

APPENDIX M-1  
UMF MARKET ANALYSIS MEMO

APRIL 2021





## INTRODUCTION

In December 2019, the University of Maine System (“UMS”) retained Brailsford & Dunlavey, Inc. (“B&D” or the “Project Team”) to advise the University of Maine at Farmington (“UMF” or the “University”) on a plan to strategically invest in UMF’s on-campus housing portfolio and residential experience. B&D’s development advisory services commenced with a Housing Market Analysis (the “Project”), which included an evaluation of UMF’s existing housing facilities and financials, an analysis of local off-campus housing market dynamics and their impact on student housing behaviors, and a quantification of student demand for on-campus housing. These analyses resulted in the development of a market-responsive plan for investment in UMF’s housing portfolio and an enhanced UMF residential experience. The following document summarizes the strategies and outcomes of that plan.

The Project Team conducted the following activities as part of its work:

- ◆ **Demographic Analysis:** B&D analyzed historical student enrollment and demographic data trends to determine trends in the scale and composition of the target market for on-campus housing.
- ◆ **Off-Campus Housing Market Analysis:** B&D analyzed the private multi-family housing market in the local Farmington market to understand how market conditions such as vacancies, rental rates, and amenities impact student demand for on-campus housing. B&D’s analysis included approximately 4,500 housing units within a one-mile radius of UMF.
- ◆ **Student Survey Analysis:** B&D developed a web-based survey in May 2020 to yield statistically reliable market data regarding students’ housing conditions, satisfaction, preferences, and priorities. The May 2020 survey was sent to the entire spring 2020 population of 1,717 students enrolled at UMF. This survey received a total of 353 responses, resulting in a 21% response rate and a 95% confidence level with a 5% margin of error. B&D resurveyed students in January 2021 to understand the impact the pandemic has had on student demand for on-campus housing and incorporate any prudent occupancy risk mitigation strategies into the reinvestment plans. The second survey was sent to the entire spring 2021 population of 1,861 students enrolled at UMF. The survey received a total of 397 responses, resulting in a response rate of 21% and a 95% confidence level with a 4% margin of error, which ensures high levels of validity and reliability to confirm initial market findings. The survey and demand information referenced throughout this report were formed from May 2020 survey data, but all recommendations were updated and confirmed by the results of the January 2021 survey.

- ◆ **Demand Analysis:** B&D conducted a demand-based programming (DBP) analysis to translate survey results into quantifiable demand for housing by quantity and unit type. The results of the demand analysis ultimately informed programmatic recommendations for the proposed new student housing development.

The findings from each task are complementary and accretive. Together, these findings provide an understanding of the student housing market at UMF. The following document outlines a summary of recommendations resulting from this assessment.

## EXECUTIVE SUMMARY

### STUDENT HOUSING AT UMF

UMF's institutional mission is to "[prepare] students for engaged citizenship, enriching professional careers, and an enduring love of learning." To accomplish this mission, UMF must cultivate a campus experience that reinforces these values both in and out of the classroom. UMF is a residential liberal arts college, and its residence halls are vital strategic assets that, when functioning properly, maximize student engagement in environments and programs that support student development and success.

The current physical condition of several of UMF's housing facilities negatively impacts the residential experience's ability to deliver on its full strategic value. The facilities' deteriorating physical conditions and misalignment with the preferences of their target market – UMF students – negatively impacts student satisfaction and the perceived value of the residential experience. In 2019, UMF's housing facilities required over \$38 million in total deferred maintenance and ADA accessibility upgrade needs, resulting in a housing portfolio net asset value ("NAV") of 55%. Without investment by the University, the cost of the housing system's deferred maintenance will continue to rise, and NAV will continue to fall until UMF will be required to make decisions that may not be strategically aligned with the University's mission and vision. Further, the housing system is not currently generating sufficient positive cash flow for the University to fund needed improvements. As students continue to move off campus in search of more favorable living conditions, UMF's ability to cultivate a robust residential community may be hindered. Therefore, it is of strategic importance to UMF to consider measured investments in its housing portfolio in the near term.

### OVERVIEW OF STRATEGY

UMF has an opportunity to ensure that each investment in their housing portfolio maximizes the strategic value of the residential experience. Current inefficiencies in the University's housing system can be addressed with intentional investments that both strategically fulfill the University's mission and enhance

positive financial performance. To develop the most advantageous plan for investments in UMF's housing facilities, the Project Team formed recommendations within the following key drivers:

- ◆ **Generate new revenue by providing market-responsive, highly efficient unit types that attract new market to campus.** Through a series of reinvestment, renovation, and replacement projects, UMF can increase student participation in the residential experience by adding new product to its housing system and realigning both the housing portfolio unit mix and associated rental rates with student demand, affordability requirements, and developmental needs. UMF's housing portfolio is currently deficient in unit types that support the personal development of upper-division students, who desire full-suite and apartment-style units that provide them with increased independence and privacy suitable to their maturity levels. To capture these students into campus housing, UMF should consider the construction of a new facility that delivers in-demand full-suite - style units to campus. In addition, UMF can maximize the revenue-generating ability of its existing residential portfolio by reinvesting in and renovating facilities to increase the amount of student beds per SF in its housing system. Further, the University should consider restructuring its rental rates to remain competitive with the off-campus housing market.
- ◆ **Reduce expenditures by implementing a reinvestment plan aimed at improving the financial operating paradigm of the housing system.** Throughout the implementation of the housing reinvestment plan, UMF must be able to maintain the financial health of its housing system. To do so, the University should consider replacing facilities with excessive deferred maintenance need with a new P3 development. Providing new, efficient unit types will aid UMF in reducing operating expenses system-wide and deliver a housing system that maximizes revenue generation per square foot of residential space. Utilizing a P3 delivery structure provides further benefits through risk transfer and sets project-based financing parameters. In addition, UMF should strategically address deferred maintenance and ADA accessibility needs through a series of renovation and maintenance projects in its existing halls, phased to ensure the system produces positive cash flow throughout the duration of the reinvestment plan.

## **STUDENT HOUSING REINVESTMENT PLAN**

The Project Team developed an implementation scenario to address both the financial and strategic imperatives that require investment in the housing portfolio. The pursuit of the recommended housing projects through a phased approach allows maximum flexibility and ensures the long-term financial sustainability of the housing system. As a result of initial conversations, the University determined that the

recommended student housing scenario generates the most value and strategic benefit for the University, including generating positive cash flow throughout the full implementation of the plan.

♦ **Recommended Student Housing Scenario:**

- **Reinvest** in Scott-West and FAB
- **Renovate** Purington, Mallett, Stone, Scott-North, and Scott-South
- **Replace** Dakin and Lockwood with a new townhouse-style P3 development
  - **Phase 1:** Replace 147 beds in Dakin with 96 townhouse-style full-suite P3 beds
  - **Phase 2:** Replace 60 beds in Lockwood with an additional 96 townhouse-style full-suite P3 beds

The scenario begins with the development of a 192-bed townhouse-style facility delivered in two phases on the Dakin and Lockwood site. Delivery of a new townhouse community, the most efficient full-suite-style unit type, generates new market and positive cash flow for UMF's housing system. The demolition of Dakin and Lockwood Halls allows UMF to replace two of its most deteriorated assets, eliminating \$8.7 million in deferred maintenance costs associated with both halls. In addition, the new facility will surround a campus green connecting Mallett and FAB, thus fulfilling UMF's Master Plan priority to create a residential quad.

The scenario also recommends the short-term renovation of Purington and Mallett Halls, commencing a 15-year long phased strategy of reinvestment and renovation of UMF's entire residential portfolio. Renovating Mallett and Purington generates added revenue through increased bed capacity and retains their historically significant façade as the face of UMF's residential campus on High Street.

## STUDENT HOUSING MARKET ANALYSIS

### STRATEGIC VALUE OF UMF HOUSING

UMF's mission is to prepare students to become engaged community leaders, successful professionals, and life-long learners after graduation. As Maine's premier public liberal arts campus, UMF enacts this mission by providing an affordable, high-quality education in a residential setting. The University's commitment to on-campus housing is mission-driven; therefore, student housing at UMF must uphold these values. To ensure that any plan for reinvestment enhances the strategic value of on-campus housing at UMF, the Project Team developed the following criteria to guide the Project process and strategy:

- ◆ The residential experience at UMF must **support students' personal development**, particularly through the provision of unit types and programmatic experiences suitable for student development and maturity levels.
- ◆ On-campus housing at UMF must be financially accessible to students and **align with the University's commitment to affordability**.
- ◆ UMF must provide housing facilities commensurate with its high-quality educational and residential experience while **maintaining the financial health of its housing system and positive cash flow**.
- ◆ Investments in housing at UMF must prioritize the preservation of UMS debt capacity and therefore **consider alternative financing and delivery methods**.

### EXISTING HOUSING CONDITIONS

The Project Team completed an existing conditions analysis of UMF's housing portfolio, evaluating current deferred maintenance needs against each residential facility's ability to continue to provide strategic value to the University. This analysis informed UMF and B&D's designation of suitability for reinvestment vs. renovation vs. replacement for each of UMF's residence halls. Facilities with minimal deferred maintenance need are most advantageous for continued investment. Those that require higher investment but are either strategically beneficial or able to generate additional revenue through optimization of their physical facilities are suitable for renovation. Facilities with maintenance needs exceeding their future value and limited opportunity for enhanced efficiency are most advantageous to replace with a new housing development.

Hall	Beds	GSF / Bed	Age	Total Deferred Maintenance	Deferred Maintenance / Bed	Strategic Benefit	Recommendation
FAB	96	342	15	\$974,230	\$10,148	Newest Housing Facility	Reinvestment
Scott – West	45	489	19	\$1,940,914	\$43,131	First-Year Housing Complex	Reinvestment
Scott – South	140	277	53	\$4,769,440	\$34,067	First-Year Housing Complex	Renovation
Scott – North	147	264	60	\$6,406,396	\$43,581	First-Year Housing Complex	Renovation
Stone	104	280	57	\$3,564,245	\$34,272		Renovation
Purington	107	340	106	\$5,713,389	\$53,396	Historical Significance	Renovation
Mallett	111	321	96	\$6,383,505	\$57,509	Historical Significance	Renovation
Dakin	141	279	52	\$4,706,649	\$33,381		Replacement
Lockwood	59	502	52	\$4,055,517	\$67,797		Replacement

**Figure 1. Existing Conditions Analysis and Resulting Reinvestment/Renovation/Replacement Recommendation**

## SUMMARY OF HOUSING MARKET FINDINGS

UMF has an interest in maximizing the population of residential students to both enhance its robust residential community and generate additional revenue. To determine whether unmet demand for on-campus housing exists among UMF's student population, the Project Team released a campus-wide student survey to determine housing trends, patterns, and preferences among the on- and off-campus student population and synthesized results to uncover insights into the decision factors that determine where students choose to live. To predict a target market for on-campus housing, the Project Team evaluated the housing preferences and priorities of three distinct sub demographic groups (see Figure 2):

- ♦ **On-Campus Students**, who are most likely of the three sub-demographic populations to be traditionally aged and single with no dependents. On-campus students prioritize reliable internet access (43%) and proximity to academic facilities (41%) compared to off-campus students and are least concerned about affordability (30%). Of this demographic, 96% of students report that the residential experience was important in their decision to attend UMF and 88% would prefer to live in on-campus housing if their preferences and priorities were met.
- ♦ **Non-Local Off-Campus Students**, who tend to be slightly older than on-campus students. These students still highly value living on campus, as 87% of non-local off-campus students report that the residential experience was important in their decision to attend UMF. Students in this demographic were the most likely to prioritize affordability (63%) and access to their own kitchen (62%). Of this demographic, 37% rent a 2-bedroom unit in the off-campus market and 34% rent a unit with three or more bedrooms. 55% of non-local off-campus students indicate their interest in living in on-campus housing if their preferences and priorities were met. Students in this

demographic present the greatest opportunity for UMF to capture additional students into campus housing if UMF aligns unit types and rental rates with student preferences.

- ◆ **Local Off-Campus Students**, who have the highest average age of the three sub-demographic groups and are the most likely to work off campus (60%). Many of these students live at home with family members, and 44% prioritize living with family, suggesting that they are very unlikely to live in on-campus housing. While nine percent (9%) of these students indicated the residential experience as very important in their decision to attend UMF, none indicated they would live on campus if the unit types and rental rates shown in the survey were offered.

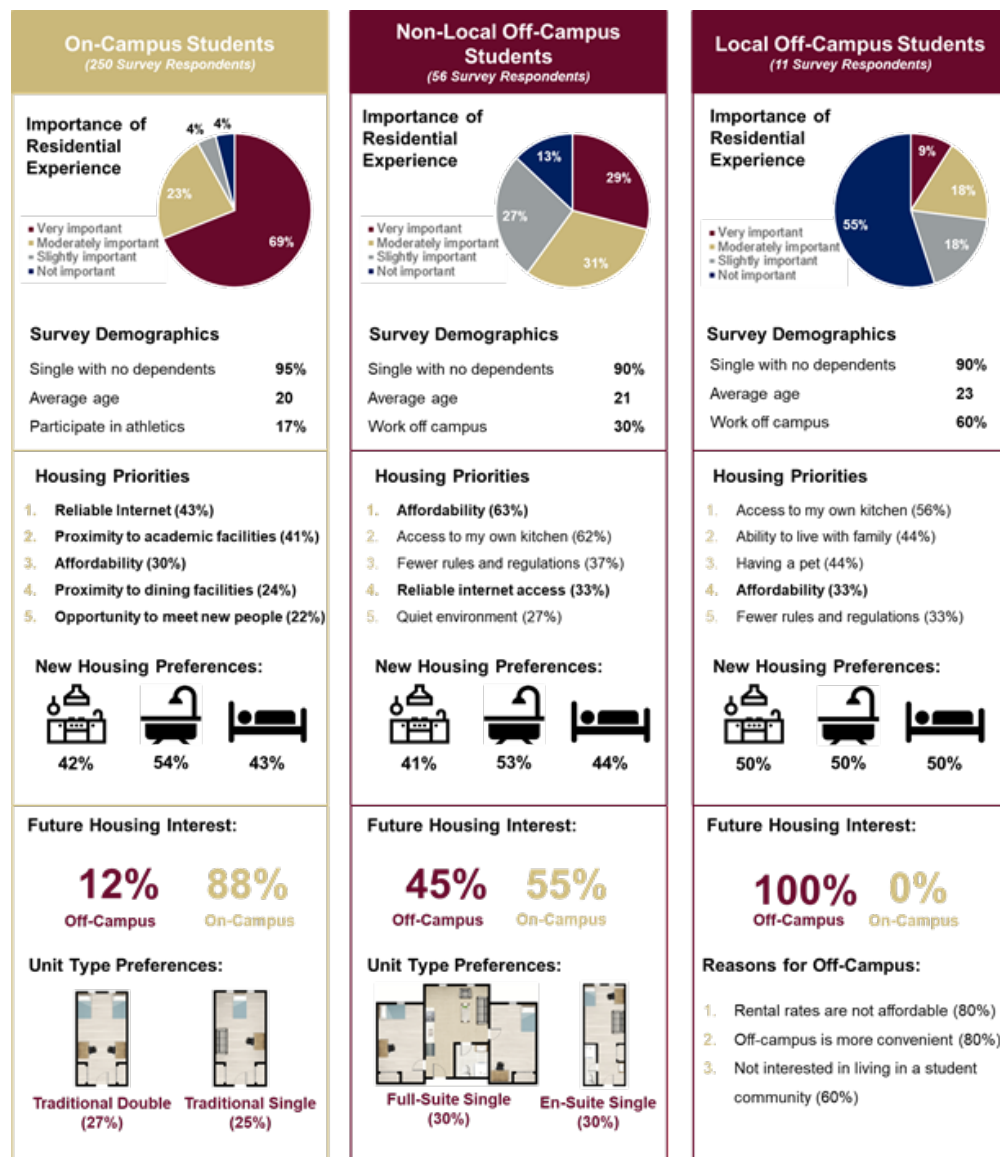


Figure 2. UMF Sub-Demographic Group Housing Preferences and Priorities



B&D also conducted an analysis of the general Farmington housing market to assess the off-campus housing options available to UMF students. B&D surveyed 446 total units, the majority of which are within walking distance to UMF's campus. All data, including rental rates and unit types, were provided by CoStar Group, Inc. The Farmington housing market offers a wide array of studio to 3-bedroom units in small multi-family facilities, offering average rental rates between \$426 per person per month for a 3-bedroom apartment and \$660 per person per month for a 1-bedroom apartment. UMF students typically rent more affordable units on the market, paying, on average, \$450 per person per month for rent and an additional \$47 per person per month in utilities.

Housing Option	Annual Rent <i>(9-month academic year for on-campus, 12-month lease for off-campus)</i>	Utilities <i>(annually, as reported in student survey)</i>	Total Housing Cost <i>(per student per year)</i>
<b>Survey Rates</b> <i>(Full-suite Double)</i>	\$5,850 - \$6,300	<i>Included</i>	<b>\$5,850 - \$6,300</b>
<b>Survey Rates</b> <i>(Full-suite Single)</i>	\$7,650 - \$8,100	<i>Included</i>	<b>\$7,650 - \$8,100</b>
<b>Off-Campus</b> <i>(Average market rate)</i>	\$6,504	\$564	<b>\$7,068</b>
<b>Off-Campus</b> <i>(Average student rate as reported in the survey)</i>	\$5,400	\$564	<b>\$5,964</b>
<b>On-Campus</b> <i>(Traditional Single)</i>	\$6,536 - \$7,506	<i>Included</i>	<b>\$6,536 - \$7,506</b>
<b>On-Campus</b> <i>(Traditional Double)</i>	\$5,356	<i>Included</i>	<b>\$5,356</b>

**Figure 3.** On- and Off-Campus Housing Rate Comparison

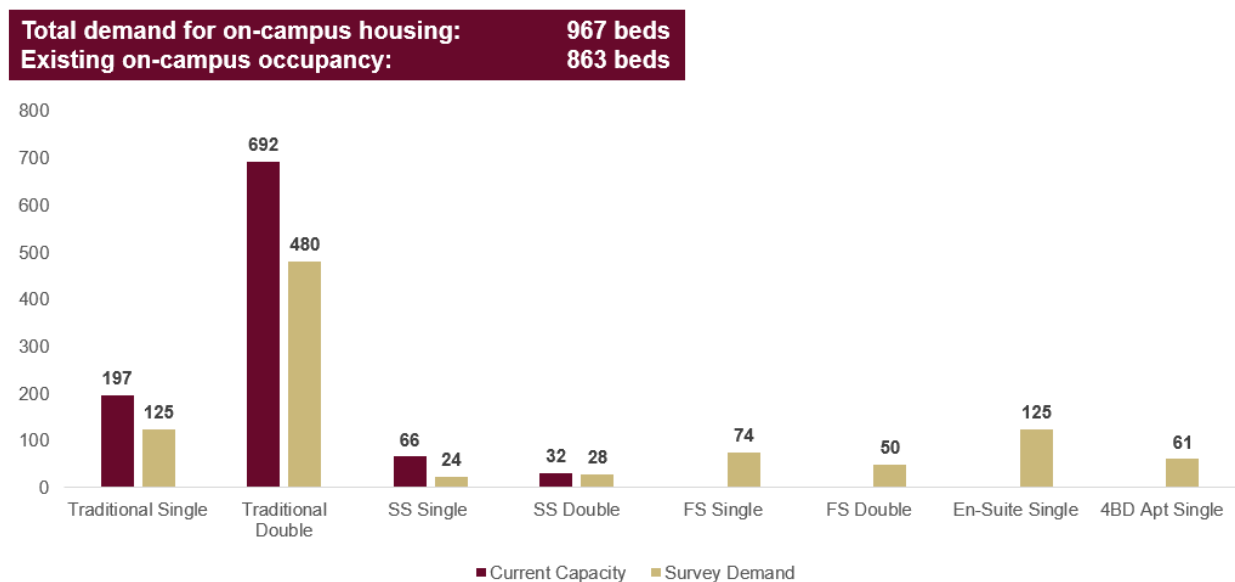
To test off-campus students' willingness to move on-campus, survey respondents were asked to indicate which unit type, occupancy option, and associated rental rate they would have chosen if it were available in on-campus housing. The units and corresponding per-student rental rates that were tested in the survey are illustrated below:



**Figure 4.** UMF Survey Unit Types and Rental Rates

The following key findings ultimately shaped the Project Team’s program recommendations for renovation and replacement housing projects at UMF.

- ◆ **UMF’s housing facilities do not currently provide independent unit types that would attract upper-division students back to campus.** UMF’s on-campus housing has an overabundance of traditional single- and double-occupancy units, compelling upper-division students to move off campus in search of units that offer private bathrooms, bedrooms, and living spaces. Among the off-campus target market, the most popular reported unit types in the survey were full-suite and apartment-style rooms. If new units were offered on campus and rental rates were adjusted to meet student demand, 55% of this target market indicated interest in moving on campus.
- ◆ **There is an opportunity to capture an additional 106 students from the off-campus market if their housing priorities and preferences were met.** UMF must realign the existing housing stock and readjust the rental rate structure to offer a more competitive product at an affordable price. If UMF realigned its housing inventory and restructured rental rates, B&D’s demand model indicates that 106 students currently living off-campus can be captured into campus housing (see Figure 5). Combined with the need to address significant deferred maintenance and inefficiency in existing halls, UMF has an opportunity to capitalize on needed improvements and formulate a housing strategy to realign inventory and readjust rates through a series of new construction, renovation, and reinvestment projects.



**Figure 5.** On-Campus Housing Unit Type Supply and Demand.

## STUDENT HOUSING STRATEGY

As a result of the market analysis findings, the Project Team developed a strategy to maintain the financial health of UMF's housing system throughout the implementation of any reinvestment project. The strategy is anchored by the construction of a new facility that will generate additional revenue for the housing system and takes advantage of renovation projects to increase efficiency and reduce deferred maintenance needs.

- ◆ **Generate new revenue** by offering townhouse-style full-suite units in a new housing development to attract additional students into on-campus housing.
- ◆ **Restructure system-wide rental rates** to better align with the off-campus market, maximize revenue, and remain consistent with UMF's commitment to affordability and accessibility.
- ◆ **Enhance efficiency** in the housing system by reducing the overall square footage per revenue generating bed. UMF can maximize revenue from its existing housing system by increasing the number of revenue-generating beds per SF in its housing system through renovations. In addition, by providing highly efficient units like townhouses, UMF can also reduce operating expenses by limiting the amount of common space and therefore minimizing maintenance and custodial costs.
- ◆ **Reduce operating expenses** system-wide. Through an initial analysis of UMF's housing financials, there is an opportunity to reduce current operating expenses for existing halls from approximately \$2,685 per bed to a target of \$2,600 per bed, a 3% reduction. The positive cash flow achieved through this reduction in operating expenses can also be achieved through a combination of strategies, including additional revenue generation through summer programs. Townhouse-style housing provides further opportunity to reduce operating expenses to approximately \$5.60 per square foot, or just under \$2,000 per bed for the new facility.


Three development scenarios were formulated to address a variety of challenges present within UMF's housing system. The Project Team developed an initial student housing scenario to minimize deferred maintenance need across the system and created a second scenario as an alternate to replacing the University's two historically significant assets, Mallett and Purington Halls. However, considering recent enrollment declines and low occupancy, the University deemed both scenarios undesirable due to their proposed increase in bed count in the short-term. Additionally, both scenarios raise site concerns regarding the location of the new P3 facility. The Project Team formulated a third recommended student housing scenario, outlined below, to address these concerns while maximizing strategic and financial benefit to the University.

## Recommended Student Housing Scenario

- ◆ **Reinvestment** of Scott-West and FAB
- ◆ **Renovation** of Purington, Mallett, Stone, Scott-North, and Scott-South
- ◆ **Replacement** of Dakin and Lockwood
- ◆ **New construction** of 192 suite-style beds in a townhouse configuration

## REPLACEMENT STUDENT HOUSING DEVELOPMENT

Any implementable housing reinvestment plan for UMF must begin with the addition of a new residential facility. Total survey demand indicates that UMF has an opportunity to capture 967 students in on-campus housing, including 106 students currently living in the off-campus market, if UMF offered students their preferred unit types on campus. Of these 967 students, 310 desire suite- and apartment-style unit types not currently offered in UMF housing. B&D applied filters based on student flexibility to determine demand for townhouse-style full-suite units, as townhouses are the most efficient full-suite unit type in terms of GSF per bed and operating expenses per SF, and therefore would be most financially advantageous for UMF's housing system. B&D determined that demand exists for approximately 200 townhouse-style beds among UMF students. To capture additional student demand, UMF should consider providing semi-suite and traditional unit types elsewhere on campus. The recommended program for the new housing facility is detailed below.

Bed Capacity	Unit Type	Room Rate
<b>Bed Capacity:</b>  <b>192 total beds</b> <b>Delivered in two phases of 96 beds</b>  <b>Residents:</b> <b>Upper-division students</b> <ul style="list-style-type: none"><li>▪ Juniors (~50%)</li><li>▪ Seniors (~50%)</li></ul>	<b>Unit Type:</b>   <b>4-bedroom, 2-bathroom townhouse-style Full-Suites</b>  <b>Mix of single and double occupancy bedrooms</b>	<b>Room Rates:</b>  <b>Single Occupancy Room:</b> <b>\$875 - \$925 monthly</b>  <b>Double Occupancy Room:</b> <b>\$670 - \$720 monthly</b>  <b>Lease Length: 12 months</b>

*Figure 6. Recommended Program for New Housing Development.*

The new townhouse community located on the current site of Dakin and Lockwood will fulfill the University's Master Plan priority to create a residential quad connecting Mallett and FAB, increasing outdoor green space on UMF's campus. A two-phased approach to constructing the new facility allows Dakin and Lockwood to be demolished in separate stages, minimizing gaps in cash flow between demolition and delivery of the new development. Pursuing a new facility in two phases also allows the University to



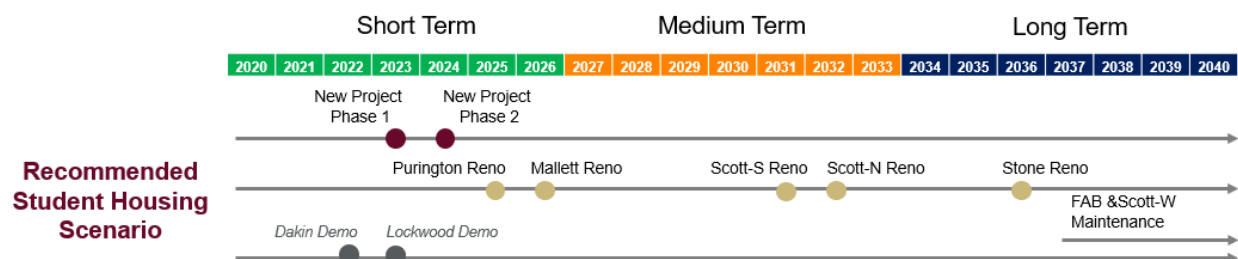
moderate its bed count below existing levels considering enrollment decline resulting from COVID-19 pandemic impacts. The revenue generated from operating this facility will allow UMF to maintain positive cash flow throughout the subsequent series of renovation and maintenance projects for existing facilities. The new townhouses will also increase both efficiency and NAV system-wide by removing UMF's dependence on existing halls that have exceeded their useful life. Additionally, delivering the facility through an alternative financing vehicle allows the University of Maine System ("UMS") to preserve its debt capacity.

The subsequent renovation of Purington and Mallett allows UMF to retain the historical and cultural significance these facilities provide as the face of UMF's residential community on High Street. Renovation strategies for Mallett and Purington will target under-utilized interior areas, such as lounges, offices, and residential staff apartments to increase their combined capacity by 63 beds. Emphasis will be placed on reinventing common spaces to foster a robust residential community by including community kitchens, lounge areas, and flexible space. The additional renovation of Scott-North, Scott-South, and Stone will further update the housing portfolio and address deferred maintenance needs across the system.

The analyses, conclusions, and recommendations contained herein reflect B&D's opinions as of the time of this study. Each was reviewed and discussed with the University prior to finalizing this report. Recommendations are based on various assumptions and estimates and involve judgments with respect to future economic and competitive market conditions and business decisions, which are beyond B&D's control. Actual performance or events may differ from those projected here or realized in the past, and such results could be material.

## PHASING PLAN AND TIMELINE

As referenced earlier in this document, proceeding with the student housing reinvestment through a phased approach ensures the financial sustainability of the University's housing system throughout the implementation of the plan. Beginning any reinvestment strategy with the opening of a new residence hall generates critical revenue for the system for moving forward with renovations and maintenance.



**Figure 7.** Recommended Student Housing Scenario Timeline.

	Year: 2020 2021 2022 2023																																															
	Quarter: Q1 Q2 Q3 Q4												Q1 Q2 Q3 Q4												Q1 Q2 Q3 Q4												Q1 Q2 Q3 Q4											
	Month: J F M A M J J A S O N D												J F M A M J J A S O N D												J F M A M J J A S O N D												J F M A M J J A S O N D											
Project Definition	■																																															
Socialization	■												■																																			
Financing/Ownership Evaluation													■																																			
Solicitation & Selection													■																																			
Negotiations													■																																			
Design													■																																			
Bidding / Financial Close													■												■																							
Construction																									■												■											

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