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What's in a View?

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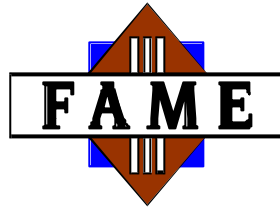
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This paper has now been published and is no longer available as a part of our Research Paper Series. The published text can be found with the following reference:

Hoesli, M., Bourassa, S., Sun, J., "What's in view?", 2004, Environment and Planning A, vol. 36, n°8, pp. 1427-1450.

Abstract:

The impact of views on property values has not been the specific focus of as much research as has the impact of other externalities on property values. When the impact of views is assessed, it is usually done by adding a single dummy variable to a hedonic regression equation. This paper provides a detailed literature review as well as an empirical analysis of the impact of a view on residential property values using a very rich database of nearly 5,000 sales in Auckland, New Zealand. Several dimensions of a view are analyzed: type of view, scope of view, distance to coast, appearance of immediately surrounding improvements, average quality of landscaping in the neighborhood, and average quality of structures in the neighborhood. It is found that wide views of water add an average of 59% to the value of a waterfront property, but that this effect diminishes quite rapidly as the distance from the coast increases. Attractive buildings in a property's neighborhood on average add 37% to value relative to properties in neighborhoods with only average quality structures. Particularly attractive improvements in the immediate surroundings of a property add another 27% to value on average. On the other hand, properties in neighborhoods with only poor quality landscaping on average experience a -51% impact on price. Our results lead to the conclusion that aesthetic externalities are multi-dimensional and can have a substantial impact on residential property values.



Executive Summary:

In this paper, we argue that the benefits from having a view should not be limited to natural features such as the ocean, a lake, mountains, or a forest, but should also include the benefits associated with attractive landscaping in the area and with quality of surrounding improvements. In other words, when analyzing the impact of views one should include measures of the visual quality of the immediate surroundings of the property in question as well as the overall appearance of the neighborhood in which the property is located. Using a rich database of sales transactions for Auckland, New Zealand, we are able to consider two types of view (over water and land), three scopes of view (wide, medium, and narrow), and the distance to the coast for properties with water views. Additionally, we consider the appearance of properties immediately surrounding the property in question as well as the appearance of landscaping and structures in the general neighborhood of each property.

As no comprehensive review exists of the methods and of the results obtained when investigating the impact of a view on residential property prices, the paper first provides a detailed analysis of such research. Our results suggest that wide views of water add an average of 59% to the value of a waterfront property, but that this effect diminishes quite rapidly as the distance from the coast increases. Attractive buildings in a property's neighborhood on average add 37% to value relative to properties in neighborhoods with only average quality structures. Particularly attractive improvements in the immediate surroundings of a property add another 27% to value on average. On the other hand, properties in neighborhoods with only poor quality landscaping on average experience a -51% impact on price. Our results lead to the conclusion that aesthetic externalities are multi-dimensional and can have a substantial impact on residential property values.