



APPENDIX M-2

UMPI MARKET ANALYSIS MEMO

APRIL 2021



INTRODUCTION

In December 2019, the University of Maine System (“UMS”) engaged Brailsford & Dunlavey, Inc. (“B&D” or the “Project Team”) to provide development advisory services (the “Project”) related to residential life facilities at the University of Maine at Presque Isle (“UMPI”, or the “University”). As part of this initiative, B&D conducted a comprehensive assessment of UMPI’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 plan to invest in UMPI’s existing on-campus residence halls as well as a new on-campus facility to be delivered through a public-private partnership development structure. The following document summarizes the strategies and outcomes of that plan.

The B&D team conducted the following analyses to complete a comprehensive Student Housing Market Analysis:

- ◆ **Housing Facilities Tour:** B&D toured housing facilities with UMPI facility staff to assess building conditions and housing needs.
- ◆ **Administrator Interviews:** B&D met with UMPI leadership and key staff members to discuss existing housing facility conditions, student life and campus educational resources, campus safety and security, and student housing objectives.
- ◆ **Student Focus Groups and Intercept Interviews:** B&D conducted student focus groups to gain qualitative information regarding on- and off-campus housing options and preferences and inform the student survey instrument.
- ◆ **Demographic Analysis:** B&D analyzed historical student enrollment and demographic information to determine shifts in the scale and composition of the target market for on-campus housing at UMPI.
- ◆ **Off-Campus Housing Market Analysis:** B&D conducted an analysis of local housing market offerings, costs, and vacancies to identify the extent to which the off-campus market has a competitive advantage compared to on-campus experience and therefore impacts student demand for on-campus housing. B&D evaluated over 250 multi-family housing units within a five-mile radius of UMPI.
- ◆ **Student Survey Analysis:** B&D developed a web-based survey in April 2020 to yield statistically reliable market data regarding students’ housing conditions, satisfaction, preferences, and

priorities. The April 2020 survey was sent to the entire spring 2020 population of 807 students enrolled at UMPI. The initial survey received a total of 223 responses resulting in a response rate of 28% and a 95% confidence level with a 6% 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 occupancy risk mitigation strategies into UMPI's student housing reinvestment plan. The survey invitation was sent to the 940 students enrolled at UMPI in spring 2021. The second survey received a total of 331 responses, resulting in a response rate of 35% and a 95% confidence level with a 4.3% margin of error.

- ◆ **Demand Analysis:** B&D conducted a demand-based programming (DBP) analysis to translate survey results into quantifiable housing demand by quantity and unit type. The results of the demand analysis ultimately informed programmatic recommendations for the proposed new student housing development. The survey and demand analyses referenced throughout this document were formed by the results of the 2020 survey. The Project Team updated and confirmed the recommendations with the results of the January 2021 survey.

The findings from each task are complementary and accretive. Together, these findings provide an assessment of demand for on-campus student housing at UMPI. The following document outlines a summary of findings, outcomes, and recommendations resulting from this assessment.

SUMMARY OF OUTCOMES

To fulfill UMPI's institutional mission of preparing traditional and non-traditional students to lead successful professional careers, the University must deliver an affordable, high-value on-campus residential experience to its students. UMPI has an opportunity to maximize the strategic value of its housing system that enhances the UMPI student experience by adopting a strategy with the following key components:

- ◆ **Realignment of housing inventory with student development needs.** UMPI's housing system is currently oversubscribed in traditional-style units and undersubscribed in suite-style units that are appropriate for upper-division students. There is an opportunity for UMPI to increase its residential population by 106 students if the housing portfolio offered unit types and amenities preferred by more mature students.
- ◆ **Maximization of space efficiency within housing facilities.** A high proportion of UMPI's housing facility square footage is non-revenue generating space. By moving non-essential office space to other on-campus facilities and better utilizing lounge and circulation space, UMPI can increase its revenue-generating space in each residence hall to support the financial health of the system.

- ◆ **Enhancement of housing system Net Asset Value (“NAV”).** Investing in improvements to UMPI’s aging housing facilities will increase the NAV and provide long-term financial benefit to the University.
- ◆ **Minimization of deferred maintenance.** Deferred maintenance need across UMPI’s four residence halls totals \$16 million, despite ongoing maintenance efforts. Strategically addressing this need enhances UMPI’s balance sheet capacity to maximize the value of its existing assets and reap long-term benefits of sustainable, updated facilities.
- ◆ **Strategic re-purposing of existing assets.** Some of UMPI’s housing assets have the potential to continue to provide value if properly repositioned. Investing in these assets allows UMPI to efficiently utilize existing facilities to the University’s strategic benefit.

The Project Team formed three housing scenarios that achieve the strategic and economic requirements of the University, distinguished by varying levels of investment in the five components listed above. All three scenarios include the construction of a new project totaling 200-220 beds, as well as a consideration of the renovation and/or repurposing of existing assets. By replacing existing assets, UMPI can eliminate costly deferred maintenance needs associated with existing facilities and provide efficient suite-style units that will attract additional students to the UMPI campus. Renovation of existing facilities allows UMPI to improve the physical quality of existing space while increasing the NAV and revenue generation per square foot. By intentionally repurposing certain existing assets, UMPI can retain flexibility to meet current and potential future demand for housing. The recommended student housing scenario, chosen by UMPI leadership, is detailed below:

- ◆ **The Recommended Student Housing Scenario** renovates Emerson Hall, replaces Merriman Hall with a new P3 project, maintains Park Hall in the existing residential portfolio, and repurposes Skyway Suites.

As a result of initial conversations, the Project Team believes that this scenario generates the most strategic and financial benefit for the University. Emerson proves to be most suitable for a thorough renovation due to its ability to house the entire first-year population in one residential community. Similarly, by maintaining Park Hall for swing space during renovation/construction projects and potential future renovation, the University capitalizes on its existing assets to create a residential experience of true strategic and economic value. Additionally, a new project of 200-220 semi-suite beds connecting Emerson and Park diversifies the on-campus unit mix to meet student demand. To generate further strategic benefit, repurposing Skyway Suites into faculty/staff apartments provides the University with space designed to support the recruitment, housing, and relocation of new academic and student life support staff.

STUDENT HOUSING PLAN

The redevelopment of student housing is a mission-driven initiative for UMPI, and as such, must directly support the strategic vision of the institution. Through a Strategic Asset Value (“SAV”) work session with University leadership and stakeholders, the Project Team developed the following strategic criteria to ensure that the redevelopment of student housing appropriately advances UMPI’s institutional mission:

- ◆ All UMPI students interested in the residential experience must be accommodated in on-campus housing facilities proximate to academic and student life resources.
- ◆ Housing facilities must provide unit types that support student development while maximizing the financial accessibility of the residential experience.
- ◆ The quality of UMPI’s on-campus housing facilities must be balanced with affordable rental rates that are competitive with the off-campus market.
- ◆ Optimization of financial performance and preservation of UMS debt capacity must be prioritized through the consideration of alternative financial and delivery options for on-campus housing.

Using these strategic criteria as a framework, the Project Team then translated findings from market research to develop three housing program scenarios that best achieve UMPI’s strategic criteria. Each scenario provides a framework for UMPI to re-align its inventory with demand, improve campus-wide efficiency and NAV, and minimize deferred maintenance needs. Combined with strong programming to support student development and deepen the student/faculty connection, the Project Team’s recommendations provide a strategy for UMPI to create a robust residential community on campus.

Summary of Market Findings

To identify the market opportunity for student housing at UMPI, B&D conducted an analysis of the local Presque Isle housing market to evaluate the off-campus options available to UMPI students. All data is based on information provided by CoStar Group, Inc. The Project Team surveyed over 250 units within a 5-mile radius of UMPI, including several multi-unit apartment communities in downtown Presque Isle popular with student renters. The average multifamily unit rents at \$584 per person per month for a 12-month lease and reports an average occupancy of 96%.

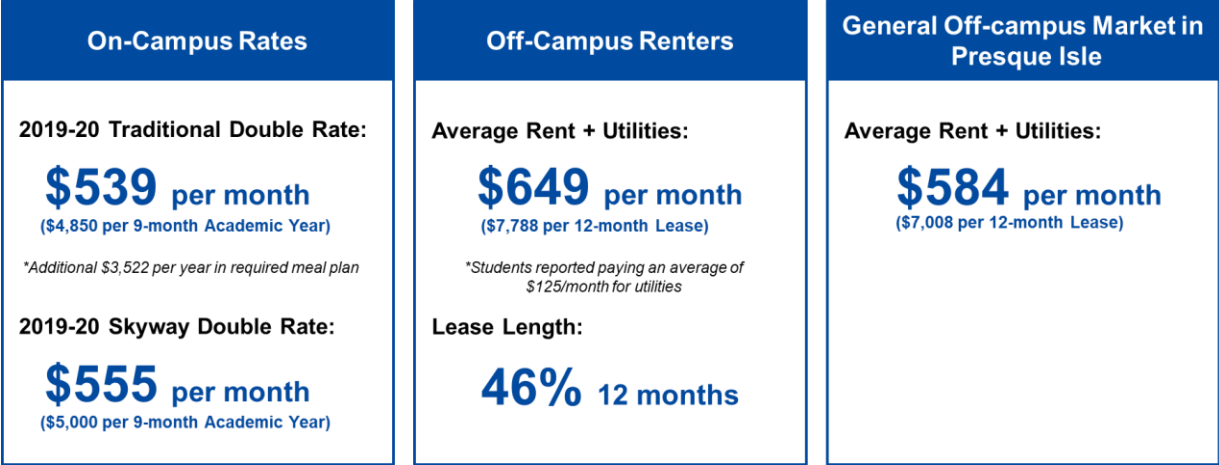


Figure 1: UMPI On- and Off-Campus Housing Market Rate Comparison

UMPI’s student population represents a mix of traditional and non-traditional, local and out-of-state, and transfer and first-time students. To determine a target market and accurately predict potential demand for on-campus housing, the Project Team identified three distinct sub-demographic groups within the student population – local transfer students (19% of 2019-20 enrollment), local first-time students (36% of 2019-20 enrollment), and non-local students (45% of 2019-20 enrollment) – each with distinct housing preferences and priorities. The Project Team’s analysis of these sub demographics and survey responses yielded the following key findings:

- ◆ **The target market for on-campus housing is primarily comprised of non-local students.** Non-local students, compared to other sub demographics, are most likely to choose to live in on-campus housing: many of them are traditionally-college aged, single without dependents, and participate in on-campus athletic programs. Among this demographic, 79% reported that the residential experience was important in their decision to attend UMPI.
- ◆ **Despite their housing preferences closely aligning with an on-campus residential experience, only 60% of non-local students choose to live in on-campus housing at UMPI.** In addition to the importance of the residential experience in their decision to attend UMPI, non-local students report prioritizing affordability, proximity to campus facilities, and the ability to live with friends as the top factors in their housing decision. Non-local students living off campus primarily rent two- and three-bedroom units, as they provide the privacy and independence that UMPI students seek. These students reported paying an average of \$635 per person per month for rent and utilities, approximately 10% higher than the market average in Presque Isle, indicating that UMPI students move off-campus and pay a premium for the units that offer their desired level of privacy and independence.

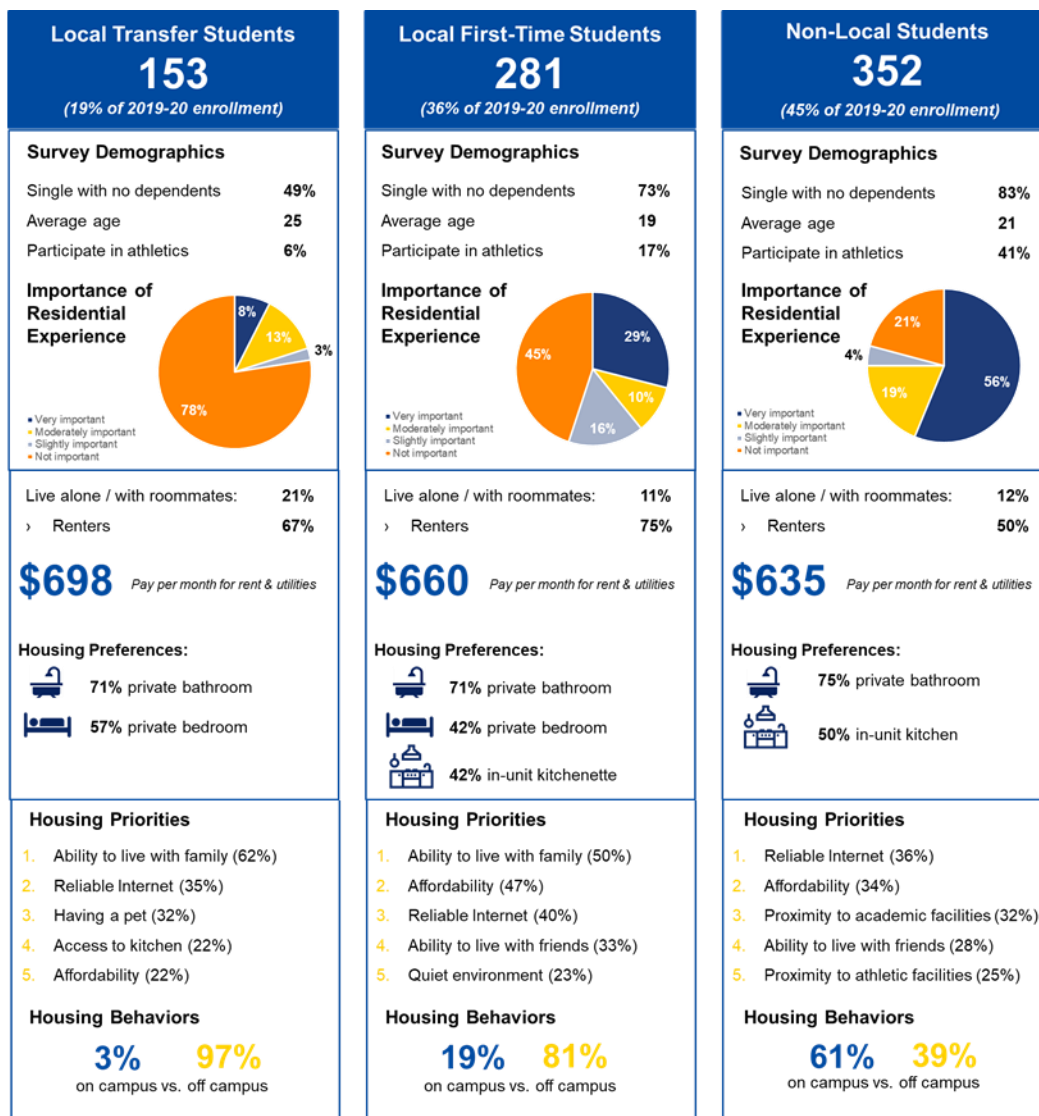


Figure 2: Sub-Demographic Group Housing Priorities and Preferences

- ◆ **UMPI has an opportunity to capture an additional 106 students currently living in the off-campus market, primarily by providing unit types that offer a higher level of privacy and independence.** B&D asked survey respondents to indicate their preferred unit type, occupancy option, and associated rental rate if they were interested in on-campus housing options. The units and associated rental rates that were tested in the survey are illustrated in Figure 3 (note that all rates are displayed in 2021 dollars). B&D’s demand analysis illustrated that UMPI offers a surplus of traditional double- and triple-occupancy units, while students living off campus overwhelmingly seek private bathrooms and in-unit kitchens. Suite-style units provide the privacy, independence, and affordability that non-local students prioritize in their housing choice.



Figure 3: UMPI Survey Unit Types and Rental Rates

Through a proprietary demand analysis, the Project Team found that UMPI can capture an additional 106 students in on-campus beds if suite-style unit types with a higher degree of privacy and independence were offered in campus housing (See Figure 4). An opportunity exists for UMPI to increase its on-campus population by realigning its housing portfolio to include more private living units, thus strengthening its residential community and further capitalizing on its strategic vision.

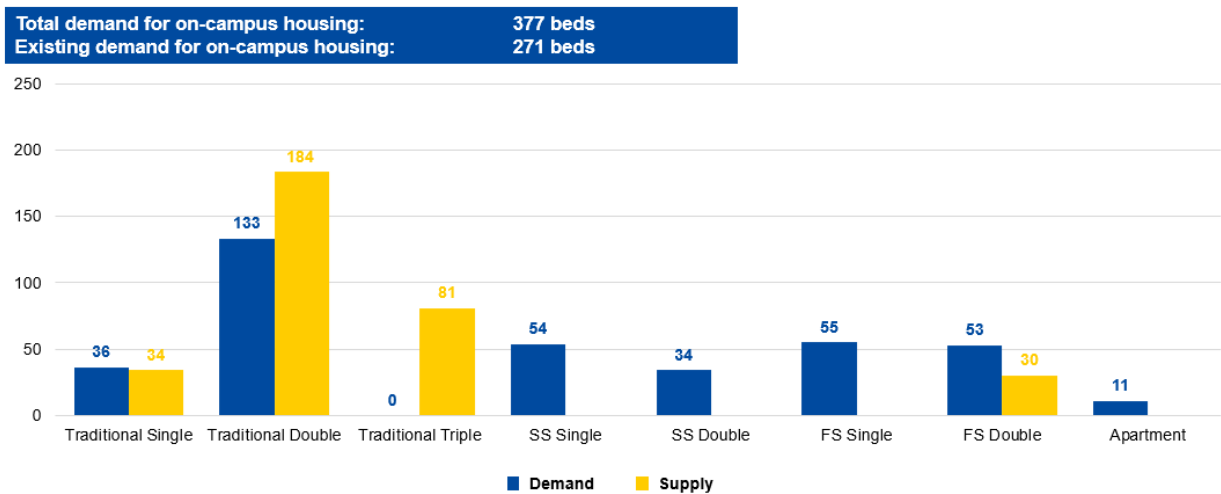


Figure 4: On-Campus Housing Demand vs. Supply

To capture additional demand from the off-campus market, the University must realign its on-campus housing portfolio through both replacement and renovation projects. B&D evaluated the existing housing facilities to determine which halls present the greatest opportunity for replacement, renovation, and repurposing:

- ◆ **Emerson Hall** requires the greatest deferred maintenance need at \$7.2 million and exhibits space inefficiencies by dedicating a large amount of valuable interior square footage to non-revenue generating uses. However, Emerson does provide strategic value to UMPI: due to its size and location, it holds the ability to house the entire first-year population in traditional units on “Ring Road” presenting the opportunity to create a fully integrated, robust on-campus residential experience. Thus, the Project Team identified Emerson as suitable for renovation.
- ◆ **Park and Merriman Halls** generate an additional \$3.4 million and \$3.1 million in deferred maintenance costs, respectively. Park Hall’s proximity to Emerson provides opportunity to create a connected residential neighborhood and generate cost synergies due to its connected utility plant. Merriman’s inconvenient location on the campus edge provides little benefit to the University’s Campus Master Plan vision. Therefore, the Project Team deemed Park Hall to be suitable for reinvestment or replacement and Merriman Hall suitable for replacement.
- ◆ **Skyway Suites**, the University’s only facility currently offering full-suite units, comprises only 30 beds for the system and adds over \$2.3 million in deferred maintenance. Despite its inconvenient off-campus location, its floorplan lends well to alternative uses, such as faculty and staff housing, allowing UMPI to strategically re-purpose and preserve Skyway to accommodate faculty and staff who need housing accommodations. Repurposing Skyway maintains revenue in the housing system from a facility that holds no existing debt service; therefore, keeping Skyway online improves cash flow during renovation and construction of other facilities in the housing system.

New Student Housing Project

Building a new student housing facility is imperative to UMPI’s efforts in transforming the residential experience on campus. The new housing project will enhance the campus-wide efficiency and NAV by eliminating the deferred maintenance need of existing halls and delivering replacement beds at a more efficient square footage per bed. In addition, providing new suite-style units for upper-division students will capture an additional 106 students currently living in the off-campus market. Delivering the new housing project through a public-private partnership will allow UMS to preserve its debt capacity while leveraging the P3 structure to gain positive cash flow and support UMPI’s other housing renovation projects.



Bed Capacity	Unit Types	Room Rates
<p>Bed Capacity:</p> <p>200 - 220 beds</p> <p>Residents:</p> <p>Upper-division students</p> <ul style="list-style-type: none"> ▪ Sophomores (~30%) ▪ Juniors (~35%) ▪ Seniors (~35%) 	<p>Unit Types:</p> <p>~50% </p> <p>Two-bedroom semi-suite units</p> <p>~50% </p> <p>Two-bedroom full-suite units</p> <p>Mix of single and double occupancy bedrooms</p>	<p>Room Rates: (dependent upon unit type)</p> <p>\$583 - \$806 monthly</p> <p>\$2,915 - \$4,030 per semester</p> <p>Lease Length: 10 months</p>

Figure 5: New Project Recommendation

The Project Team developed three housing scenarios to provide UMPI with a range of options that eliminate \$13.7M in deferred maintenance costs and enhance system-wide efficiency. The following recommended scenario is formulated in the most cost-effective way to achieve desired financial outcomes for UMPI; for the below scenario to reach its intended financial impact, a disciplined renovation and construction approach is necessary to remain as cost effective as possible. The recommended scenario assumes that Skyway Suites will be repurposed after the opening of a new project.

RECOMMENDED STUDENT HOUSING SCENARIO

Key Highlights:

- ◆ **Renovation** of Emerson Hall
- ◆ **Replacement** of Merriman Hall
- ◆ **New Construction** of 200-220 beds in P3 Project

The recommended student housing scenario proposes a gut renovation of Emerson Hall to maximize interior space efficiency, adding 29 beds to the existing 138 beds to exclusively house first-year students in traditional-style units. Under this scenario, UMPI can increase its housing portfolio NAV to 86% by year 2025 and improve its system efficiency by reducing interior square footage per revenue-generating bed from 298 to 269. Additionally, UMPI will have the option to keep Park in the residential portfolio in the near term and reserve it for renovation or replacement in the future, dependent on enrollment

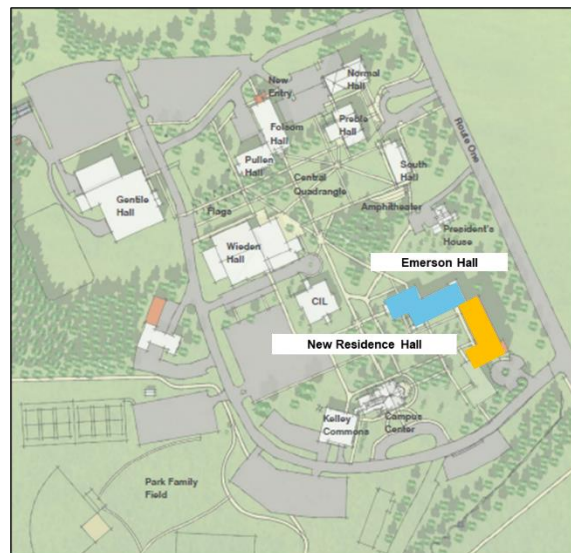


Figure 6: Recommended Student Housing Scenario

or University need. This scenario allows UMPI to achieve its strategic priorities and generate the highest financial return of the three proposed scenarios, thus leading the University to deem this the optimal scenario.

PHASING PLAN AND TIMELINE

Proceeding with the optimal timing for the new housing project will be paramount to the success UMPI's student housing redevelopment. B&D believes the optimal time for the new P3 project opening is fall 2023, allowing UMPI to leverage the new facility and Merriman Hall as swing space while renovating Emerson Hall. Skyway Suites is assumed to be repurposed in 2024.

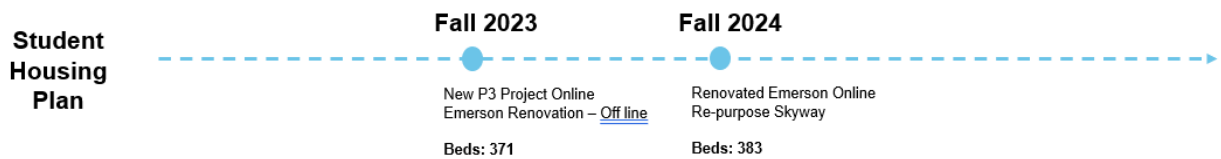


Figure 7: Recommended Student Housing Timeline

A new P3 project timeline from the start of the solicitation of a private developer through delivery is approximately 33 months.

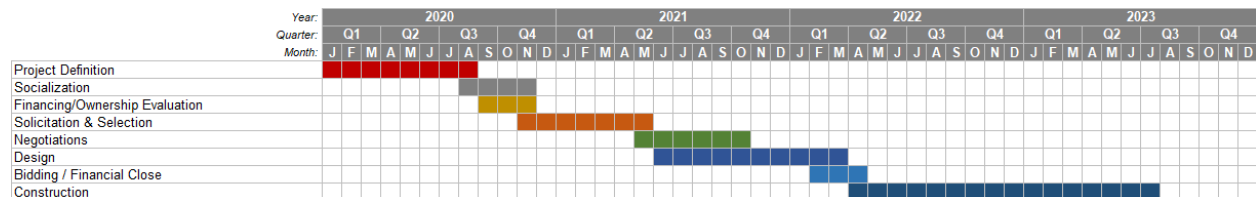


Figure 8: New Project Delivery Schedule



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info@bdconnect.com
BDCONNECT.COM

@BD_PM   