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Infrastructure bolsters the value of real estate

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Something we all tend to take for granted in our everyday lives is infrastructure. We turn on the faucet and water flows. We flush the toilet and waste disappears. At night, the street lights turn on automatically. We get in our car and drive onto the freeway without giving it a thought. Just what is infrastructure? I think of it as the connective tissue of real estate.

Infrastructure consists of the transportation and utility networks that link us together. It includes our roads and bridges, airports, seaports, railroads, water and sewer systems, electric grid work, telecommunications delivery, natural gas corridors and the like. Infrastructure is the supporting framework that enables, sustains and enhances economic and societal activity. Our transportation, water and sewer networks tend to be government or publicly owned and operated while most energy and telecommunications networks are private.

One of the most massive infrastructures in the world is this country's interstate highway system formally known as the Dwight D. Eisenhower National System of Interstate and Defense Highways. Created by the Federal Aid Highway Act of 1956, this highway network now extends over 47,000 miles. The original motivation for such a system was the perceived need to transport troops and military equipment in the post World War II era. However, the real benefit has been economic with the ready transport of goods and services.

Some of the oldest infrastructure known consist of water aqueducts that date back to at least the 7th century BC. The Roman aqueducts are perhaps the most famous with some still in use to this day. Ancient Egypt as well as pre-Columbian South American cultures developed complex irrigation systems to ensure the success of crops.

Not until the mid 19th century did scientists discover that disease was spread by contaminated water. Cholera, typhoid fever and dysentery were prevalent illnesses prior to the advent of modern day sewer treatment systems. Enclosed waste water trenches were a boom to public health.

Most people don't pay much attention to infrastructure until one of the components doesn't work such as a broken water main or a power outage or a major natural disaster such as a blizzard, earthquake or hurricane. For infrastructure to continue to provide support for economic and societal activity, the various systems must be properly maintained, improved and expanded. As many communities have learned the hard way, it does not pay to cut back on repairing roads and bridges in the long haul.

Needless to say, infrastructure bolsters the value of real estate. During the valuation process, the appraiser researches the infrastructure available to the property being appraised. How accessible is the wider transportation network to the property? What utilities are available? What is the capacity of these utilities? The answers to these questions are critical in determining value.

Properties in proximity to the larger transportation network and with connectivity to water, sewer, telecommunications, and natural gas tend to command higher prices than properties without these assets. The primary reason for this higher price is the higher utility of the property. Such a property can be used for a very broad range of activities and the market is typically willing to pay for such. Patricia Amidon, MAI, is president of Amidon Appraisal, Portland, ME.

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