

Measuring the Value of a View



Suppose you own a castle on the flats and your brother owns one high atop a hill that features amazing, unobstructed views. Aside from location, the two castles are identical. Which one has the higher resale value?

If you guessed that it's the hilltop castle, you are correct. When valuing two similar pieces of property, location is king and everything else is secondary.

While it's easy to say that the home with the view is "worth more" than the home without one, there are no rules on how *much* value the amenity adds.

Agents and Appraisers

Real estate professionals are at odds over this. Some claim that there is no premium for a view while others say that a view can add up to 15 percent to the value of the home over others lacking the amenity.

Researchers Mauricio Rodriguez and C.F. Sirmans reject the notion that a view has no impact on home value. Their study, published by Texas Christian University, shows that a view adds between 5 to 8 percent to the market value of a home.

Professional appraisers—those folks that tell your lender how much your home is worth—are given vague guidance by the Appraisal Institute that when valuing a property they must consider the view. What the institute doesn't tell them, however, is how to arrive at that value.

Then there is the fact that a view may be distasteful. An auto dismantler or a rundown apartment building out of the dining room window, for instance, will drag down the value of a property. Either way, views are challenging to measure, whether that view is good or bad.

View Orientation

Is what you're seeing out the window located close or far away? Patrick Brown and Beverly McCabe, in a report prepared for the American Appraisal Institute, claim that a close-up view is worth more than a faraway view. For instance, the Golden Gate Bridge right outside your window is worth more than if the bridge were located several miles away.

The pair also finds, though, "In some contradiction, a near view of a prized view object is preferred over a far view, while the ability to see a far distance is prized over a vista that is foreshortened."

Then there is the orientation of the view from within the home. A view from the back of a house influences the home's value more than a view from the front, according to the pair.

"What really counts is the (ground level) view from the back, because that's where people live," Ernest V. Siracusa, a Southern California real estate market analyst, tells MSN.com.

This is because almost no one spends much time in the areas of the home that are used the most, such as the master bedroom, dining room and kitchen.

The Worth of a View

front of a house; most of the "living" goes on at the rear. Siracusa claims that he would give a view from the front of the home "zero view premium."

The additional value is added if the view is from

After spending years studying the subject of the value of a view in newly constructed homes, Siracusa has come up with a range to measure the value added for different types of views and view orientations. It runs from 1 percent to 2.5 percent for a home overlooking open space to 15 to 20 percent for a water view, as long as the view is unobstructed.

He goes on to point out that if that view is of the ocean, the home may command up to 30 percent more than similar homes without the view.

That's helpful information for builders who are attempting to put a price on new construction, but what about older, existing homes?

Earl Benson, Western Washington University marketing and finance professor, may have hit on the answer. He tells Marilyn Lewis of MSN Real Estate that his studies of Bellingham, Wash. assessor's records combined with his own calculations showed that a home in that area with a water view would sell for \$117,600 more than a home that lacks that view.

Put that house on the shore of either the ocean or a lake, and it would command a whopping \$253,280 more at close of escrow than if it were located somewhere less attractive.

While the value of a residential view fluctuates depending on orientation, the subject of the view, and the amount of obstruction, studies seem to show that the amenity does add to the resale value of a home.

If you're fortunate enough to live in a room with a view, ensure that your real estate agent factors it into the calculations she performs to determine market value.