

Economic Benefits of Whitefish and Flathead Lakes

Lakes contribute upwards of **\$3 billion** in property values to the local tax base equalling **\$25 million** in property tax revenue

ABOUT THE STUDY

The Flathead Lake Biological Station and Whitefish Lake Institute teamed up to estimate the benefits that two northwest Montana lakes – Whitefish and Flathead – impart to home values in the form of price premiums for lakefront and nearby real estate. This premium can be roughly interpreted as the aesthetic benefit landowners derive from living on or near lakes with exceptional water quality. Numerous other studies have provided convincing evidence that property values are positively affected by clean water or conversely, degradation in water quality can lower property values. This study used a “hedonic” pricing model to estimate how much more people are willing to pay for homes with lake associated amenities. The data set consisted of over 7,000 sales transactions from 2004 to 2018. Estimates are in 2018 dollars. All averages used in the analysis are for our sample of arms-length real estate transactions.

WHAT IT MEANS

This study provides estimates of the aesthetic benefit residential land owners derive from living on or nearby Flathead Lake and Whitefish Lake, which both exhibit exceptional water clarity. The results reveal the far-reaching economic importance of maintaining lake water quality. The data suggests that highly desirable lakes such as Flathead Lake and Whitefish Lake enhance surrounding property values thereby contributing significantly to the local economy and tax base. Monitoring and protecting our lakes is not only important for maintaining ecological integrity and recreational opportunities, but also for contributing to the economies of these communities.



Lakefront Price Premium: Lakefront on Whitefish Lake commanded a price premium of 254% or \$1.3 million on average compared to the same home located over 2 km from the lake. The effect of Whitefish Lake on home value diminished the further the property was from the lake. In comparison, lakefront homes on Flathead Lake exhibited a 114% or \$0.5 million on average price premium compared to the same home over 2 km from the lake. Contrary to our expectations, proximity to Flathead Lake did not positively influence housing values for homes that were not on the lake.



Shoreline Value: An additional meter of shoreline on Flathead Lake was worth \$3,087. Using the average length of shoreline of 40 m this equates to roughly 28% of the mean sale price. Shoreline length did not contribute additional value on Whitefish Lake. This result was likely due to the uniformity in shoreline length among lakefront properties on Whitefish Lake.



Access: Water access for non-lakefront homes imparted price premiums of 30% and 33% for homes that have deeded access to Flathead and Whitefish, respectively, compared to homes without access to water.



Contribution to the Economy: In Montana, local government and school district tax collections arise almost entirely from property taxes (96%). Aggregating estimated price premiums across properties, we calculated Flathead Lake contributed \$1.6 to \$2.2 billion to real estate value. Thus the presence of Flathead Lake resulted in \$12 to \$17 million in property tax revenue. Whitefish Lake enhanced surrounding property values by \$0.6 to \$1.1 billion contributing \$5 to \$8 million in property tax revenue.



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