



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