



City of Auburn
Home of Auburn University

MEMORANDUM

TO: City Council

THROUGH: James C. Buston, III, City Manager

FROM: Kevin A. Cowper, Assistant City Manager / Chief Operating Officer

SUBJECT: 2018 Student Housing Analysis

DATE: October 12, 2018

Introduction

City Council originally engaged Danter & Associates in 2012 to conduct a student housing analysis to help determine the market potential for student housing amid concerns of overbuilding and the need to inform future planning decisions. The first report was published in March, 2013 and was subsequently updated in May, 2015 and now in October, 2018. The full report is available on-line in the City Council agenda section.

In conducting its analysis, Danter & Associates provides a detailed analysis of the student housing market, amenities, rent levels, occupancy rates and absorption rates. Of primary concern is the need to assess the long-term student housing market within the context of the available housing base, social trends and expectations, university plans and policies, and the existing investment environment.

According to the Danter & Associates, there are several housing types available to Auburn University students including purpose built student housing, market rate apartments, single-family/duplex rentals, on campus residence halls, and fraternity/sorority housing. Additionally, a new trend in non-conventional student oriented housing is emerging in what is identified in Auburn as the “academic detached dwelling unit”.

The 2018 updated analysis suggests that there is a demand for purpose built student housing particularly within the walkable (1 mile) area of campus. This demand is driven by a number of factors but chiefly by the growth in student enrollment and the changing tastes and expectations of the student body. Vacancy rates for both purpose built student properties and conventional apartment properties are very low and rental rates have increased consistently indicating a strong demand and limited supply. There are several purpose built student housing properties under construction that will add significantly to the student housing inventory. While there is

long term market capacity to absorb these beds, the new properties will increase the market share of purpose built student housing to a much higher level.

Purpose Built Student Housing

Danter & Associates defines the term “purpose built student housing” as privately constructed, owned, and managed multifamily developments with individual leases or leased by-the-bed. They differ from conventional or market apartments in that the tenants rent by the bedroom and are not jointly liable for the entire rent. Additionally, purpose built student housing units are normally furnished and include student oriented amenities. Currently, there are 3,190 purpose built student housing units and 8,964 bedrooms in 18 properties. The vacancy rate among purpose built student housing properties is 2.9% which is well below the 5.9% rate reported in 2015 and the 8.1% rate in 2013. According to Danter and Associates “the 2.9% vacancy rate is considered extremely low and would indicate that the market is limited by a lack of supply, rather than lacking demand.” As would be expected, vacancy rates are lower for newer properties located closer to campus.

Rents have increased at an average annual rate of 8.3% between 2015 and 2018. Much of the overall increase in rents can be attributed to the two new high end purpose built student housing properties built since the 2015 report; 160 Ross and The Evolve. However, rental rates excluding these two new properties and two other recently renovated properties increased at an average annual rate of 5.6% indicating strong overall growth in rental rates.

Currently, there are four purpose built student housing properties under construction: The Standard, 191 College, Twin Cities and Uncommon Auburn. An additional purpose built student housing property, The Union, is approved for construction but has not broken ground. The Standard, 191 College and Twin Cities consisting of 683, 465 and 244 beds respectively will open Fall 2019 while Uncommon Auburn (609 beds), and The Union (499 beds) are projected to open Fall 2020 adding a total of 2,500 beds to the inventory and bringing the total number of purpose built student housing units to 3,986 with 11,464 bedrooms in 23 properties by Fall 2020.

There is significant developer inquiry and interest in purpose built student housing in the Urban Neighborhood West area generally between Toomer Street, Donahue Drive, Glenn Avenue and Magnolia Avenue. The Urban Neighborhood West zoning district was envisioned to accommodate much of the future purpose built student housing demand and permits up to 255 beds per acre.

Purpose built student housing is not permitted in the Urban Core zoning district although The Evolve, 191 College and The Standard were all grandfathered under previous terms of the *Zoning Ordinance*.

Market Rate Apartments

Danter & Associates identified a total of 5,723 conventional apartment units in 50 properties in the Auburn market area. The vacancy rate among these properties is extremely low at 1.4% indicating a strong demand and lack of supply. Vacancy rates are generally low regardless of the age of the property. It should be noted that the market is dominated by older properties with over 60% built prior to 1990 and no new construction since 2012. Not only is the market dominated by older properties but many of these are considered lower-quality according to a comparability index created by Danter & Associates. Despite this, rents have increased at an average annual rate of 3.7% between 2015 and 2018.

Two new market rate developments have been approved for construction. These are Spring Lake located on Glenn Avenue consisting of 270 apartment units and Greystone on Samford with 230 units. It should also be noted that a number of market rate apartments have been demolished over the last several years. Some of these properties including Campus Crest Apartments and Greywood Apartments have been redeveloped into purpose built student housing. Others have been redeveloped into condominiums including Magnolia Arms Apartments which was demolished to make way for Browncrest Condominiums Phase II and others were demolished for non-residential purposes including Hyatt House Apartments (storage facility) and Carolyn Apartments (municipal parking lot).

Non-Conventional Student Housing Rentals

According to Danter & Associates there are a number of non-conventional student housing rentals being offered in Auburn. Many of these housing units are scattered across the city in duplex developments, mobile home parks and similar developments oriented toward student occupants. These also include newer multiple unit products in relatively close proximity such as The Boulevard, the Cottages at Donahue and 805 Railroad Avenue; new townhouse developments in the downtown area such as The Balcony and 222 Lofts, and multiple bedroom/bathroom detached houses near campus such as those at Samford Avenue and Gay Street and on Canton Avenue. These detached houses are typically five bedroom five bathroom units and are the subject of newly proposed “academic detached dwelling unit” regulations.

On-Campus Housing

Auburn University currently offers on campus housing for 4,725 undergraduate students in The Quad, The Hill, The Village, South Donahue, and the Cambridge at Auburn. There is no graduate or married student housing offered. Although there has been significant speculation regarding the construction of additional on-campus housing, the only announced plans are to replace the 1,400 beds at The Hill in a new location. Construction of a new residence hall with 1,400 beds

will begin as early as 2019 and The Hill residence hall buildings will be demolished at the conclusion of construction.

In addition to the residence halls, there are a number of fraternity houses that offer student housing. According to Danter & Associates, these fraternity houses can accommodate up to 1,800 fraternity men. However, through discussions with University officials, it is believed that the actual occupancy of the fraternity houses is significantly less than the maximum capacity. There are no sorority houses, however, sorority women can reside in designated sorority residence halls in The Village.

Auburn University Enrollment

Increased enrollment at Auburn University and the socio-economic characteristics of the student population are driving demand for new high-end student housing. Total enrollment reached 30,440 for Fall 2018 with 4,700 new freshman beginning classes. The student population has steadily increased over the past five years. While there is not a stated student target enrollment, Auburn University officials have recently stated that additional growth is expected particularly for the graduate student population.

Demand for Purpose Built Student Housing

A number of factors are contributing to demand for purpose built student housing including:

- Increased enrollment at Auburn University.
- Socio-economic characteristics of the student population.
- Low supply of on-campus housing options.
- Trend toward urban living within walkable distance to campus and in close proximity to downtown.

There are 30,440 students currently enrolled at Auburn University. The University has the current capacity to accommodate 4,725 student on campus leaving 25,715 students who must seek off campus housing. Total enrollment net of on campus housing is referred to as net enrollment by Danter & Associates. Danter & Associates suggests that purpose built student housing being 50% of net enrollment is a conservative market capacity goal based on the characteristics of the Auburn University student body and the characteristics of comparable universities. Thus, a market capacity goal of 50% would yield a demand for 12,858 purpose built student housing beds.

Currently, there are 8,964 purpose built student housing beds in 18 properties absorbing 34.9% of Auburn University net enrollment, yielding a potential market demand of 3,894 beds. Two large up-scale purpose built student housing properties (The Standard and 191 College) with

144 Tichenor Avenue • Auburn, Alabama 36830

(334) 501-7260 • FAX (334) 501-7299 • www.auburnalabama.org

1,184 new beds within walkable distance to campus will become available Fall 2019 and an additional 244 beds will become available in Fall 2019 in the Twin Cities development. Assuming that the Auburn University student population remains at the 2018 level (30,440), the number of purpose built student housing beds will increase to 10,356 in 21 properties absorbing 40.3% of Auburn University net enrollment, yielding a potential market demand of 2,502 beds.

An additional purpose built student housing property, Uncommon Auburn with 609 beds, is under construction and will become available in Fall 2020. The Union purpose built student housing development located at West Glenn and Hemlock Drive is a potential by-right development consisting of 499 beds that is currently in the development review process. Uncommon Auburn is considered to be in the walkable area (1 mile from center of campus) while The Union is considered by Danter & Associates to be slightly outside the walkable area at 1.1 miles from the center of campus. The introduction of Uncommon Auburn in Fall 2020 will increase the number of purpose built student housing beds to 10,965 in 22 properties absorbing 42.6% of Auburn University 2018 net enrollment, yielding a potential market demand of 1,893 beds. The Union development will increase the number of purpose built student housing beds to 11,464 in 23 properties absorbing 44.6% of Auburn University 2018 net enrollment, yielding a potential market demand of 1,394 beds.

A number of factors will influence the future demand for purpose built student housing:

- Auburn University enrollment. Continued growth in the student population will influence the demand for student housing based on the type of student growth: undergraduate, professional or graduate. Further, the socio-economic characteristic of the student population will influence the type of housing including interior finishes, amenities and “curb appeal”.
- On campus housing. Currently there are no official plans to construct additional on campus student housing; however, the possibility remains that the University may construct additional housing in the future sufficient to accommodate the incoming freshman population. Public private partnerships between the University and private developers to construct off campus student housing is also a possibility.
- Walkability. Location is increasingly important and the previous trend for a more suburban location of purpose built student housing properties (e.g. Copper Beach, Aspen Heights) has been abandoned in favor of a more urban location in close proximity to the campus and downtown. City land use and zoning policies are encouraging the location of urban form student housing properties in the area directly north of campus in the Urban Neighborhood West zoning district generally between Toomer Street, Donahue Drive, Glenn Avenue and Magnolia Avenue.
- Market penetration. Currently, purpose built student housing accounts for 34.9% of Auburn University net enrollment. Assuming no increase in student enrollment, this will increase to 39.3% in 2019 and 44.6% in 2020 with the opening of five new purpose built

144 Tichenor Avenue • Auburn, Alabama 36830

(334) 501-7260 • FAX (334) 501-7299 • www.auburnalabama.org

student housing properties. Danter & Associates suggests that a market penetration of 50% is a conservative goal particularly if the new purpose built student housing properties are walkable. Danter & Associates also indicates that it is quite possible that purpose built student housing market penetration could exceed 50% in the long-term. Communities with a tradition of purpose built student housing often reach a market penetration rate of over 60%.

- Market absorption. Danter & Associates previously indicated that the Auburn market could absorb 300 to 400 purpose built student housing beds annually, especially if those beds are developed within the walkable area. The 2018 report indicates that, based on current enrollment trends and leasing information, the market could continue to absorb 400 to 450 beds annually in the walkable area. There are three purpose built student housing properties under construction at the present time within the walkable area to campus with 1,757 beds becoming available by Fall 2020. This accounts for a four year supply. The rate at which new beds are being introduced into the market at the present time will have to be closely monitored.

Demand for Conventional Apartment Housing

Danter & Associates identified a considerable need for conventional apartment development particularly for young professionals and seniors. The existing conventional apartment market is dominated by students. As mentioned previously, there are two conventional apartment developments that have been approved for construction, however, neither has actually started construction at this time. The focus of purpose built student housing in the walkable area will alleviate pressure from student occupancy of conventional apartments and targeting young professionals with a product such as a mixed use town center would be well received in Auburn according to Danter & Associates.

Step-up Support

As new purpose built, conventional and academic detached dwelling units are introduced to the Auburn market there is continuing concern about the ability of the market to readily absorb the new units and increasing concern about the potential of vacancies in older and/or peripheral properties with outdated interiors and amenities. It should be said at this time that there is a noticeable trend in the walkable area toward the refurbishment of existing units with higher end amenities to meet the current preferences of the student body. This is clearly occurring in response to market pressure from new purpose built student properties in the walkable area. Also, while not overly significant, there has been some removal of older outdated apartment units to make way for newer inventory and even non-residential uses. Danter & Associates indicates that step up support for both purpose built and conventional apartment properties is very well developed because Auburn has developed new housing at relatively consistent levels since the 1990s thereby providing a wide range of existing rents from affordable to luxury, each

supporting the range above. Further, each new generation of housing has added new and popular amenities, thereby increasing rent levels and providing a sense of value for increased rents. That said, a well-developed strategy to repurpose and/or redevelop older outdated properties will be required to avoid a proliferation of low rent and possibly blighted properties. Further, development regulations that specifically address the proliferation of academic detached dwelling units are needed to minimize further conflicts within traditional neighborhoods.

/kac