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# Educational Facilities Market Analysis

**4th  
Quarter  
2023**



# At a Glance

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## Revenue

Public and Private Schools have different streams of revenue since Public Schools are state and government funded, whereas Private Schools are pay to attend. Public School revenue has increased to \$995.7 billion over the last five years, while Private Schools reached \$90.6 billion



## Profit

Public Schools profit took a dive despite increased revenue, falling \$13.9 billion in 2023. Private Schools also decreased profits despite increased revenue, falling to \$5.4 billion. Over the next five years, profits for both Public and Private Schools are expected to continue decreasing.



## Profit Margin

Despite increased revenue for both Public and Private Schools, both profit margins have decreased. Public Schools declined to 1.4%, which is projected to be constant over the next five years. Private Schools dropped to 6%, with an expected decrease to 5.6% over the next five years.



## Enrollment

As COVID-19 subsided, Public School enrollment faced an increase in 2021 and 2022. However, it seems to have peaked in 2023 and looks towards decreasing. Private School enrollment has had a more up and down trend, spiking in 2021 and gradually decreasing. Both are facing the issue of fewer school aged children.



## Funding

Public School funding comes from federal, state, and local tax revenue. Public Schools have seen an increase in funding due to higher property taxes, taxes on COVID-19, and many states have a surplus. However, as state and local governments struggle with managing finances due to the ongoing economy, surpluses would be the first to be used.



## Tuition

Private School funding relies primarily on enrollment tuition, so in 2021 when enrollment spiked, private schools made a lot of revenue on tuition. However, as the economy shifts from the post-pandemic boom, enrollment is starting to decrease as students move back to public schools and there becomes less school aged children in general.

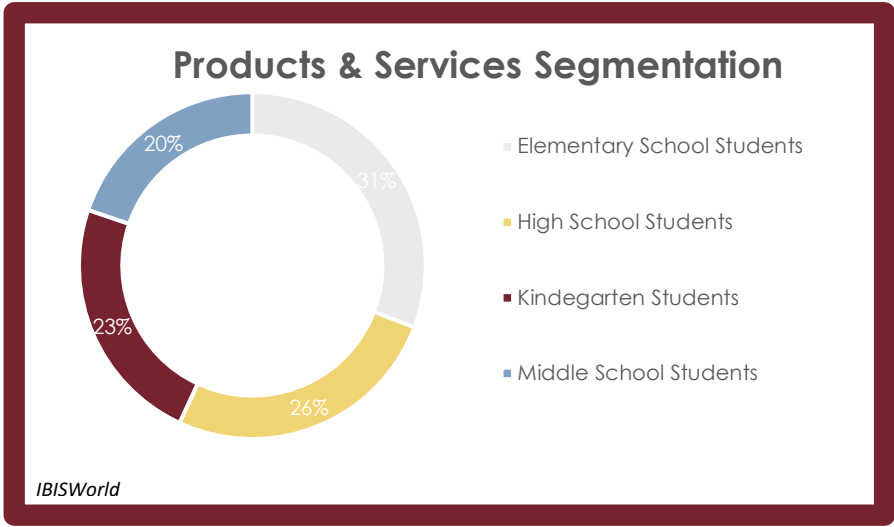
# U.S Overview

**The educational facilities industry can be broken down into public schools and private schools that provide primary and secondary education.**

The public-school industry is supported by government funds to provide free education that operate on a nonprofit basis, whereas the private-school industry is comprised of educational institutions that are predominantly funded through tuition fees and other private sources. Despite this, some private schools may still receive indirect government funding through special programs. The private school industry is intertwined with disposable income as rising costs in tuition without a positive change in income forces students to continue public education.

Over the past five years, the percentage of households earning over \$100,000 has grown, enabling households to switch to private schools quickly in 2020. This shift from public schools to private schools was further exacerbated when the pandemic forced many public schools to continue to stay online. This shift was most predominant in elementary schools as private schools charge significantly lower tuition for elementary schools in comparison to high schools. This increased enrollment though, abruptly returned to its pre-pandemic downward trend in 2022 and 2023 as inflationary pressures hindered disposable income.





Related to cost, government policies can also affect demand. Some states have incorporated parental choice into their education policies. Typically, parental choice entails government support for alternatives to public schools. This has, in some instances, increased demand for private schools. However, government funding only provides for a small portion of private school tuition, which makes it costly for private education.

With public schools returning back to in-person along with the accompanied inflation due to historic increases in money supply, public school enrollment jumped back up in 2021. Due to the fact that the performance of the private school industry conversely affects the public-school industry and the sheer lack of public schools on the secondary market, the private school industry will be analyzed herein.

## Number of K-12 Students

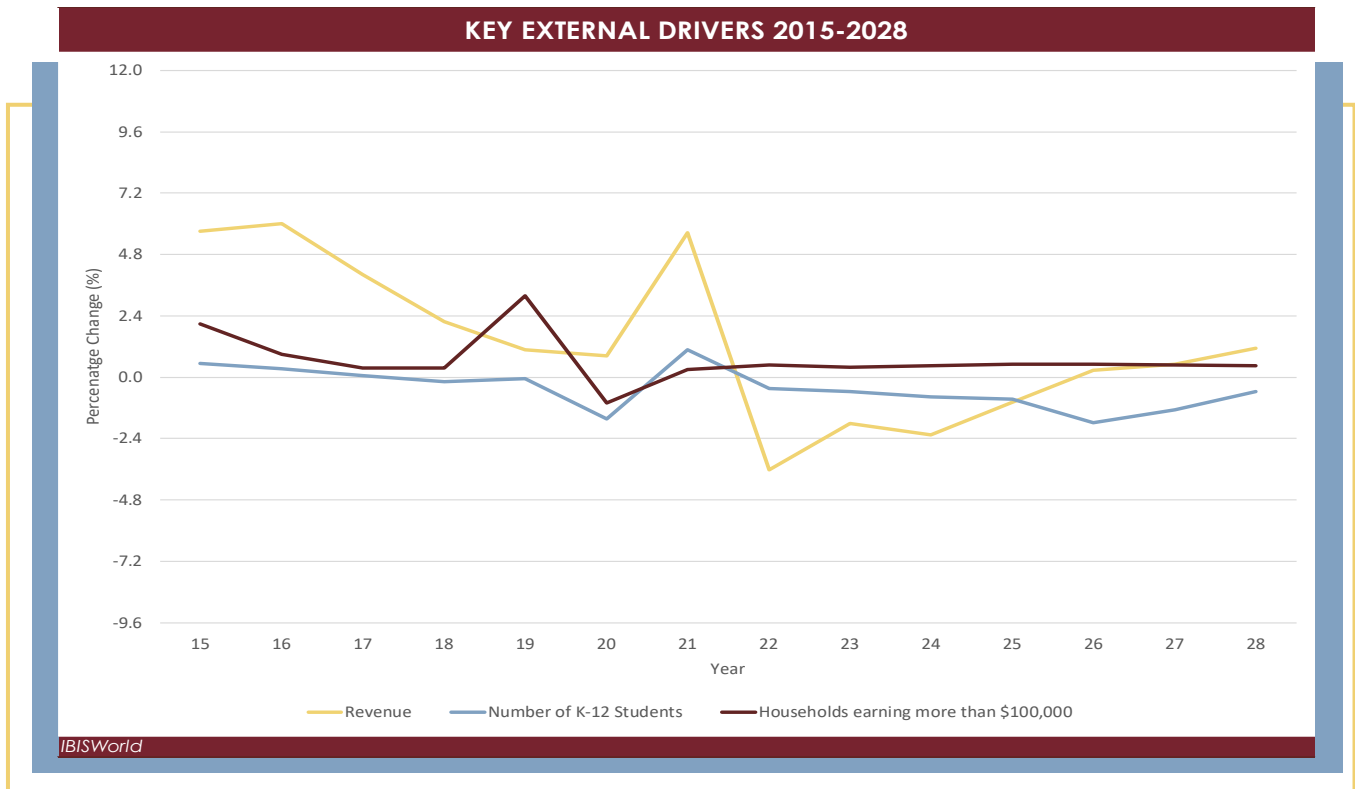
The number of school-aged children encompasses private school's potential market, thus growth in the student population drives enrollment at private schools. The number of K-12 students will increase in 2023, but the expected marginal growth over the next five years poses a potential threat.

## Households Earning More Than \$100,000

Private school is expensive, especially given low-cost alternatives like public school. The percentage of households earning more than \$100,000 will rise in 2023, expanding the potential market and presenting an opportunity to private schools.

## High School Enrollment Goes Up Despite Demographic Concerns

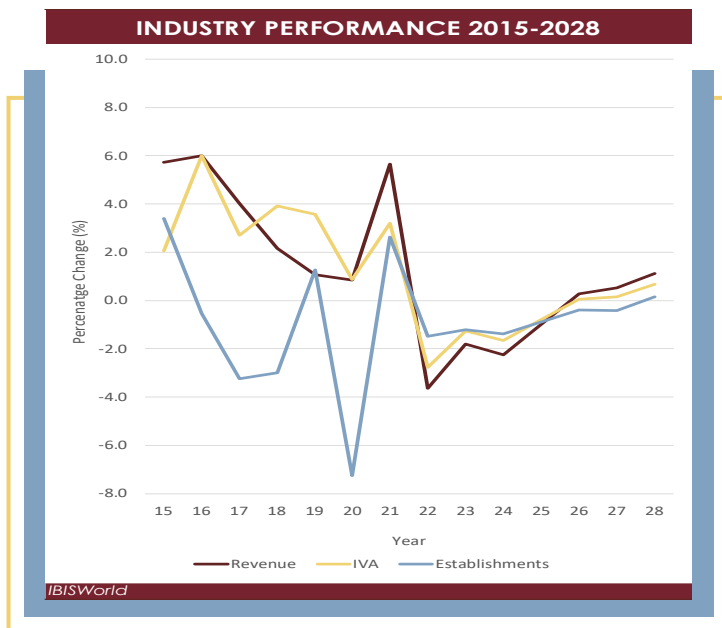
Middle and high schools are outperforming their younger counterparts. Charging higher tuition brings in more revenue per school, regardless of lower total enrollment. Furthermore, high schools share of total private school enrollment has risen considerably in the past five years. High schools growing market share stems from less accessibility compared with elementary schools. There are fewer high schools at higher cost, making high schools more selective. Households enrolled in these schools are higher income and understand the cost of tuition, and in turn makes them less volatile than elementary schools.



# Industry Performance

## Current Performance

Enrollment growth has drifted into negative territory since 2018. Most significantly, the pandemic forced private school closures and shifts to online learning. Smaller, newer elementary schools felt the brunt of the pandemic shock whereas longer standing institutions with strong reputations didn't contribute as much to overall enrollment declines.



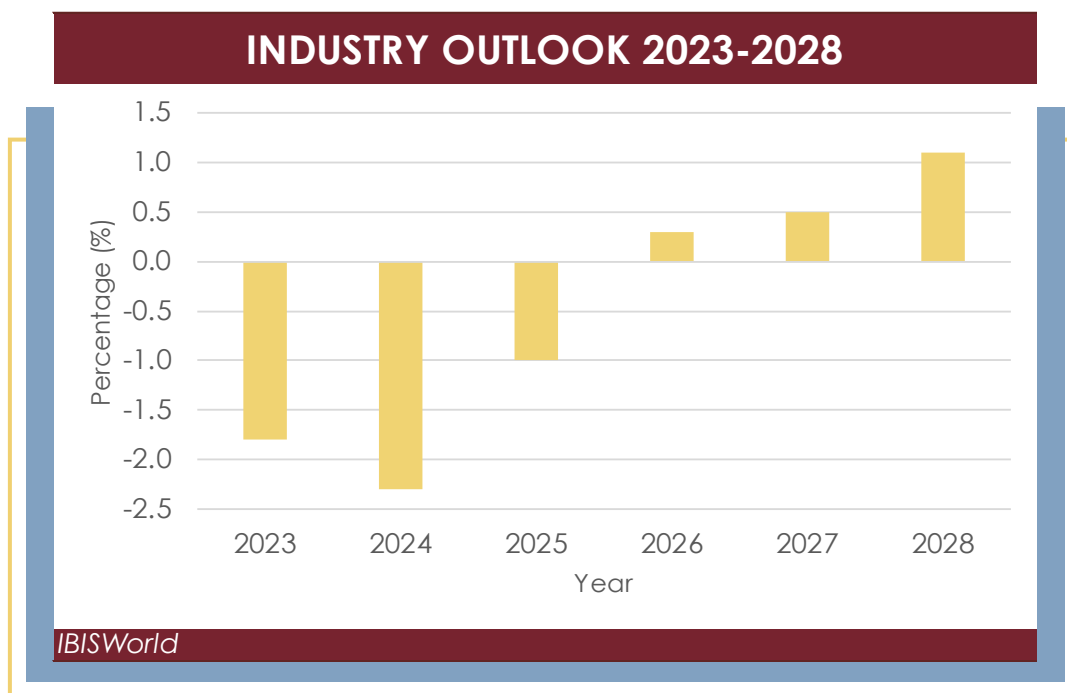
## HISTORICAL PERFORMANCE

Year	Revenue (\$m)	IVA (\$m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand (\$m)	Private Elementary & Secondary Schools Enrollment (Thousands)
2014	74,619	45,713	33,619	29,337	751,879	N/A	N/A	36,982	N/A	5,396
2015	78,894	46,651	34,760	30,341	759,154	N/A	N/A	37,815	N/A	5,575
2016	83,635	49,450	34,576	30,283	786,675	N/A	N/A	39,665	N/A	5,751
2017	86,991	50,787	33,461	29,311	811,412	N/A	N/A	41,218	N/A	5,754
2018	88,880	52,781	32,461	28,502	837,974	N/A	N/A	42,560	N/A	5,720
2019	89,834	54,665	32,876	28,616	856,620	N/A	N/A	44,154	N/A	5,610
2020	90,598	55,150	30,492	26,768	817,459	N/A	N/A	44,647	N/A	5,486
2021	95,726	56,921	31,299	27,392	849,347	N/A	N/A	45,674	N/A	5,994
2022	92,257	55,345	30,839	27,005	832,377	N/A	N/A	44,887	N/A	5,895
2023	90,603	54,645	30,470	26,670	825,350	N/A	N/A	44,536	N/A	5,786

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Only a 2021 spike in enrollment bucked the downward trend as students left public schools and came to private schools. This rebound, though, in enrollment was short lived. Inflationary pressures on household budgets forced newly enrolled students back to public schools. Furthermore, schools housing students contended with skyrocketing food and energy bills in 2022. Although inflation will slow in 2023, continual interest rate hikes cause unemployment and hurt household spending on private school tuition.

# Industry Outlook



## Youth Populations

Elementary schools are showing signs of contracting student bodies due to birth rates continually dropping. Subsequently, teaching staff are cut to maintain desired student-teacher ratios. Additionally, graduating classes are harder to replace which limits what private schools can do to grow enrollments.

## Secondary Schools Drive Average Tuition Up

Market concentration has grown due to a decrease in schools and students. Although elementary schools lost more students than high schools, private high schools are outperforming elementary schools. These schools are more selective and more expensive. Elementary schools are more accessible, so households easily substitute away from private schools following economic shocks.

## Charter Schools Take Away Revenue Growth From Private Schools

Currently, fifteen states have approved private school vouchers, while forty-five states support charter schools. Although vouchers encourage private school enrollment, charter schools provide a low-cost alternative to public and private schools. Charter school enrollments jumped in 2020 amid public school closures and a delayed return to the classroom. This highlights the demand for alternatives to public school at a lower cost than private school. It also shows charter schools stealing potential revenue growth from private schools.

# Conclusion

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The educational facilities industry is enduring uncertainty as the economy recovers from COVID-19 and charter schools are on the rise. As inflation, taxes, and interest remain high, there is less disposable income for private schools. The constriction of disposable income will lead to a migration from private to public schooling. Consequently, factors that are a detriment to the health of private schools will directly aid public schools. For example, public school enrollment has increased since the pandemic due to lack of disposable income and a viable alternative. Even with charter school vouchers, it's still more expensive than local and state funded public school. However, revenue is expected to grow for the educational facilities industry as the economy bounces back.

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