

Beach Quality and the Enhancement of Recreational Property Values

Jeffrey J. Pompe and James R. Rinehart
Department of Economics, Francis Marion University

This study uses the hedonic pricing technique to examine the contribution of beach quality, as measured by beach width, to property values in two South Carolina coastal towns. Using two separate models, we estimate the values of wider beaches to vacant lots and single family homes, both with and without water frontage. For oceanfront property, increasing the beach width from 79 to 80 feet, increases the value of developed and undeveloped lots by \$558 and \$754, respectively. An increase in beach width from 79 to 80 feet, increases the value of developed and undeveloped lots, located a 1/2 mile from the beach by \$254 and \$165, respectively. The willingness to pay for wider beaches is an indication of the size of the storm protection and recreational values produced by wider beaches.

KEYWORDS: *Residential property values, value of beach quality, hedonic valuation method.*

Introduction

As the demand for outdoor recreation has grown in recent years, more and more people have chosen seashore areas for permanent residences and vacationing. As a result, coastal property values have risen substantially and this trend is expected to continue. A 1993 survey indicates that the market for second homes and recreational properties is enjoying a renewed interest, with property near the beach as the top choice of buyers (Ragatz Associates, Inc., 1993). Beach quality is an important determinant of coastal property values, but one that has received very little examination, partly because its influence is difficult to measure. This study uses the hedonic pricing technique to show how the value of wider beaches, a key characteristic of beach quality, can be estimated from residential property sales. Specifically, we measure the effect of beach quality on developed and undeveloped coastal property values.

Beaches provide aesthetic pleasure as well as recreational uses such as swimming, surfing, sunbathing, fishing, and volleyball to residents and tourists. Yet, many of these recreational pleasures are threatened by beach erosion. A 1971 study by the U.S. Army Corps of Engineers found that 21,000

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