

How Schools Can Impact Home Prices

January 11, 2015 by [Bill Gassett](#)



There is no denying that the quality of nearby schools can impact the price of a home. But while this fact has always been somewhat of a given in the real estate industry, recent statistics now demonstrate just how much of an impact school quality has on real estate.

Many home buyers are willing to pay more for good schools and are even willing to trade bigger and better homes for access to quality school systems.

In 2013 The National Association of Realtors surveyed home buyers and found 22 percent of them listed a home's proximity to the school as part of their buying decision. Twenty nine percent of the buyers listed schools quality as a deciding factor in their decision. What you are about to learn is how schools have an effect on home values!

People are Willing to Pay More For Good Schools

[Realtor.com surveyed home buyers](#) to find out how they viewed school performance as a part of their overall buying strategy. What they found in their survey showed that a surprising number of people are willing to give up things in order to get within the boundaries of a good school district. They found that for every five buyers, one buyer would be willing to give up a garage or bedroom for a good school.

They also found that for every three buyers surveyed, one buyer would even settle for a smaller home to get access to a good school. And over half of those surveyed said they would sacrifice nearby shopping options for a better school.

Beyond sacrificing things in their home purchase, buyers were willing to actually pay more money for a home in a good school district. One out of five of those surveyed said they would pay between six and ten percent more for a home – and one out of ten people surveyed said they'd go even higher, paying up to 20 percent more for a home with access to good schools. In my experience as a Massachusetts Realtor for the past twenty eight years, what applies nationally mirrors the case here as well.

There are certain towns in the Metrowest Massachusetts area that command a much higher price for an identical home in a town that does not have the same cache for their school systems. For example as far as towns go [Southborough Massachusetts](#), [Westborough Massachusetts](#), and [Hopkinton Massachusetts](#) have very highly regarded school systems. If you took a typically four bedroom, 2.5 bath colonial in any one of these towns and compared the price to say the identical home in Milford or Northbridge the price would be substantially different.

Depending on the location of the home you could be talking a difference of \$50,000-\$100,000! Obviously not chump change but history shows people are willing to pay for it. What's interesting is these towns are not more than fifteen to twenty minutes away from one another.

There are buyers who will actually come to these areas with the specific intention to buy a home there specifically for the great school systems. This is why Southborough, Westborough and Hopkinton have become what is known as “destination towns” in the Metrowest region of Massachusetts.

Good Schools Protect Home Prices

This survey conducted by [Realtor.com](#) gathered data from 1,000 participants. The survey showed that a whopping 91 percent of those surveyed included school boundaries in their decision-making process for choosing a home. Not all home buyers have children or even plan on having children – making these figures even more interesting. People are not just interested in the quality of school districts for the educational opportunities they provide, they consider school quality as part of the overall value of the real estate.

To further demonstrate this, we can look at the article “[Do Schools Really Affect Property Values?](#)” by Ken Corsini. In this article, Corsini discusses a research project he did on housing values in Metro Atlanta. His research showed that school performance in a neighborhood had a substantial effect on the value of homes in that neighborhood.

Looking at home prices in 2006 and then 2009, he found that those homes that had great schools nearby tended to weather the falling real estate market much better than those with only mediocre schools nearby. This data was so compelling that Corsini began using school performance as a major factor in his real estate investing.

Again this holds true in my area of Massachusetts as well. Towns that have top rated school systems weathered the real estate slump from 2006 to 2012 much better than those towns that did not have top rated schools. So when people ask me “do schools impact home prices?”, the answer is *yes they absolutely do!*

Good Schools are Important for Multiple Reasons



All of this information paints an interesting picture on the impact of schools on home prices. It shows that buyers definitely care about the quality of schools – for obvious and not-so-obvious reasons. Some buyers are planning on starting a family or already have children. These individuals are looking towards the future for their children and are willing to pay more for less in order to give their children access to good education.

However, there are other kinds of buyers out there that consider schools as part of an overall equation in determining the desirability of a property. As Corsini demonstrates in his article, buying a home in a good school district just makes good business sense. Good schools can help insulate a home from market fluctuations and therefore makes a property a more sound investment.

Real estate investors buy homes for very different reasons than the average nuclear family – yet they are coming to a similar conclusion on the desirability of homes located near good schools. This is a perfect example of how schools can impact buying decisions.

Good Schools and Property Values – A Chicken and Egg Situation

When discussing why good schools do what they do to property values, it is easy to get into a “chicken and egg” dilemma. On the one hand, it is possible to argue that good schools are responsible for increased property values. After all, we just discussed multiple reasons why buyers will seek out homes located in good school districts and pay a premium for them. This makes the conclusion that good schools drive up prices an obvious one.

On the other hand, it is also possible to argue that the affluence that is common in neighborhoods near good schools is responsible for the quality of the schools. Generally speaking, good schools tend to be located in neighborhoods that have a higher standard of living. The affluence that is present in these neighborhoods tends to create school districts that score higher on tests and that tend to rank higher in performance than schools located in poorer neighborhoods.

For buyers searching for a home though, the exact relationship between good schools and property values may not be as important as the hard facts – better schools tend to lead to higher property values. If you are selling a home in a good school district you can reasonably ask a higher price for your home than a similar home located in a less desirable school district. If you are a buyer searching for a home in a good school district, you can expect to pay more for that home.

Good Schools vs Higher Taxes



While one major benefit of having good schools is the appreciation in home values what this also leads to is paying higher property taxes. There is a direct correlation to exceptional schools and higher property values. Given this, those who live in towns with great schools generally pay more in taxes for this benefit. For those working class families that are relocating with schools as a high consideration, this is not an issue. What can become problematic however, are those who have lived in the community who no longer consider schools to be a benefit.

What we consistently hear as real estate agents is the battle between those who have relocated for the benefit of schools and those who are being priced out of their community due to taxes. Most often this comes from seniors who are on a fixed budget. With their kids grown and out of the school system, the complaint we hear often is that they don't want any more money allocated to improvements in the school system.

On the one hand you can sympathize with the fact nobody wants to pay more in taxes but what they often don't consider is how much equity has been put in their pocket because of the schools! While they may pay a little more annually out of their pocket when it comes time to sell they will be rewarded.

Of course many of us become shortsighted and don't think of a monetary payout in the future. We all get to wrapped up in the moment. Some seniors do get squeezed out of their town due to higher taxes, fees and other expenses despite the fact their equity has grown.

Unfortunately these are the facts of life we have to live with. It is possible there are some folks who are paying more in real estate taxes than they should be. If this is the case it is always a good idea to know [how to appeal high real estate taxes](#). There are times where we all lose sight of the fact that assessed value could be off which is causing our taxes to be higher than they should be. Each year it is a good idea to look over the town field card and check for the accuracy of data that applies to the property.

Final Thoughts

For young couples who have a young child or are planning to have them there is often times a struggle between getting a home that meets their expectations and also providing a quality schools system for their family. There are often tough choices that are made because young couples purchasing homes can see a dramatic difference in what their money can buy between a community that has top rated schools vs one that does not.

These are the kind of decisions that should get a heavy amount thought before a final conclusion is made. On many occasions I have seen parents make a decision to opt for a better home initially. This purchase becomes a "transition" property before their children reach school age or at least upper level education.

Everybody is different when it comes to schools and the home buying process. Just make sure you give it a considerable amount of thought before ultimately making your final decision.