

# The School Premium: The Impact of Public Schools on Residential Real Estate Values

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**T**he quality of the local public schools is one of the most significant factors influencing the home buying decision. There is a widely recognized link between the quality of a town's public schools, as judged by various criteria, and the resale value of the homes in the area. Schools influence selling prices of houses, which are generally higher in areas with highly performing school districts. Highly regarded schools distinguish a community, and, as a general rule, people pay a premium for houses in areas where the public schools have a great reputation. The school premium is the result of the long-standing and widely recognized fact that the quality of the public schools is a neighborhood amenity that is highly valued by both families with and without children. The 2003 National Association of Realtors Profile of Home Buyers and Sellers ranked schools as a deciding factor for 17% of buyers.

There is a wealth of information available to aid homebuyers in gathering information about the schools in areas in which they may be house hunting. School profiles or report cards are available at countless web sites. Real estate agents are well aware of the value buyers place on schools, and accordingly, they focus on the solid reputation of a town's schools as a major selling point for houses in the district.

Realtors often provide statistical data on schools at their web sites and links to other sites where a buyer can conduct further research on everything from student teacher ratios to expenditures per pupil. The "Field Guide to Schools as the Home Buying Process" is an on-line resource provided by the National Association of Realtors. The Guide references various studies, articles, and statistical data linking school quality to property values, and also provides links to other sites containing similar

information.

There are many factors that are believed to be indicators of a quality school district: small class size and teacher/student ratio, high achievement test scores, higher expenditures per student, higher teacher salaries, low high school drop out rate, availability of

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numerous extra curricular activities, availability of honors courses and special programs, a high percentage of students pursuing post secondary education, and quality of the physical amenities offered by the school. Although there are studies that have been done that dispute or question the accuracy of several of these factors because of the number of variables which affect things like student proficiency test scores, there are other studies that indicate

that expenditures per pupil and proficiency test scores are two of the most highly valued factors to home buyers. The No Child Left Behind Act, which was signed into law by President Bush in January of 2001, mandates specific accountability and reporting standards for educational progress. The Act has led to the establishment of additional criteria and achievement goals, which public schools now seek to meet. In New Jersey, annual school reports indicating the yearly progress toward student proficiency are available; and are further indicators of school quality, which homebuyers can look to when researching the schools in a given area.

Families with children typically seek to buy in areas with schools that are considered to be high performing and are often described as "the best." Families without children usually recognize that quality schools are a driving force maintaining property values, and also consider schools in their home buying decisions. The quality, future plans, and needs of a school district are all factors certain to impact property taxes, which is also of interest to both families with and without children. For example, many towns in New Jersey are experiencing growth; leading to the expansion of existing schools and building of new schools, both certain to result in significant school tax hikes.

In order to support a well-rounded educational program and gain a reputation as a high quality school district, local property taxes are usually higher. However, the positive result of superior schools which meet or exceed the standards valued by property owners and potential buyers is that residential property values are increased and maintained. ■

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