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**Title:** Marginal Price of Lake Recreation and Aesthetics: An Hedonic Approach

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**Abstract:**

This study uses a hedonic price approach to determine the marginal value of water in terms of recreational and aesthetic (RA) value for Lake Austin, a lake in the central Texas chain known as the "Highland Lakes." The study hopes to address that within a certain proximity to the lake, the residential property values reflect the RA benefits these residents receive from the lake. The three objectives of this study are:

- Estimate the marginal value of proximity to lakes via the hedonic pricing method
- Identify those factors influencing the variation of property value among lakefront properties
- Estimate the total nonmarket, implicit price of RA benefits to residential properties in relatively close proximity to the lake

This study finds, in regards to the three objectives above, that:

- On average, recreational values is shown to decline at the rate of \$4.21 per foot further from the lake, but the rate of decline is significant closer to the lake (\$1,248 per foot) and the rate of decline itself drops significantly as distance from the lake increases (\$32.59 per foot at 150 feet away and \$3.17 per foot at 3,000 feet away).
- Factors that influence the value of property near the lake include waterfront premium offering easiest access to the lake, location on nearby bluff offering scenic views, and distance from the lake. Of these, as evident by the values above, proximity to a lake is the biggest determining factor of value for residential property.
- The total RA value of property surrounding the lake is nearly \$66 million, based on the 1,561 single family residences located within 2,000 feet of the lake with an average RA price of \$42,191. On average, RA price is estimated at 22 percent of the current location price. Of this 22 percent, 87 percent is captured in the price of waterfront properties, demonstrating the premium paid for these locations.