

The impact of schools on property values

General aspects:

- Academic research has identified school quality, employment accessibility and crime rates as important influences on housing prices within cities.
- The quality of the local public school system is a crucial determinant of the demand for housing in a neighborhood.
- Regarding property's proximity to schools, a neighborhood school could be viewed as a nuisance or a boon to a residential neighborhood.
- It would seem intuitive that the closer a property is to a school, the more desirable the property would be to families with children served by these schools. The benefits which are valued by parents relate either directly or indirectly to accessibility to the school (most apparent in terms of the safety of and time spent by children commuting to school). This increase in desirability could result in increased value of the property relative to similar properties at greater distances to the school.
- A neighborhood school may be seen as causing external diseconomies to spill over onto surrounding properties. Noise from playgrounds and traffic congestion from parents driving children to and from school may depress the value of nearby housing.

Proximity to schools and impact on property values

- *Bogart & Cromwell (2000)* showed that school redistricting, including some school closures that led to busing of some school children, in Shaker Heights, Ohio in 1987 led to disrupting neighborhood schools which reduced property values by 9.9 percent.

- *Colwell & Guntermann (1984)* measure the relation between housing values and proximity to a school and calculate the financial impact of closing a neighborhood school. The perceived benefits of a neighborhood elementary school are capitalized into residential property values. The study showed that school closing will lower property values and the author estimated the value of neighborhood school through the difference between the before and after values of the neighborhood.

- A study by *Beta Biostatistics, Inc (2007)* looked at the relationship between proximity to schools in the Oshkosh Region and the sale prices of properties recently sold in the area. The study shows that there is a significant relationship between a residential property's proximity to public schools and the property's value as predicted by sales prices. The further a property is away from the schools, the less value a property might have.

- *Kwame, Espey & Huiyan (2007)* argue that the impact of school proximity appears to be as significant in terms of property values as school quality is, with close proximity generally making a positive contribution to property values while greater than average distance from schools correlates with significantly lower property values. Moreover, Kwame & Espey (1993) study of the impact of school quality on property values within the city limits of Greenville, SC suggests that greater distance to assigned K-12 schools has a negative impact on the value of the property. For assigned elementary schools, housing values within 2640 feet (quarter of a mile) were 18 percent higher than those beyond 10560 feet (two miles). Schools between 2640 and 5280 feet were 17 percent higher than those beyond 10560 feet. Schools between 5280 and 10560 feet were 7 percent higher in value. Assigned middle schools within 10560 feet sold for 16 percent higher

than those beyond 10560 feet range. Assigned high schools within 10560 feet sold for 12 percent higher than those beyond 10560 feet range. Also, the results suggest that those who choose to live within the city limits of the study pay a premium to live in high quality school attendance areas.

- *Duncombe and Yinger (2010)* argue that for the neighborhood that has lost its school, property values tend to drop substantially as residents perceive disinvestment in their community. To some degree, school consolidation may break parents' valued connections with existing schools and result in higher transportation costs for parents and students.

- According to the *2008 National Association of REALTORS® Profile of Home Buyers and Sellers*, 27% of home buyers listed school quality and 21% listed proximity to schools as deciding factors in their home purchase.

- *Hendon (1973)* investigated whether physical proximity to schools (i.e. across the street or within a block) may actually lead to a decrease in the price of housing due to the associated speed restrictions, and increased noise and traffic. The results were indeterminate; some schools appeared to have some harmful impact on property values, while another smaller neighborhood school did not harm property values.

Walkability

- A *CEO for Cities 2009* study showed a positive correlation between walkability and housing prices in 13 of the 15 housing markets studied. Homes located in more walkable neighborhoods—those with a mix of common daily shopping and social destinations within a short distance—command a price premium over otherwise similar homes in less walkable areas.

Consolidation

- Using data from Ohio, *Brasington (2004)* found that, after controlling for student performance and property tax rates, consolidation lowers property values by about \$3,000 on average. Another study of rural school districts in New York State by *Hu & Yinger (2008)* yielded similar results. These results indicate consolidation boosts house values and rents by about 25 percent in very small school districts and that this effect declines with district enrollment. Both studies state that the net impact of consolidation is lower than the cost savings, which means, on balance; households place a negative value on the effects of consolidation other than the cost savings. The impact of consolidation on housing prices declines as house value and rent increase and is actually negative in the wealthiest neighborhoods. The negative value placed on the impact of consolidation outside the school budget apparently is greater for households in neighborhoods with relatively expensive housing, predominantly higher-income households, than for households where house values and rents are relatively low.

School Districts and property values

- Urban economists have long recognized that public schools exert an important influence on residential location decisions and the demand for area housing (*Tiebout 1956*). Literature strongly suggests that school quality (measured with different variables) positively affects housing values measured at the school district level (*Kain and Quigley 1970, Harrison and Rubinfeld 1978, and Li and Brown 1980, Chin and Foong 2006, Brasington 1999, Dubin and Sung 1990, Oates 1969, Rosen and Fullerton 1977, and Walden 1990, Jud & Watts 1981, Hayes & Taylor 1996 Sonstelie and Portney 1980, Black 1999*).

Studies cited

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