

Graduate Student Housing Affordability

White Paper

The Challenge – Support Graduate Students through Affordable Housing

The University of Maryland, College Park (UMD) needs a significant amount of additional affordable graduate student housing near its campus in order to recruit and retain the nation's top talent. UMD is the flagship institution of higher education for the State of Maryland. UMD enrolls approximately 40,000 students and employs nearly 10,000 faculty/staff. As of Fall 2021, UMD enrolled 10,350 graduate students, which is equivalent to approximately one-fourth of the school's population. Some key facts about UMD's graduate student population include:

- 55% are masters degree students; 41% are doctoral students; the remainder are pursuing graduate certificates.
- 77% are pursuing their degrees full time.
- 30% are international students.

40% of graduate students fund their education through research or Graduate Assistantships, which provide a stipend and tuition remission in exchange for a set number of hours of work each academic year. Stipend amounts vary depending on the experience of the student and hours in the contract; the 2022 amounts range between \$21,000 - \$28,000 for a first-year graduate student. The stipend amount gradually increases over time as the student gains more experience or sits for a candidacy exam. A 2022 survey of UMD graduate students revealed that the average individual gross income is \$24,000.

As a Research 1 institution, graduate students are incredibly important to continue the research activities stemming out of the University of Maryland. As such, UMD competes against its peer institutions to attract and retain the brightest students. For graduate students in particular, funding via an assistantship is a lucrative tool for recruitment and is often the deciding factor on where a student will complete their course of study. When compared to its peers in the Big Ten, Maryland's average stipend level is in the top third, however when taking the cost of living into account, UMD has the lowest percentage of graduate assistants whose stipend results in a living wage. This is largely due to the high cost of living in the Washington, DC metropolitan area. Given this, it is not uncommon for UMD graduate students to be "cost burdened," meaning that more than 30% of their gross income is spent on housing expenses, or "severely cost burdened," meaning more than 50% of their income is spent on housing. UMD's 2022 survey indicated that 47% of its graduate students identify as severely cost burdened.

Graduate students are incredibly price sensitive when it comes to housing, often much more so than undergraduate students who often have family support or financial aid to assist with expenses while they complete their studies. Graduate students tend to self-fund their education and often utilize assistantships or part-time employment to cover their living expenses rather than take out student loans.

Further complicating the issue of accessible, affordable housing for graduate students is that the household composition of this population varies greatly when compared to undergraduates. According to a study by Anderson Strickler, household makeup of UMD's graduate students consists of:

- 16% of graduate students live by themselves

- 53% live with roommates
- 25% reside with a partner or spouse
- 5% reside with at least one dependent.

UMD's 2022 survey confirms this breakdown. As a result of this variety in household composition, individual students often have drastically different housing preferences (both in cost and unit type) than undergraduate students. 65% of survey respondents indicated that they have been unable to find housing that meets their needs within a reasonable cost. In these situations, students have had to make lifestyle tradeoffs including living further from UMD's campus, living with more roommates than desired, needing to secure additional employment or taking out student loans to cover their living expenses. All of these tradeoffs directly impact the academic output and wellbeing of graduate students, which is an important consideration for UMD as it seeks to retain top talent.

In order to better attract and retain students, as well as to continue to create a vibrant college town outlined in the [University Community Vision 2030](#) established by the College Park City-University Partnership, the University of Maryland must increase its inventory of graduate student housing with a particular focus on the price sensitivity of this group, which is doing valuable work with limited financial means.

Supply of Affordable Graduate Housing

Despite having more than 10,000 graduate students enrolled, UMD only has two buildings of graduate housing, which together provide 475 beds of housing at below market rates that can be reasonably afforded by graduate students. Beyond these beds, there is no housing specifically for graduate students affiliated with UMD. Any graduate students unable to secure an apartment in one of these buildings is added to a lengthy wait list and must seek other housing options, the vast majority of which are leased at market rate.

Over the last decade, there has been a massive growth in new housing units built in the College Park area. More than 2,000 new units have entered the market over the last decade, but nearly 75% of these units have been purpose-built student housing developments targeted towards UMD's nearly 30,000 undergraduates. These student housing projects often offer a range of unit types to support up to five roommates cohabitating, and amenities and social programs designed for the typical undergraduate student in their early 20s. Undergraduate demand for these units continues to be strong, with several new projects currently under construction in the area.

Units in these buildings, however, are typically not attractive to the majority of graduate students for a number of reasons. First, graduate students tend to want smaller households with fewer roommates than may be desired by undergraduate students. Additionally, graduate students tend to prefer to live with other graduate students or young working professionals, so graduate students renting a bed in a primarily undergraduate building may be paired with undergraduate student roommates. Third, and perhaps most importantly, the costs for these newer units far exceed what is considered affordable for a student supporting themselves primarily through a graduate assistantship. Based on UMD's current stipend rates, a student would ideally pay no more than \$700 per bed in order to keep housing costs at no more than 30% of their income. For comparison, as of February 2022, the cost to rent a bed in the Terrapin Row project ranges from \$1,000 - \$1,600 per month.

According to 2022 CoStar data, the market cost to rent a bed in a multifamily (non-student housing) building in the College Park area ranges between:

- \$920 - \$1,920 for a studio
- \$1,150 - \$1,940 for a 1-bedroom
- \$720 - \$1,230 for a bed in a 2-bedroom unit
- \$560 - \$980 for a bed in a 3-bedroom unit

A 12-month graduate assistant funded by UMD can only afford \$700/month in rent without being cost burdened, meaning that students are unlikely to be able to live alone or must live with multiple roommates in a lower-quality building. Current students report paying closer to \$800-\$900 per month on average. Unsurprisingly, the vast majority of graduate students (68%) report being cost burdened in their current accommodations.

The limited inventory of units designed and priced for graduate students combined with the high land cost in College Park attributed to a strong purpose-built undergraduate student housing market has led to a supply and demand issue that the market has not been able to correct, at the expense of UMD's graduate students.

Demand for Affordable Graduate Housing

Recent studies have indicated strong demand for affordable, accessible graduate student housing in close proximity to UMD. As of 2018, 23% of UMD's graduate student population lived within College Park. According to UMD's most recent student survey, an additional 32% of graduate students who do not currently reside within College Park *would be* interested in living in College Park if money were not a barrier or affordable housing options existed. This translates to an unmet demand of approximately 3,300 students who desire to live in College Park. The City of College Park and UMD, together through the College Park City – University Partnership, have endorsed plans to support graduate students in College Park as a means of diversifying the community and supporting students in their expanded studies.

According to the Anderson Strickler report, graduate students' unit type preferences are:

- Studio apartment – 17%
- 1-bedroom apartment – 27%
- 2-bedroom apartment – 56%

UMD's 2022 survey of graduate students confirmed that the vast majority of students would like to live by themselves or with one other roommate at most. There is some willingness by graduate students to live in denser housing with more roommates, particularly if the increased number of individuals within the household lowers the monthly cost of rent.

The solution to the affordable graduate student housing problem is to provide housing in a mix of different typologies to meet the diverse needs, preferences and demand from UMD's graduate student population.

Possible Solutions

The 21st District Delegation is seeking a one-time ask of \$50M to address the issue of providing the flagship institution's graduate students with affordable, accessible places to live. A subsidy of this amount could stimulate the market and provide access to affordable housing through three primary ways:

- Development of new, affordable graduate student housing.
 - This solution would entail the construction of a new project(s) on UMD's campus specifically targeted to graduate students based on their unit preferences and income sources
 - This solution is likely to produce the highest quality housing in close proximity to campus and give UMD complete control over unit mix and pricing, ensuring it would be affordable and attractive to graduate students.
 - A new project could be financed through a public-private partnership with a developer or issuing project-based tax-exempt debt.
 - A hypothetical new 500-unit/800-bed building is estimated to require a subsidy of ~\$108,000 per bed (divided between a capital contribution and land value) in order to charge students rents that are 35% below market. If land was contributed to a new development at no cost, the subsidy required decreases to ~\$62,500 per bed.
- Acquisition of existing multifamily buildings and converting them into graduate student housing.
 - This solution would entail the acquisition of existing multifamily buildings of different sizes and converting the units into graduate student housing.
 - Based on recent transactions, smaller 2-star buildings (8-30 units, constructed in the 1950s and 1960s) within College Park could be acquired for \$2M-\$6M and modestly renovated for \$70-95/sf. Assuming that the capital or financing to acquire and renovate the buildings could be secured, these properties would cash flow at affordable rates and would not require a subsidy.
 - Larger, newer multifamily buildings (200-300 units, constructed in the 2010s) can provide housing to more students and require less renovation than the older, smaller properties. Affordable rents would generate cash flow to support financing up to 75% of the total acquisition and renovation cost; a subsidy of approximately ~\$50,000 per bed would be required to fund the rest.
- Converting single-family rental properties into graduate student housing.
 - Acquiring in concert with the proposed Community Preservation Trust, existing single-family rental properties in College Park and renting them to graduate students.
 - If purchased for cash, rents may be low as \$350 per bed per month for four graduate students, or \$1,375 per unit for couples or families. If the purchase was financed rents would still be affordable at \$700 per bed for single graduate students or \$2,800 per unit.
 - Assuming that the capital or financing to acquire these homes could be secured, these properties would cash flow at affordable rates and would not require a subsidy for individual students and most graduate student couples or families.

Due to the diversity of UMD's graduate student population, solving this challenge will likely require some combination of the three solutions identified above. A one-time contribution of \$50M would allow UMD to explore a variety of mechanisms to maximize the number of students served in a cost-effective manner.