

Opinion: Value of shore property rising, could rise more with less flood risk

Researchers across the country are studying how much flood risk affects property values, in light of expected higher sea levels due to climate change. Property owners, potential buyers, the insurance industry and government agencies want to know.

One of the first studies of East Coast properties was released last month by the nonprofit First Street Foundation, which says it advocates “for sea level rise solutions.” It found homes in New Jersey, New York and Connecticut would have appreciated almost \$7 billion more from 2005 to 2017 if they contained no flood-prone neighborhoods.

New Jersey alone, with its long shoreline and pricey barrier island properties, missed out on \$4.5 billion more in property appreciation, with Ocean City leading all cities studied with \$530 million. Most of that potential appreciation was on bayside properties rather than oceanfront ones, First Street said.

These are big numbers, but the increase in value of shore properties during the 12-year period produced far bigger numbers.

Ocean City, for example, has seen the assessed value of all real estate grow from \$7.8 billion in 2005 to \$11.7 billion today, a 50 percent increase.

If no city neighborhoods were at risk of periodic flooding, property appreciation would have gained another 15 percent or so in value.

Other Jersey Shore municipalities also left home appreciation on the table due to flood risks, the study said, including Sea Isle City, \$209 million; Atlantic City, \$175 million; Avalon, \$166 million; and Brigantine, \$159 million.

First Street said it took into account economic variations such as the housing bubble that burst in 2006, resulting in a severe housing recession. A Harvard professor who does similar research but wasn't involved in the First Street study said it met academic research standards.

But the most devastating and publicized East Coast flooding event of the past half century, Hurricane Sandy, occurred during the study period. That had an outsized influence on the public perception of flood risk and must have strongly influenced buyers and sellers during the study's final five years. It's hard to imagine that Sandy's unusual level of damage and lingering challenges didn't distort the study's outcome. If the First Street study had covered 1998 to 2010, the result might have been much different.

There is no doubt that flood risk affects property values, it's just a question of how much. The First Street study is a good first effort, but a credible consensus will require more studies taking different approaches and looking at different periods.

This much is sure: Flood mitigation and prevention efforts, regarding which Ocean City has been something of a local leader, are a good way to preserve and increase housing values on the barrier islands.

