

Special Report - high performing primary schools add value to property prices

- High performing primary schools add value to property prices across all regions
- 10% higher SATs attainment equates to a property price premium of 3.3%
- Premium for better performing schools highest in Yorkshire & Humberside

Commenting on the figures Martin Gahbauer, Nationwide's Chief Economist, said:

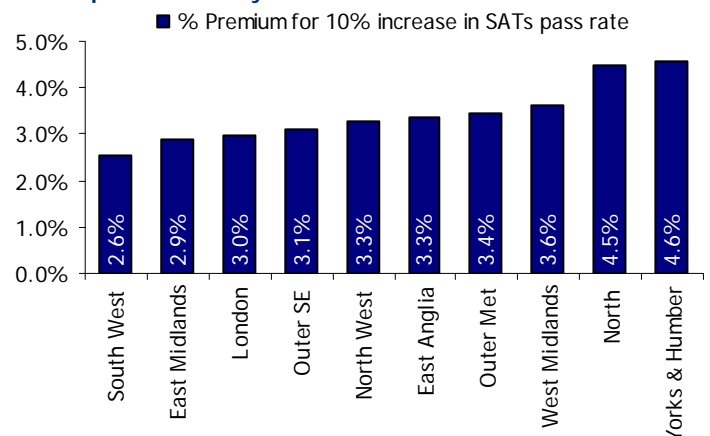
"Following recent revelations around the lengths that some parents are prepared to go to get their child a place at a good school¹, we have revisited our research examining how property prices are influenced by the performance of local schools.

"In deciding on a location for their family, parents can place a great deal of focus on the level of education that the local school can provide for their children when growing up. Primary school catchment areas tend to be relatively small and are driven by proximity to the school. Therefore, one might expect that families would prefer to live near high performing schools and be willing to pay a premium for this. Using the Nationwide House Price Index and the Primary School Performance Tables published by the Department for Children, Schools and Families (DCSF), we have assessed how property prices vary in relation to the proportion of 11 year olds achieving Level 4 or above in their Key Stage 2 Standard Assessment Tests (SATs) at the nearest school². Our figures suggest that a 10% increase in the SATs pass rate at the nearest school adds on average 3.3% to the price of a typical house, while in some regions of the country the premium can even exceed 4%.

Region ³	Average Price (Q3 2009)	% premium for 10% increase in SATs pass rate	Price premium for 10% increase in SATs pass rate
North	116,051	4.5%	5,190
Yorkshire & Humberside	134,584	4.6%	6,124
North West	137,890	3.3%	4,507
East Midlands	133,973	2.9%	3,893
West Midlands	142,969	3.6%	5,173
East Anglia	159,223	3.3%	5,320
Outer South East	188,701	3.1%	5,835
Outer Metropolitan	227,208	3.4%	7,821
London	268,847	3.0%	8,031
South West	178,208	2.6%	4,557
England	176,611	3.3%	5,860

"We have isolated the specific impact school performance has over and above other property characteristics, such as property type, size and local neighbourhood type⁴. Across England, an otherwise identical property will command a premium of 3.3% (nearly £6,000), if the local primary school has a 10% higher pass rate. This is a slight increase from the 2.5% premium revealed in our 2004 special feature⁵. Yorkshire & Humberside continues to attract the greatest percentage premium for better performing schools, with a 10% improvement in pass rate adding as much as 4.6% (over £6,000) to the price of a typical property in the region.

Impact of Primary School Performance on House Prices



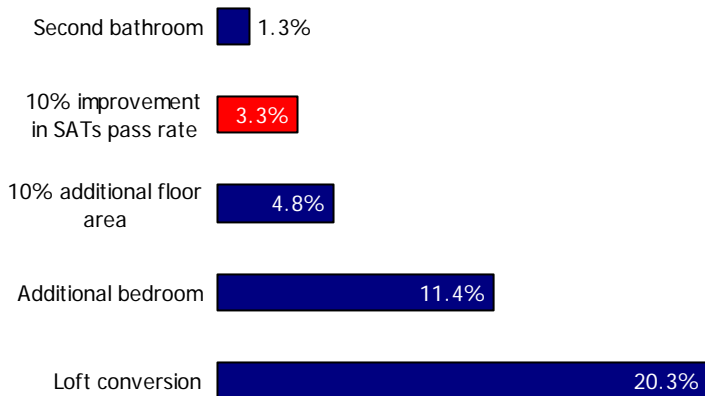
Source: Nationwide

"The South West attracts the smallest percentage premium for school performance, with a 10% improvement in SATs scores adding 2.6% (around £4,500) to the price of a typical property.

"The Outer Metropolitan region has seen the greatest increase in primary school performance premium since our 2004 feature. A 10% improvement in pass rate now adds 3.4% (approximately £7,800) compared with 2.3% (£4,900 at the time) previously.

"For the vast majority of primary schools in England, at least 70% of pupils achieve their SATs at Level 4 or above, while 30% of schools have an average attainment rate between 90% and 100%. 2.4% of primaries in England had a 100% attainment rate (at Level 4) in the latest SATs. A house located near one of these top performing schools could command an 11% premium (around £19,500) over an identical property located near a lower quartile school (in the bottom 25%).

Value-adding features



Source: Nationwide

"So, how does local primary school performance compare to other features that impact property prices? A 10% higher rate adds more to property value than a second bathroom, but somewhat less than a 10% increase in floor area. Other more substantial improvements, such as a loft conversion, can add as much as 20% to a property's value⁶.

"On balance, the extent to which primary school performance affects property prices will depend upon the range of schools in the area and whilst it is something that parents are likely to consider when buying a home, it is just one of a number of factors that impact house prices."

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Notes:

¹ A recent Government inquiry into school admissions carried out by Dr Ian Craig, Chief Schools Adjudicator, estimated that as many as 3,500 parents lied on application forms last year in order to get their child into a sought-after school.

² Level 4 is the level expected of most 11 year olds (source: Department for Children, Schools & Families (DCSF): http://www.dcsf.gov.uk/performance/primary_08/p4.shtml). We have used the average percentage of pupils achieving Level 4 or above in Maths, Science & English, based on the latest data available from DCSF (2008) (see http://www.dcsf.gov.uk/performance/primary_08.shtml). This research looks at state primary and middle schools only.

³ Regions are based on Nationwide's house price regions (<http://www.nationwide.co.uk/hpi/regions.htm>). There is no data for Scotland, Wales and Northern Ireland as Primary School Performance data is not published for these countries.

⁴ The methodology correlates the price paid for a property against the set of property characteristics (including the property type, age, number of bedrooms, number of bathrooms, floor area, central heating and parking/garages), locality (region and local neighbourhood as described by ACORN) and secondary school performance. For each case in the sample, the attainment rate for the closest primary school was assigned.

⁵ http://www.nationwide.co.uk/hpi/historical/Schools_Article.pdf

⁶ Based on adding a loft conversion with a bedroom and bathroom of 28m² to a three bedroom, one bathroom house. Additional bedroom in chart refers to adding a 13m² new double bedroom to a two bedroom house. See Nationwide's Special Report - *'What affects the value of your home?'* for further details (http://www.nationwide.co.uk/hpi/historical/What_Adds_Value_09.pdf)

The Nationwide House Price Index is prepared from information which we believe is collated with care, but no representation is made as to its accuracy or completeness. We reserve the right to vary our methodology and to edit or discontinue the whole or any part of the Index at any time, for regulatory or other reasons. Persons seeking to place reliance on the Index for their own or third party commercial purposes do so entirely at their own risk. All changes are nominal and do not allow for inflation.

More information on the house price index methodology along with time series data and archives of housing research can be found at <http://www.nationwide.co.uk/hpi>

Photographs of our economist are available at: <http://www.nationwide.co.uk/mediacentre/economist.asp>