

# ACEC Market Intelligence Brief

## Educational (K-12 & Higher Education)

Fall 2024

### Market Scope

The educational market is composed of multiple facility types, including pre-school, primary/secondary (elementary, middle/junior high, high), and higher education (instructional, parking, administration, dormitory, library, student union/cafeteria, sports/recreation, and infrastructure e.g. power plants, water supply facilities, sewage and other). The market also includes nursing schools, cosmetology and beauty schools, trade schools, military training facilities, schools for the disabled, and modeling schools. Other educational sub-markets include gallery/museum and library/archive. The educational market plays a critical role in educating the next generation and remains one of the largest markets by investment dollars.

### Key Clients

Key clients for engineering firms can include state, local, and federal governments, and private companies. According to a P3-EDU 2024 Public-Private Partnership Survey, 74% of respondents saw an increase in public private partnerships. The list below highlights leading student housing owners/developers that could be potential clients in a P3 contract.

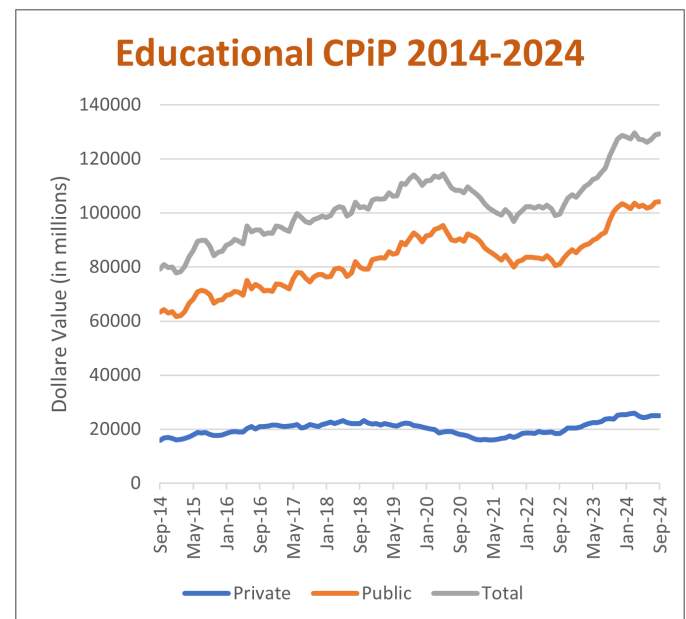
Rank	Leading Student Housing Owners	No. Properties Owned
1	American Campus Communities (TX)	152
2	Harrison Street (IL)	150
3	The Scion Group (IL)	124
4	Greystar (VA)	89
5	Landmark Properties (VA)	73
6	Core Spaces (IL)	57
7	Vesper Holdings (NY)	52
8	GSA-Global Student Accommodation (UK)	46
9	Provident Resources Group (LA)	38
10	Park7 Group (NY)	35

Source: Statista Research Department 2024

### 5 Current Market Trends

► **1. Construction Spending, Highest in over a Decade:** As of September 2024, the total value of design and construction put-in-place (CPIP) for the educational market was \$129 billion, the highest dollar value of spending in the last decade. Public spending accounted for \$104 billion; private spending accounted for \$25 billion. Public spending increased by 65% over the last decade and private spending increased by 58%, see chart below (source: U.S. Census Bureau). Contracting opportunities for the K-12 market has been steady and has grown by 1.6% year-over-year for the last 10 years, while higher education trended lower, declining 2.6% annually during the same period (source: Deltek). Fluctuations can be attributed to state budgets, population growth, enrollment numbers, aging infrastructure, a surge in P3 contracts, new design elements, increased federal funding, artificial intelligence, and local bond measures.

Continued on next page.



Source: U.S. Census Bureau

# Current Market Trends, *continued*

► **2. NIH Funding Continues to Rise:** National Institutes of Health (NIH) funding has increased year-over-year. In FY2023 NIH provided \$49.2 billion in funding—6.5% or \$3 billion higher than FY2022 levels. NIH provides grants, contracts and other programs that fund new design, construction, and modernization possibilities for new or existing infrastructure for buildings, laboratories or other buildings at colleges and universities. The latest infrastructure is necessary to conduct biomedical research. NIH funding can also improve the economy, reduce the cost burden of illness, and spur additional private sector investments. Here are the top ten universities by NIH funding for FY2023.

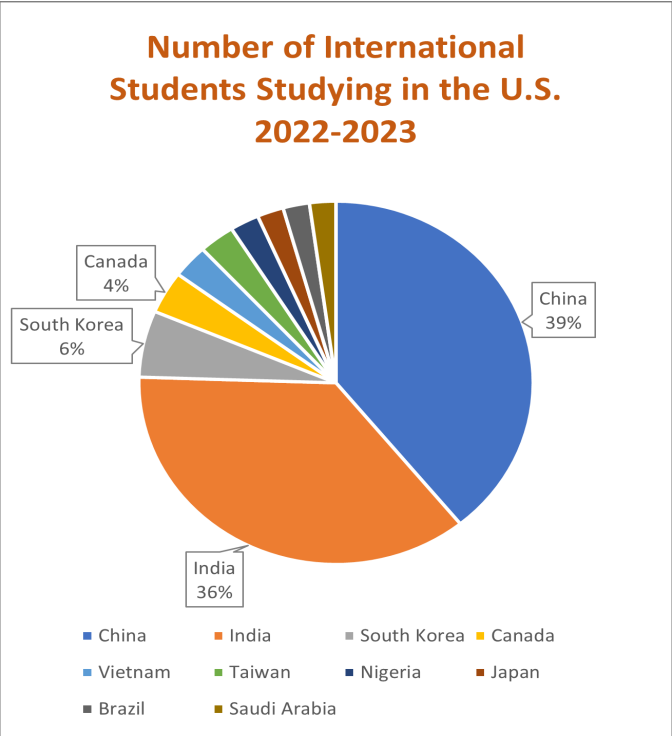
Rank	University, (City, State) - NIH Recipient	FY2023 NIH Funding
1	Johns Hopkins University, (Baltimore, MD)	\$842,956,584
2	University of California, (San Francisco, CA)	\$789,196,651
3	University of Pennsylvania, (Philadelphia, PA)	\$703, 217,343
4	Duke University, (Durham, NC)	\$701,940,461
5	University of Michigan, (Ann Arbor, MI)	\$698,264,076
6	University of Pittsburgh, (Pittsburgh, PA)	\$658,312,303
7	Washington University, (St. Louis, MO)	\$633,343,121
8	Columbia University Irving Medical Center, (New York, NY)	\$633,309,114
9	Stanford University, (Stanford, CA)	\$628,835,517
10	Yale University, (New Haven, CT)	\$622,499,969

Source: Blue Ridge Institute for Medical Research BRIMR

► **3. Universities Face Student Housing Shortages:** Demand for student housing is above pre-pandemic levels and performing above historical norm. Pre-leasing reached 92.9% in August, 20 basis points ahead of the year prior (source: Yardi Matrix’s 2024 National Student Housing Report). Enrollment numbers are driving this demand. Since 1960, the percentage of high school graduate enrollments has increased by 16.9% and the number of public high school graduates is expected to increase by 5% between 2012 and 2026 (source: National Center for Education Statistics and Education Data Initiative). See map on page four for the top 10 universities facing student housing shortages.

► **4. The 2025 Enrollment Cliff:** The number of high school graduates is expected to peak in 2025 or 2026 before they begin to decline for at least 13 years. According to the CDC and Econfact.org, birthrates declined by 20% from 2007 to 2020. Babies born in 2007 will be reaching high

school graduation age by 2025 to 2026. This declining trend in birth rates has not been seen since The Great Recession and is expected to negatively impact college enrollments. This, however, does not account for international students, who make up 5.6% of all college students in the 2023-2024 academic year (source: NAFSA). China leads the way, representing 39% of international students studying in the U.S., see chart below for other top contributors. In Australia, 27% of students are international. International students may be a target for institutional enrollment in the coming decade. See map on page 4 for the top 10 states hosting the most international students.



Source: Statista

► **5. Collegiate Athletic Facilities Go Specialized:** Many university sports complexes are transitioning from massive arenas to smaller community driven sports hubs that focus on the customer experience. Due to elevated interest rates, a crowded market, and elevated operational and material costs, investors are focusing on engagement, a specialized atmosphere with luxury finishes and technological advancements. The new NIL policy (see page 3 for more information) from the NCAA is also spurring investment into arena features that include podcast studios and TV interview rooms. Other design features include a blending of student unions and sports facilities, creating sports villages with hydrotherapy, weight training, nutrition shops and workspaces.

# Government Affairs

## ► **2024 Renew America's Schools Prize and Grant:**

The 2024 grant program is the second round of funding through the Department of Energy (DOE) that will award up to \$190 million through a Prize-to-Cooperative Agreement portfolio model.

- In phase one, teams included Local Educational Agencies (LEAs), utility companies, energy service companies, state and local government offices, financing partners and labor unions. The projects will center around energy improvement projects in K-12 schools across the country. For more information visit here: <https://www.energy.gov/scep/2024-renew-americas-schools-prize-and-grant>

► **Tax-Exempt Status up for Review:** Many colleges and universities in the U.S. have tax-exempt status. During the 2025 tax reform debate, Congress is expected to review nonprofit tax issues. This work could build on a measure included in the 2017 Tax Cuts and Jobs Act that imposed an excise tax on the endowment earnings of certain private nonprofit colleges and universities.

► **Students for Fair Admissions, Inc. (SFFA) v. President & Fellows of Harvard College and SFFA v. University of North Carolina, Nos. 20-1199 & 21-707:** On June 29, 2023, the U.S. Supreme Court ruled to end affirmative action in higher education. The Court found that the process violates the Equal Protection Clause of the Fourteenth Amendment to the U.S. Constitution as well as Title VI of the Civil Rights Act of 1964. This ruling will be applicable to programs or activities that receive federal financial assistance, including most colleges and universities.

► **Department of Education:** President elect Trump made a campaign promise to dismantle the Department of Education, however Congress would need to enact that change. Potential impacts on education infrastructure funding are unclear.

## NCAA Policy Change

► **Name, Image, and Likeness (NIL):** A new NCAA policy allows athletes to benefit from their name, image, and likeness. Independent 501(c)(3) nonprofit organizations can raise money from donors, fans, and businesses to pay athletes for services. According to a CannonDesign piece titled "A transformed collegiate sports ecosystem pushes athletic facilities into exciting new era," institutions could average \$10 million annually in their NIL collectives. This could bring new revenue streams and financial investments.

# Business Development Insight

## School Funding: Bonds & BIL

► **Bonds:** Public school districts can use local school bonds and tax measures to finance a building or capital project. A historic number of districts put local bond measures on their ballots in November. Most states require voter approval but vary from state-to-state. The educational sector is likely to feel the effects from this most recent election cycle.

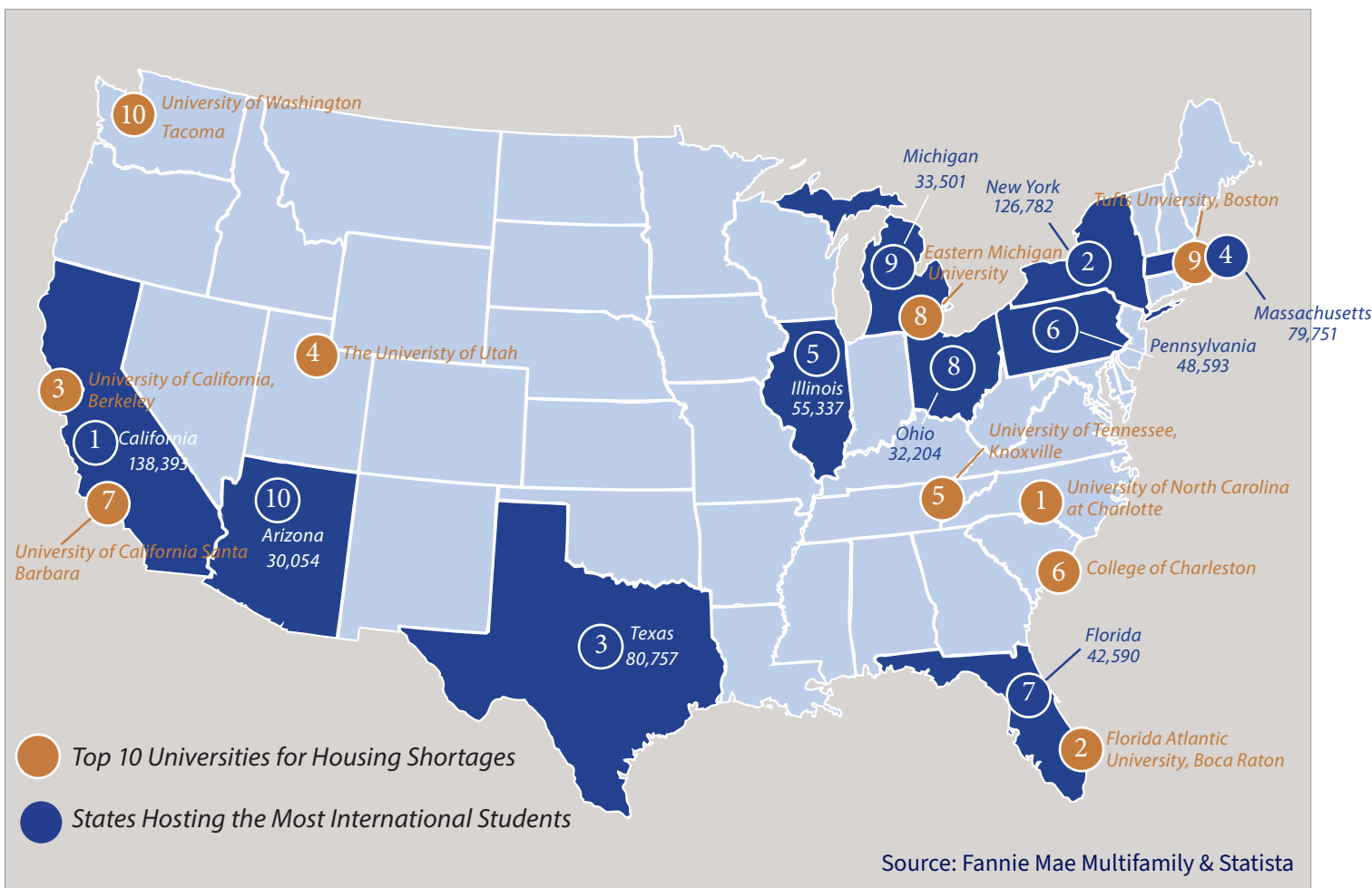
According to the National Conference of State Legislators and the Statewide Ballot Measures Database, this general election had 13 bond measures on the ballot. These highs have not been seen since 2014 and 2018. Of the 13 bond measures two were in California, three in Maine, four in New Mexico, and four in Rhode Island. These measures have significant implications for the educational market:

- Municipal bonds are debt securities issued by states, cities, counties, or government. They are attractive due to their tax benefits and can be issued to private entities or non-profit colleges.
- Bond dollars can be used for these specific purposes: repair aging and deteriorating classrooms and school buildings, address health and safety hazards like mold, asbestos, and lead paint and pipes, ensure clean air and drinking water, and upgrade facilities to provide job training.

► **Bipartisan Infrastructure Law (BIL):** The BIL allocated \$5 billion in formula funding to build out a national network of electric vehicle (EV) charges over the course of five years. EV charging infrastructure may lean toward public private partnerships (P3s) as an alternative project delivery method to offset financial, economic, and operational concerns. The following companies that provide campus infrastructure services could be potential clients:

- Ameresco, Blue Sky Power, Clearway Energy Group, Con Edison Solutions, DCO Energy, Engie North America, Johnson Controls, LAZ Parking, NextEra Energy, SP Plus Parking, and Waldron Engineering and Construction (source: P3 EDU Report).

# International Students & Campus Housing Shortages 2024



## Join the Market Intel Committee

The purpose of the Market Intelligence Committee (MIC) is to identify and analyze key market developments and trends that impact the engineering industry.

In line with ACEC's strategic plan and organizational mission, the MIC will focus on recommending resources and guiding educational programming that delivers market intelligence and essential insights for businesses operating in both public and private markets.

► Join the open MIC committee by scanning the QR code now.

► To learn more about the committee and its leadership visit [here](https://www.acec.org/resources/market-intelligence/#newsletter).



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Diana O'Lare is ACEC's Director of Market Intelligence. She can be reached at: [dolare@acec.org](mailto:dolare@acec.org)

