Article 81

Technical Note #66 from Watershed Protection Techniques. 2(1): 302-303

The Pond Premium

Real estate agents and homeowners have long been aware of the "waterfront effect." A home situated near a stream, lake or river usually costs more to buy or rent than a more distant one. A waterfront location can translate into an extra charge or premium of nearly 30%. Does a similar effect exist for such artificial water features such as a stormwater pond or wetland? If a waterfront effect exists for these stormwater practices, it would have several important implications. For example, a strong effect could help a developer recoup some or all of the costs involved in designing and constructing a stormwater treatment practice for the site. Also, the notion that stormwater ponds could actually increase property value (and the local tax base) is a compelling justification for skeptical communities to adopt that stormwater quality requirements. The key question, then, is how great is the waterfront effect and how long does it last?

The EPA recently examined the issue by conducting a broad survey of real estate agents and developers that were involved in selling or leasing property featuring either well-designed stormwater ponds or constructed wetlands. Nearly twenty case studies were compiled, which compared the price or rents charged near stormwater ponds with similar units located further away. Some of the key findings are illustrated in Tables 1 and 2. As a general rule, a premium of five to 30% existed for homes, apartments and offices with a view of a well-designed pond or wetland, with an average premium of about 10%. As might be expected, this premium is not as great as those charged for natural waterfront locations, but it is still substantial—averaging about $10,000 per single family home. The premium also appears to hold up well upon reselling.

Two of the case studies tracked the resale value of homes near ponds for up to two decades, and found the premium held up or even increased as time went by. For apartment space, the pond premium typically amounted to $10 per month for each unit. A pond premium was also evident in the commercial office space market, with a typical premium in the range of $1.00 to $1.50 per square foot. Even in soft or overbuilt real estate markets, the authors often found that a presence of a pond helped to sell space or units more rapidly, which has can provide developers a clear cash flow benefit. While the study primarily examined the waterfront effect associated with wet ponds, it did include two case study examples involving stormwater wetlands. In this limited sample, stormwater wetlands were also found to have a strong waterfront effect. This appears to

Table 1: Residential Lot Premium for Stormwater Ponds and Wetlands

Location	Base lot costs	Estimated premium
Alexandria, VA	$130,000 to 140,000 condos	$7,500
Fairfax, VA	$333,000 to 368,000 homes	$10,000
Burke VA	$130,000 to 160,000 townhomes	$10,000
Orange County, VA	varies	$49,000
Fauquier County, VA	$289,000-305,000 homes	$10,000
Loudon County, VA	varies	$7,500 to 10,000
Broward County, FL	$0.1 to 1.1 million homes	$6,000 to 60,000
Broward County, FL	varies	$200 to $400 per linear foot
Hybernia, IL	$299 to 375,000 homes	$30,000 to 37,500
Wichita, KS (wetland)	$35,000 to 40,000 lots	$20,000
Boulder, CO (wetland)	$130,000 lots	$35,000

Table 2: The Pond Premium for Rental Properties

Location	Rental Type	Premium
Reston, Va	Apartment	$10/month
Greenbelt, VA	Apartment	$15/month
Waldorf, MD	Apartment	$5 to 10/month
Mitchellville, MD	Apartment	$10/month
Laurel, MD	Apartment	$10/month
St Petersburg, FL	Apartment	$5 to 35/month
Fairfax,VA	Comm. Office Space	$1/sq. ft.
Prince Georges, MD	Comm. Office Space	$1 to 1.50/sq. ft.

Source: U.S. EPA, 1995.

reflect a recent trend among many housing consumers to prefer a more natural appearance of their community.

The authors noted several factors that contributed to the size of the pond premium. Foremost among these is the size of the pond or wetland. In most of the case studies, ponds had a surface area of several acres or more. A second key factor was the addition of relatively low cost aesthetic or recreational amenities to the design of the pond. Many of the ponds included fountains, footpaths, bike trails or gazebos in their design, and all featured attractive pondscaping and landscaping.

It should be clearly noted that not all stormwater ponds will automatically generate a premium. In particular, it is doubtful whether smaller ponds (e.g. less than an acre) will produce a significant premium. Also, some home-buyers may perceive that steep-sided or deep wet ponds are a safety risk for young children and avoid them. Fencing may reduce the risk, but also tends to diminish the very aesthetic and recreational qualities that produce the pond premium.

Poor maintenance should also reduce the premium, particularly to the extent that it results in an unsightly, overgrown or stagnant pond. Lastly, developers themselves have reduced the pond premium in their decisions on where to locate the pond. A common practice over the years has been to relegate ponds to some hidden place in the back of a development where they are out of sight and out of mind (and consume as few lots as possible). The case studies clearly show that the a pond premium can only be achieved when designers make the pond a prominent and integral feature of their residential or office development.

The EPA study provides further evidence that some environmental regulations can produce economic benefits to developers, property owners and even local governments. The existence of the pond premium is a strong incentive for developers to incorporate more attractive stormwater ponds and wetlands into their projects and to properly maintain these structures. These economic benefits are particularly important in an era of regulatory reform. In this respect, state and federal permitting agencies may wish to reexamine their policies with regard to ponds. In some regions of the country, these agencies have actively discouraged the construction of larger stormwater ponds that produce the greatest premium, on the grounds that they might produce downstream environmental impacts. A more balanced approach may be needed in order to realize the economic benefits, and produce more widespread application of stormwater controls. **See also article 84.**

—TRS

Reference

U.S. EPA. 1995. *Economic Benefits of Runoff Controls.* Office of Wetlands, Oceans, and Watersheds. Washington, DC. Publ. 841-S-95-002. 19pp.