

When Your View Goes Up In Flames: Effect of Wildfires on Property Values

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Properties located near the wilderness often benefit from amenities such as scenic vistas and nearby recreation opportunities. However, proximity to the wilderness may also come with disamenities caused by wildfires such as view of a burn scar and risk of wildfire damage. Using a unique data set of sales transactions spanning the Los Angeles and San Diego Basins between 2000 and 2015, combined with detailed wildfire characteristics, we estimate the effect of burn scar view on real estate prices in an urban setting.

Our identification strategy employs entropy balancing, a data preprocessing technique designed to eliminate model dependency based on observables, combined with a fixed effects approach to control for potential unobservables. We compare this approach with nearest neighbor matching techniques where treated properties with a burn scar view are matched with controls without a burn scar view.

Furthermore, to separate the effect of burn scar view from burn scar proximity, we estimate a difference-in-differences model for different proximity thresholds to the burn scar, holding burn scar view constant. Findings show a 4.5% decrease in the price of properties with a burn scar view and a 3-4% decrease in the price of properties within proximity of a burn scar but without a view.