State of the P3 Higher Education Industry

P3 HIGHER EDUCATION SUMMIT

October 24, 2019

BRAILSFORD & DUNLAVEY

Introductions

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01

Evolving Industry Context

This week's news….courtesy of the Washington Post

The downfall of Hampshire College and the broken business model of American higher education

The cautionary tale of Hampshire College and the broken business model of American higher education

Hampshire College fourth-year student Destinee Wilson, 21, works on creative writing

Going “Pro” Early???

JOB FIRST, COLLEGE INCLUDED MODEL

74%

of parents of all K-12 students would consider this option

Many employers are offering these opportunities – KPMG, Walmart, Google, Starbucks, Disney….

100,318 views | Apr 30, 2019, 05:59am

This Will Be The Biggest Disruption In Higher Education

Brandon Busteed Contributor
Education

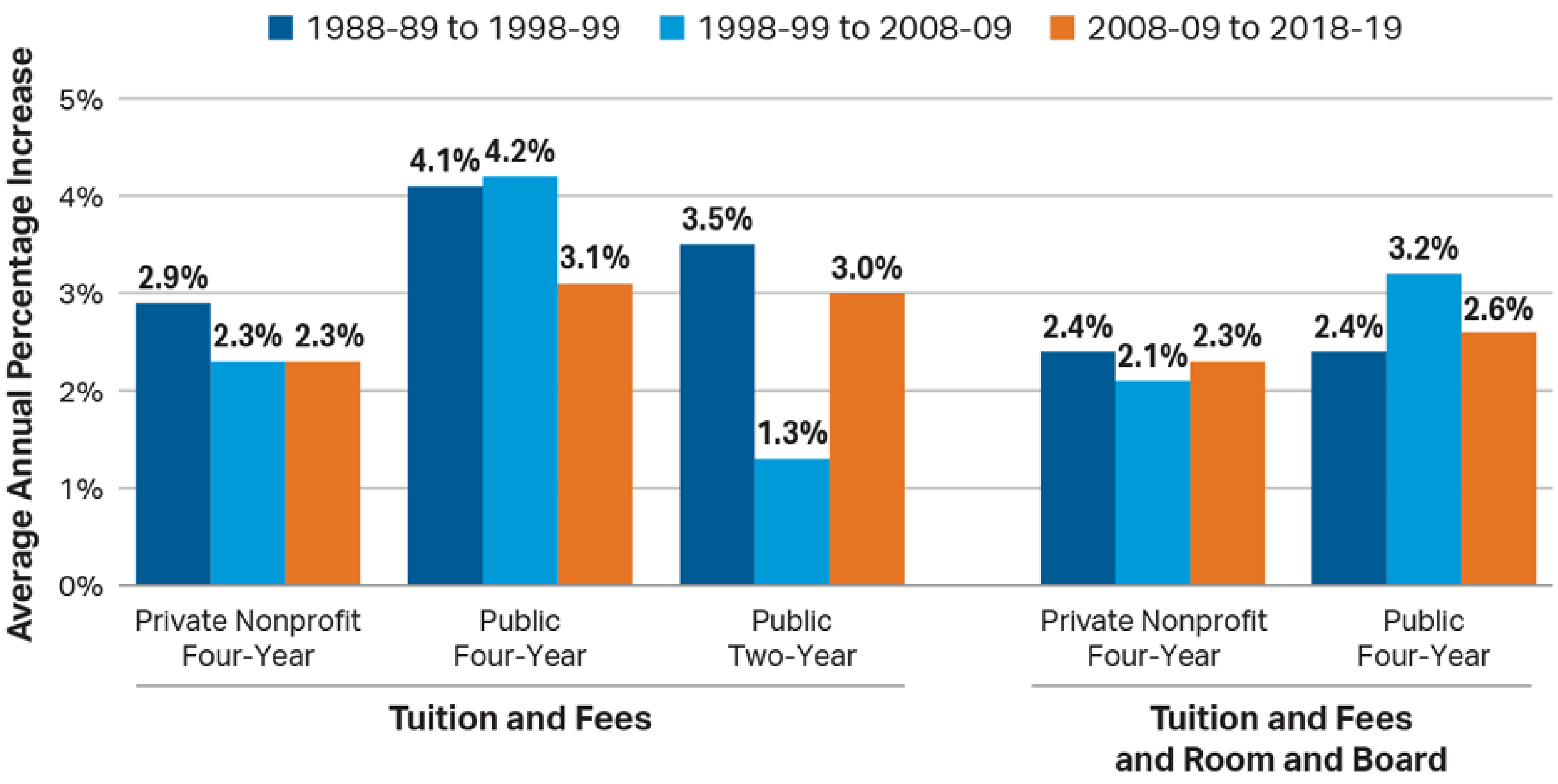
Driven by several converging forces, we will see a talent acceleration shift from "going to college to get a job" to "going to a job to get a college degree." GETTY

Instead of *going to college to get a job*, students will increasingly be *going to a job to get a college degree.*

Evolving Industry Context

TUITION GROWTH IS SLOWING DOWN

Between 2008-09 and 2018-19, published in-state tuition and fees at public four-year institutions **increased at an average of 3.1%** per year beyond inflation, compared with average annual increased of 4.1% and 4.2% over the prior two decades.



Source: "Trends in College Pricing 2018." College Board, 2018.

Evolving Industry Context

BUT SOME STATES/SCHOOLS ARE DROPPING TUITION, SO WHAT'S ACTUALLY RISING?

FORBES.COM

Over the last 20 years, more than 39 colleges have reduced their price by $1,000 or more, some by more than 50%, and many have made significant price reductions for this past fall.

"The sticker price was untenable."

- MaryAnn Baenninger,
President, Drew University

Select Institutions That Have Lowered or Frozen Tuition:

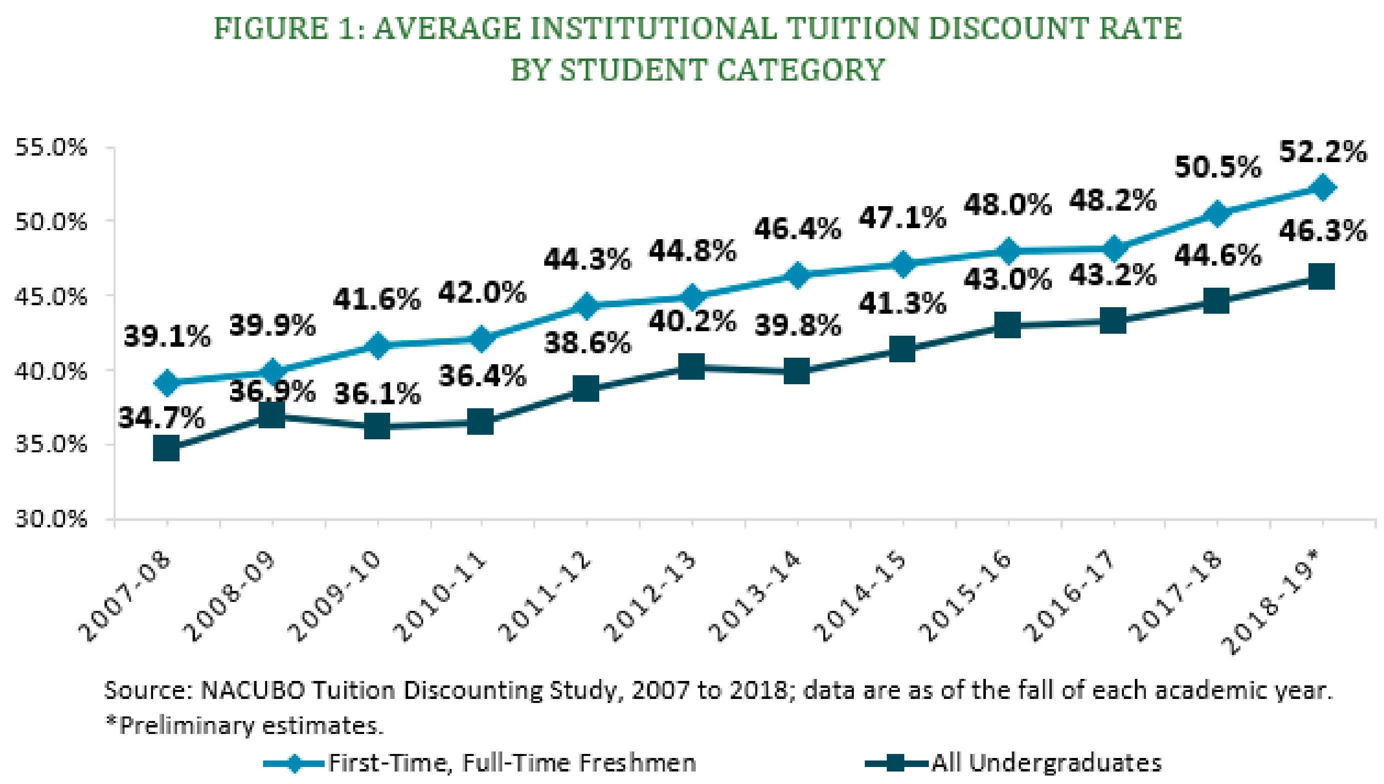
Drew University
Sweet Briar College
Birmingham-Southern College
Benedict College
University of Sioux Falls
Old Dominion University
Champlain College
University of Illinois
University of Colorado
University of Nebraska at Kearney

Evolving Industry Context

TUITION DISCOUNTING CONTINUES TO RISE

- Tuition aid given to undergraduates at private colleges covers well over half the full price

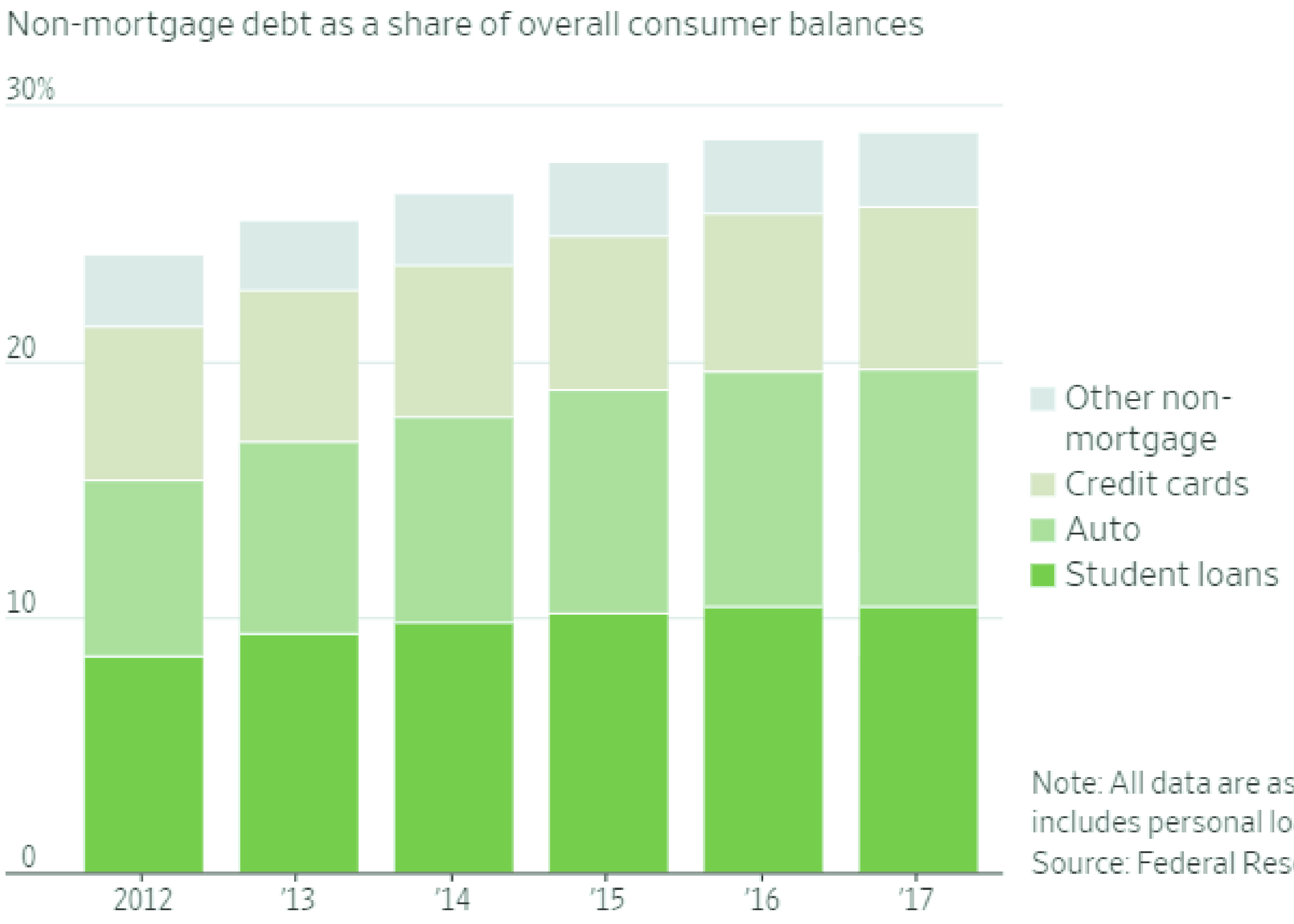
- Tuition revenue at these schools remains very constrained



Source: NACUBO Tuition Discount Survey: 2008-2018

Evolving Industry Context

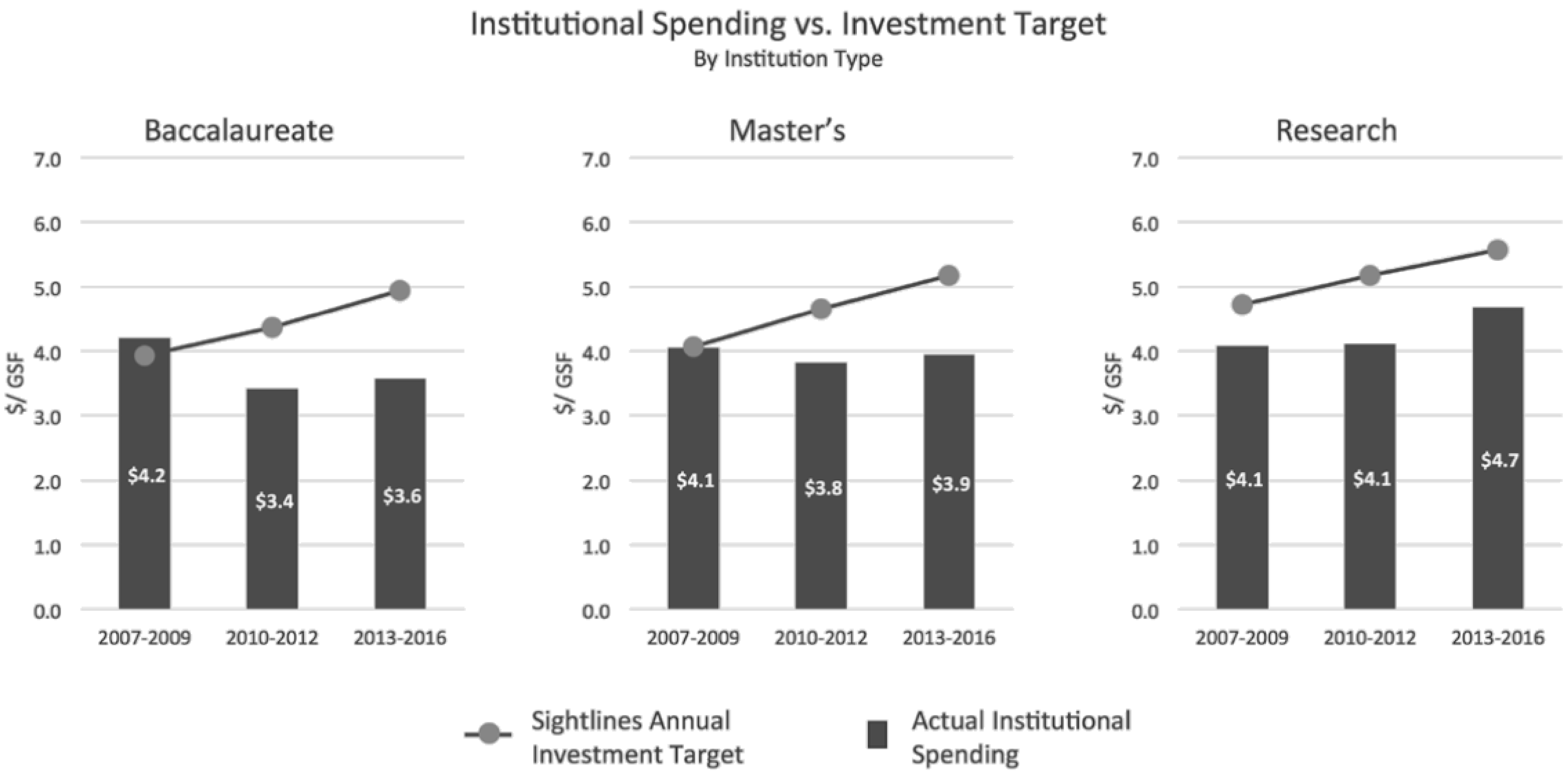
STUDENT DEBT HAS SURPASSED ALL BUT MORTGAGE DEBT IN AMERICA



Note: All data are as of the fourth quarter of each year. The 'other non-mortgage' category includes personal loans and private-label store credit cards.
Source: Federal Reserve Bank of New York/ Wall Street Journal 02142018

Evolving Industry Context

DEFERRED MAINTENANCE GETTING WORSE



Public Private Partnership – It's all in the third P…..

PPP

BIG P – core to the mission with the university as an equal partner. Not all about the dollars and cents.

PPP

LITTLE P – Not core to mission, essentially a ground lease with financial motivation.

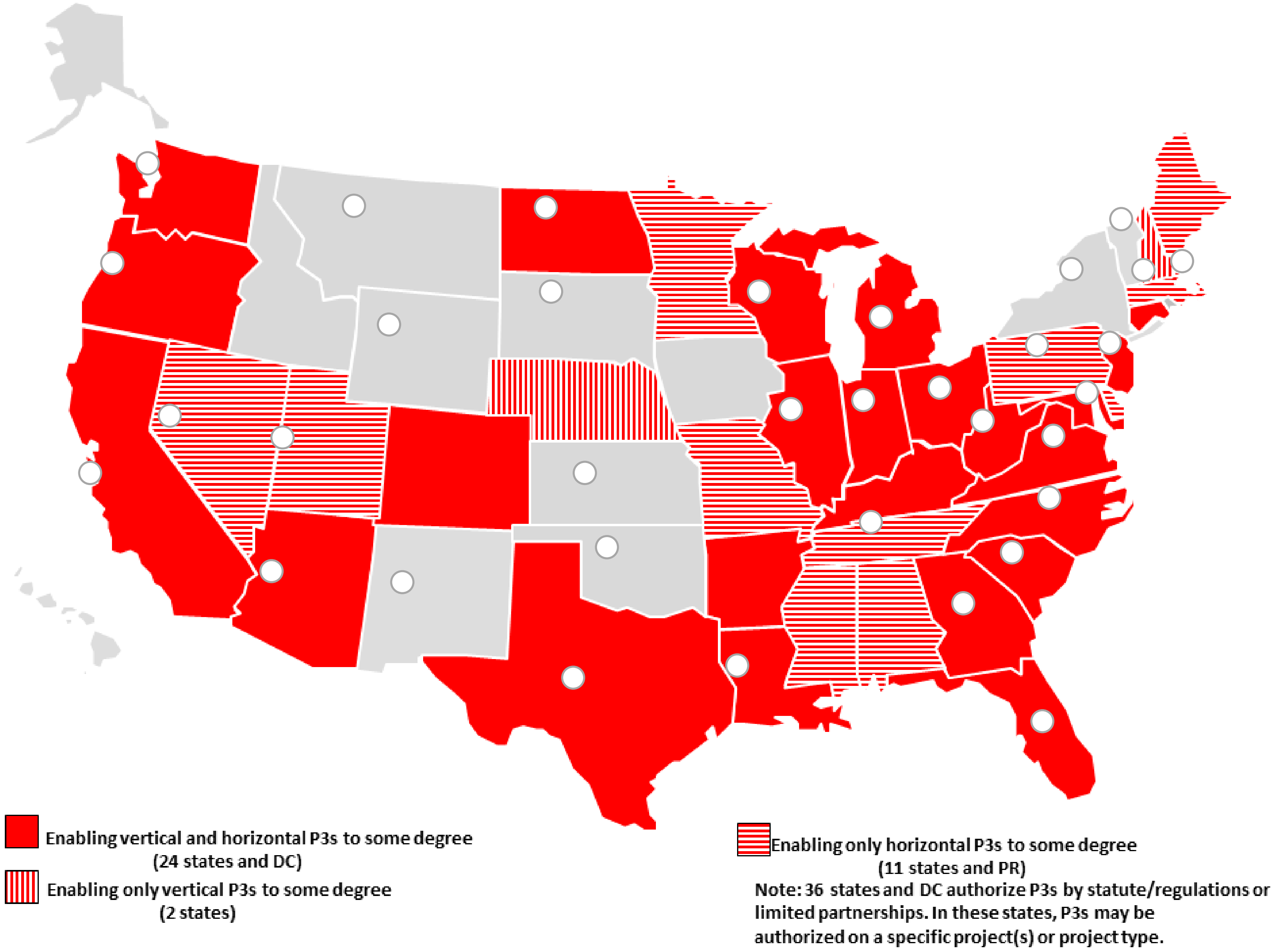
02

The Annual Survey of Higher Education P3 Transactions

P3 Legislation – Does it really matter to higher ed institutions?

37 states enable P3s as of January 2019

New P3 legislation last year in: New Jersey, Arkansas, North Carolina, Indiana, Texas

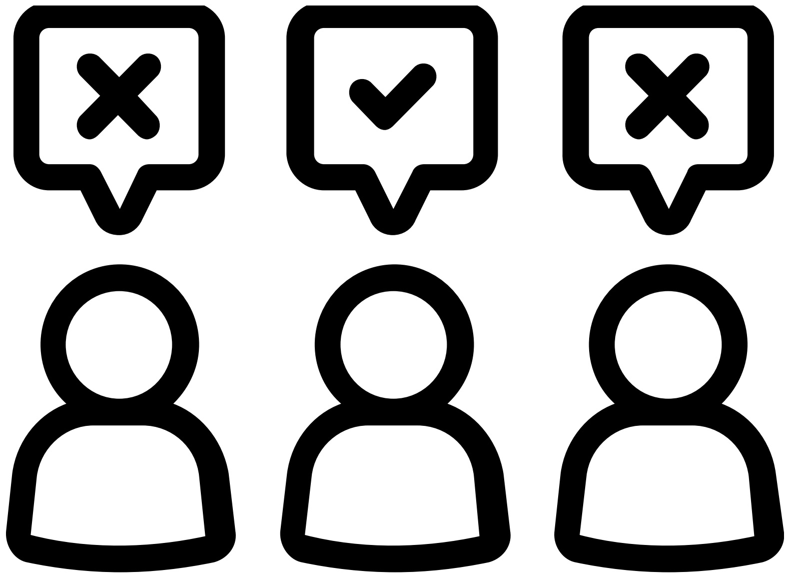


(Source: "Associated Builders and Contractors, Inc)
White dot – indicates states that have schools that have done P3 projects

Higher Education P3 Survey

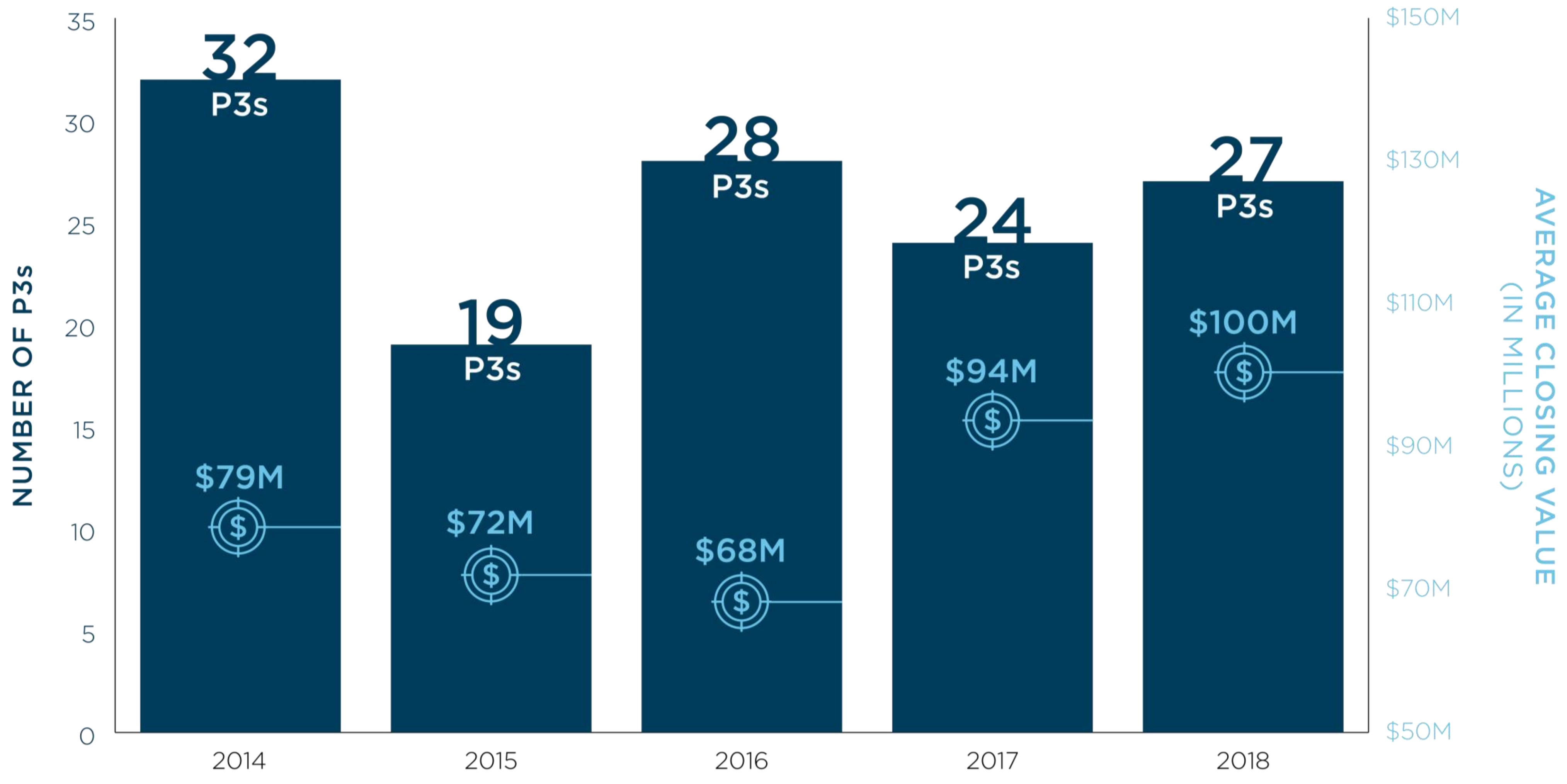
Guidelines:

- Must be on the University or University Foundation's land
- May include equity, 501c3, affiliated or unaffiliated foundations, fee development, or concessionaire structure
- May or may not be privately managed



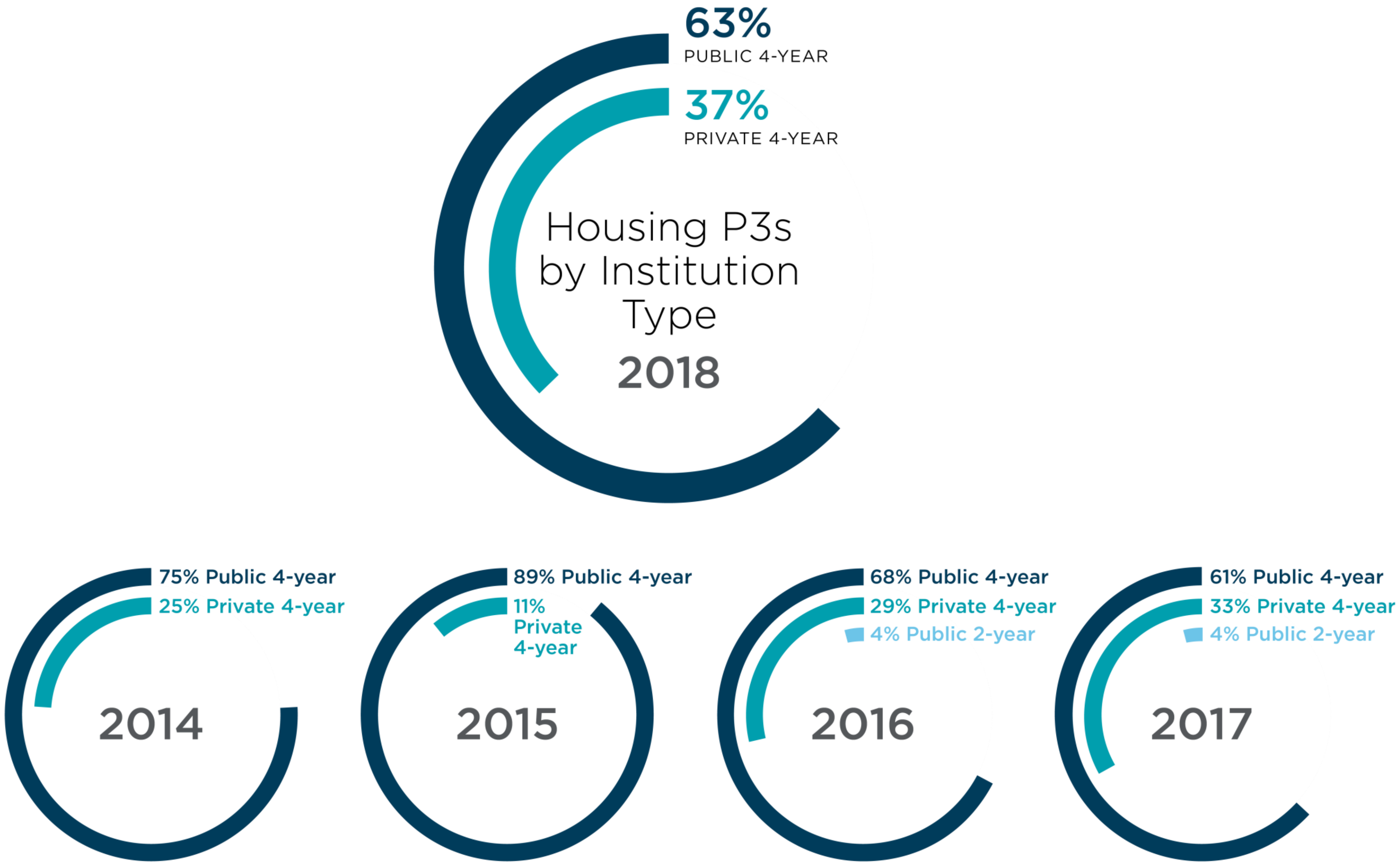
Higher Education P3 Survey

NUMBER OF HOUSING P3S AND AVERAGE CLOSING VALUE, BY YEAR



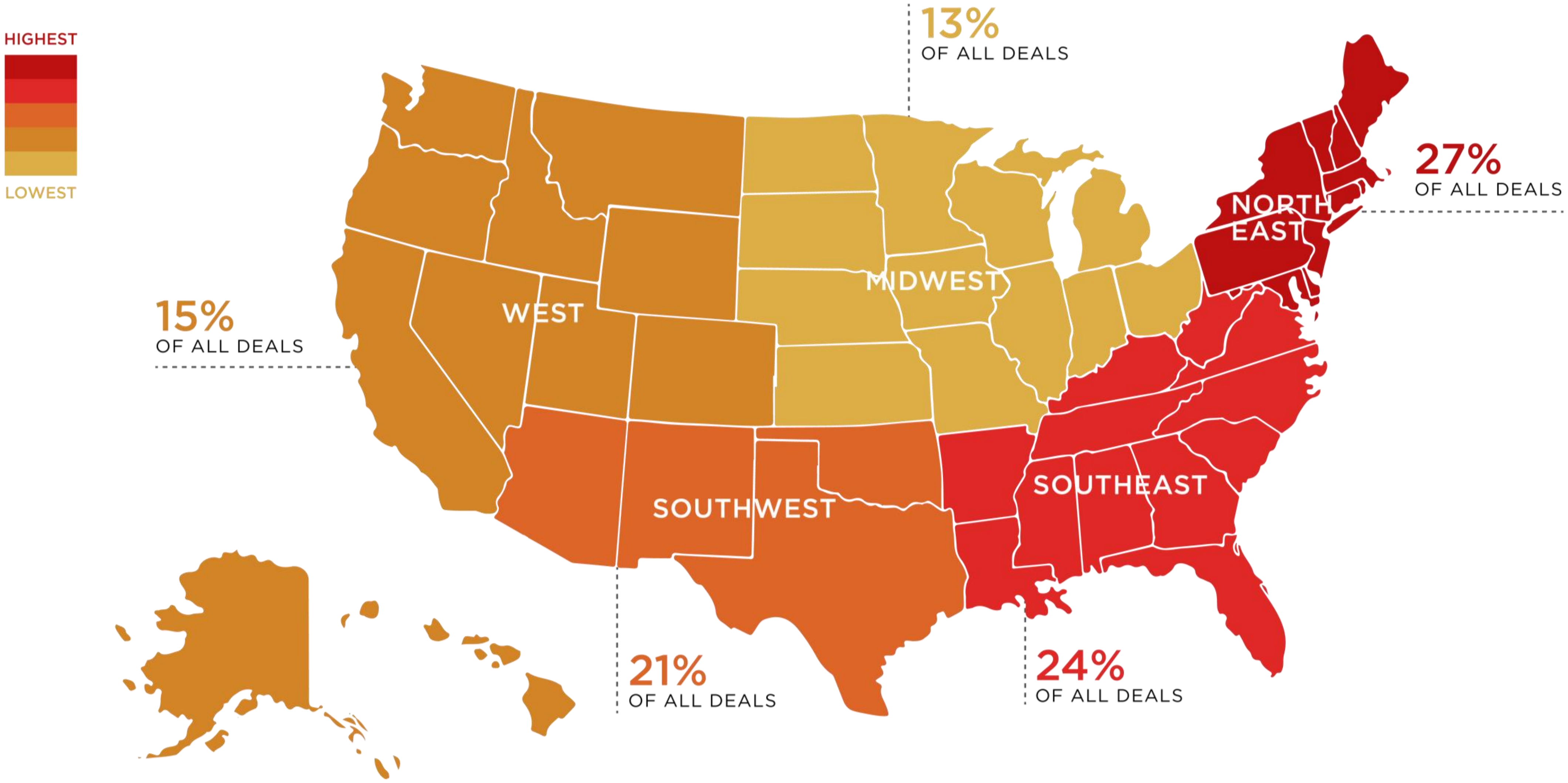
Higher Education P3 Survey

HOUSING P3S BY INSTITUTION TYPE



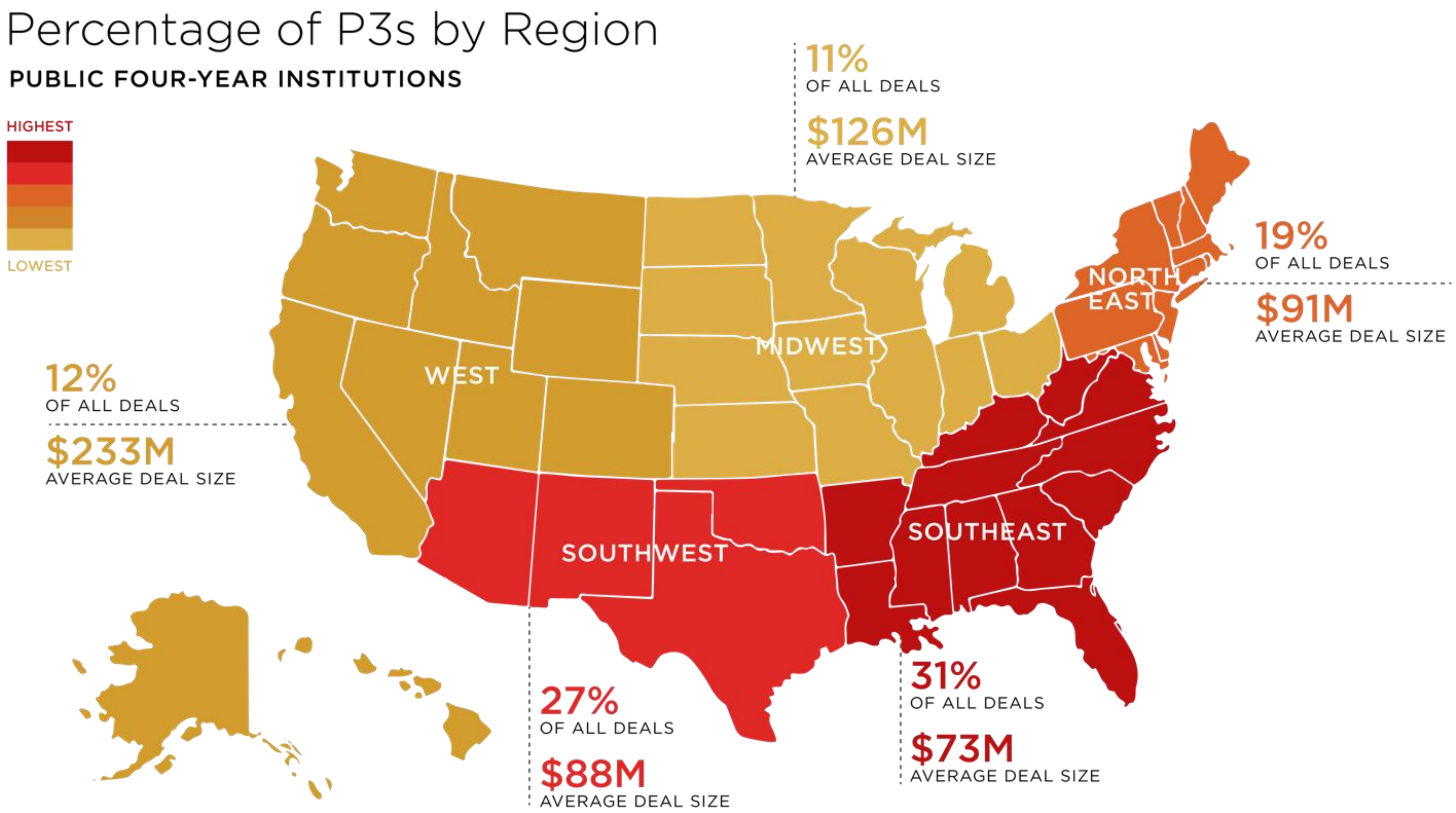
Higher Education P3 Survey

HOUSING P3S BY REGION, 2014-2018



Higher Education P3 Survey

KEY FINDINGS



Higher Education P3 Survey

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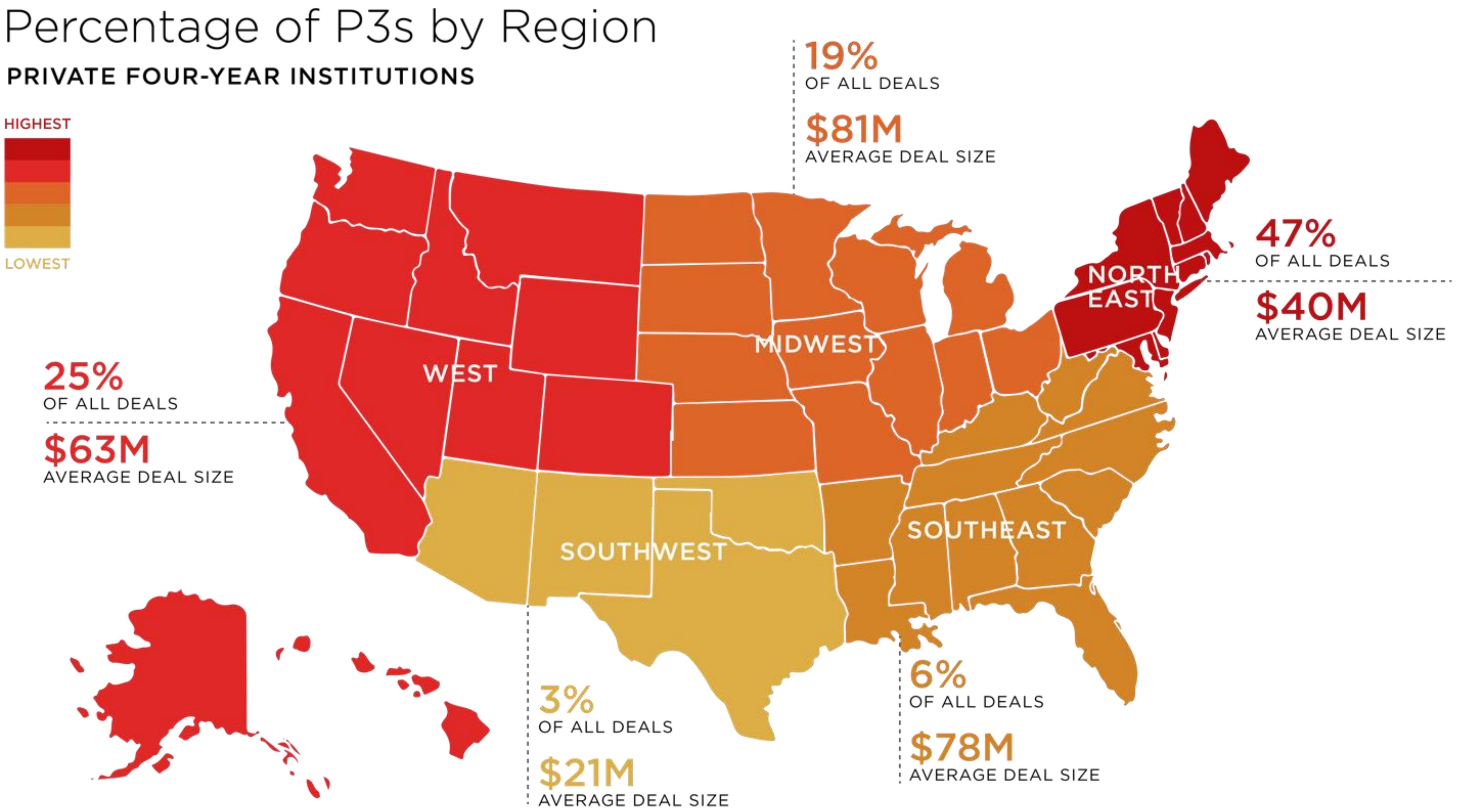
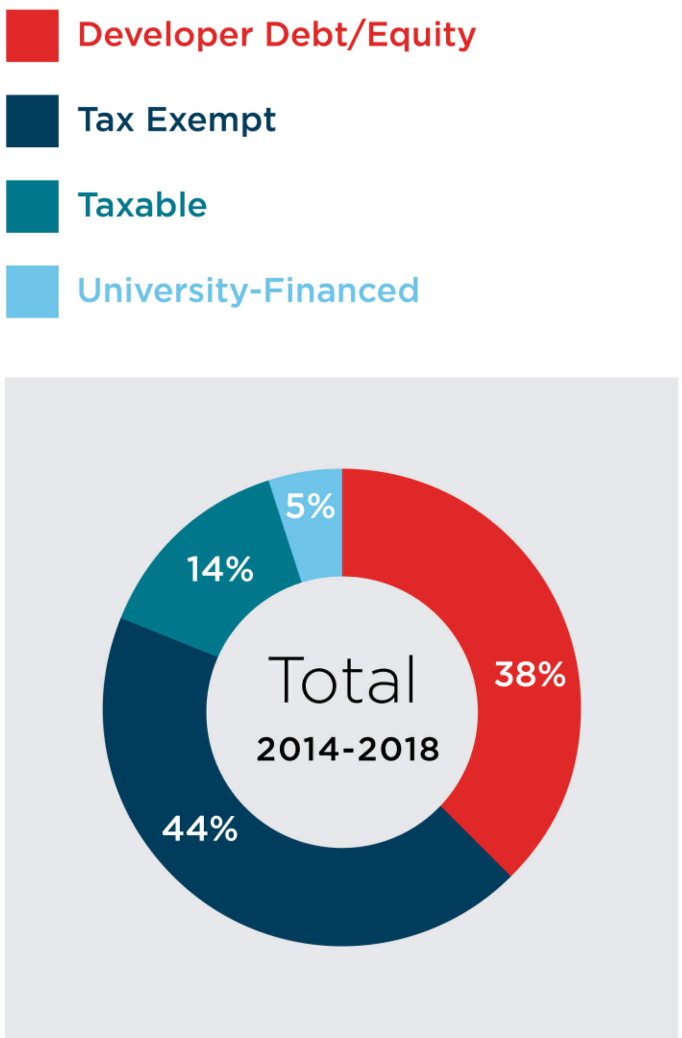
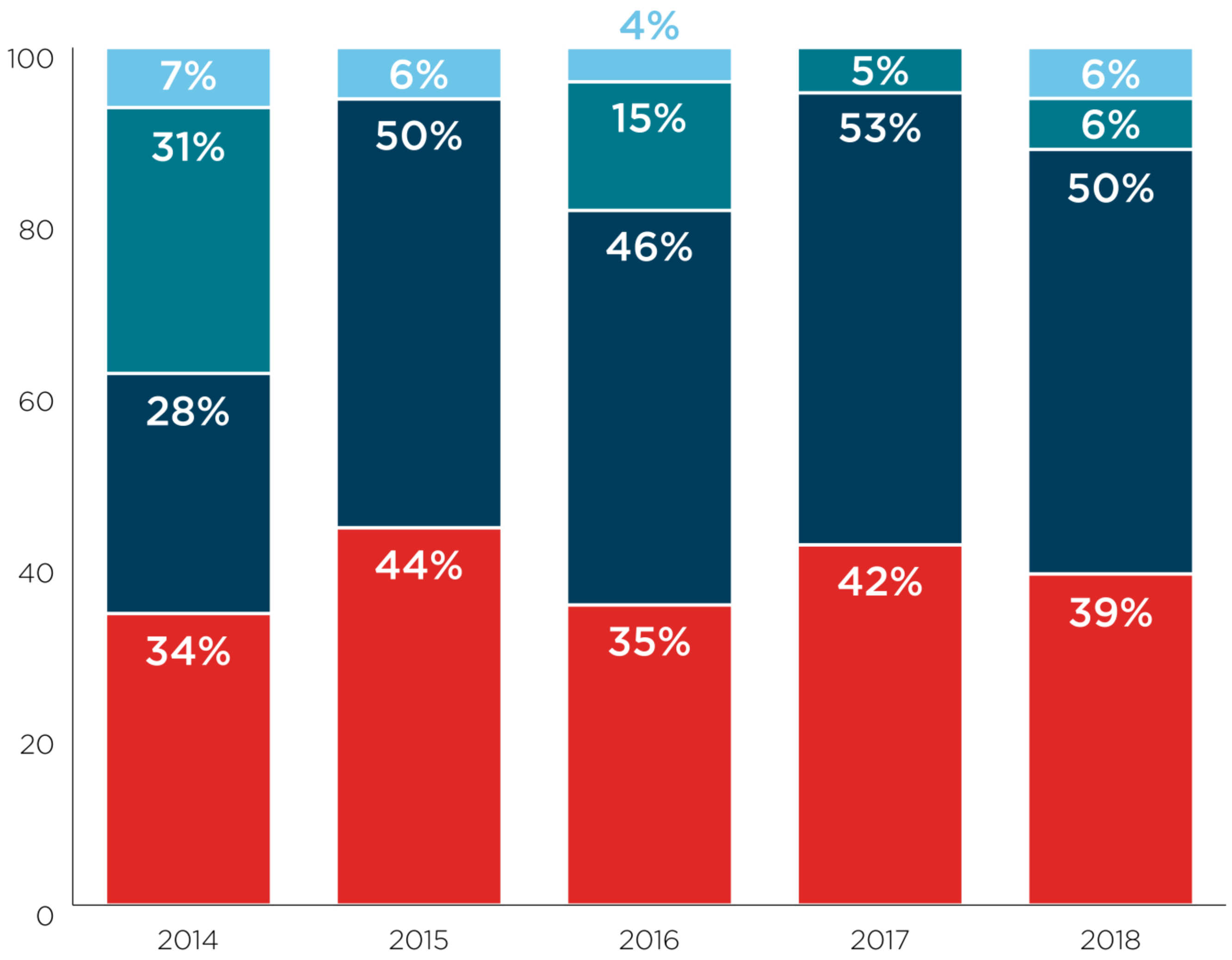


Higher Education P3 Survey

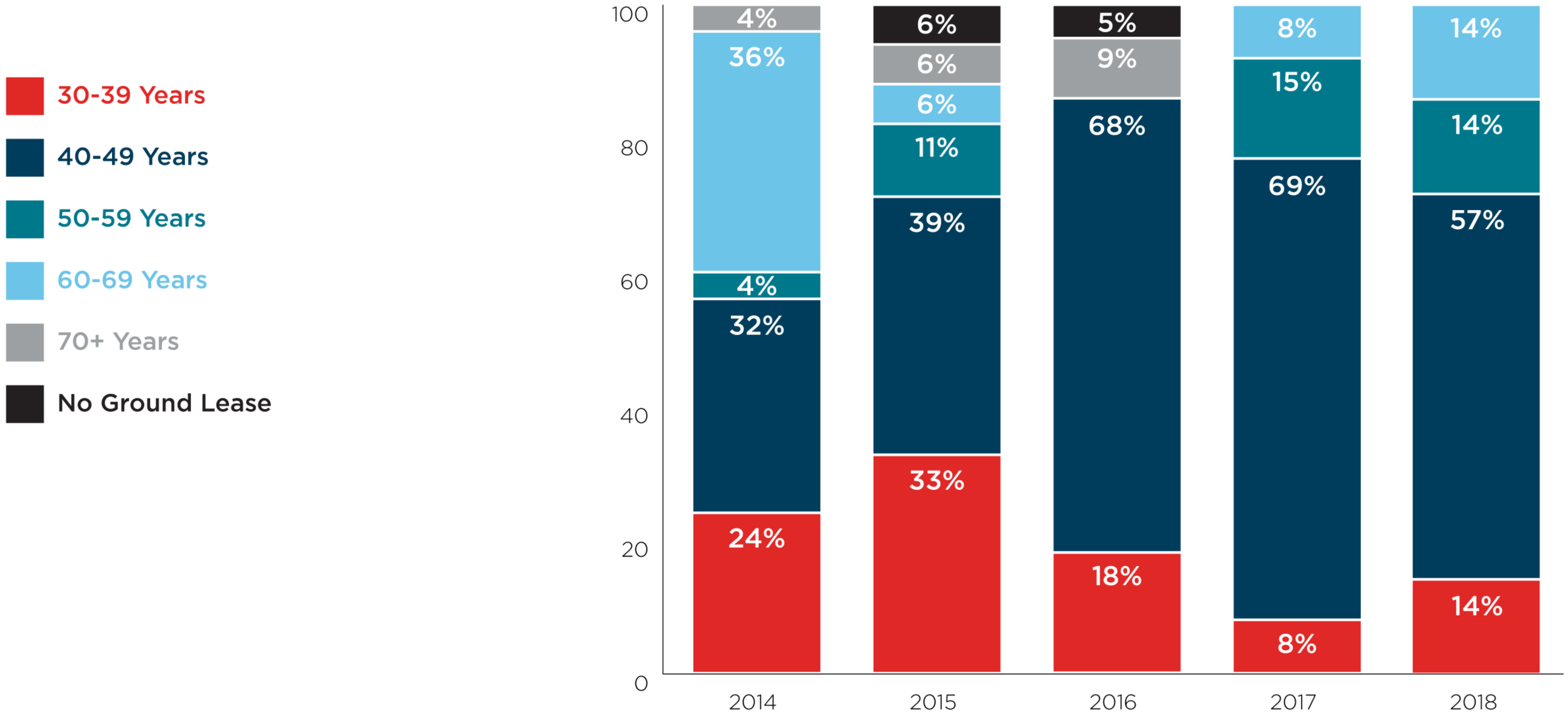
FINANCIAL STRUCTURE OF HOUSING P3S, BY YEAR





Higher Education P3 Survey

GROUND LEASE DURATION OF HOUSING P3S, BY YEAR



Higher Education P3 Survey

PIPELINE PROJECTS

95
POTENTIAL PROJECTS IN THE PIPELINE

$8B
WORTH OF NEW P3 PROJECTS IN THE NEXT FEW YEARS

28%
OF THOSE PROJECTS ARE IN THE WEST

Higher Education P3 Survey

DIVERSITY OF PIPELINE ASSETS

Housing

Mixed-use

Energy

Academic

Venues

Innovation Districts

Parking

Other

Higher Education P3 Survey

A LOOK AHEAD

More political involvement and pressure

Pre-development risks: many projects failing to close

Issues with **construction pricing and labor shortages**

Developers are being more strategic about projects/ procurements

Exploration of other sources of funds (tax credits, USDA, and opportunity zones)

Shared governance continues to grow

Larger, more complex P3 projects

Bundling of procurements

Evolving Industry Context

OUTSOURCING IS GROWING AT MOST CAMPUSES

83%
Of college leaders say their campuses are increasing partnerships with private firms

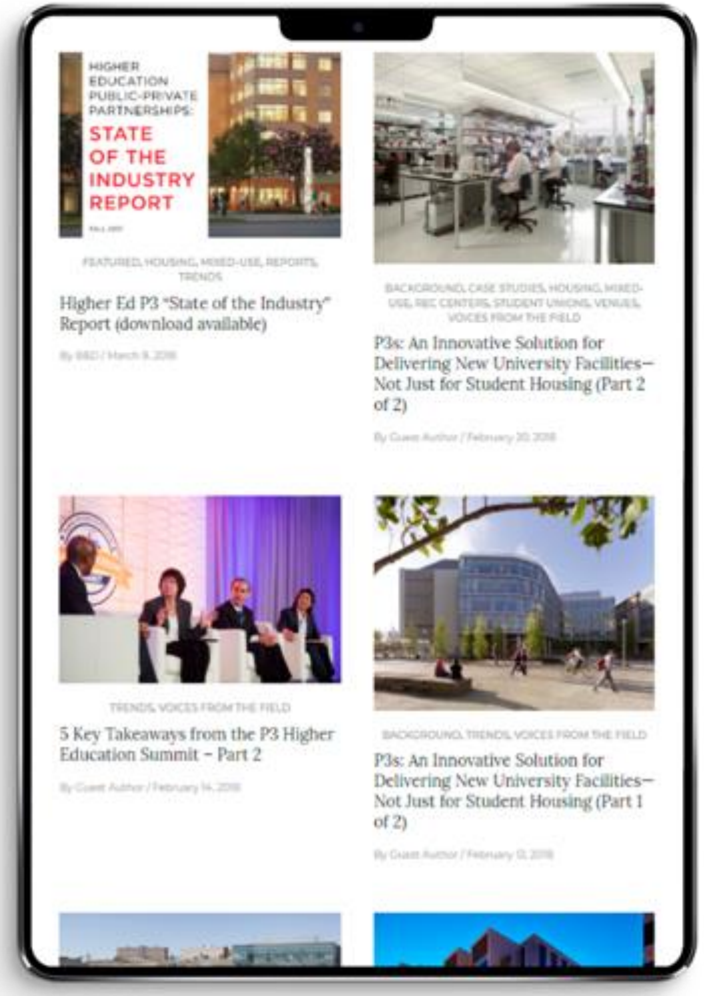
53%
Of college leaders say they are interested in turning to P3s to develop campus facilities and infrastructure

42%
Of college leaders see an opportunity to outsource online program expansion

39%
Of college leaders see an opportunity to outsource student housing

(Source: P3.edu, George Mason University. www.p3edu.com)

Additional Resources



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Introductions

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