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School Grades and Property Values

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Homebuyers have always understood that there is a link between home values and the quality of local schools. In fact, many buyers seek out neighborhoods where their children will be assigned to good schools. With the advent of Florida's comprehensive achievement test, or FCAT, every school in Florida has been graded on a consistent basis since 1999. As a result, the marketplace now routinely references FCAT scores, and the scores have substantial impacts on market prices.

Overall, FCAT scores have improved in Florida since 1999. For example, since 1999 the number of "A" schools has increased from 202 to 1,259, and those with a "B" score have jumped from 313 to 544. At the other end of the spectrum, those with a "D" fell from 601 to 184, and the "F" schools total only 49 today compared to 76 in 1999. Central Florida schools are about in the middle of the pack compared to statewide averages, except for Seminole County where the schools are substantially above average. Eighty-seven percent of Seminole's schools had grades of "B" or better compared to 68 percent statewide, and there were no "F" rated schools in Seminole County. By contrast, Orange County schools performed poorly. Half of the county's high schools were scored at "D" or "F". Even worse, most of the high schools had declining grades in 2004.

This poor performance is beginning to affect real estate markets. For example, the prices paid for existing homes in Seminole County have increased by about 7 percent over the last 12 months, while prices paid for existing homes in Orange County have increased by less than 4 percent since last year. These types of correlations between good FCAT scores and rising home prices are noticeable all across Florida.

One of the unintended consequences of testing is the ubiquitous availability and use of FCAT scores in real estate markets. Furthermore, as homeowners

become increasingly aware of FCAT scores and their impact on home values, we will witness much greater interest on the part of homeowners in the quality of their local schools, even when the homeowner does not have any children in the school system. The ultimate result will be much greater free market pressure on school boards to perform, since the result of poor scores on the FCAT increasingly will transfer into real estate prices. The end result may well be better performing schools, as all homeowners more acutely recognize their personal stake in the schools in their communities.

This is Hank Fishkind for 90.7 FM, WMFE News.

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