Expert voices

THE LONG BOOM: INVESTMENT IN CULTURAL INFRASTRUCTURE

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Adrian Ellis founded AEA Consulting (aeaconsulting.com) in 1990. With offices in London and New York, AEA works around the world on strategic and operational planning for the cultural sector and cultural planning for cities. He is also the chairman of the Global Cultural Districts Network (gcdn.net).

AEA Consulting has worked on the planning of cultural facilities around the world for 30 years. We have always kept an envious weather eye on projects with which, through some inexplicable error of judgement on the part of the client, we were not actually involved. Five years ago, we replaced envy with analysis and began to track more formally the level and character of investment in cultural infrastructure globally, seeking to log the inception and completion of projects with an estimated out-turn capital cost above US$10 million. For the past three years, we have published the results, breaking down the level and character of investments by type, size, and geographical distribution. The reports for 2016, 2017, and 2018, with a complete list of projects, can be found here[57]. Each year we refine our methodology and expand our analysis. These exercises become richer as longitudinal datasets are created, but even three years in, it is interesting.

Perhaps the most striking single takeaway is the continued level of investment in arts buildings globally despite major changes in cultural and social priorities, in geopolitical and economic fortunes, and the general gravitation of people's social lives from the physical to the virtual. The past three years have seen annual investment hovering between US$8 billion and US$9 billion for an average of 115 completed projects. Two thirds of this money has been invested in new institutions, and the balance is split between extensions and renovations. Museums dominate, followed by performing arts spaces, with multifunctional arts centers in third place but growing. We do not have a good handle on projects below US$10 million, but a crude extrapolation of the distribution by project size suggests that a picture that included all projects above *and* below US$10 million would broadly double the investment total to a little under US$20 billion per year.

Headlines from this year's analysis include:

- US$8.0 billion-worth of new physical assets were completed globally in 2018 across 148 projects and a further US$8.7 billion investment was announced for 122 new projects
- The volume of investment in completed projects was focused in North America (36 percent), Asia (27 percent) and Europe (21 percent)
- The median size of completed projects was 6,252 square meters
- The median budget was US$34.5 million.

This long boom in arts buildings is, in some ways, unexpected. These things are expensive to create and also expensive to run—definitely cost centers not profit centers. They are axiomatically fixed assets and *highly* specified in their design, so there is not much by way of a secondary market. And the general trajectory of the art forms for which they are designed—opera, drama, classical music, dance, visual art, as well as science and history museums—is that audiences globally are declining at worst and level at best, particularly in the West. Arts organizations have, in response, scrambled to try to ensure that demand and supply remain in some sort of equilibrium as the sector's basic infrastructure grows. This has involved changing gears from sales, to marketing, to audience development, to complex (and expensive) multiyear audience engagement strategies, all with the ambition of sustaining visitation levels and broadening their demographic base so as to maintain political and public support and funding.

Results have been mixed for all but the premiere league. Culture tends to be a "winner takes all" market, in which high-profile institutions like the British Museum, Sydney Opera House, Washington DC's Kennedy Center or the Louvre—i.e. strong brands in great locations—are in a virtuous circle of growing programs, buzz, acquisitions, visitors, and donors, while the lower leagues struggle to escape the opposite downward spiral.

So, the long boom in arts building does not appear, for the most part, to be demand-led. We therefore need to look at the supply side to understand what is happening. The most obvious driver is globalization: deregulation and technological innovation create mobile capital, knowledge workers, and high-end tourists (cultural tourists stay longer, spend more, and return more often). Globalization also generates rapid urbanization. But in the process globalization "commodifies" cities, making them undistinguished and indistinct, offering the same hotels, the same shops, the same brands, and same *ennui*. If they are to attract mobile resources, they need to thrive by becoming attractive "brand" destinations. How? Public safety, education, and transport will only get you so far in these "livability" contests. You also need a well-expressed cultural identity, or at least that's what many cities have come to believe. Cultural institutions, housed in iconic architecture, are part of the formula.

Much of this investment is driven by variations on the Bilbao/Guggenheim theme, some organized around highly sophisticated strategies, built on an understanding of the many dimensions of Bilbao's success: architectural bravura, of course, but also a broader tourist strategy, funding from regional government to support great museum programming, an understanding of the market catchment area, and investment in hotels and airports. This is not to mention Bilbao's first-mover advantage: Frank Gehry's architecture took advantage of advances in material science, CAD, and structural engineering to be the first of a generation of strikingly expressive architecture. There are now strangely torqued buildings all round the world and that is perhaps why the race to be the biggest (e.g., the new Grand Museum in Cairo) has replaced the race to be the first. Many strategies are less well-thought-through than Bilbao's, leading to a naïve "build and they will come" approach that creates problems of visitation and programmatic quality down the line[58].

Perhaps the most striking single takeaway is the continued level of investment in arts buildings globally despite major changes in cultural and social priorities.

57 *The 2018 index can be found athttps://aeaconsulting.com/uploads/900009/1566502763351/AEA_-_Cultural_Infrastructure_Index_2018_-_FINAL_-_web_copy.pdf The 2017 index is at https://aeaconsulting.com/uploads/800008/1536717435612/AEA_-_Cultural_Infrastructure_Index_2017_-_web.pdf The 2016 index is at https://aeaconsulting.com/uploads/700007/1497384740281/AEA_-_Cultural_Infrastructure_Index_-_web.pdf*

58 *This arts sector "build and they will come" trope never actually appears in Field of Dreams, the 1989 film to which it is attributed, or indeed in W.R. Kinsella's book Shoeless Joe, on which it is based. The quote is "Build and he will come"—"he" being the Kevin Costner character Terence Mann's father, or Shoeless Joe Jackson, or possibly God, depending on how you read the (let's be honest) very strange book and film.*

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Whether more or less sophisticated, and ultimately more or less successful, culture and cultural infrastructure have become the policy tools of strategic place-making, led by the public sector and happily supported by non-profits, with promises of urban regeneration, inward investment, animation of the night-time economy, and the creation of social capital. The arts—or at least arts buildings—have a seat at the policy table, from Beijing to Riyadh, and from New York to Moscow.

The private sector is a significant player in this growth too. The surge in private museums is relatively easily explained. As with the last gilded age, it is the outcome of wealth accumulation, assisted in many countries by a benign tax framework. Someone should analyze the relationship between the Gini coefficient and the formation rate of private museums. Some of these museums will fizzle out when their benefactors tire of the on-going operating costs but many will become significant institutions, supported by generous legacies. Before one dismisses them as "vanity museums", it is worth remembering that many great institutions began in exactly this way, including America's Met, Frick, Morgan, and Gardner to name the most resonant, never mind the royal collections that are at the heart of many European museums.

But there are also other drivers behind private-sector investment in cultural infrastructure that are perhaps less predictable but of growing significance. Interestingly, real estate developers are increasingly significant players in cultural investment around the world: we need only look at Emaar's Opera House in Dubai, the recently completed Tadao Ando museum funded by Genesis in central Beijing, and New York's Shed, which has received substantial support from Related. These represent significant additions to the world's cultural capital.

Historically, developers have invested in cultural projects for, broadly, three reasons. First, because they can: they have the maneuverability to pursue other goals alongside profit maximization, and culture and its housing can loom large. This can be motivated by altruism, or love of art but also because culture is a well-documented mechanism for converting money into social standing, and many developers need just that. Second, cities with density and development pressures, like New York, often use zoning incentives, relaxing FAR (floor-area ratio) requirements for developers in return for the developer providing space (usually "core and shell") for a cultural non-profit. New York's Jazz at Lincoln Center, a 100,000 sq. ft building tucked into the Times Warner Center, is a great example of this win-win strategy. (Declaration of interest: I ran it for five years.)

The third motive is that cultural infrastructure can define the character of a place, and the cost of investment in cultural infrastructure is offset by the enhancement of adjacent residential or commercial property values. It is a strategic play. This third type of developer-led cultural investment appears to be growing for two reasons. The larger the development, the greater the value of the impact of investment in cultural branding, so the global increase in mega developments means this kind of definitional investment in culture becomes more financially attractive. Second, the global softening of high-street retail—chased out by the growth of online retail—means that branded retail makes less and less sense as definitional street level usage. Developers are looking for "experiential" alternatives to define developments at street level, animate public areas, and drive footfall. Some of this is not well-thought-through and there is a spate of museums of ice cream and similar. But, phenomena like MeowWolf, the Santa Fe-based arts collective developing visitor experiences in Las Vegas and Denver, appear to stem directly from this dynamic.

We are now in a period in which populism as a political response to globalism is on the rise. It will be interesting to see how this affects trends in cultural investment. Early indications are that it is affecting the nature of cultural investment, but not the volume. But the paradox—and long-term challenge—at the heart of the cultural infrastructure boom remains: the infrastructure only pays off if it works its strategic magic, and its strategic magic requires not just drop-dead gorgeous architecture, but vibrant institutions generating programming—exhibitions, concerts, experiential events, etc.—that engages audiences and commands attention.

As countries, cities, developers, and philanthropists continue to invest in infrastructure, they will need to devote increasing attention to the challenge of dynamic, engaging, and viable programming.