure from his usual residence until he/she returns: it thus refers to a round trip. A trip is **made up of visits** to different places. A visitor is someone who is making a visit to a main destination outside his/her usual environment for less than a year for any main purpose [including] holidays, leisure and recreation, business, health, education or other purposes. A visit can be made up of **different activities** (UNWTO 2010).

Heritage tourism is growing and forecast to grow in the future.

- **Historic attraction numbers have experienced strong growth.** In 2015, visits to historic houses/castles increased by 5 per cent compared to the previous year (VisitEngland 2016). Visitor numbers to prominent heritage attractions have also increased. For example, between 2010 and 2015, annual visits to Stonehenge increased by 35 per cent to over 1.35 million annual visitors; while annual visits to the Tower of London increased by 15 per cent to nearly 3 million annual visits during the same time period (VisitEngland 2016).

- **Tourism is expected to grow in the future** – It was estimated in 2013 that the UK tourism economy would grow by 3.8 per cent a year between 2013 and 2018, which is higher than sectors such as manufacturing, construction and retail (Deloitte 2013). By 2025, the total contribution of tourism is forecast at £324 billion and 4.6 million jobs.

2.2 Heritage and the property market.

The historic environment forms a vital part of our nation's infrastructure providing premises for businesses; homes for residents; and amenities and utilities for communities and visitors. Evidence suggests that heritage is a significant contributor to the economy and a catalyst for growth.

Heritage-related construction plays an important part in England's construction industry.

Heritage Economic Impact Indicator Workbook (TBR 2016)

The value of repairing and maintaining historic buildings in England and the regions is estimated to be:

- Repair and maintenance of historic buildings directly **generated £9.7bn in construction sector output in 2015**.
- This is equivalent to **8 per cent of total construction output or 22 per cent of the repair and maintenance output.**

Heritage assets and commercial activities.

- **Attractive places also attract business** – One in four businesses in a survey of over 100 agreed that the historic environment is an important factor in deciding where to locate. The presence of heritage was as important as road access (AMION and Locum Consulting 2010).

- **138,000 businesses were located in a historic building in 2011, providing 1.4 million jobs in the UK** (HLF 2013) – This represented 5 per cent of all employment.

Overall, businesses based in historic buildings contributed over £47 billion in GVA in 2011. This is 3.5 per cent of the UK total GVA (HLF 2013).

- **Businesses that occupy listed buildings generate £13,000 extra GVA per business per year** (HLF 2013) – This extra GVA is the amount above that generated by an equivalent number of businesses in non-listed buildings.

- **Listed properties generate a higher level of total return on investment** (Colliers 2011).
  A 2011 analysis of the Investment Property Databank (IPD) Index (a leading real estate industry data source for commercial property) shows that the IPD Listed Property Index has generated a higher level of total return than the IPD Index for three, five, 10 and 30 year time periods.

Francis Tea Room and Deli (formerly 1930s ladies hair dressers), Scarborough, Yorkshire. Listed in 2015. © Historic England

Heritage and creative industries.

- **Creative and cultural industries are 29 per cent more likely to be found in a listed building that in a non-listed building in England** (HLF 2013). – This difference is particularly pronounced in England's core cities, where creative industries are 55 per cent more likely to be found in a listed building than a non-listed building.

- **A very high proportion of creative industries based in historic buildings are start-ups,** with over 60 per cent established between 2010 and 2013 (HLF 2013).[38]

- **Property agents state that historic buildings are attractive to creative industries because they are smaller, more flexible and** cost-effective (AMION and Locum Consulting 2010).

Heritage and private investors.

- **The historic environment is an important factor for property developers.**
  A 2016 study (Towers & Hamlins 2016) of property developers and professionals found that protecting and preserving historical buildings and cultural monuments was seen as a very important characteristic of a development (ranking 4.31 out of 5).

- **Local heritage is worth investment** – Over 90 per cent of respondents to a survey (AMION and Locum Consulting 2010) agreed or strongly agreed that investment in their local historic environment made the area a better place in which to live, work, visit or operate a business.

- **Property values near World Heritage Sites (WHS) are almost £80,000 higher than the UK average – that is 27 per cent more than the average UK property** (Zoopla 2015).
  The study also found that the longer an area has had WHS status, the higher the property values.

- **Conservation area properties generally have higher selling price.**
  An analysis (Ahlfeldt, Holman and Wendland 2012) of over 1 million property transactions between 1995 and 2010 in 8,000 conservation areas found that:
  – Houses in conservation areas sell for a premium of 9 per cent on average, after controlling for other factors;
  – Property prices inside conservation areas have grown at a rate that exceeded comparable properties elsewhere by 0.2 per cent a year;
  – Property prices close to conservation areas increased at a relative rate of about 0.1 per cent per year.

- An Archaeological Market Survey (Landward Research 2015) from 2015 estimates that UK commercial archaeology generated a total of £167m revenue in 2014-15.

- **Historic Houses Association members** generate over 35,500 full time equivalent jobs in direct or induced employment in England (DC Research 2015). This equates to over £247m in GVA.

- **People spend more in their local economy after investment in the historic environment** – In areas that had received investment in the historic environment, approximately one in five visitors in a survey of 1,000 stated they spent more in an area after investment in the historic environment than they did before. One in four businesses stated that the historic environment investment had directly led to an increase in business turnover (AMION and Locum Consulting 2010).

NOTE: Economic estimates from the different sector-based studies should not be combined as this will lead to double counting.

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