

7 neighborhood threats to your home's value

Who — or what — is next door can affect how much people will pay for your home.

October 2012 By Brian O'Connell of [MainStreet](#)



Bad neighbors can be a serious problem, according to the **Appraisal Institute**. An unkempt yard, proximity to a sex offender or having certain commercial facilities nearby, such as a power plant or funeral home, can reduce the value of surrounding homes by as much as 15%.

"The impact can vary tremendously, depending on a few factors: how 'bad' the bad neighbor is, the kind of neighborhood you're located in and the type of market that exists," says Carlos Gobel, director of residential services at Integra Realty Resources in Miami.

But what exactly is a "bad" neighbor? Definitions vary, but real-estate professionals say it boils down to any home or business that turns people off.

"A bad neighbor is one that has no consideration for the rest of the community," says Mindy Pordes, co-founder of Pordes Residential Sales & Marketing in Aventura, Fla. "For example, someone who doesn't take care of the outside appearance of the home, such as the gardening, painting of the outside of the home, roof, garbage and general upkeep. In addition, a bad neighbor may have constant visitors taking up parking spaces, perhaps on the street, loud house parties, dogs that bark all night or stray cats lingering around."

What's your home worth?

A "bad" neighbor can also be a business or government enterprise whose very existence drives down the value of your property. Here are seven surprising neighbors that can reduce your home's value:

Power plants. The data are fairly clear on the impact of a power plant on nearby home values — it usually hurts them. A [study](#) (PDF) from the University of California at Berkeley shows that home values within two miles of a power plant can be decreased between 4% and 7%.

Landfills. A [study](#) (PDF) from the Pima County, Ariz., assessor's office shows that a subdivision near a landfill loses 6% to 10% in value compared with a subdivision that isn't near a landfill — all other residential factors being equal, including house size, school quality and residential incomes.

Robert A. Simons, an urban planning professor at Cleveland State University, [says](#) that if you live within two miles of a Superfund site — a landfill that the government designates as a hazardous-waste site — your home's value could decline by up to 15%.

Sex offenders. Living near a registered sex offender is one of the biggest downward drivers of home values. Researchers at Longwood University in Farmville, Va., [concluded](#) that the closer you live to a sex offender, the more your home will depreciate. In the paper, "Estimating the Effect of Crime Risk on Property Values and Time on Market: Evidence from Megan's Law in Virginia," Longwood researchers say, "The presence of a registered sex offender living within one-tenth of a mile reduces home values by about 9%, and these same homes take as much as 10% longer to sell than homes not located near registered sex offenders."

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Delinquent bill payers. One surprising way neighbors can bring down the value of surrounding homes, especially in town home or condo communities, is by not paying their maintenance fees or mortgages. "Bad neighbors bring values down by not paying their maintenance fees, in some cases their mortgage payments, and not maintaining the home's appearance," Pordes says. "These homeowners usually do not care about real-estate values."

Foreclosed homes. Perhaps the biggest single factor that drives nearby home values down is a foreclosure. A recent study by the Massachusetts Institute of Technology concludes that the value of homes within 250 feet of a foreclosed property will decrease by 1% per foreclosure, on average. Federal Reserve Governor Joseph Tracy said recently in his economic outlook for 2011: "The growing inventory of defaulted mortgages continues to weigh down any recovery in the housing market ... Problems in housing markets can impact economic growth."

Lackluster landscaping. Studies show that lawn care has a big impact on surrounding home values. Virginia Tech University [released a report](#) stating that pristine landscaping can jack up the value of a home by 5% to 11%.

Closed schools. Sometimes, neighborhood problems can stem from local government action. For example, if a cash-strapped city or town closes a neighborhood school, that can easily steer home values south. The National Association of Realtors says 75% of home shoppers say the quality and availability of schools in the neighborhood is either "somewhat important" or "very important."

So can you fight back against problem neighbors? In the case of a landfill, power plant or sex offender, your options are severely limited. As long as your neighbors are following the letter of the law, you'll just have to grin and bear it — or move. If not, you have every right to petition your local government authorities for a grievance and at least get the matter reviewed.

If it's a residential property causing the problem, however, you might have better options. For starters, you can leave a polite letter in the offending homeowner's mailbox to get his attention. In addition, Pordes says that if the home is within a homeowners association or condo association, the association can send letters to the homeowner and deny him community privileges to encourage him to comply with the community rules and maintain home values.

Most cities and towns have ordinances against messy yards and junk-laden driveways, so check your community's rules and regulations to see what applies.