

State of the P3 Higher Education Industry

P3 HIGHER EDUCATION
SUMMIT

October 24, 2019



Introductions



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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



The Washington Post Magazine

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 Busteded Contributor @
Education



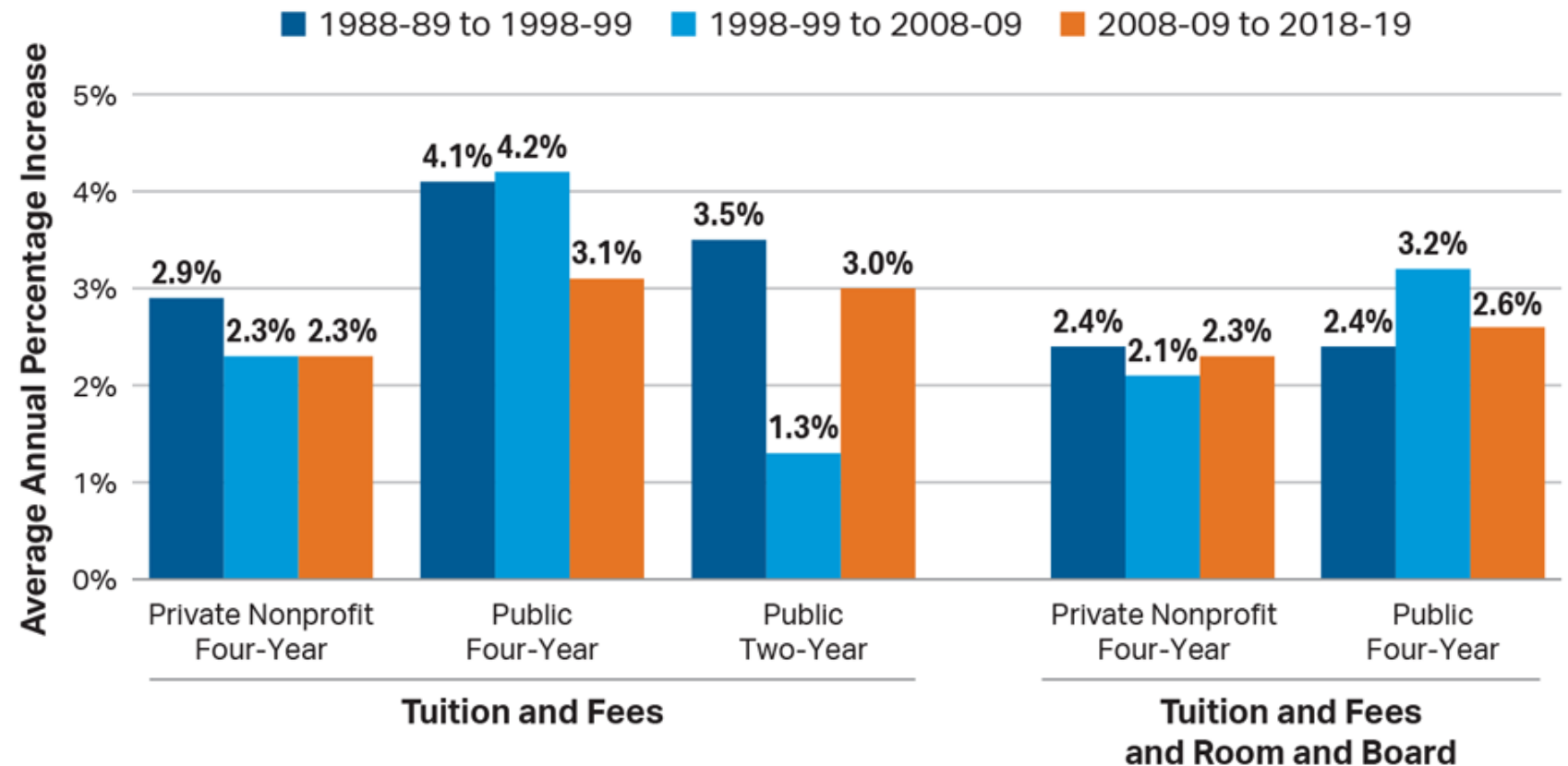
Driven by several converging forces, we will see a talent acceleration shift from "going to college to get a job" to "going to a job to get a college degree." GETTY

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 increases of 4.1% and 4.2% over the prior two decades.



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:

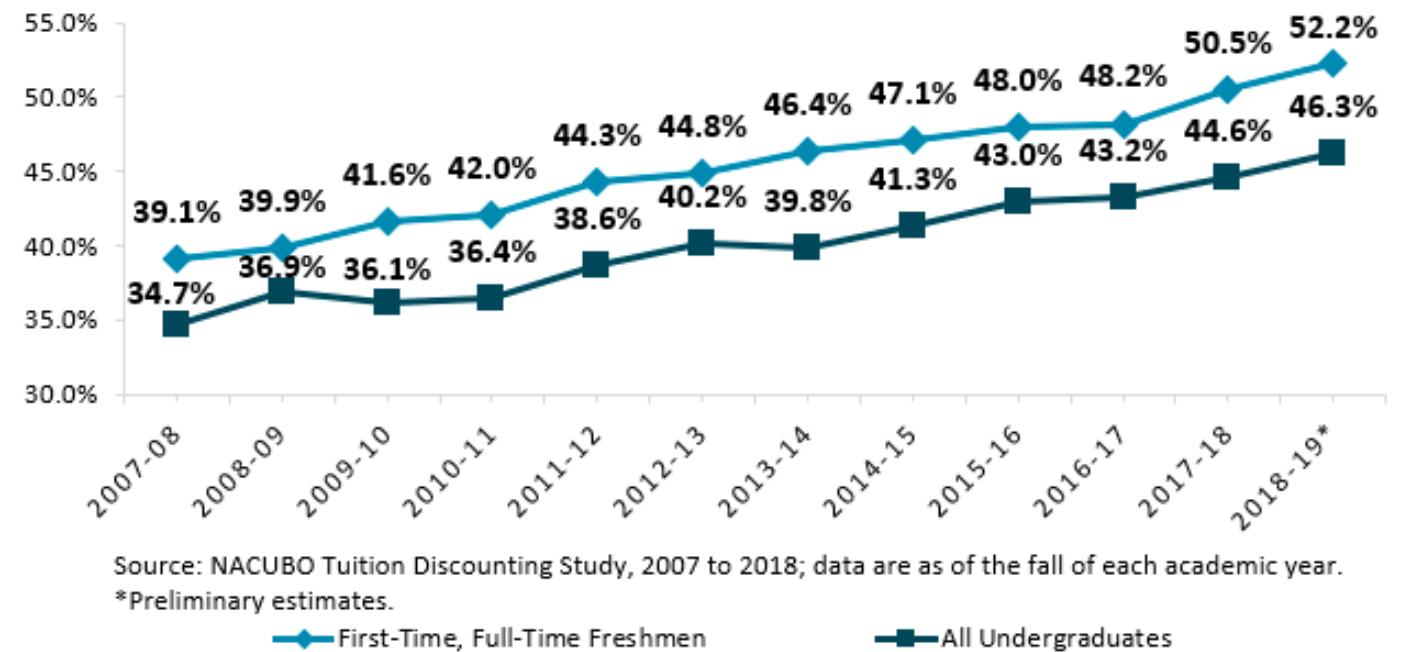
Drew University
Sweet Briar College
Birmingham-Southern College
Benedict College
University of Sioux Falls
Old Dominion University
Champlain College
University of Illinois
University of Colorado
University of Nebraska at Kearney

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

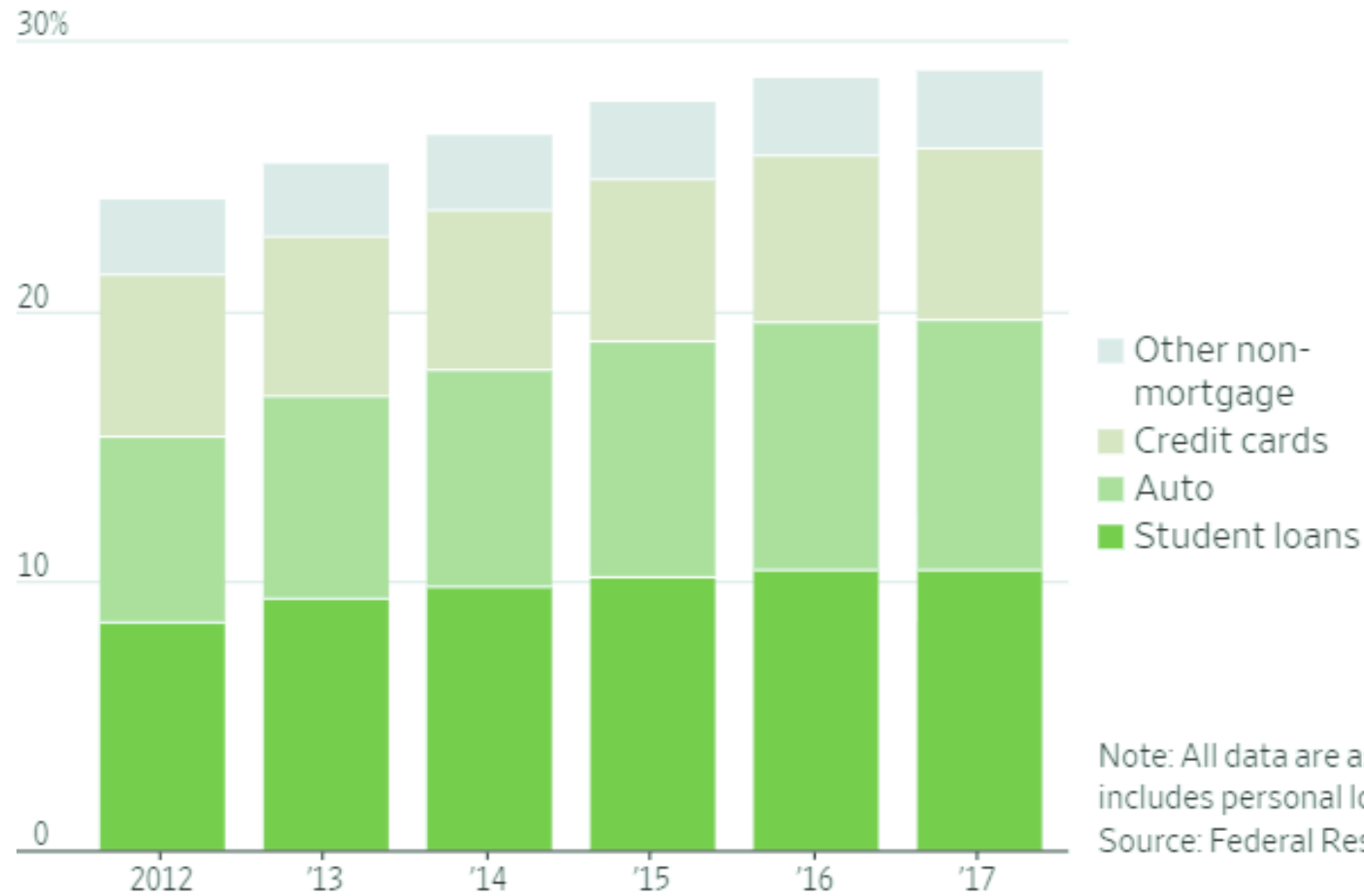
FIGURE 1: AVERAGE INSTITUTIONAL TUITION DISCOUNT RATE BY STUDENT CATEGORY



Evolving Industry Context

STUDENT DEBT HAS SURPASSED ALL BUT MORTGAGE DEBT IN AMERICA

Non-mortgage debt as a share of overall consumer balances



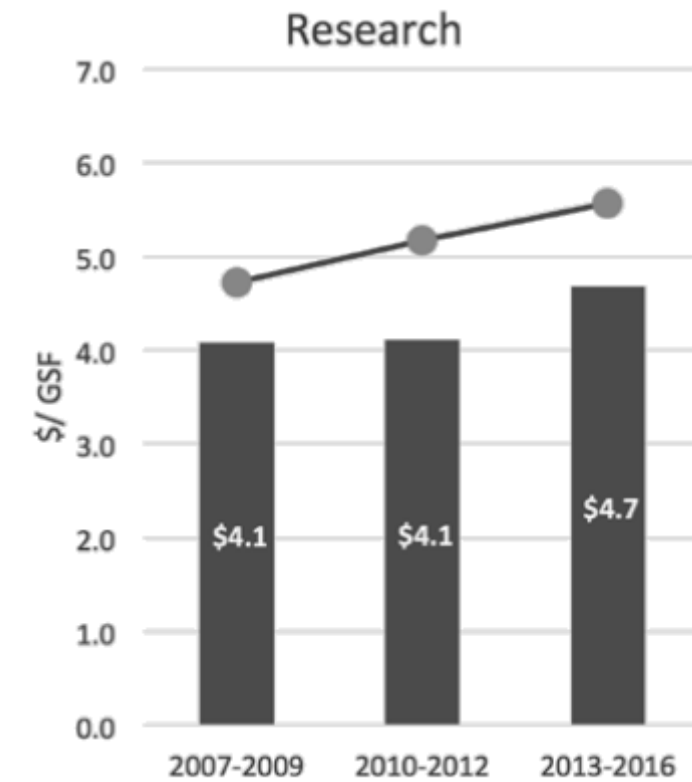
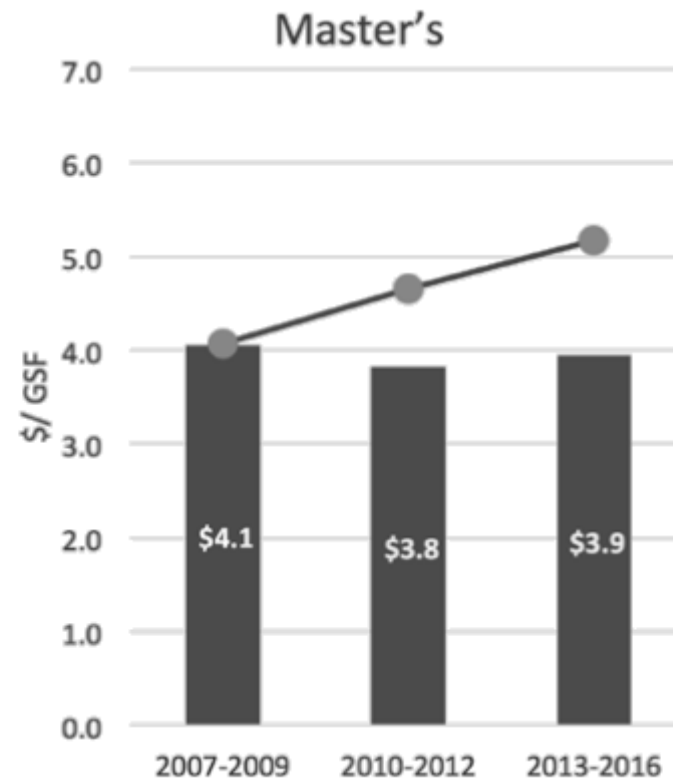
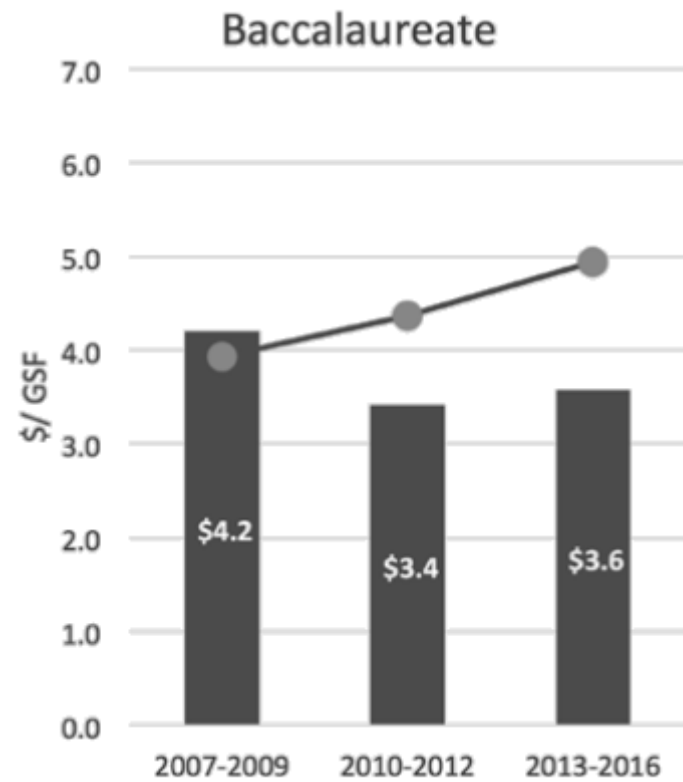
Note: All data are as of the fourth quarter of each year. The 'other non-mortgage' category includes personal loans and private-label store credit cards.

Source: Federal Reserve Bank of New York/ Wall Street Journal 02142018

Evolving Industry Context

DEFERRED MAINTENANCE GETTING WORSE

Institutional Spending vs. Investment Target
By Institution Type



 Sightlines Annual Investment Target
  Actual Institutional Spending

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

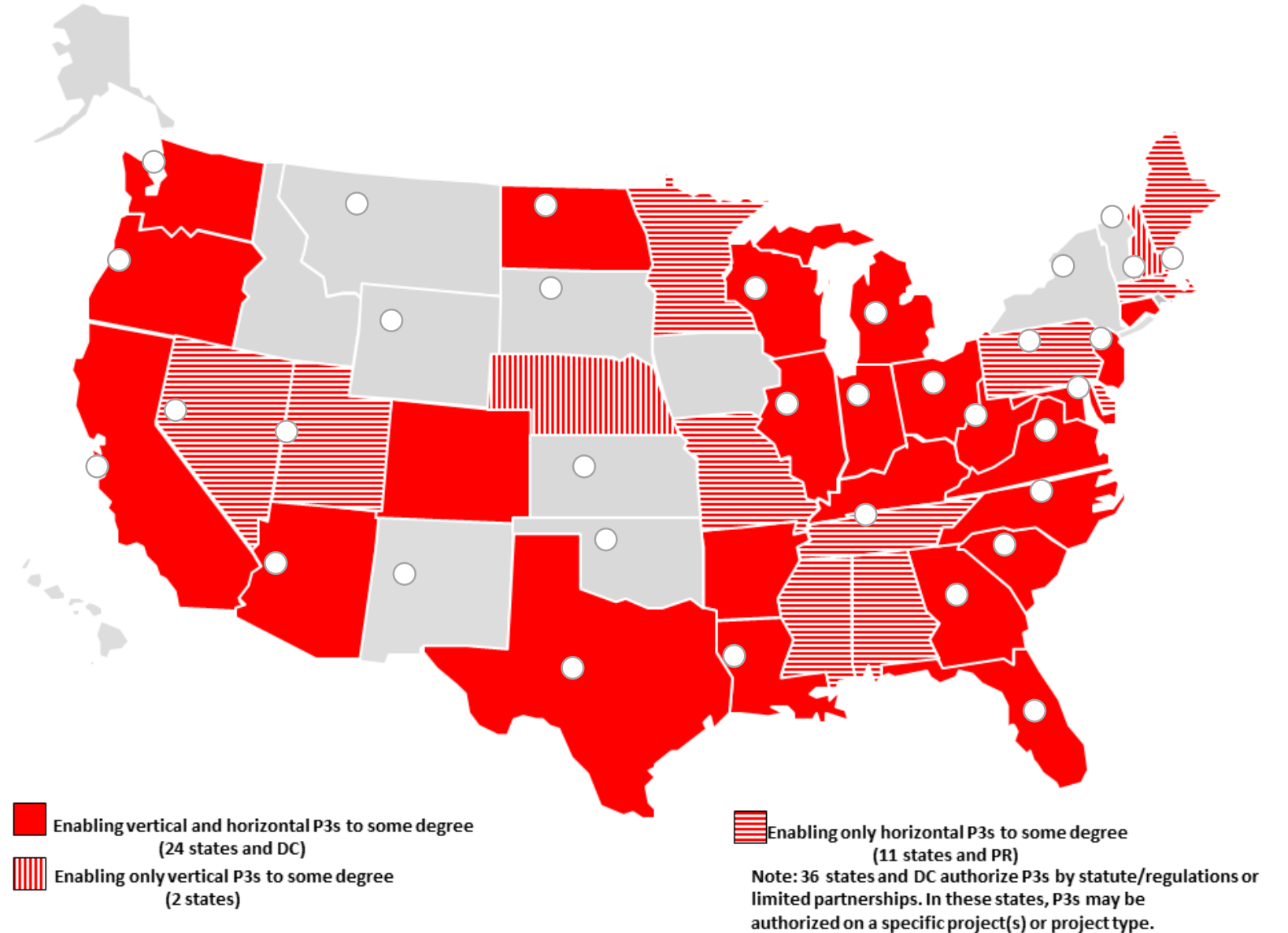
The Annual Survey of Higher Education P3 Transactions



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

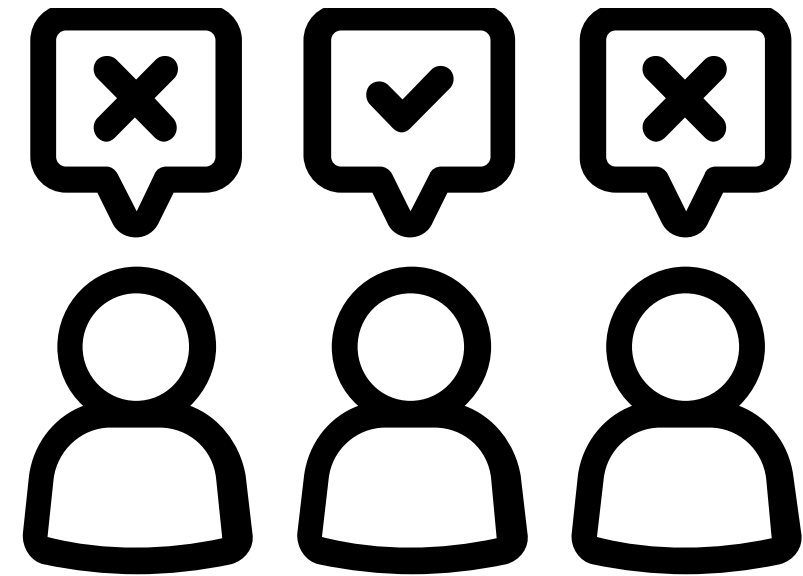


(Source: "Associated Builders and Contractors, Inc)
White dot – indicates states that have schools that have done P3 projects

Higher Education P3 Survey

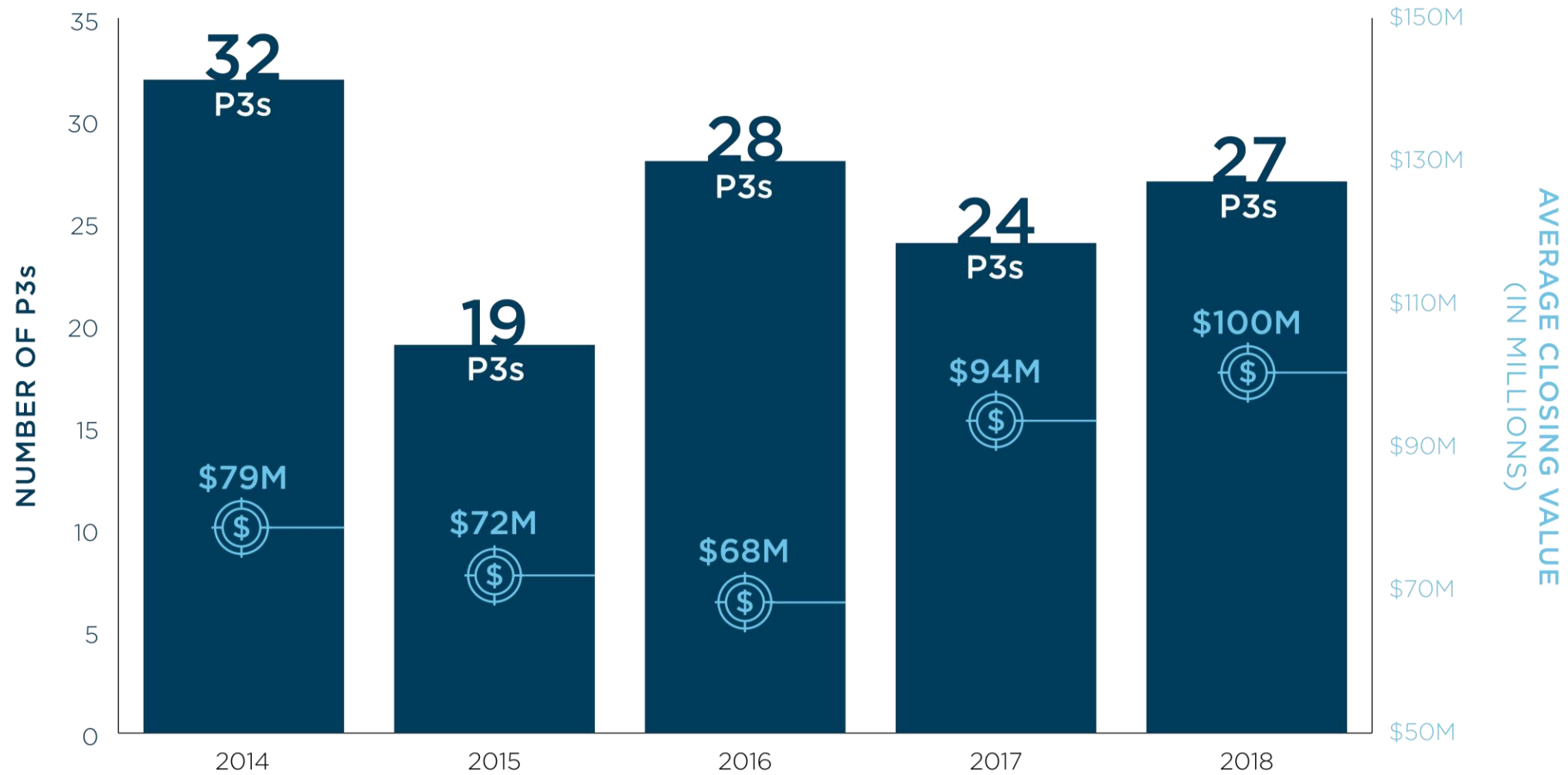
Guidelines:

- › 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



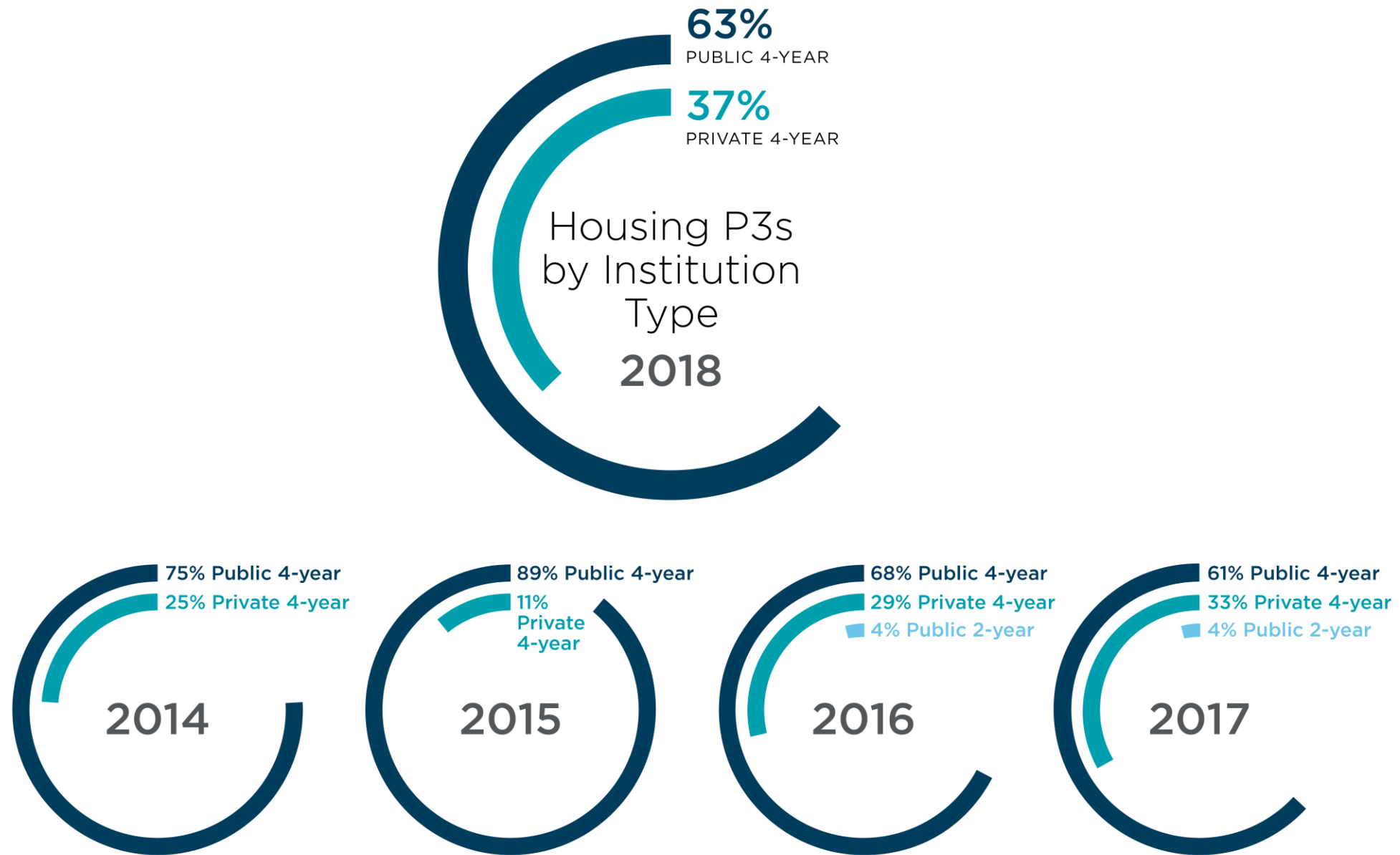
Higher Education P3 Survey

NUMBER OF HOUSING P3S AND AVERAGE CLOSING VALUE, BY YEAR



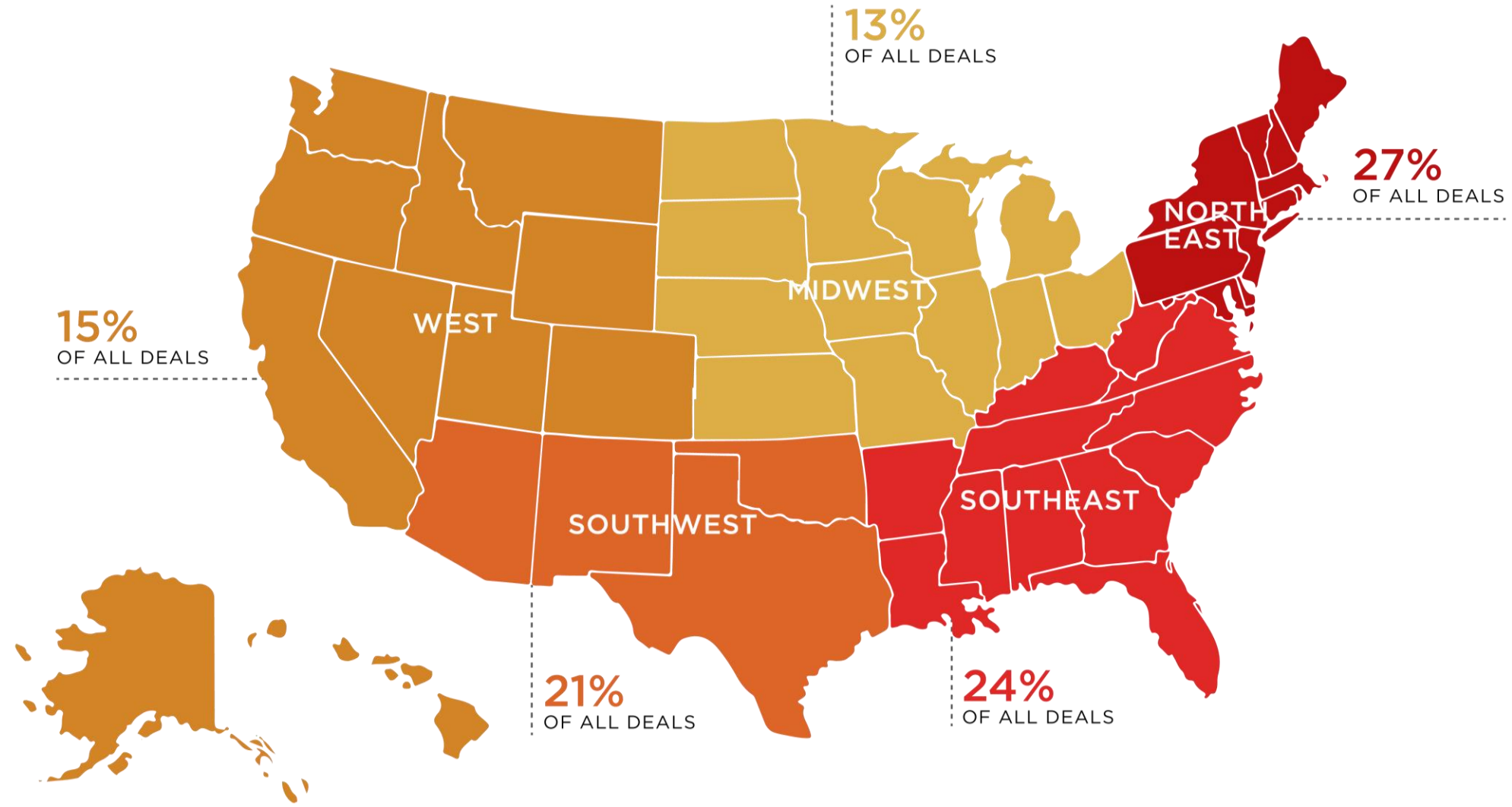
Higher Education P3 Survey

HOUSING P3S BY INSTITUTION TYPE



Higher Education P3 Survey

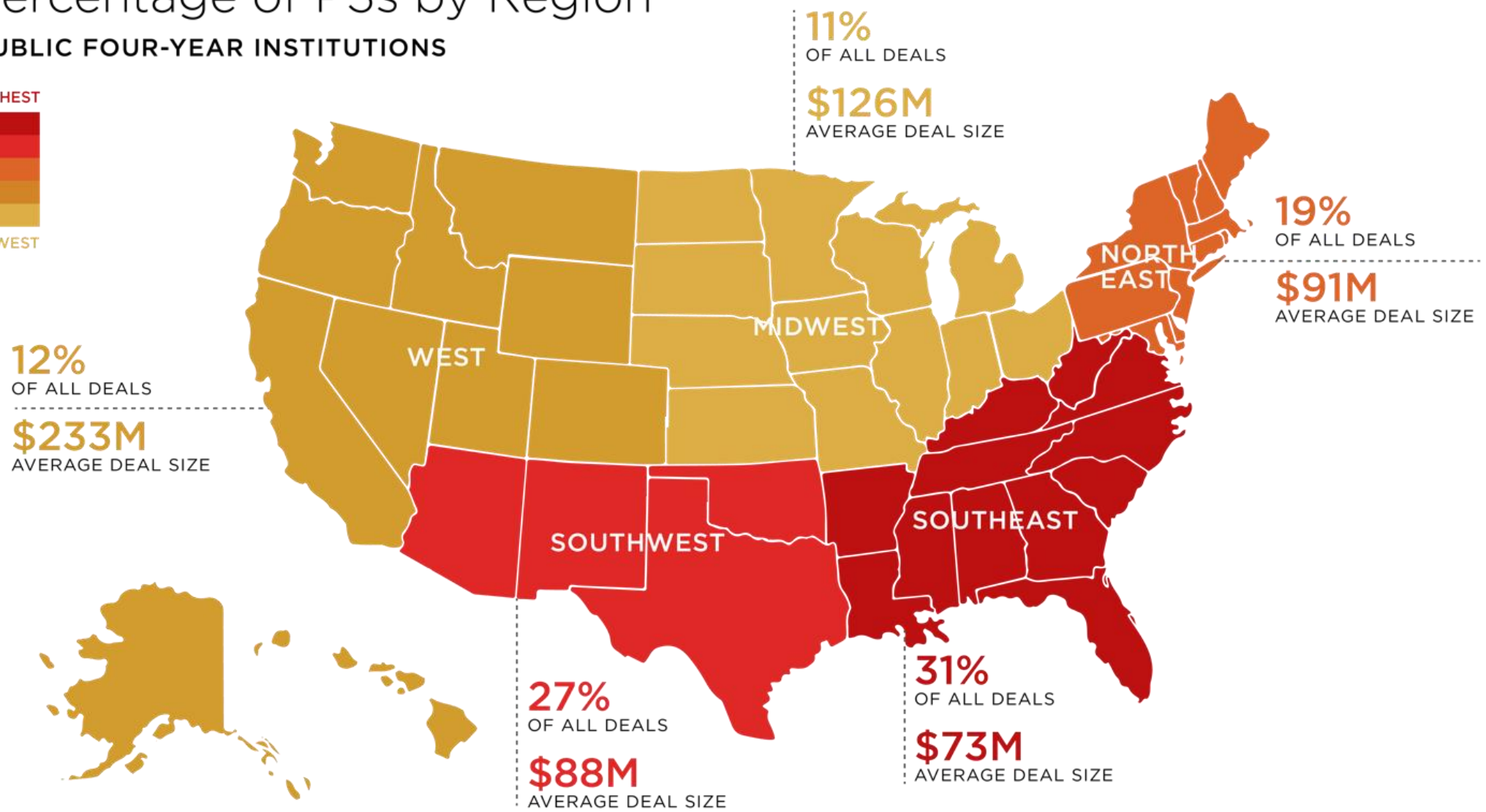
HOUSING P3S BY REGION, 2014-2018



Higher Education P3 Survey

KEY FINDINGS

Percentage of P3s by Region PUBLIC FOUR-YEAR INSTITUTIONS

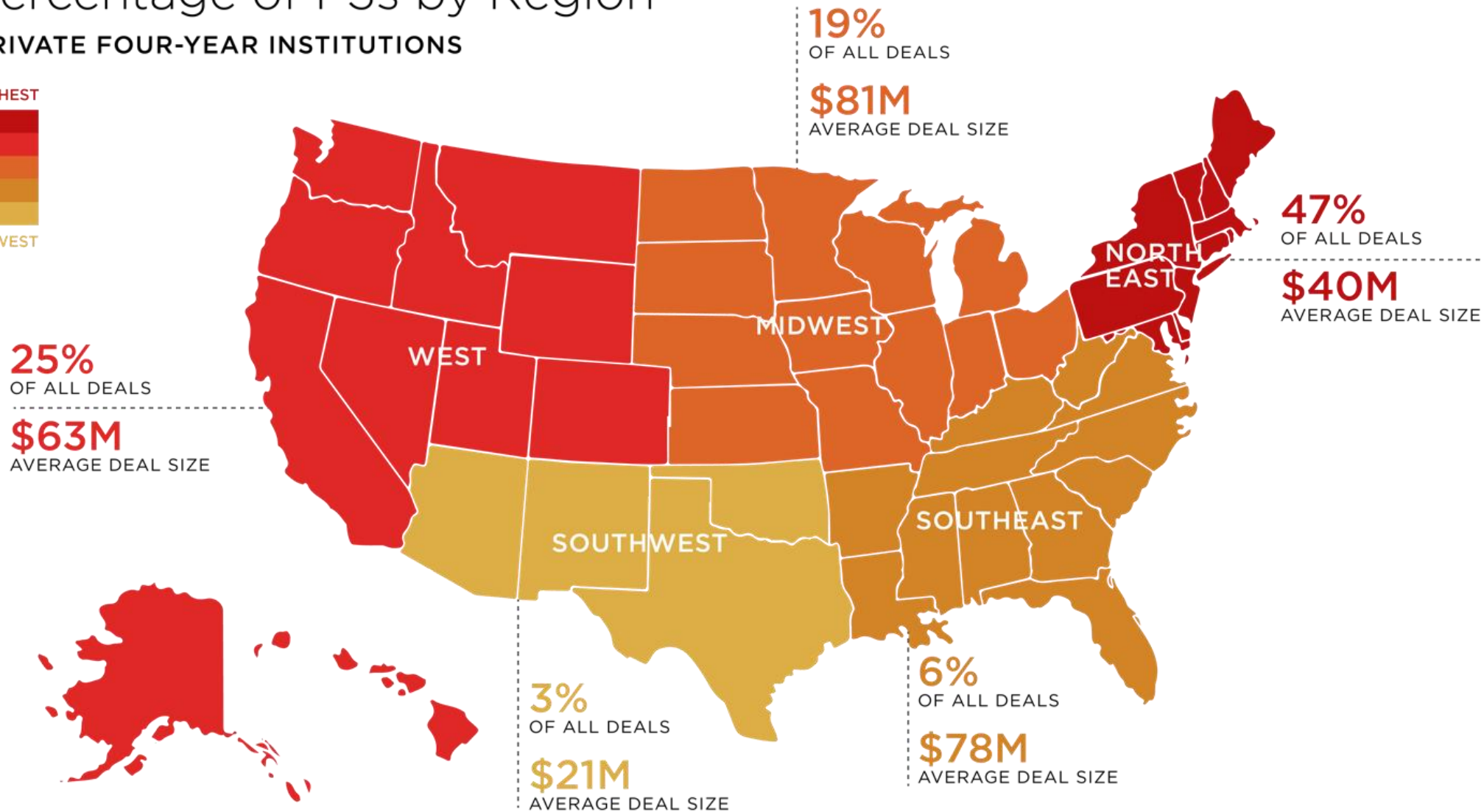


Higher Education P3 Survey

KEY FINDINGS

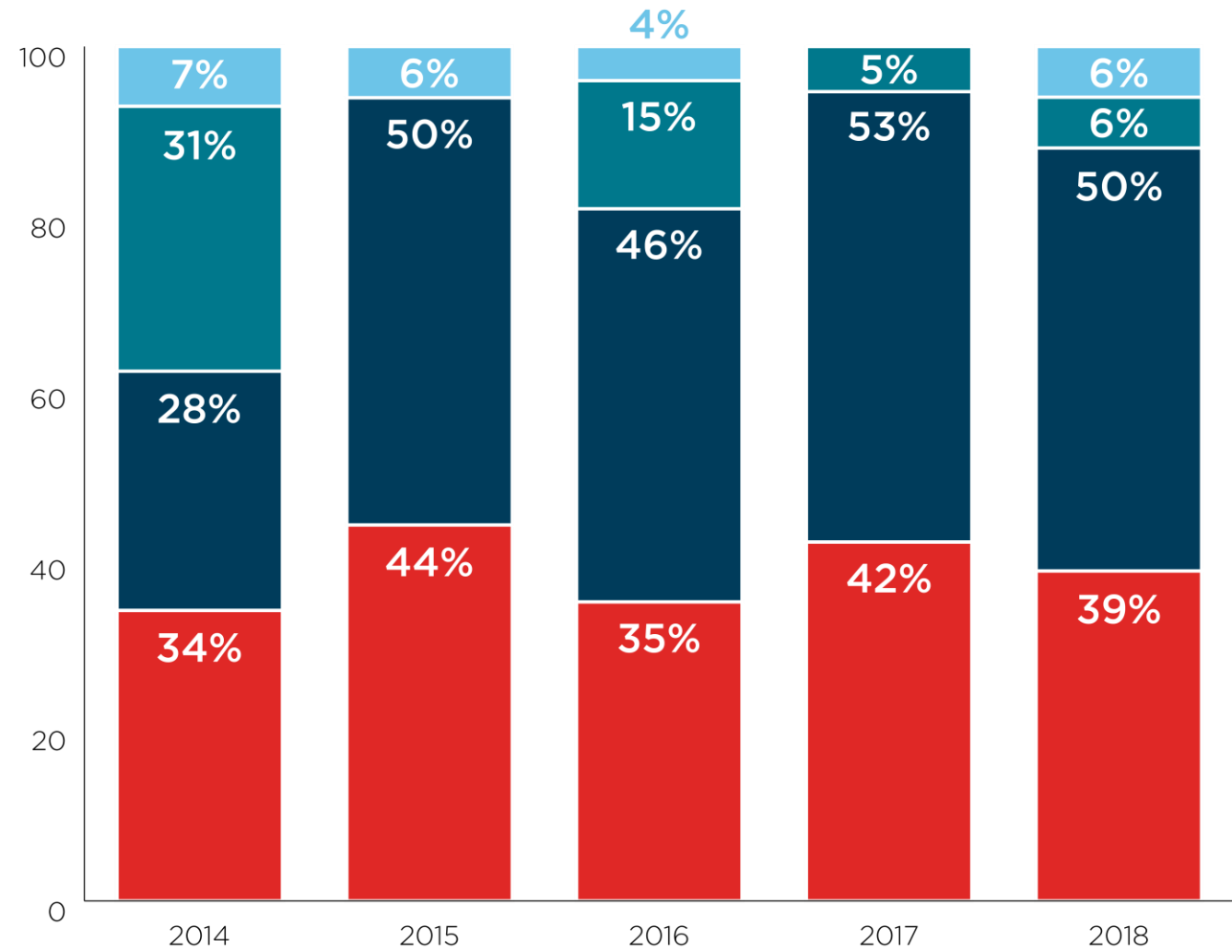
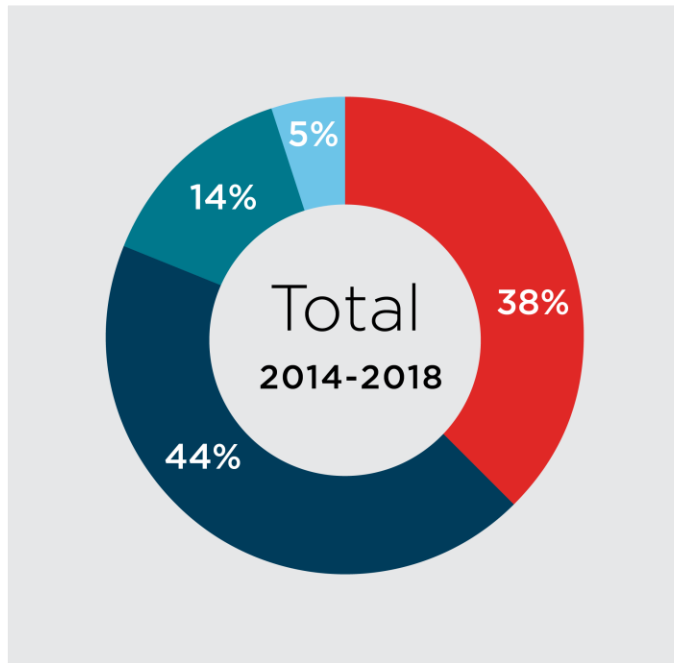
Percentage of P3s by Region

PRIVATE FOUR-YEAR INSTITUTIONS



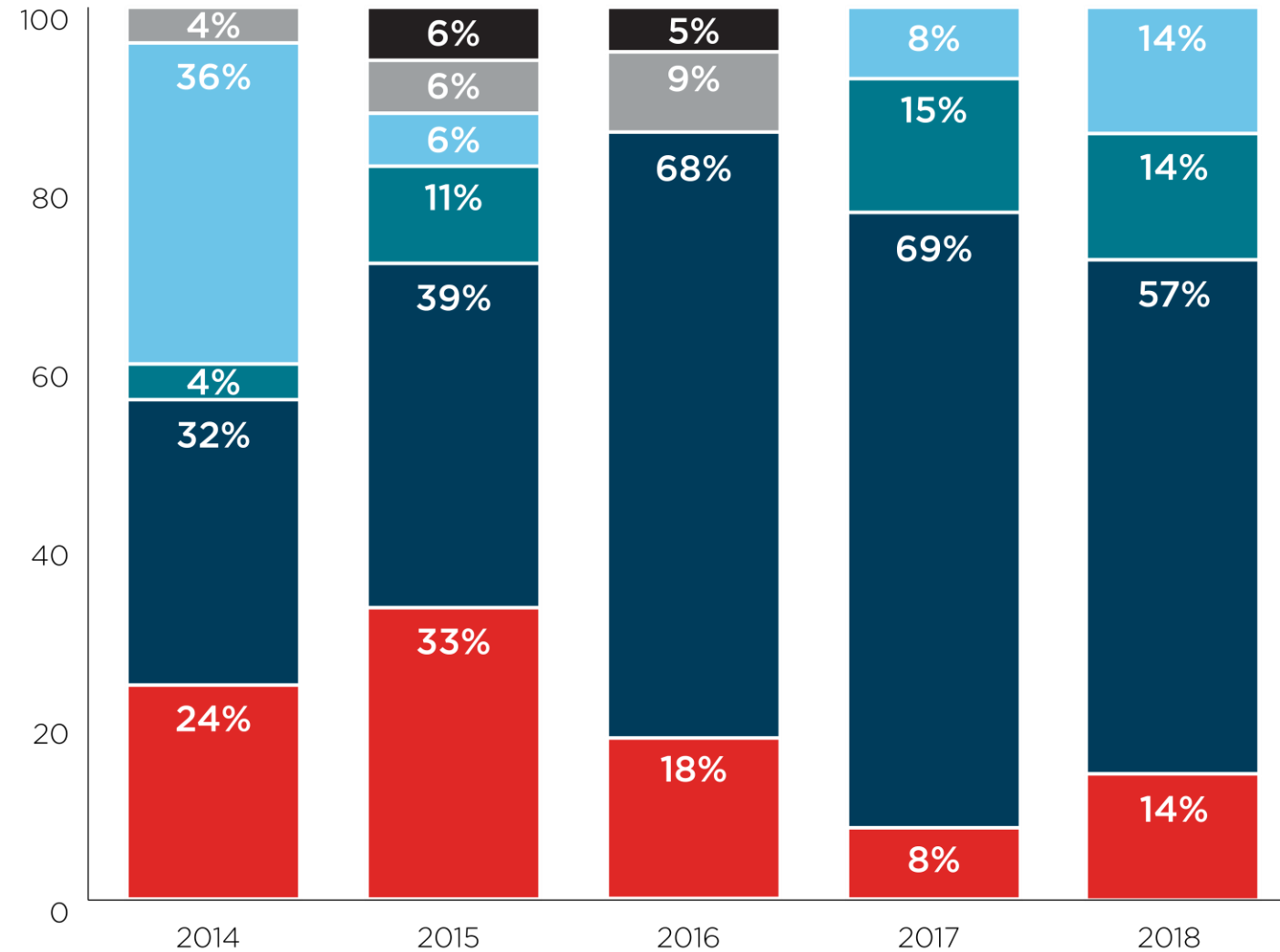
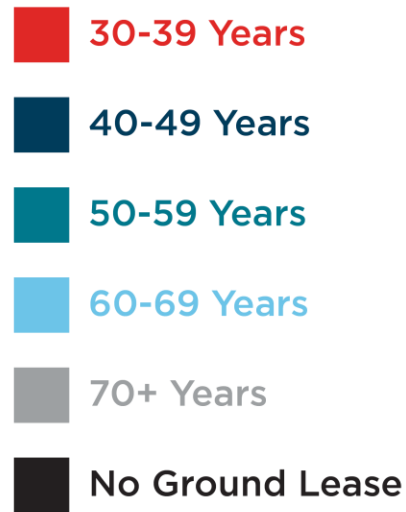
Higher Education P3 Survey

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

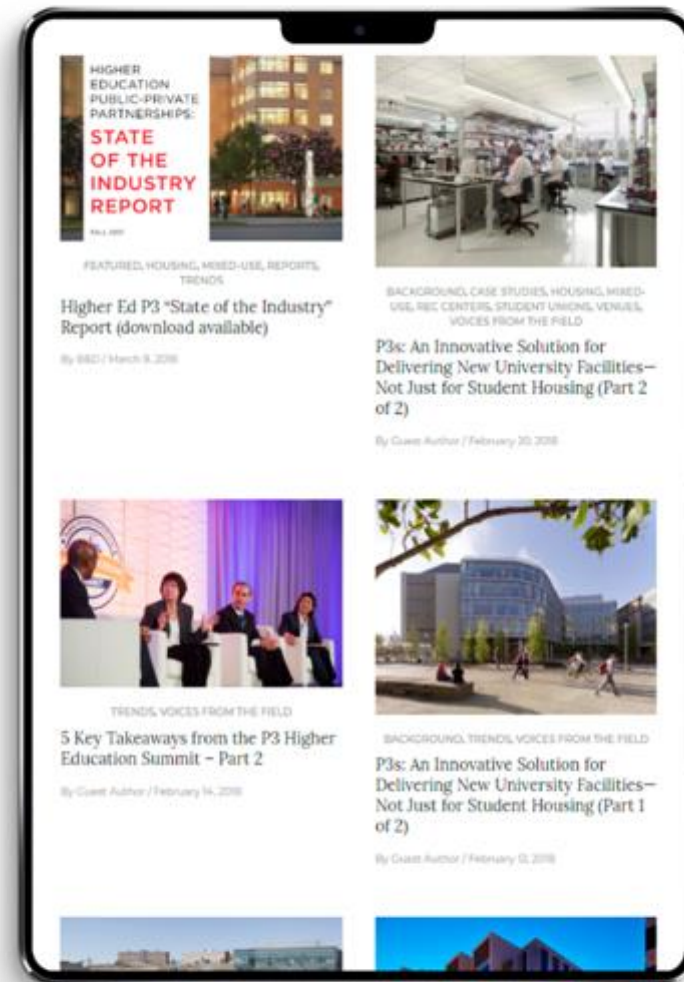
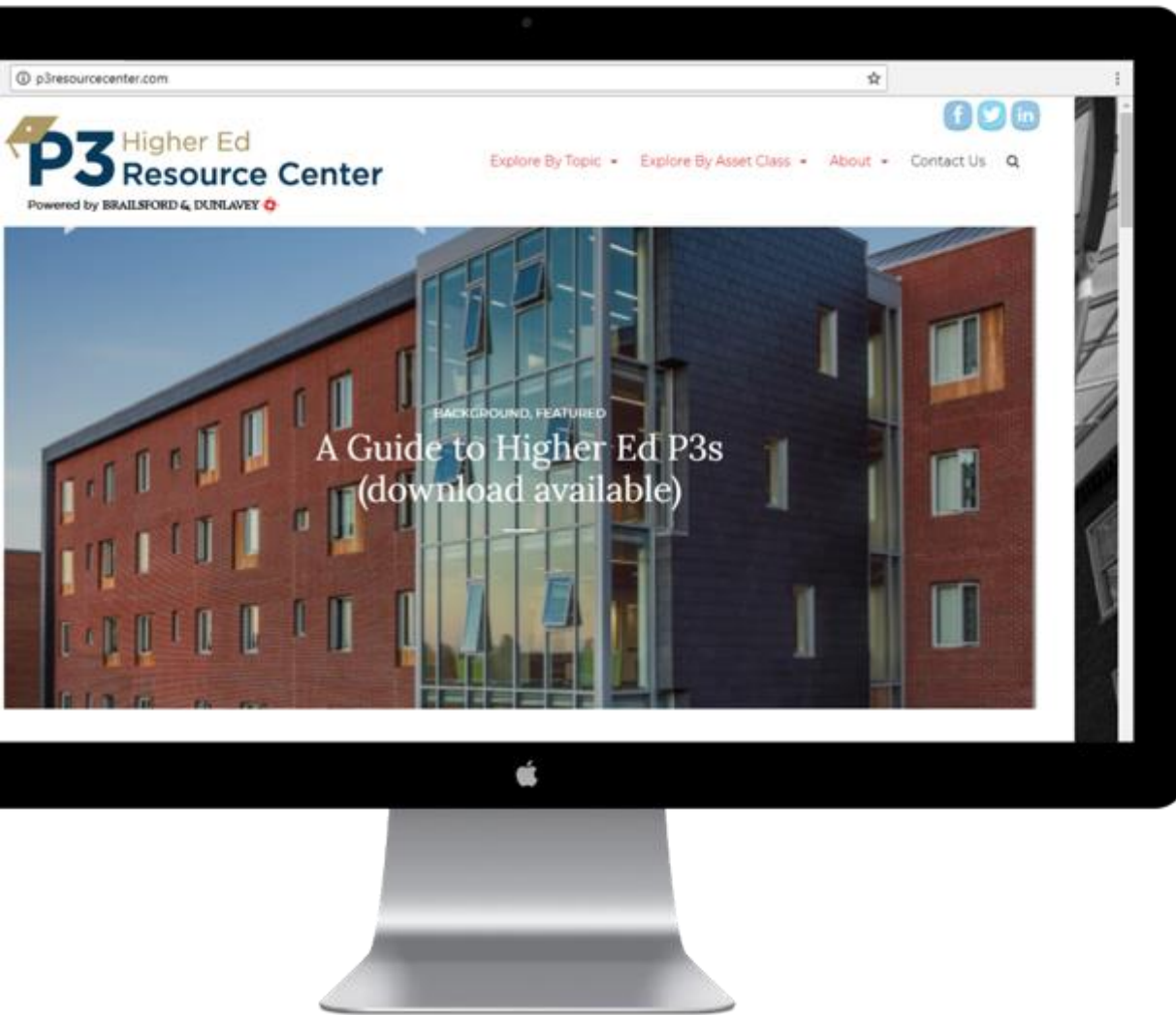
39%

Of college leaders see an opportunity to outsource student housing

(Source: Education Dive, "Outsourcing is growing at most campuses, college leaders say")



Additional Resources



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Introductions



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