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## **Diminution of value appraisal problem - by Marsha Campaniello**

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Over the years, I have completed Diminution of Value Studies as they relate to cell towers, bike paths, ATV trails, water towers and multifamily projects. In each instance the client is trying to determine whether or not the “proposed influence” would result in the diminution of value of single-family homes in close proximity to, and/or view of, the “influence”.

My clients have included the developer of the “proposed influence;” the attorney representing those that are concerned there is diminution of value; the attorney that represents the “proposed influence;” those seeking a zoning variance for the “proposed influence;” attorneys involved in an existing court case where diminution of value is in question; or for a “public information” presentation about the “proposed influence;” or as part of a discovery process when considering the introduction of a “proposed influence.”

My clients often have diminution of value studies completed by other appraisers for the “proposed influence,” which have, for the most part taken one of two approaches – either a comparable sales price analysis based on single-family homes in close proximity versus not in close proximity to an “influence,” but not always a “similar influence.” Or, the study includes a compilation of commentary from real estate professionals such as other appraisers and municipal assessors as to whether they have ever found diminution of value for a similar “influence.”

Another approach that I have followed for each Diminution of Value Study involves interviews with real estate brokers, appraisers, sellers, buyers and/or assessors involved with properties in close proximity to an “influence” similar to my “subject property.” Prior to the interviews, however, I first complete the following research in order to identify my “comparable sales.” Let’s say the “proposed influence” is a water tower. So, I first:

A. Locate as many “water towers” as possible in markets similar to the subject’s;

B. Out of “A”, find water towers in close proximity to single-family homes;

C. Out of “B”, eliminate those in close proximity to other significant “influences,” such as a major highway, etc., in order to eliminate any other “influence” variable(s);

D. Out of “C”, identify those where single-family home values are similar to my subject neighborhood;

E. Out of “D”, find recent and pending sales, and active listings.

Now that I have identified what I consider the “best comparable sales,” I am ready for the interviews of real estate brokers, appraisers, sellers and/or buyers involved in the “comparable sales” identified in “E” above. The questions I ask are:

- Was there either a positive OR negative effect on the asking OR sale price of the property due to its close proximity to, and/or view of, the water tower?
- Did the seller and/or buyer have any comments or concerns due to the property’s close proximity to, and/or view of, the water tower?
- Were there any known issues with the appraisal of the property due to its close proximity to, and/or view of, the water tower?
- Was there anything unusual about either the property or the transaction that is worthy of note? (You’d be amazed at what you learn from this last question, whether relevant to the study or not...)

Then, for each municipality within which the water towers are located, I ask the assessor:

- Have there been any adjustments up OR down to assessed values of any single-family property in close proximity to, and/or view of, the water tower?
- Were any Tax Abatement requests made by single-family property owner(s) due to close proximity to, and/or view of, the water tower?
- Were any Tax Abatements granted to any single-family property owner(s) due to close proximity to, and/or view of, the water tower?

Finally, to see if there is any evidence that the “influence” might have either increased or decreased the “Days on Market”, I also complete an analysis of the “Days on Market” for the “comparable sales” that includes:

Days on Market for single-family properties “with influence” (i.e. comparable sales)

VS. Days on Market for single-family properties in the neighborhood of the comparable sales, but

“without influence”

VS. Average Days on Market for single-family properties within entire municipality.

And, no matter what, I never divulge who is the client; I always ask all questions from a neutral position; and I make sure to ask if the “influence” made either a positive OR negative effect on the asking and sale price of the comparable sale. And, the studies are always interesting!

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