

# the value of a VIEW

BY ORELL ANDERSON, MAI  
AND ALEXANDER WOHL

Quantifying the damages of a view once seen

The impact that views have on property values is a mature area of research that has been studied extensively over the past 25 years. This is especially true when it comes to the impact of water views on residential property values. Numerous studies have found that large premiums are paid for homes possessing views of nearby bodies of water. For example, a 2001 study found that homes with views of Lake Erie—one of North America's five great lakes—carried a 56 percent premium. Within the sample, that translated to \$115,000. So what happens when desirable views are blocked?

## Defining The Rights to a View

In real estate, a view can generally be defined as the ability to see or be seen. View diminution, therefore, is any impact on the ability to see or be seen that is perceived by the market as negative. As usual, what the market considers to be a negative impact depends on the actual property in question. The desire to see or be seen for a freeway-oriented retail center may differ from that of a single-family residence.

Since views from a residential property often carry a large premium, changes to a desirable view may be perceived by the market as having a negative impact on value. When a desirable view is blocked, the question of damages is often a question of *abutter's rights*—a property owner's rights to air, light, view, visibility and access.





An important question arises as to whether the property owner had a right to that view to begin with. For example, consider a buyer who purchased a home with a stunning view of the city skyline courtesy of an adjacent vacant lot. A year after escrow closes, the vacant lot is developed with a single-family residence that conforms to the zoning plan's height restrictions. As a result, the formerly stunning view of the city skyline is now partially blocked by the new neighbor's exterior walls. Could the buyer successfully file suit against the seller for the view diminution? Such a claim is unlikely to hold up in court, since their initial view amenity was what valuers term a *borrowed view*—a temporary benefit. So while the buyer did not specifically purchase a right to the skyline view, they benefitted from the borrowed view while the neighboring lot remained vacant.

### Don't Build That There!

The same principle applies to the creation of an undesirable view. Consider a buyer who purchases a home abutting a cluster of undeveloped parcels that together make up a gentle hillside. The buyer very much enjoys looking out on this hillside while enjoying a cup of coffee. A year after the purchase, these parcels are developed into a retail shopping center anchored by a supermarket. Two years after the buyer's initial purchase, the hillside is out of sight, and the home now overlooks the loading area at the back of the market. If the retail center conformed to zoning and development regulations, it would be difficult to argue that there are compensable damages, given that a reasonable buyer could have known this potential use.

Changes to the view onto a property—or the ability to be seen—may also lead to a negative impact. Consider a buyer who purchased a property with a large private pool area in the backyard at the base of steep, undeveloped hillside. This buyer delights in the privacy of his private pool area. A year after the purchase, however, an uphill neighbor develops an addition to his house that looms over the previously-private backyard, creating what is informally called a *fishbowl effect*. Unknown to the buyer, the seller had agreed to variances

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that allowed a neighbor to add living area that encroached into the typical setback. In this case, the buyer may file suit against the seller for a failure to disclose.

On the other hand, in the world of eminent domain, the loss of visibility may be considered a compensable damage. Consider a fast food restaurant along a major freeway that enjoys visibility from both the northbound and southbound lanes. To ease congestion, the state expands the freeway, adding an embankment that eliminates the fast food restaurant's visibility. For retailers who rely on freeway visibility, changes in visibility due to the highway project may constitute a compensable damage in the after condition.

### Measuring the Immeasurable

The challenges faced in quantifying the value of a view in real estate highlight several issues that plague both scholars and practitioners in their attempts to quantify the price impacts of property characteristics, amenities and surrounding resources.

First, the data can be scarce. Second, the interpretation can be tricky. Databases such as multiple listing services are inconsistent in their reporting of views, and even when recorded, they have little to say about the kind of view. Do you have to climb onto the roof to see a sliver of the ocean? Or do you have panoramic views of water from the main bedroom? Even a simple GIS database is of little help, since

proximity to a body of water does not necessarily equate to a view, even if elevation is considered.

Additionally, the study of a view amenity must consider—and somehow disentangle—the *influence* of a resource from the *view* of that resource. In the language of statistical modeling, such correlation between two or more independent predictor variables is known as *multicollinearity*.

To illustrate this point, consider how one might value the impact of a lake view relative to its recreational value for boating and fishing. Over the years, we have seen some creative solutions to this problem. In one case, a 2008 study of property values included homes with views of two manmade lakes in Omaha. However, since these manmade lakes were actually created for flood control and storm water management, they had extremely poor water quality and therefore offered very little recreational value.

### In Summary

In the world of amenity and disamenity research, the viewshed literature is often the most sophisticated in its data and methodologies. Using GIS and elevation tools such as light detection and ranging (LiDar), researchers are now able to remotely reconstruct the viewshed of each property in a dataset of thousands of sales. Nevertheless, the obstacles faced by scholars and practitioners in quantifying damages—and compensation—are as much about definitions and the rights at stake as they are about data and statistics. ★

### References

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Orell Anderson, MAI is President of Strategic Property Analytics, Inc., and specializes in real property damage economics. He is Chair of the American Bar Association's Litigation Sub-Committee on Environmental Damages and Eminent Domain.



Alexander Wohl is a Research Analyst at Strategic Property Analytics, Inc., a consulting firm specializing in litigation support, valuation, strategy, and econometrics.