

# 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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# 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 3km 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 and other specialised or private schools

# Motivation and Institutional Context

- School availability and quality in general are important determinants of housing decisions and are capitalized into housing prices (..)
- However, existing evidence on capitalization differences across upper secondary school tracks is limited, while most hedonic price studies face endogeneity concerns.
- The **magnitude of capitalization effects may differ by school track**
- Germany's multi-track secondary school system provides a unique setting to study differential capitalization effects.
- In NRW the 2008/09 reform increased freedom in school-choice and weakens formal residence–school links as 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. (Bayer et al., 2007)

## **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, 1956)
- 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.)
- 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

- Parents are willing to pay a premium for housing units nearby top-tier school networks (Jayantha & Lam, 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
- generation of 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 et al., 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 (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

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

$$\tau_{\text{abitur}} \text{(Estimated treatment heterogeneity)}: \quad H_2 : \beta_2(D_i \times A_i) > 0$$

## Insights from relevant empirical literature

## Literature Insights (excerpt)

- The empirical literature mainly focused on the capitalization effects of school quality
- UK: Strong capitalization of **primary school** performance into housing prices. (Gibbons & Machin, 2003)
- US: Stronger price effects from **middle and high school** quality than from elementary schools.(Sedgley et al., 2008)
- France: Secondary school quality capitalized more strongly in areas without **private school alternatives**. (Fack & Grenet, 2010)

# Empirical Design

# Basic Identification Assumptions

## Theoretical Assumptions:

- Parents (Households) derive utility from the perceived quality of schooling (Brunner et al., 2012) available to their child
- Parents consider the availability of Abitur and non-Abitur upper secondary schools in their housing decisions.

## Empirical Assumptions:

- Parents' preferences for their children's education are reflected in 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 (II)

- Buildings inside and outside of the treatment zones share the same average housing and neighborhood characteristics.
- Offer prices are time-independently exceeding sale prices at a constant rate.
- Property prices can be interpreted as the willingness to pay for amenities because they are determined by relevant characteristics

# Data and Variables

## Housing Data:

- Geo-referenced listings of sales properties (Internet platform ImmobilienScout24, 2022)
- Variables: living area, site area, number of rooms, number of bathrooms, year of construction, cellar

## School Data:

- Locations and types of schools (Grammar School, Comprehensive School, etc. based on grid cells)

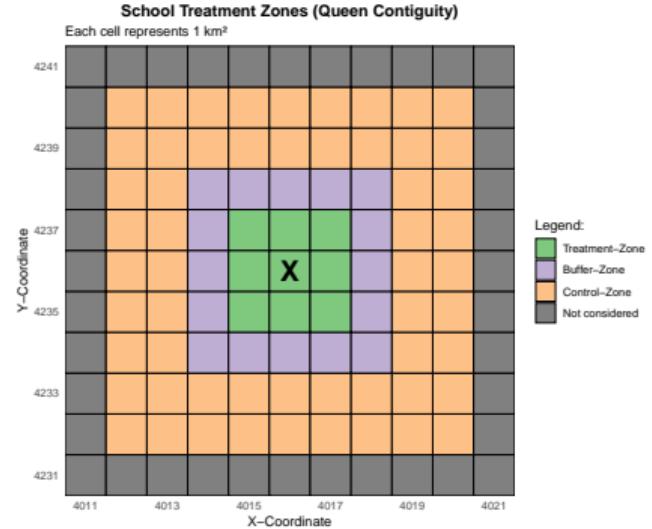
## Regional Data:

- Includes information on neighborhood characteristics (e.g. income levels, migration rates, average age and the availability of infrastructure such as doctors or a supermarket)

# 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 2 km** radius
- **Untreated zone:** Grid-cells **2–4 km** from any school
- Houses exposed to multiple secondary schools (double-treated) are excluded



## Robustness check

As a robustness check, we exclude a **Buffer zone** of 1km around the treatment zone to prevent spillover contamination, therefore reducing the amount of control units

# Identification Framework

Potential Outcome Model (POM): following Rubin, 1974

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

where:

$\ln(P_{1ij})$  : Price of the house, when it lies in the treatment-zone  
near to a secondary school.

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

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

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

- Building characteristics (e.g., living area, number of rooms, building age, )
- Neighborhood characteristics (e.g., average income or age, share of immigrants, structural features)

After successful matching, the treatment effect is estimated through the following equation (Doko Tchatoka & Varvaris, 2021):

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

# Econometric Model (OLS Specification) - First model

We estimate the following log-linear autoregressive hedonic regression for elementary and secondary schools each (Lu et al., 2023):

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

**Where:**

- $\log(P_i)$ : price of a building per  $m^2$
- $D_i$ : Is within treatment distance to a secondary school (=1) or not (=0)
- $\mathbf{X}_i$ : 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 municipality level
- $\varepsilon_i$ : error term

## Multiple treatment regime - Second model

We are especially interested in the price premium of an available school that offers academic track compared to other secondary schools (treatment heterogeneity).

The basic specification is extended referring to a multiple treatment regime:

$$\log(P_i) = \alpha + \beta_1 D_i + \beta_2(D_i \times A_i) + \mathbf{X}'_i \gamma + \mathbf{N}'_i \delta + \text{FE}_{r(i)} + \varepsilon_i$$

**Where:**

- $A_i$ : Nearest school offers academic track (=1), otherwise (=0)
- All other variables are the same as for the main specification

# 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 (Fack & Grenet, 2010)
- **Assumptions:** It may be unrealistic that the capitalization effects of upper secondary schools are uniform across the whole space (Wen et al., 2018)
- **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 (Jayantha & Lam, 2015) 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 ( $\mathbf{X}_i$ ) and neighborhood ( $\mathbf{N}_i$ ) characteristics

# Results

# Descriptives

# Main specification

# Heterogeneity Model

## **Policy Implications and further research**

# Appendix

## Controls (1/2)

Table 1: Property characteristics

Variable	Description
living_area	Living area of the dwelling (m <sup>2</sup> )
site_area	Site area of the dwelling (m <sup>2</sup> )
rooms_n	Number of rooms
baths_n	Number of baths
age_building	Age of the building (years)
cellar	Dummy for presence/absence of a cellar

## Controls (1/2)

Table 2: Neighborhood characteristics

Variable	Description
immigrants_percents	Share of immigrants in the 1 km <sup>2</sup> grid (%)
average_age	Average age of residents in the 1km <sup>2</sup> grid (years)
pharmacy	(=1) if the grid-cell contains at least 1 pharmacy, (=0) otherwise
hospital	(=1) if the grid-cell contains at least 1 hospital, (=0) otherwise
doctors	(=1) if the grid-cell contains at least 1 doctor's office, (=0) otherwise
park	(=1) if the grid-cell contains at least 1 park, (=0) otherwise

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