

Availability of Abitur and Non-Abitur Upper Secondary Schools and Housing Prices in NRW

Project Outline - Hedonic Housing Models and School Quality

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Section 1

Introduction

Research Question

Main question

To what extent does the local availability of upper secondary schools that offer an Abitur pathway, compared to other secondary schools, affect housing prices in North Rhine-Westphalia (NRW)?

- Goal: Estimating heterogeneity in the capitalization of secondary schools that offer the possibility to achieve higher educational outcomes.
- We assume that parents are willing to pay a premium for their homes, if a school lies within 2km at which their children can make an Abitur (Gymnasium or Gesamtschule)
- Therefore, we restrict our analysis on different types of secondary schools and exclude elementary schools

Motivation

- School availability and quality plays an important role in housing decisions.
- Previous studies have shown capitalization of school quality into housing prices, but evidence on differences across upper secondary school tracks is limited.
- Especially the capitalization effects of upper secondary school availability as an implicit measure of school quality
- However, the **magnitude of the effect may differ by school track** and most studies suffer from the endogeneity problem of hedonic price regressions.
- Germany's multi-track secondary school system provides a unique setting to study differential capitalization effects across educational tracks.

Institutional Context and Literature Insight

- In NRW, parents enjoy considerable freedom in choosing schools — especially at the secondary level since the reform in 2008/09
- Although this weakens formal ties between residence and school assignment, it may **increase behavioral selection** into high-quality school areas.

Key Insight:

When school choice is flexible, households with strong school preferences are more likely to relocate to access better schools — reinforcing the link between school quality and housing prices. [1]

- *Implication:* School choice flexibility does not reduce capitalization — it may even **enhance** it through self-selection.

Section 2

Theoretical Framework

Tiebout sorting

- The decision-making process of residents include the availability and quality of provided public goods and services within a municipality
- Under the assumption of perfect mobility, residents pick that community that exactly satisfies their preferences (Tiebout [10], p. 421)
- If such a community or municipality is not feasible, a perfect substitute (if existent) is to be chosen

What do parents value?

- Educational quality is an important part of the set of considered public goods, because quality schooling is often decisive in later life-outcomes (e.g. labor market opportunities, gained income, health etc.)
- Shape the way in which parents sort into the housing market directly influencing the level of residential segregation (Bayer et al. 2007)
- Ongoing debate, which dimension of education is valued by parents (outputs or learning environments containing sociodemographic composition) - Machin 2011
- We want to test whether the availability of upper secondary schools is such a dimension

Capitalization mechanism

- Households sort across boundaries generating differences related to neighborhood quality - in this case: Education
- Parents are willing to pay a premium for housing units nearby top-tier school networks (Jaynatha 2015)

This capitalizes into the housing market via two mechanisms (La 2015):

- Wealthier households that care about school quality bid up prices within the walking zone of a school
- This may generate spillovers through changes in neighborhood composition

Hypothesis

Based on the theoretical background, we expect the following results:

- Education is one of the most important public services (Zhang 2020) and it is therefore reasonable to test the channel
- Educational opportunities play a role in parents' housing decisions
- Parents value the opportunity to achieve higher educational outcomes for their children (z.B. Hörnig & Schäfer 2025) because of their decisiveness for later life outcomes
- Parents are therefore willing to pay a premium for houses near a secondary school offering the opportunity to obtain an *Abitur*

Formal Hypothesis

$$\tau_{\text{school}} \text{ (Estimated treatment effect): } H_1 : \beta_1 > 0$$

Section 3

Insights from relevant empirical literature

Literature Insights (excerpt)

- Generally speaking, the empirical literature mainly focused on the capitalization effects of school quality
- UK: Strong capitalization of **primary school** performance into housing prices. [5]
- US: Stronger price effects from **middle and high school** quality than from elementary schools.[9]
- France: Secondary school quality capitalized more strongly in areas without **private school alternatives**. [4]
- *School type matters for the strength of the housing price effect.*

Section 4

Empirical Design

Basic Identification Assumptions

Theoretical Assumptions:

- Households/parents derive utility from the perceived quality of schooling [2] available to their child
- Parents consider the availability of Abitur and non-Abitur upper secondary schools in their housing decisions.

Empirical Assumptions:

- The parents preferences regarding their children's education are reflected by hedonic price regressions
- Conditional on the controlling for both housing and neighborhood characteristics, the treatment assignment can be considered to be random.
- Within the treatment area and the control area, the capitalization effect is constant.

Assumptions (part 2)

- Buildings inside and outside of the treatment zones share the same average housing and neighborhood characteristics.
- Sale prices are time-independently exceeding offer prices at a constant rate.
- Property prices can be interpreted as the willingness to pay for amenities because they are determined by relevant characteristics
- The School Social Index (SSI) provides a reasonable proxy for neighborhood socio-economic composition, as it reflects the socio-economic background of students.

Data and Variables

Housing Data:

- Geo-referenced listings of sales properties (e.g., ImmoScout).
- Variables: living space, number of rooms, year built, condition, etc.

School Data:

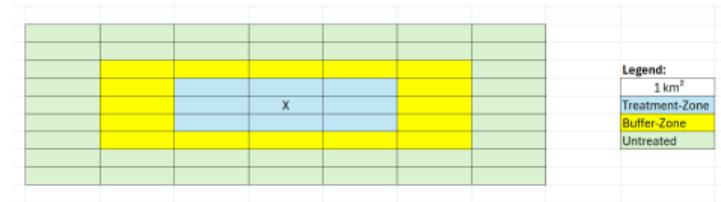
- Locations and types of schools (primary, Gymnasium, Gesamtschule, etc.)
- School quality measured by the **School Social Index (SSI)** — lower values indicate better schools.

Regional Data:

- Includes information on neighborhood characteristics (e.g. income levels, migration rates etc.)

Quasi-experimental approach

We define spatial treatment zones to estimate the causal effect of upper secondary schools on housing prices using grid-cells:



- **Treatment-Zone** Grid-cells **within ca. 2 km** radius
- **Buffer zone:** within **1 km** are excluded to prevent spillover contamination
- **Untreated zone:** Grid-cells **more than 3 km** from any school
- Houses that are exposed to different kinds of secondary schools at the same time (double-treated) are also excluded from the sample

Identification Framework

Potential Outcome Model (POM): following [8]

$$\ln(P_{ijt}) = \begin{cases} \ln(P_{1ijt}) & \text{if } D_i = 1, \\ \ln(P_{0ijt}) & \text{if } D_i = 0. \end{cases}$$

where:

$\ln(P_{1ijt})$: Price of the house, when it lies in the treatment-zone
near to a Gymnasium or Gesamtschule.

$\ln(P_{0ijt})$: Price of the house, when it would not have been 'exposed'
to a school (counterfactual).

Note

Since the counterfactual is not observed, we use the most similar house lying in the non-treated zone as a proxy for the counterfactual.

Matching Strategy

Identification Assumption (CIA):

$$\ln(P_{0ijt}), \ln(P_{1ijt}) \perp D | X_i$$

Estimation method: We use **matching** on observable covariates to compare treated and untreated buildings:

- Building characteristics (e.g., floor area, construction year, amenities)
- Neighborhood characteristics (e.g., income, urbanity, regional fixed effects)

After successful matching, the treatment effect is estimated through the following equation [3]:

$$\begin{aligned}\tau_{\text{school}} &= \mathbb{E}[\ln(P_{1ijt}) - \ln(P_{0ijt}) | X_i] \\ &= \mathbb{E}[\ln(P_{1ijt}) | X_i, D = 1] - \mathbb{E}[\ln(P_{0ijt}) | X_i, D = 0]\end{aligned}$$

Econometric Model (OLS Specification)

We estimate the following log-linear autoregressive hedonic regression for elementary and secondary schools each [7]:

$$\log(P_i) = \alpha + \beta_1 D_i + \mathbf{X}'_i \gamma + \mathbf{N}'_i \delta + \text{FE}_{r(i)} + \varepsilon_i$$

Where:

- $\log(P_i)$: price of a building per m^2
- $\beta_1 D_i$: Captures the effect of the treatment of the nearest upper secondary school
- \mathbf{X}_i : set of building characteristics
- \mathbf{N}_i : set of neighborhood characteristics, includes the SSI for a proxy of the social composition
- $\text{FE}_{r(i)}$: Regional fixed effects to account for spatial effects at the grid-cell level
- ε_i : error term

Challenges and Limitations

- **Endogeneity:** better schools tend to be located in affluent neighborhoods and students endowed with those privileged backgrounds generally achieve higher educational outcomes [4]
- **Assumptions:** It may be unrealistic that the capitalization effects of upper secondary schools are uniform across the whole space [11]
- **School access rules:** In some regions, school choice or private alternatives may weaken capitalization effects.
- **Interpretation:** It is arguably that property prices can be interpreted as the willingness to pay for amenities [6] and therefore the difference between the groups as a premium for educational opportunities
- **Price validity:** Property prices from ImmoScout are *asking prices* — not actual transaction prices. This has implications on the interpretations of the results and has to be taken into account.
- **Data:** Incomplete sets of observed building (X_i) and neighborhood (N_i) characteristics

Section 5

Results

Section 6

Policy Implications and further research

Section 7

Appendix

Control Variables

Structural/House Characteristics

number of bedrooms, full and half baths (full baths, half baths), the number of fireplaces, the age of the structure in linear and quadratic form (house age, age squared), the lot size on which the structure is located, and size of the structure measured in square feet. (clark2002)

Neighborhood characteristics

SSI as proxy for composition

Literature I

- [1] Patrick Bayer, Fernando Ferreira, and Robert McMillan. "A Unified Framework for Measuring Preferences for Schools and Neighborhoods". In: *Journal of Political Economy* 115.4 (2007), pp. 588–638. ISSN: 00223808, 1537534X. URL: <http://www.jstor.org/stable/10.1086/522381> (visited on 12/02/2025).
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- [4] Gabrielle Fack and Julien Grenet. "When do better schools raise housing prices? Evidence from Paris public and private schools". In: *Journal of Public Economics* 94.1 (2010), pp. 59–77. ISSN: 0047-2727. DOI: <https://doi.org/10.1016/j.jpubeco.2009.10.009>. URL: <https://www.sciencedirect.com/science/article/pii/S0047272709001388>.
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- [7] Yi Lu, Vivien Shi, and Christopher Pettit. "The Impacts of Public Schools on Housing Prices of Residential Properties: A Case Study of Greater Sydney, Australia". In: *ISPRS International Journal of Geo-Information* 12 (July 2023), p. 298. DOI: 10.3390/ijgi12070298.
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