Privatization of Student Housing

Student Housing: 2000 & Beyond
Presentation Outline

- Historical Overview & Campus Context
- Current Development Challenges
- Summary of Key Points
Historical Overview & Campus Context
Historical Overview & Campus Context

Segment Outline

- Eras of Campus Development
- Cause & Effect Relationships
- Market Shifts & Common Responses
Eras of Campus Development

- Post World War I Period
- Post World War II
- The Modern Period
- The Contemporary Period
**Historical Overview & Campus Context**

**Eras of Campus Development - Post WWI Period**

<table>
<thead>
<tr>
<th>1636 – Civil War</th>
<th>Civil War – Early 1900’s</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>English Education System</strong></td>
<td><strong>German Education System</strong></td>
</tr>
<tr>
<td>- Educate Total Student</td>
<td>- Instruction &amp; Research</td>
</tr>
<tr>
<td>- Residential Colleges</td>
<td>- Private Living Arrangements</td>
</tr>
<tr>
<td>- Students Viewed as Kids</td>
<td>- Students Are Adults</td>
</tr>
<tr>
<td>- Supervision Required</td>
<td>- Supervision Not Possible</td>
</tr>
<tr>
<td>- Students’ Travel Distance</td>
<td>- Not Mission Essential</td>
</tr>
<tr>
<td>- Private Housing Supply Inadequate</td>
<td>- Waste of Valuable Resources</td>
</tr>
</tbody>
</table>
Eras of Campus Development - *Post WWI Period*

**Market Context**
- States & Federal Government Gets Involved
- Students are Cultural Elite
- Mostly Males
- Campus Populations are Small

**Facility Characteristics**
- English System Used as a Model
- Small Dormitory Buildings
- Traditional Campus Form & Image
Historical Overview & Campus Context

Building Evolution - Post WWII Era

Market Context
- GI Bill Rapidly Expands Enrollments
- Land Grant Schools Grow Most
- Student Expectations are Limited
- Married Student & Family Housing Needs

Facility Characteristics
- Construction Geared to Rapid Construction
- Gang Baths & Double Occupancy Rooms are Standard
- Architectural Quality is Secondary Priority
- Military Surplus Housing Given to Schools
Building Evolution – *Modern Era*

**Market Context**
- Baby Boom Explodes
- College Attendance Rates Top 30%
- Schools’ Parental Role Expected
- Educational Outcomes Sought

**Facility Characteristics**
- Large Scale High Rise Dorms Become Common
- Double Rooms & Gang Baths
- Architectural Ambition is Limited
- Construction => Built to Last
Building Evolution – *Contemporary Era*

**Market Context**
- 45% of H.S. Graduates Attend College => Capacity Issues
- Students Used to Single Rooms
- Consumer Mentality Prevalent
- Off-campus Competition Growing

**Facility Characteristics**
- Smaller Scale Intended to Foster Community
- Many Residence Halls Have Themes
- Suites & Apartments Compete With Off-campus Options
- Private Partners Become Common
Historical Overview & Campus Context

Cause & Effect Relationships
Mid '80's, the supply of baby boomers dries up. State & Federal budget expansions slow.

Cause / Effect Relationships: Contemporary Era

- Shortage of Students / Shortage of Funds
- Empowered Customers (Buyer’s Market)
- Quality of Life Focus / Self-Supporting Projects
- Market Driven Forces

Historical Overview & Campus Context

BRAILSFORD & DUNLAVEY
Historical Overview & Campus Context

Market Shifts & Common Responses

Kids Share Bedrooms → Kids Have Single Rooms
School as Parent → Freedom & Privacy
Limited Options → Many Off-campus Options
Limited Possessions → Clothes, T.V.’s, Stereos, etc.
No Air-conditioning → Air-conditioning Essential
Technology a Fantasy → Technology a Reality
Historical Overview & Campus Context

Market Shifts & Common Responses

Increasing Enrollment → Increasing Demand
Privacy Requirements → Occupant De-densification
Off-Campus Options → Campus Price Elasticity
Less Revenue Per S.F. → Supportable Construction Quality

Most Challenging Campus Housing Development Era Ever
- Assess Housing Missions, Objectives & Policies
- Increase Institutional Risk & Funding To Yield Targeted Outcomes
- Investigate Alternative Delivery Strategies & Ownership Structures
“The Future is not a result of choices among alternative paths offered by the present, but rather a place that is created - created first in mind and will, created next in activity. The future is not some place we are going to, but one we are creating.”

- John Schaar
  Futurist
Current Development Challenges

Segment Outline

- Master Planning Issues
- Institutional Risk & Funding Strategies
- Alternative Delivery Strategies & Ownership Options
University Strategic Objectives

Market Demand

Program Requirements

Financial Capacity

Cost

Value
Current Development Challenges

Housing’s Mission, Objectives & Policies

- **Mission**
  - Target Audiences
  - Targeted Outcomes

- **Objectives**
  - Expanded Market Radius
  - Market Differentiation

- **Policies**
  - Residency Requirements
  - Pricing and Access
  - Construction Standards
Changes in price do not change the demand curve, only the quantity demanded.
About Market Demand

Changes in population, consumer tastes, popular culture, alternative products and the economy shift demand.
### Current Development Challenges

<table>
<thead>
<tr>
<th>Market Analysis Techniques / Tools</th>
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</thead>
<tbody>
<tr>
<td>1. Demographic Analysis</td>
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<tr>
<td>2. Focus Group Interviews</td>
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<tr>
<td>3. Intercept Interviews</td>
</tr>
<tr>
<td>4. Off-Campus Market Analysis</td>
</tr>
<tr>
<td>5. Competitive Context Analysis</td>
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<tr>
<td>6. Economic Trend Analysis</td>
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<tr>
<td>7. Student Survey</td>
</tr>
</tbody>
</table>
## Current Development Challenges

### What’s the Problem?

<table>
<thead>
<tr>
<th>Students</th>
<th>Dormitories</th>
<th>Suites</th>
<th>Apartments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freshmen</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Sophomores</td>
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<td>Juniors</td>
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<tr>
<td>Seniors</td>
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<tr>
<td>Grads / Profs</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Total Demand</td>
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<tr>
<td>Total Supply</td>
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<tr>
<td>Differential</td>
<td></td>
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</tbody>
</table>

BRAILSFORD & DUNLAVEY
Current Development Challenges
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Current Development Challenges

- Bedroom A
- Bedroom B
- Bedroom C
- Bedroom D
- Living/Dining Area
- Kitchen
- Entry
- Bath
## Current Development Challenges

### What’s the Problem? – A Preliminary Assessment

<table>
<thead>
<tr>
<th>Students</th>
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<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Freshmen</td>
<td>783</td>
<td>553</td>
<td>209</td>
<td>1,545</td>
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<tr>
<td>Sophomores</td>
<td>356</td>
<td>636</td>
<td>353</td>
<td>1,345</td>
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<tr>
<td>Juniors</td>
<td>165</td>
<td>349</td>
<td>478</td>
<td>999</td>
</tr>
<tr>
<td>Seniors</td>
<td>155</td>
<td>138</td>
<td>588</td>
<td>881</td>
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<tr>
<td>Grads / Profs</td>
<td>257</td>
<td>71</td>
<td>1,295</td>
<td>1,623</td>
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<tr>
<td><strong>Total Demand</strong></td>
<td><strong>1,716</strong></td>
<td><strong>1,747</strong></td>
<td><strong>2,923</strong></td>
<td><strong>6,386</strong></td>
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<tr>
<td><strong>Total Supply</strong></td>
<td><strong>4,936</strong></td>
<td><strong>314</strong></td>
<td><strong>1,424</strong></td>
<td><strong>6,674</strong></td>
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<tr>
<td><strong>Differential</strong></td>
<td><strong>3,220</strong></td>
<td><strong>(1,433)</strong></td>
<td><strong>(1,499)</strong></td>
<td><strong>288</strong></td>
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</tbody>
</table>
## Current Development Challenges

### What’s the Problem? – A Preliminary Assessment

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<th>Apartments</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Freshmen</td>
<td>1,066</td>
<td>752</td>
<td>262</td>
<td>2,090</td>
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<tr>
<td>Sophomores</td>
<td>357</td>
<td>635</td>
<td>358</td>
<td>1,350</td>
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<tr>
<td>Juniors</td>
<td>139</td>
<td>296</td>
<td>410</td>
<td>845</td>
</tr>
<tr>
<td>Seniors</td>
<td>185</td>
<td>164</td>
<td>711</td>
<td>1,060</td>
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<tr>
<td>Grads / Profs</td>
<td>262</td>
<td>60</td>
<td>1,188</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>Total Demand</strong></td>
<td><strong>2,009</strong></td>
<td><strong>1,907</strong></td>
<td><strong>2,929</strong></td>
<td><strong>6,845</strong></td>
</tr>
<tr>
<td><strong>Total Supply</strong></td>
<td><strong>965</strong></td>
<td><strong>2,900</strong></td>
<td><strong>920</strong></td>
<td><strong>4,785</strong></td>
</tr>
<tr>
<td><strong>Differential</strong></td>
<td><strong>(1,044)</strong></td>
<td><strong>993</strong></td>
<td><strong>(2,009)</strong></td>
<td><strong>(2,060)</strong></td>
</tr>
</tbody>
</table>
Housing Demand Based Program

All Survey Data

FT On-Campus

FT Off-Campus

PT On-Campus

PT Off-Campus

On Campus Housing Preferences

FT On-Campus Weighted to Reflect Demographics

FT Off-Campus Weighted to Reflect Demographics

PT On-Campus Weighted to Reflect Demographics

PT Off-Campus Weighted to Reflect Demographics
### Housing Demand Based Program

**Projected Demand for Entire University**

**Total On-Campus Housing Demand by Unit Type and academic year**

**Maximum Potential Capture Rate**

**Unit Type Preferences**

**University Enrollment Projections**

**Maximum Projected Demand by Year and Unit Type**
Current Development Challenges
**Current Development Challenges**

**Institutional Risk & Funding Strategies**

- **Debt Underwriting**
  - Debt Coverage Ratio & Collateral
  - Debt Term & Instrument

- **Matching Sources & Uses**
  - Residential vs. Academic
  - Residential vs. Campus Infrastructure

- **Operating Charges**
  - Institutional Overhead Allocations
  - Construction Standards
  - Level of Service
Current Development Challenges

Delivery Strategies & Ownership Structures

- Project Development
  - Skills
  - Capacity
- Ownership
  - Access to Capital
  - Implementation Flexibility
- Management
  - Operations & Maintenance
  - Residential Life
Current Development Challenges

Delivery Strategies & Ownership Structures
Current Development Challenges

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Delivery Strategies & Ownership Structures
Current Development Challenges

Delivery Strategies & Ownership Structures
Review of Key Points
Review of Key Points

Delivery Strategies & Ownership Structures

- We Are in the Midst of the Most Challenging Student Housing Development Era Ever
- Market Shifts & Current Student Preferences Should Be Considered Permanent
- Market Conditions & Campus Priorities Are Unique So Responses Should be Customized
- Student Housing Developers Are Not All the Same & They Are Prepared to be flexible
Privatization of Student Housing

Student Housing: 2000 & Beyond
SUITE
4 students / 4 single rooms
SUITE
2 students / 2 single rooms
SUITE
4 students / 4 single rooms
SUITE

4 students / 4 single rooms

SINGLE ROOM 110 sf
SINGLE ROOM 130 sf
SINGLE ROOM 110 sf
SINGLE ROOM 130 sf
LIVING ROOM 150 sf
ENTRY/ KITCHEN 40 sf
BATH 125 sf
BATH 125 sf

BRAILSFORD & DUNLAVEY
SUITE
4 students / 4 single rooms
SUITE
8 students / 2 doubles, 2 singles