In earlier articles on land/site analysis, it was discussed that the pattern of use can be analyzed in terms of how it meets human needs. Locational attributes will emerge and economic activities will evolve. Lynch states that, “The contents of the city images...can conveniently be classified into five types of elements: paths, edges, districts, nodes and landmarks.” Just as appraisal principles guide the appraisal process, so the physical elements guide the analysis of the physical environment.

For the purposes of this article, “districts” will be briefly discussed. Kevin Lynch defines districts as “the medium-to-large sections of the city, conceived of having two-dimensional extent, which the observer mentally enters ‘inside of,’ and which are recognizable as having some common, identifying character. Always identifiable from the inside, they are also used for exterior reference if visible from the outside. Most people structure their city to some extent in this way, with individual differences as to whether paths or districts are the dominant elements.” Lynch considers paths a dominant element in defining the image of a city. As a side note, another word more familiar to appraisers for paths is “link.” To some extent, the word “path” also describes an observation along a link. The quality of the observation is important.

Appraisers often use the terms “local area” and “neighborhood” to describe an economic element that is used in an opinion of value of the subject property. The condition, improvements, similar uses and access to services (schools, shopping and employment) help define a local area and neighbor. A common definition of a neighborhood is “a group of complementary land uses.” Many appraisal assignments will require the immediate neighborhood to be defined. Relating the subject property to the neighborhood will help determine the data used to develop the opinion of value. Lynch’s definition of “district” goes beyond the neighborhood. Planners are generally concerned with how neighborhoods relate to the larger community in developing general plan policies and implementation of zoning.

Some assignments may require the appraiser to study and analyze the subject property in terms of how it fits beyond the immediate neighborhood area. A larger area may be more appropriately called a “district” to describe how the market participants observe a larger economic area. A combination of neighborhoods that comprise a district may provide comparables. In such cases individual neighborhoods should be part of the common district. There should be a determination that real estate transactions outside the immediate neighborhood represent reasonable market substitutes to the subject property. The common and identifying character can be described for analysis purposes as influences in how market participants view their environment. Influences to market activity can include the history of an area, perception based on a name/address, and specific function.

In an earlier Tool Kit article, probability of zone change was discussed. Neighborhood and district analysis should be considered when an assignment includes probability of a
zone change. The scope of work should consider the impact a zone change will have on the neighborhood and beyond. Such an analysis should first consider the compatibility with the adjoining uses and the neighborhood. The analysis should then also consider a larger area than the neighborhood—such as a district. Generally, there is a greater impact to consider for larger properties. Judgment is required.

Difficult or complex assignments may require a higher degree of judgment. In such cases, the appraiser needs the tools to understand the relationships between the market participants and how decisions are made. Lynch provides some insight regarding how decisions are made by stating “…as might be expected, people adjust to their surroundings and extract structure and identity out of the material at hand.” How people adjust to their surroundings will help define substitute properties that can be reasonably used as comparable. Collecting relevant facts about the social, economic and political conditions should be done in an objective process. Identifying and mapping districts is a tool that can assist the appraiser.