



# Five developing trends in campus housing



## Colleges and universities are finding creative new ways to provide the living environments students want and need.

Following the disruption of the COVID-19 pandemic, new ways of living and learning are transforming college and university campuses. The most jarring reality is a shortage of on-campus housing, and traditional residence halls are no longer meeting student needs and expectations. High housing costs are also affecting faculty and staff, adding to the pressure. If you are planning campus refreshes or new developments, here are five major trends you should be aware of that will reshape campus housing for now and into the future.

## 1. Demand remains strong for on-campus student housing.

Many colleges and universities are seeing continued demand for housing. For some institutions, booming enrollments, and the desire to embrace campus life after the isolation of the COVID-19 pandemic, have sparked long wait-lists for campus housing. Now, institutions are getting creative to address their pressing housing needs.

Many students are eager to meet face-to-face and enjoy a traditional college experience. Demand is arising from freshmen and upperclassmen alike, since both missed one to two years of formative, in-person learning and socializing time in high school or college because of the pandemic. In some cases, even “commuter schools” are seeing increased demand for on-campus living. In addition, some institutions have found that on-campus students are more likely to graduate.

In addition, rising off-campus rents have made on-campus housing even more appealing to students. Even at below-market rates, on-campus housing is a valuable revenue generator for universities—income that sharply declined when campuses were closed.

## 2. Renovation offers appealing benefits over new construction.

Aging campus housing is adding to the housing pressure. Many of the facilities created in the campus construction booms of the 1960s and '70s are now outdated and have not

been maintained—and bringing them into the modern age is no small undertaking. Older buildings not only lack the features and amenities that today’s students prefer, but have significant deferred maintenance and may require costly replacements of inefficient building systems. Renovation can have additional benefits such as being a sustainable alternative because it has a lower carbon footprint and may have shorter delivery timelines and more efficient approval process.

Thorough analyses are essential to determine whether renovations or new construction will be the most efficient path forward. Renovations tend to cost less than new construction, although older building may be hard to adapt to modern unit and lifestyle preferences. In addition, you may lose a year’s worth of revenue during the renovation project.

Previously, many institutions would simply build more residential facilities, whether with their own capital or by tapping debt in the low interest-rate environment. However, new campus construction fell dramatically during the COVID-19 pandemic, contributing to the shortage of new housing supply.

Now, high interest rates, elevated construction costs and a campus capital crunch resulting from the lost revenues of the pandemic years are making it more difficult to fund campus construction to keep pace with demand. In addition, it’s not always feasible to charge rents commensurate with development costs.

### 3. **New needs and preferences are transforming student living.**

Creative new approaches to residence hall design are making some aspects of renovation easier to implement. For example, shared community bathrooms of traditional residence halls have given way to compartmentalized bathrooms that combine sinks with private showers, toilets and locking doors. The new concept has a much lower student-to-bathroom ratio than the traditional communal bathroom, and eliminates the need for gender-specific bathrooms, while allowing for privacy and safety—and can be retrofitted into an older building.

While common areas have always been a component of residence hall life, yesterday's common areas are becoming today's diverse community spaces dispersed across a residential facility. Spaces may include multi-

purpose rooms for community programming, rooms for group projects or maker space, informal chat spaces in alcoves or under staircases, and casual spaces for socializing. In addition, having multiple common spaces on a single floor at different ends of a wing is becoming a trend, with one area focused on socializing and the other providing quiet study space. Community kitchens also are becoming a must-have, particularly in facilities housing international students who are seeking cultural connections.

Other new types of spaces include private video chat booths and large package delivery spaces. Hybrid online-in-person learning and video chats are now embedded into student life, as is online shopping and foodservice. At many campuses, students now have easy access to many community restaurants through university partnerships with food delivery mobile apps.





#### **4. More institutions are turning to public-private partnerships to deliver campus housing.**

Facing both unprecedented demand for campus housing and competing capital needs, higher education institutions increasingly exploring public-private partnerships (P3s) to deliver housing solutions. It's not a new idea—long before the pandemic, institutions such as University of California, Riverside used the P3 model to finance and deliver student housing. In addition, educational institutions around the world have tapped P3s to refresh or expand their facilities.

While colleges and universities enjoy a lower cost of capital than private sector organizations, not every institution has the wherewithal to fund its campus housing projects while also investing in its core educational functions. Through a P3, a university partners with a private developer that will finance, build and possibly maintain a university facility, while the university benefits from the developer's expertise, resources and access to capital.

Depending on its structure, a P3 transfers some or all project risk from the university to the private developer. For example, a private developer that assumes the risk of cost over-runs will be incentivized to control the schedule and costs. Most important, a P3 can be structured such that the institution ultimately retains control of the land, operations and the facility itself.

Historically, universities were most likely to create P3s for non-priority projects, like upperclassmen and graduate housing. Now, those that have reached the limits of their available capital or debt capacity are considering P3s for essential undergraduate housing. An institution also could potentially leverage a P3 to fund and deliver faculty and staff housing as well.



## 5. Faculty and staff are experiencing housing stress, too.

Students aren't the only ones facing a housing challenge. Not surprisingly, teaching and administrative salaries have not kept pace with the soaring housing costs of many university communities. For some institutions, high housing costs have sparked new initiatives to provide reasonably priced rental and for-sale options for faculty, staff and, in some cases, graduate students with families.

Housing affordability has become an increasingly important factor in higher education talent recruitment—especially for faculty or administrators carrying significant education debt. With debt and housing costs top of mind, potential recruits are prioritizing cost of living when job hunting. Otherwise, they may face long daily commutes, live with roommates or in cramped apartments with their families—as many faculty and staff members do in California's high-cost cities.

However, some institutions are finding solutions. In historically high-cost, dense cities like Boston and Los Angeles, housing affordability has always been a challenge.

A number of colleges and universities have offered on-campus housing or other options for faculty and staff, including mortgage support, for years, and some are continuing to add new housing.

Now, institutions like San José State University, California, are in the process of creating new housing stock for their staff and faculty. San José State is creating a public-private partnership to convert a state office building near campus into an 800- to 1,200-unit multifamily property for faculty, staff, graduate students, and students with families. Units will be available for rent at below-market prices because the university has eliminated land costs and profit expectations. The university is also making significant investments elsewhere in student housing and housing grants.

The Cal Poly Corporation, alongside the university, is developing several housing options for campus community members to address affordability. The first project was completed in 2006 and a second planned 200-unit housing project will be available to faculty and staff to buy or rent, with a third development planned as well.

## *Finding new solutions to old challenges.*

Just as the higher education sector has overcome adversity in the past, forward-looking colleges and universities are finding creative ways to manage the issues of today—including housing challenges. From monetizing housing assets to

holistically reshaping their real estate portfolios, today's leading institutions recognize that a great campus comes from a great vision that recognizes emerging trends and seeks solutions beyond business as usual.



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