

Location, location, location Better schools mean higher property values Home buyers go shopping for schools

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Abstract (Document Summary)

An exclusive USA TODAY study finds that in city after city, it's customary for a house to be worth at least 10% more than a comparable house across the street if that street is the boundary line between a highly rated school district and a laggard. In some cases, houses in the best school districts cost almost twice as much as those nearby.

Tremendous upheaval is the result. More people are house shopping almost exclusively for the right schools, putting proximity to schools ahead of proximity to work -- even ahead of taxes. That leads to overcrowding at schools with the best reputations, while the halls of others echo half-empty. Throughout the country, homes take weeks or months longer to sell just for being on the wrong side of the boundary. Home builders say they rarely bother breaking ground these days where schools aren't good.

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The three rules of real estate remain in stone: Location, location, location. But real estate agents, appraisers, home builders and tax authorities overwhelmingly agree that proximity to high-quality schools is now the No. 1 factor in determining what a home is worth in any given market.

For instance, two comparable houses in the same Dallas neighborhood were sold five months apart. One went for \$155,000, the other for \$276,000. The difference? The more expensive house was in the Highland Park public school district where college entrance test scores rank in the top 1% in the country.

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The great migration puts school boards under constant fire to redraw school district boundaries. And, that makes board members more vulnerable to coercion from real estate developers, builders and angry homeowners with a stake in property.

School board meetings have become a ``community bloodletting played out in the public arena," says E.E. ``Gene" Davis, a former school superintendent in Alaska and Virginia, who now prepares boards for the mire of controversy that awaits those attempting boundary changes.

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Obviously, schools have long been important. What's changed is that, to many well-educated baby boom parents, little else matters more than finding the best school to prepare their children for college. Fifteen years ago, the average college graduate earned 50% more than those with high school educations. Today they earn almost twice as much.

Baby boomers have lived through a decade of downsizing and want every possible advantage for their children. Many parents are willing to live in high-priced cracker boxes with no closet space to be near good schools, as they do in the 80-year-old neighborhood of Whitefish Bay on the east side of Milwaukee.

Where parents used to rely on real estate agents and word-of-mouth to find good schools, now more are demanding hard data: test scores, per-student spending, teacher-student ratios, the percentage of high school graduates to go on to college. Moore Data Management Services, which sells such information to real estate agencies, says demand is up more than 500% in five years.

More than 350 large companies, including Allstate Insurance, Honda of America and Johnson & Johnson supply detailed comparative information about schools as part of their relocation packages, Moore says.

The information serves to narrow the choices for house hunters to a handful of schools in every city. House hunting winds up tightly focused on neighborhoods surrounding the best public schools, driving up prices in those areas and creating a growing chasm in home values.

It also creates tremendous pressure on schools to get test scores up. Employees of prize-winning Stratfiel Elementary School in Fairfield, Conn., are being accused of changing test answers to enhance the school's reputation. There's controversy in Milwaukee, where the school board is accused of releasing good news about improvements, while suppressing bad news.

The most dedicated house hunters go beyond test data. They sit in on school classes and interview principals and teachers. Police departments get calls from house hunters looking for the schools with the fewest drug busts.

"I want to see the curriculum, the books and computers," says Tracy Migliozi of Pittsburgh, who is visiting schools while plotting a move to a better district. She has a 5-year-old daughter about to enter kindergarten and an 8-year-old son who will be switching from parochial school.

Good-school premium

USA TODAY conducted a survey in April, enlisting the help of SchoolMatch, a Westerville, Ohio, company that sells information about the USA's 16,665 public school systems to house hunters and real estate agencies.

SchoolMatch suggested cities where a school district with high college entrance test scores and other measures of quality bordered districts with worse performance. USA TODAY then asked real estate agents in those cities to find houses that recently sold along the boundaries. They were told to find houses that were in all other ways comparable, except that they were in different school districts.

In Milwaukee, Remax Lakeside Realtor David Delahunt found 16 houses that sold since November 1993 within an area of two square blocks. All had eight rooms, four bedrooms and between 1 1/2 and 2 1/2 bathrooms. The eight in Milwaukee School District, where performance on college entrance tests is in the bottom 20% in the nation, sold for an average \$170,625.

The eight in the Shorewood School District, where performance is in the best 1%, sold for an average \$240,563 -- 41% more.

"Visually, in most cases, you won't see a difference (between houses)," says Steve Lauenstein, a Milwaukee appraiser, "which really proves that it has to do with schools."

The value gap might be greater if Milwaukee quit requiring its 8,346 city employees to live in the Milwaukee School District.

"There would be a huge sucking sound when all those people sold at depressed prices," Delahunt says. "I have a brother-in-law who teaches in Milwaukee. His kids went to parochial school. He'd love to live in the outlying area."

Near Atlanta, 88 new ranch-style homes between 1,500 and 2,000 square feet sold since January in Rockdale County for a median \$115,000, or \$64.16 per square foot, says Brian Stafford, co-owner of Peachtree Appraisal. In neighboring Newton County, fewer than half that many homes sold for a median \$92,450, or \$55.95 per square foot. Rockdale SAT scores average 60 points higher.

In San Diego, the Poway Unified district has a big word-of-mouth advantage over San Diego Unified district among military transferees. In particular, they shun San Diego's Mira Mesa High School, says Remax agent Ken Davis.

The districts are separated by a canyon, but Davis found two 2,000-square-foot houses on either side, both built in 1993 with four bedrooms, 2 1/2 bathrooms, nice yards and a view of the hills. The one on the Poway side sold in February for \$227,000. The one on the San Diego side sold in December for \$197,000.

In Baltimore, a 67-year-old house on Pinehurst Road just sold for \$209,900. But it sits within the Baltimore City Public School System, where college entrance scores are in the bottom 20% nationwide. A 65-year-old house, also on Pinehurst Road, sold for \$280,000. Despite the proximity, it's in the Baltimore County Public School district, where scores are in the top 21%.

"They are very similar, less than a block away," says Dawn Covahey, corporate sales manager with Coldwell Banker Grempler.

Recent academic studies support USA TODAY's findings. Enrollment (kindergarten through 8th grade) in Massachusetts public schools that rank in the state's top 10% by test scores swelled 14% between 1990 and 1994, says Wellesley College real estate economist Karl Case. Based on 1990 census data of children then between the ages of 1 and 9, enrollment at those schools should have gone up just 4%. Meanwhile, enrollment fell 2% at schools testing in the bottom 10%, when it should have risen 13%.

"It's people moving, there's no question," Case says.

In Ohio, students must pass a proficiency test to graduate high school. Cleveland State University finance professor Michael Bond found that houses sold in 1994 fetched \$471 more for every percentage point increase in passing rates at the schools near them. More than 90% of students passed the test at some Cleveland high schools, while barely 20% passed at others. The difference of 70 percentage points, multiplied by \$471, means as much as a \$33,000 difference in home values.

Although test scores strongly mirror parents' income, property values are influenced by test scores even in poorer districts, Bond says. "We had to use fairly sophisticated techniques to weed out the influence of income," he says. "The evidence is overwhelming. Independent of income, better schools mean higher property values."

Home buyers, at least those with children, aren't being irrational. Each extra \$20,000 paid for a house and financed over 30 years at 8.35% interest adds \$1,820 a year to a mortgage payment. Private school can easily cost three times that much -- per child -- and is not tax deductible.

For childless households, the right financial decision is less clear. Kathleen Niesen would have had to pay about \$255,000 for a comparable house in the Shorewood district bordering Milwaukee. She paid \$226,000 in the Milwaukee school district and is happy with her decision.

Schools also drive rental rates. Milwaukee landlord Gerald Sobczak says he rents two- and three-bedroom apartments in the Shorewood School District for \$500 a month. Similar apartments two blocks away in the Milwaukee district rent for \$350 to \$400. El Paso Realtor Ed Kot says he could get another \$150 a month for a house that he rents for \$1,250 if it were a block over in the Polk Elementary district. That rental premium materialized suddenly in 1994 when Polk Elementary won a Texas award for high test scores that was well-publicized locally.

When El Paso was building Franklin High School three years ago, Kot says he warned house buyers in writing that school boundaries were subject to change. "I didn't want to get sued," he says.

The great migration

Parents say they have no regrets about paying more for less house as long as they wind up in the right school district.

Schools were the top priority for Alice Li when her family moved to Wayne, N.J., from Pennsylvania 10 years ago. Her daughter Winnie "was very little, but we knew the district had a talented and gifted program." Winnie has scored perfectly three straight years on the national Latin exam, is editor of the school newspaper, will graduate Wayne Valley High with a 4.0 grade point average and will attend Harvard.

Victoria and Gerald Sobczak say their deaf son Chris wasn't getting adequate attention in the Milwaukee district. Three years ago they moved a few blocks to a much smaller house in the Shorewood district where the school provides an interpreter, who accompanies Chris to every class. "We decided we wanted more out of life than just a house," Victoria Sobczak says.

When Debbie and John Roesner moved from Chicago to Milwaukee, they could have spent \$30,000 less on a comparable house three blocks away. But they have two children now reaching school age and willingly paid the difference.

Some parents admit that they just stumbled upon good schools. David and Pat Marin had no plans to have children when they were house hunting in the San Francisco area in 1975. They found more house for the money in the Los Altos High School district because it had a worse reputation than others nearby.

Then, David Jr. came along, the high school improved markedly and became the public school of choice among Japanese immigrants to the area. The baby grew up to score perfectly on his SATs. The house has appreciated nearly 1,000%, more than area houses near other schools.

Meanwhile, special property tax laws sharply limit tax increases on some California homes. That acts to limit the supply of houses for sale in the face of higher demand for the school. The result: It's hard to find a modest three-bedroom house for less than \$500,000. "We were really very, very lucky," Pat Marin says.