

Only top spenders consider school quality when buying new homes: study

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(PhysOrg.com) -- School quality is not a significant factor for home buyers, except for those purchasing residences priced in the top 25 per cent of the market, according to Sauder School of Business researchers at the University of British Columbia.

Sauder professors Tsur Somerville and John Ries found that a major change to public school catchment areas in Vancouver in 2000 had minimal effects on pricing in the city's [real estate](#) market. Findings show that issues of school quality only affect the prices of residences affordable to higher income families.

Their study, "School Quality and Residential Property Values: Evidence from Vancouver Rezoning," was published in the November edition of The Review of Economics and Statistics.

"It is commonly understood in the real estate industry that the quality of schools in a particular area plays a significant role in determining the price of housing," says Assoc. Prof. Tsur Somerville, who specializes in real estate finance.

"However, our study shows that school quality is not something most home buyers are willing to pay a premium for. Only people in the position to buy in the upper end of the market seem to be willing to pay more for what are perceived to be better schools."

A city-wide rezoning of school catchment areas was announced by the

Vancouver School Board in September 2000 and took effect January 2001. It put approximately 20 per cent of the city's homes into catchment areas with schools of better or lesser quality, as determined by standardized test scores.

Using data from the British Columbia Assessment Authority to gather information about home sales, the researchers examined 19,225 transactions between 1996 and 2003, only including residences that had sales before and after the announcement of new catchment areas. Of this sample, 1,849 homes were assigned a new [secondary school](#), 1,941 a new elementary school, and 78 experienced changes in both.

After adapting their findings to allow for differences in average prices by neighbourhood and in price trends, the researchers found no effect on the prices of the 75 per cent least expensive homes in the market.

However, households purchasing the 25 per cent most expensive residences – measured as the price per square foot – were willing to pay 1.9 per cent more for homes, if the quality of a local secondary school improved by one standard deviation. In areas which experienced a two standard deviation increase in secondary school quality, high end home buyers were willing to pay approximately 4 per cent more.

In areas where elementary school quality improved by one standard deviation, buyers purchasing homes priced in the top 25 per cent of the market were willing to pay 5.4 per cent more.

To measure school quality in elementary schools, the researchers used the results of the provincial government-mandated Foundation Skills Assessment tests. For secondary schools, they employed results from the Fraser Institute's School Report Cards, which compare academic performance of high schools across Canada.

Provided by University of British Columbia

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