

# **Student Housing Choices in the Morris Community**

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### Introduction

Morris, MN is a town of population approximately 5,000, located on the prairie of West Central Minnesota. It is the county seat of Stevens County (population 10,000), home to several banks and agriculture-related processing and service industries, including the DENCO ethanol plant, as well as light manufacturing enterprises Superior Technology and Westmor Industries. Morris is also home to the University of Minnesota, Morris, which is a public liberal arts undergraduate college with enrollment somewhat below 2,000 students. UMM enrollments are counted in the population figures for Morris and Stevens County.

The City of Morris faces several housing challenges that are common to the region. Much of the in-town housing stock is older, built on small lots, without certain amenities (attached garages, family rooms, etc.), and in some cases poorly maintained or built from sub-standard materials in the first place. Subdivisions have sprung up within and (increasingly) outside the city, in order to meet the market's housing demands. Occupancy rates are low and falling for the marginal and sub-standard housing described above, as families and retirees increasingly opt to live in the newer units outside city limits. Increasing tensions with the townships may be one consequence in the future, as the City of Morris looks to more aggressive annexation in order to maintain population above the critical 5,000 threshold,<sup>1</sup> as well as to spread the fixed cost of existing city infrastructure over a broader population base.

Unlike most residential liberal arts colleges, policies and practices at UMM have a significant impact on the town rental housing market. While there is sufficient dormitory capacity on campus to house just over 1,000 students, in practice there have generally been dorm occupancy rates between 70% and 90% over the last decade. In ballpark figures, that leaves at any given time somewhere between 700 and 1,200 students living either at home or in off-campus housing in or near-by Morris. Frequently these students

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<sup>1</sup> A 5,000 population is a critical threshold for state local government aid.

rent the kind of older housing stock described above, in the City of Morris and within walking distance of the University.<sup>2</sup>

What factors determine the student demand for off-campus vs. on-campus housing? Below we discuss the historical data, as well as the results of a housing survey we conducted in April, 2006.

### **UMM Enrollment and Housing Occupancy**

With only minor alterations, capacity in the UMM dormitories has been stable for well over a decade. Occupancy rates exhibit considerable year-to-year fluctuations. Figure 1 shows the total *headcount*<sup>3</sup> at UMM and fall dormitory occupancy since 1981:

The data show that headcounts peaked just over 2000 students in the late 1980s, held relative steady (1800-1900) during the 1990s, and have fallen off recently to 1684 in 2005. Dormitory occupancy hovered at or near 1000 from 1987-1993, but has trailed off steadily since then, reaching the current low of 756 in September, 2005.

One central feature of the student housing choice data is the attrition that occurs over the course of the year. The fall occupancy figures for the dormitories regularly dwindle by 10-15% (i.e. by 80-140 students) by the end of the spring semester, reflecting some attrition in enrollments, but primarily reflecting the movement of students off-campus. Figure 2 shows the annual attrition rates since the '93-'94 academic year.

A second fundamental feature is that off-campus housing is overwhelmingly the choice of 3<sup>rd</sup> and 4<sup>th</sup> year students, while the dormitories are overwhelmingly the choice for 1<sup>st</sup> and 2<sup>nd</sup> year students. Figure 3 shows the data for dorm occupancy according to class for 2004, a typical year.

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<sup>2</sup> Several multi-unit off-campus apartment complexes have also been constructed in the last 20 years.

<sup>3</sup> *Fall Headcount* is defined as the number of students enrolled in at least one class at the end of the 2<sup>nd</sup> week of the fall semester. Another measure of enrollment is Full Year Equivalent enrollment, which takes the total number of student credit hours and divides by the number comprising a full-time load. These two measures have tracked each other very closely during the last decade.

Figure 4 shows data on the sizes of entering classes since 1993. After relatively stable entering classes in the 1990s (generally 460-480 annually), enrollment began to fall sharply in 2003. The new entering class is the smallest in over 20 years, at 358 new non-PSEO freshmen.<sup>4</sup>

Whereas the demand for dormitory housing is largely a 1<sup>st</sup> and 2<sup>nd</sup> year student phenomenon, in figure 5 we graph the 2-year rolling sum of non-PSEO new freshman, as well as the fall occupancy figures for the dormitories. The two series track exceptionally closely.

For the sake of thoroughness, we graph ratios in figure 6 which are potentially relevant to the question of what determines occupancy. As the previous graph suggested as well, the ratio of the *2-year rolling sum of freshman classes to dormitory occupancy* never strays far from unity. *Occupancy relative to headcount* slides gradually over the entire time horizon, from a high of .54 in the first year to a low of .45 in the last year.<sup>5</sup> There is a much smaller downward trend in the *new freshmen/occupancy* ratio, which begins the period in question at .51 and ends at .47.<sup>6</sup>

So far we have only looked at the matter from the perspective of the demand for on-campus housing. This is the obvious place to start, since the actual historical data exist and need not be interpolated. No such records exist for the number of students living in rental housing in or near the City of Morris. We proxy the true value of this figure by a two step process: first, we create a variable called *adjusted headcount*, which sums *continuing students*, *new advanced students* (transfers in), and *new freshmen* (excluding

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<sup>4</sup> PSEO – “Post Secondary Enrollment Option”—is a state-funded program that enables regional high school students to take courses for college credit. While some of these students do eventually enroll in UMM as full-time students, they generally do not seek housing accommodations in the dormitories or in off-campus rental units, hence they are excluded from the figures reported here.

<sup>5</sup> This may simply reflect growing participation of PSEO students in overall enrollment.

<sup>6</sup> This figure will naturally rise when enrollment is rising and fall when enrollment is falling.

PSEO students, who likely live with parents). From this new variable we subtract the population in the dorms (fall occupancy), so that the residual should give us an upper bound on the student demand for off-campus rental housing. Figure 7 presents the data.

This series represents an upper bound. Some of the 790 students in this category in 2005, for example, will be living at home, commuting from outside the region, or otherwise falling outside of our area of interest and focus. Nevertheless, there is no reason to think that the proportion in such circumstances would change from one year to the next; so while the above numbers may be only a first approximation of the *levels* of demand in any given year, they should be a very good approximation of the *changes* in demand for this kind of housing, from one year to the next. Figure 7 graphs the difference between a given year's residual and the base year (1993) residual.

Figure 8 shows the substantial impact that variation in UMM overall enrollment and class sizes may have on the local rental market. From 2002-2005, for example, there would appear to be some 144 fewer students seeking off campus rentals. As a back-of-the-envelope calculation we can assume 3 students per house or apartment, which gives us a net change in demand of 48 fewer rental units over the 3 year period in question. City of Morris Housing Authority Director Melanie Fohl estimates a total of 765 rental units for the City of Morris, so this figure (48) represents a 6.3% decline in overall market demand.<sup>7</sup>

This is only an estimate for the beginning-of-year demand, but as pointed out earlier, there is significant attrition during the year from the dormitories, some of which surely captures withdrawals from college, but most of which represents a substitution of off-campus in place of on-campus housing. At a modest estimate of 10% attrition September-January, another 75-100 students will enter the local rental market by the beginning of spring semester. The difference between a high-occupancy year (1000) and a low occupancy year (750) is approximately a 25 student (or roughly 8 rental unit) difference in demand for local rental housing.

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<sup>7</sup> Personal communication with author, June 2006.

## Survey Results

Our telephone survey of students was administered between April 15th and May 1st, 2006, to 172 students living on- and off-campus. Appendix A includes the survey instrument itself. Table 1 presents in summary format the statistical results of the numerical questions.

Of the 172 students surveyed, 90 lived on-campus and 82 lived off-campus. Figure 9 presents the composition of the sample, according to academic status and residency. Figure 10 gives a finer breakdown of housing arrangements, from the answer to survey question number 2.

Figure 11 compares the perception of on- and off-campus housing costs, on the part of both on- and off-campus residents. It is clear from these numbers that off-campus residents systematically view on-campus housing as more expensive than those actually living in the dorms do. It is also true that those living on-campus systematically view off-campus housing as more expensive than those actually living off-campus do. Perhaps most curiously, both parties underestimate the true cost of on-campus housing, which in 2005-2006 varied from \$430-\$530 per month, depending on room characteristics.

Figure 12 compares the perception of on- and off-campus food costs, on the part of on- and off-campus residents. Similarly to the results above, off-campus residents systematically view the campus food service as more expensive than on-campus residents do. Likewise, on-campus residents systematically view off-campus food expenses as higher than those reported by off-campus residents. While the median on-campus resident views off-campus food expenses as about 1/3 less than on-campus, the median off-campus resident views them as more than 50% less. Again, curiously, both parties underestimate the true cost of on-campus meal plans. The 19-meal plan, for example, cost approximately \$375 per month in 2005-2006.

Figure 13 compares satisfaction ratings with housing and food service, both for current on-campus students and for former on-campus students now living off-campus. Again, there appears to be a power self-selection at work, with off-campus students having a significantly lower opinion of on-campus life than do their on-campus peers.

Figure 14 shows that a off-campus residents in the sample are satisfied, by and large, with their housing choice. 64 out of the 82 respondents rated their off-campus housing experience either a “4” or a “5” (on a scale of 1:5).

On the other hand, figure 15 shows that only 34 out of 90 dorm residents had a similarly high opinion of their on-campus living experience (i.e. rated it a “4” or a “5” on a 1:5 scale).

There are some reasons to believe that off-campus housing is not quite the bargain it is represented as, however. Only slightly over 50% of respondents rated their satisfaction with their landlord a “4” or a “5” (1:5). Approximately 10% rated landlord satisfaction a “1” or a “2”. Figure 16 illustrates. Median monthly transportation costs (question 13) were \$30/month.

## **Conclusions**

The survey results reveal that both on- and off-campus students actually underestimate the cost of both housing and food service on-campus. While on-campus students estimate off-campus housing and food costs that exceed what off-campus residents report, these latter data are self-reported and of dubious reliability, so we can’t conclude that on-campus students underestimate (or overestimate, for that matter) true off-campus living costs.

There are a variety of factors associated with dorm life that are not captured: social factors, proximity to campus activities, security and health, etc. Nevertheless, the survey results indicate that students who have moved off campus are well satisfied with their

decision—more so than on-campus residents, in fact. While it is not the purpose of this study to advocate for one arrangement or another, the fact that a) on-campus expenses are actually underestimated, and b) off-campus residents are content with their housing choice, suggests that persuading students to live on-campus is not a simple matter of correcting their misunderstandings about rental market experiences and the true cost of campus life.<sup>8</sup>

Any University strategy to increase dorm residency should stress convenience and quality-of-living characteristics, since cost competition is not favorable. On a deeper level, the town and the University share a common interest in the decisive issue for both dorm residency and rental occupancy: enrollment. While interests would appear to be opposed when it comes to vying for the existing student housing market, there is no evidence of a trend, or indeed of much variation in how the pie gets divided. At the macro level, improved enrollment stands to benefit all parties.

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<sup>8</sup> Although it remains possible that the reported off-campus costs of housing and food are in fact underestimated. Actual (as opposed to reported) expenditure data would be necessary to verify this.

**APPENDIX 1: FIGURES AND TABLES**

FIGURE 1

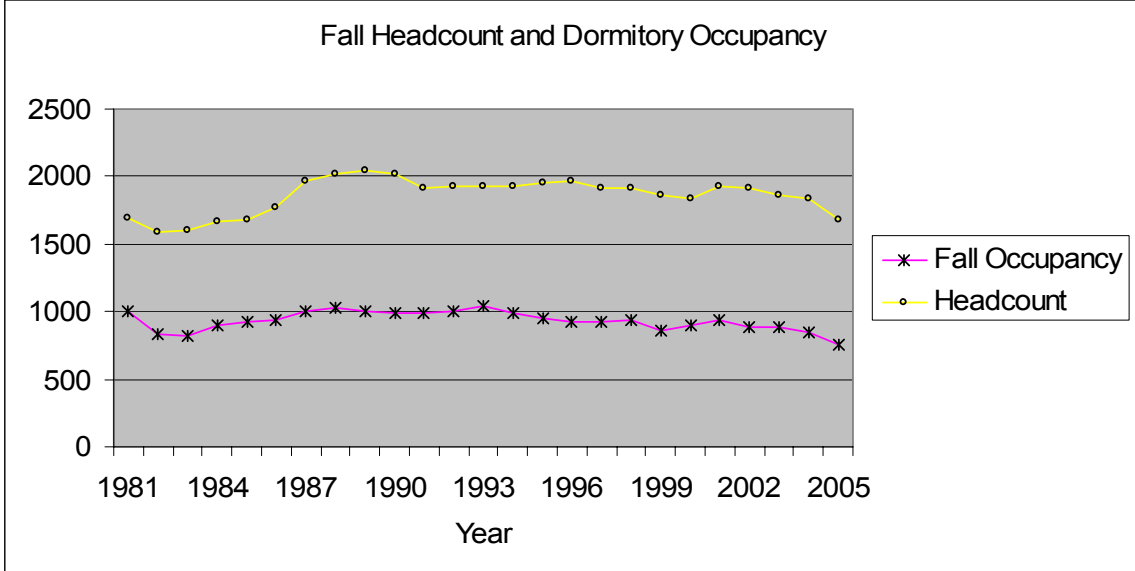


FIGURE 2

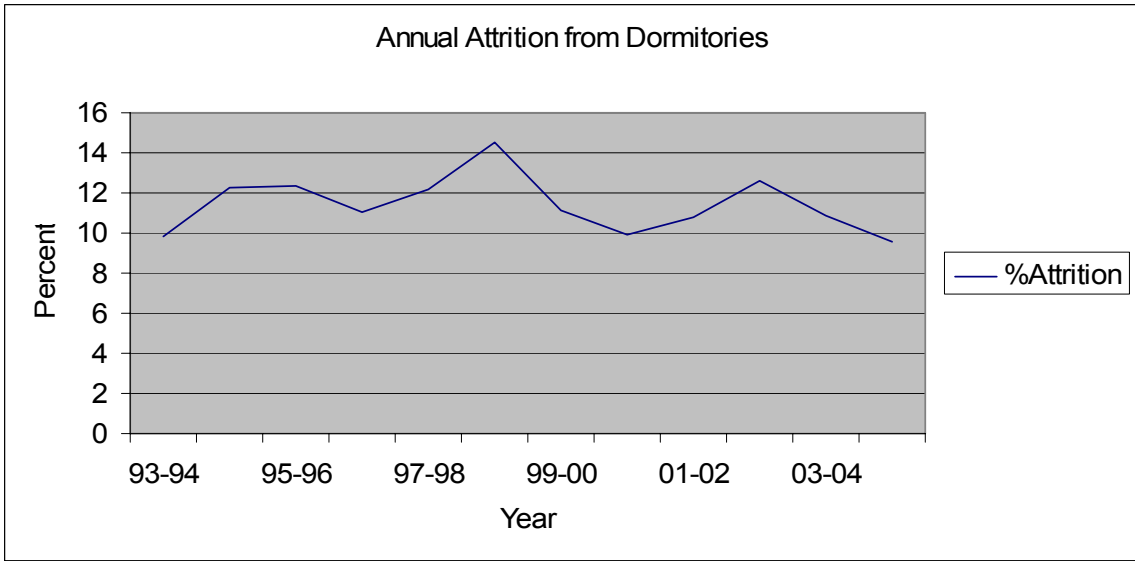


FIGURE 3

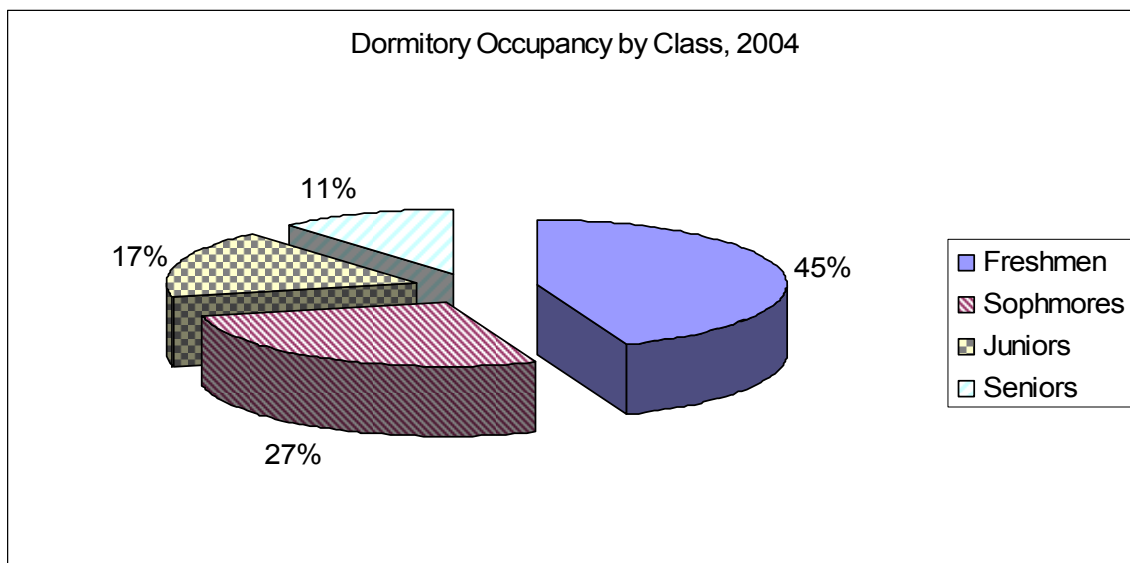


FIGURE 4

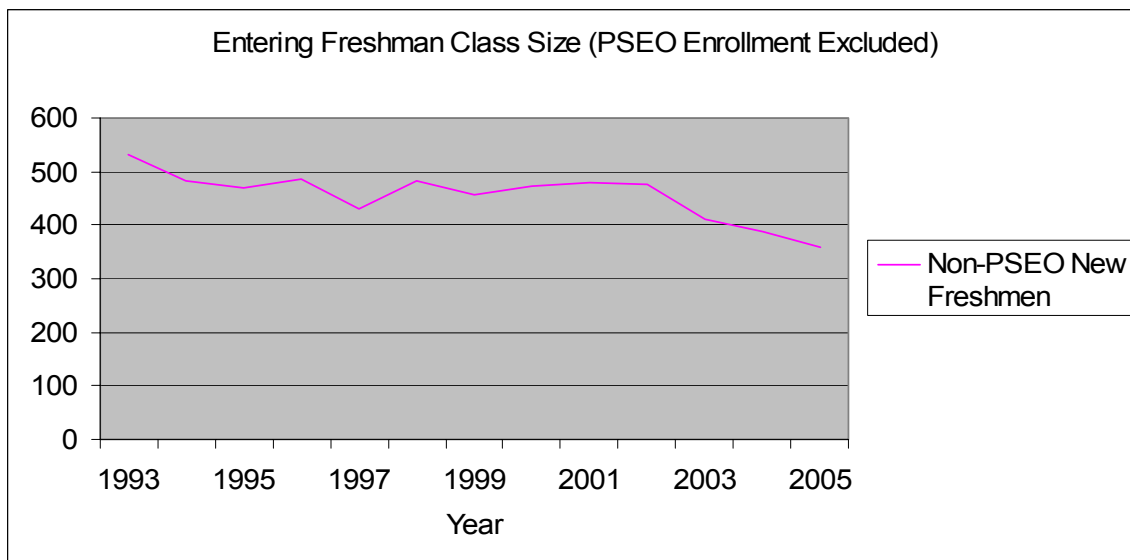


FIGURE 5

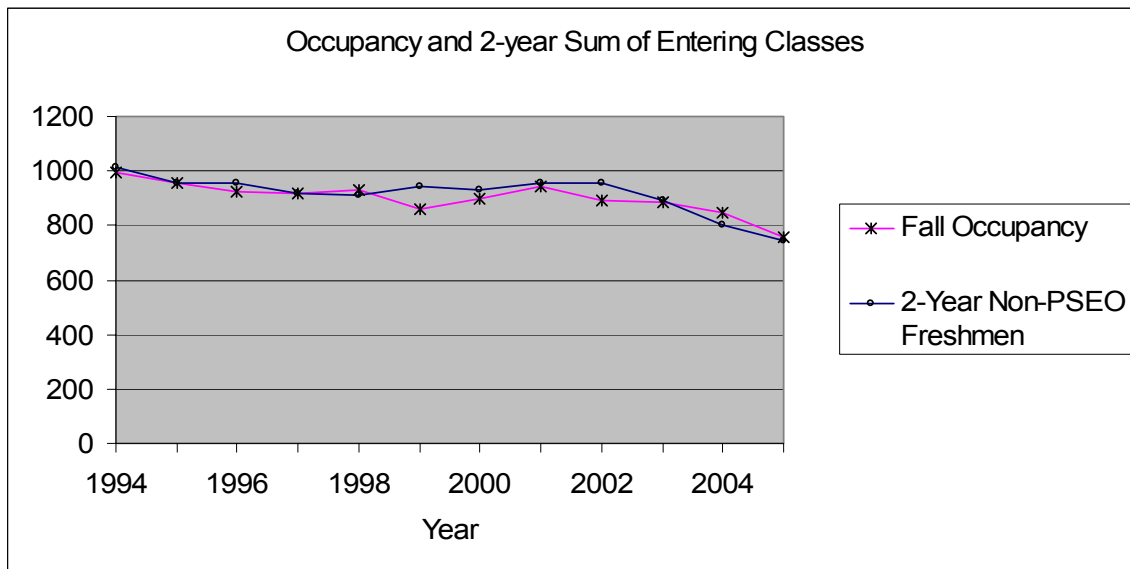


FIGURE 6

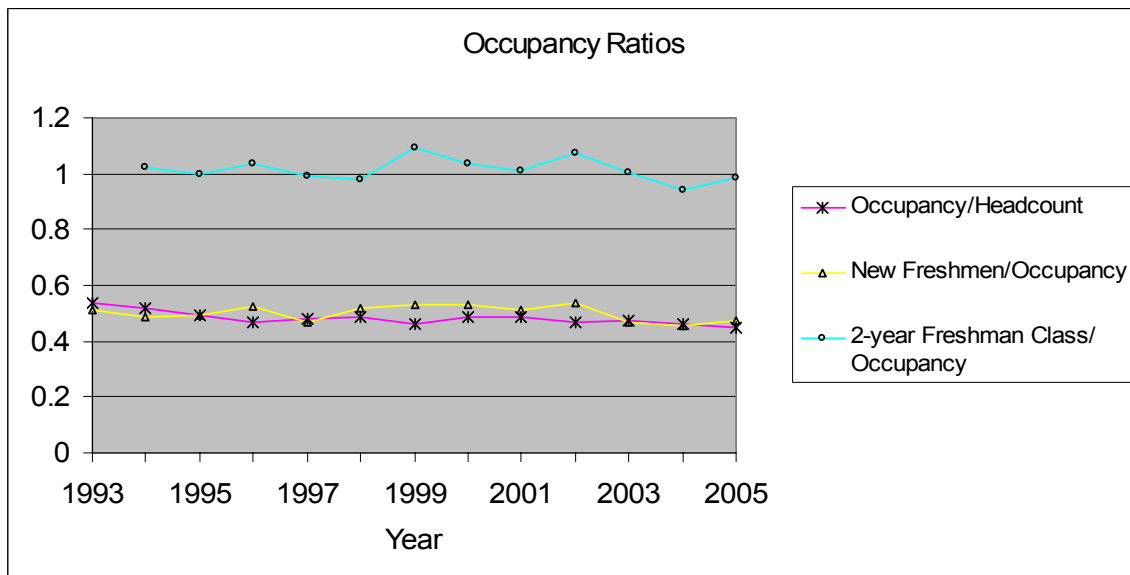


FIGURE 7

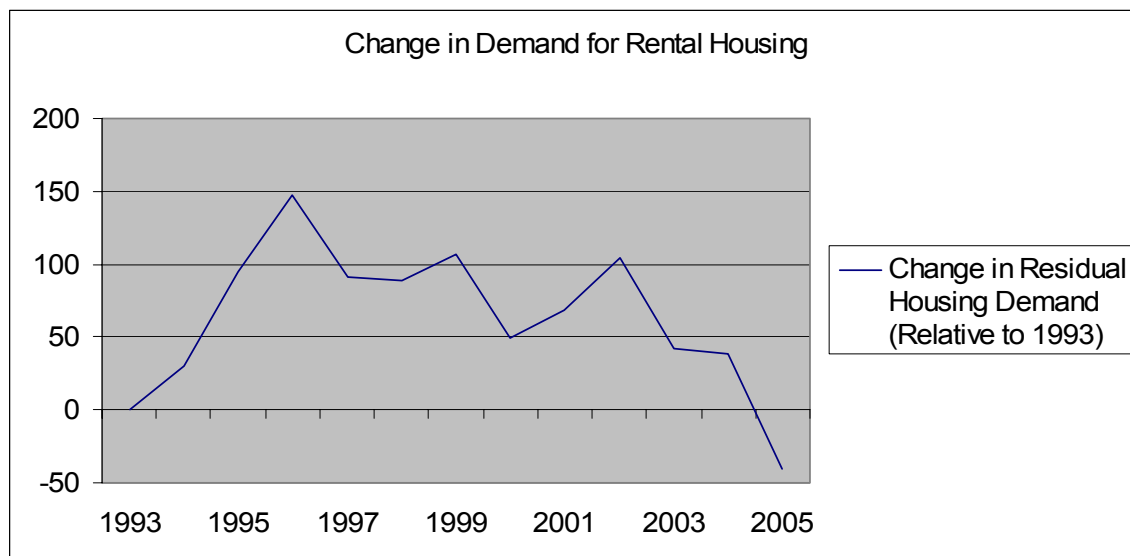


FIGURE 8

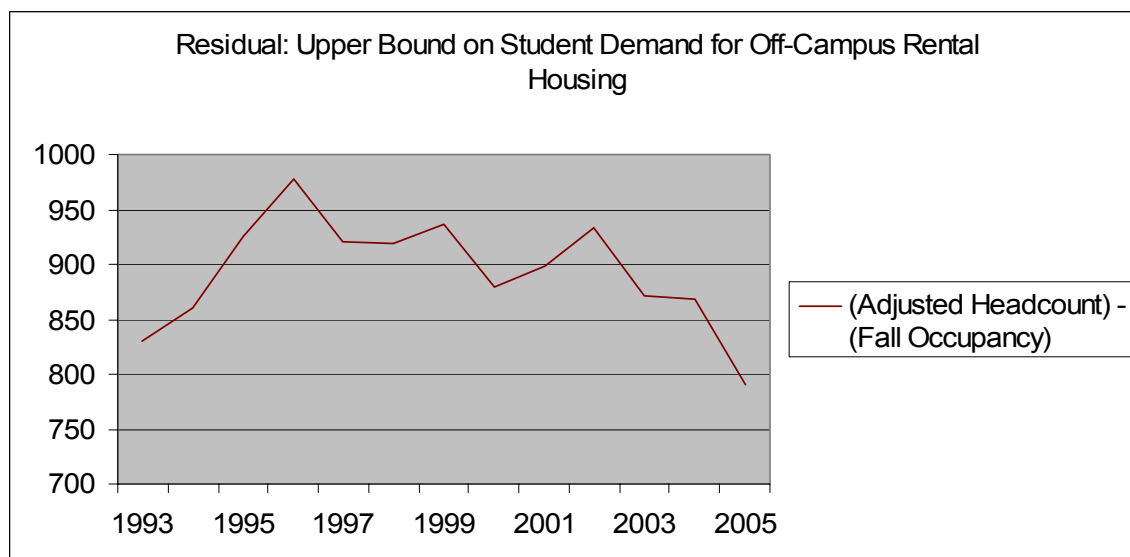


TABLE 1

Question #	Question content	mean (s.d.)	median
3	on campus residents' estimate of current monthly housing cost	385.30 (126)	392.5
4	on-campus residents' estimate of current monthly food cost	235.54 (192)	200
5	on-campus residents' estimate of off-campus housing cost	298.28 (432)	250
6	on-campus residents' estimate of off-campus food costs	150.17 (114)	120
7	on-campus residents' satisfaction with food/residence hall experience	3.07 (0.99)	3
9	off-campus residents' estimate of current monthly housing cost	288.65 (192)	230
10	off-campus residents' estimate of current monthly food cost	151.98 (107)	100
11	off-campus residents' estimate of on-campus housing costs	504.73 (408)	400
12	off-campus residents' estimate of on-campus food costs	343.95 (278)	300
13	off-campus residents' estimates of transportation costs to/from UMM	67.68 (98)	30
14	off-campus residents' reported satisfaction w/landlord	3.75 (1.00)	4
15	off-campus residents' reported satisfaction w/off-campus housing	4.02 (0.83)	4
16	off-campus residents' satisfaction w/their on-campus residence hall/food experience	2.5 (0.98)	2
20	hours/week spent working for pay	14.62 (11.55)	10
21	hours/week spent studying	16.25 (9.93)	15

FIGURE 9

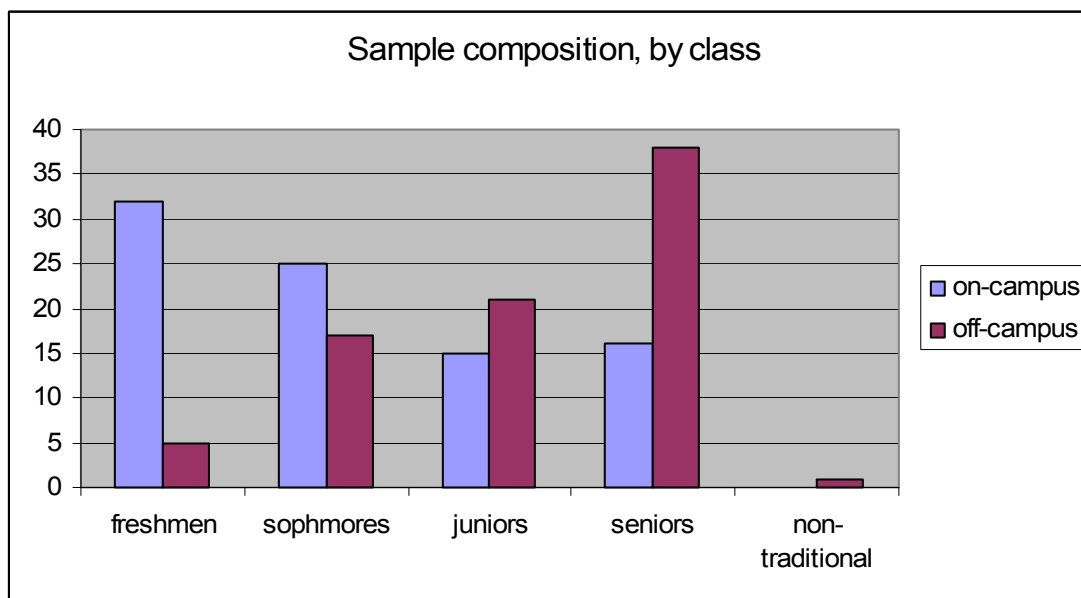


FIGURE 10

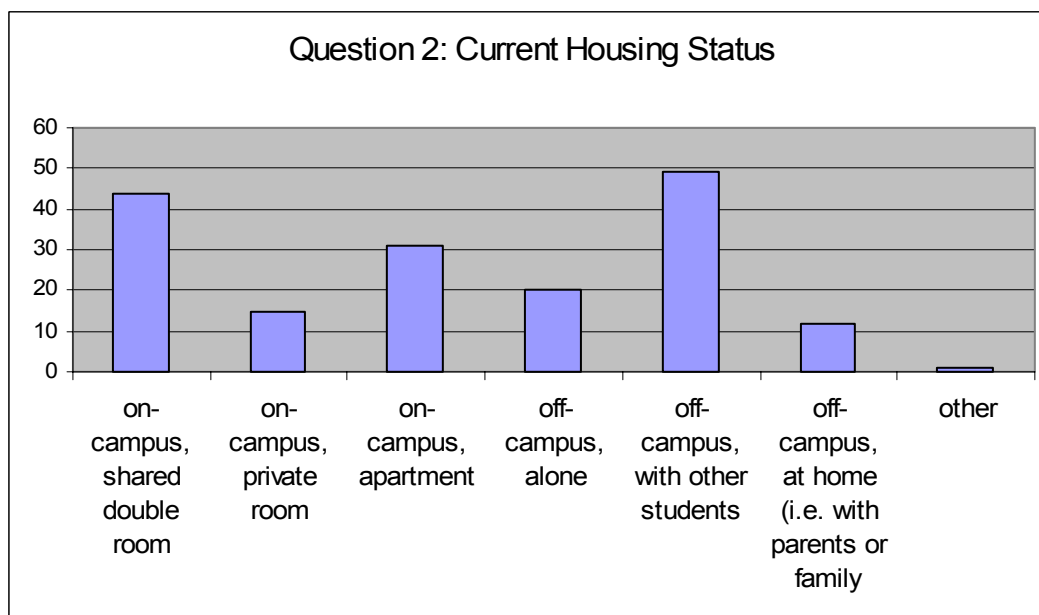


FIGURE 11

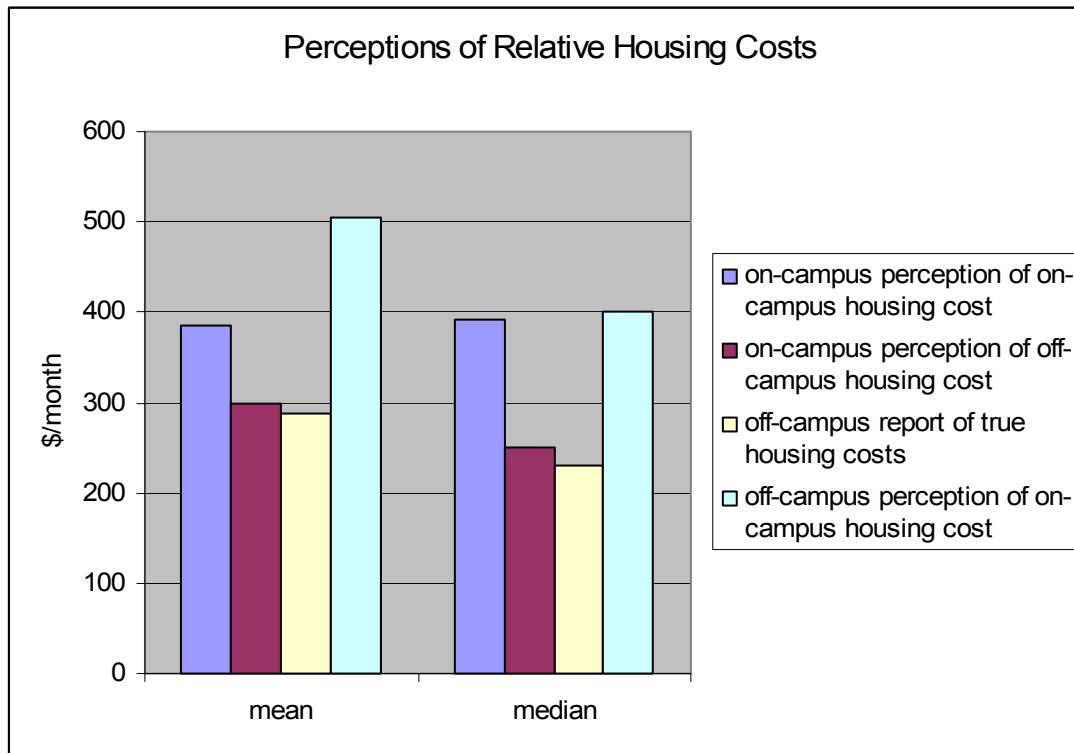


FIGURE 12

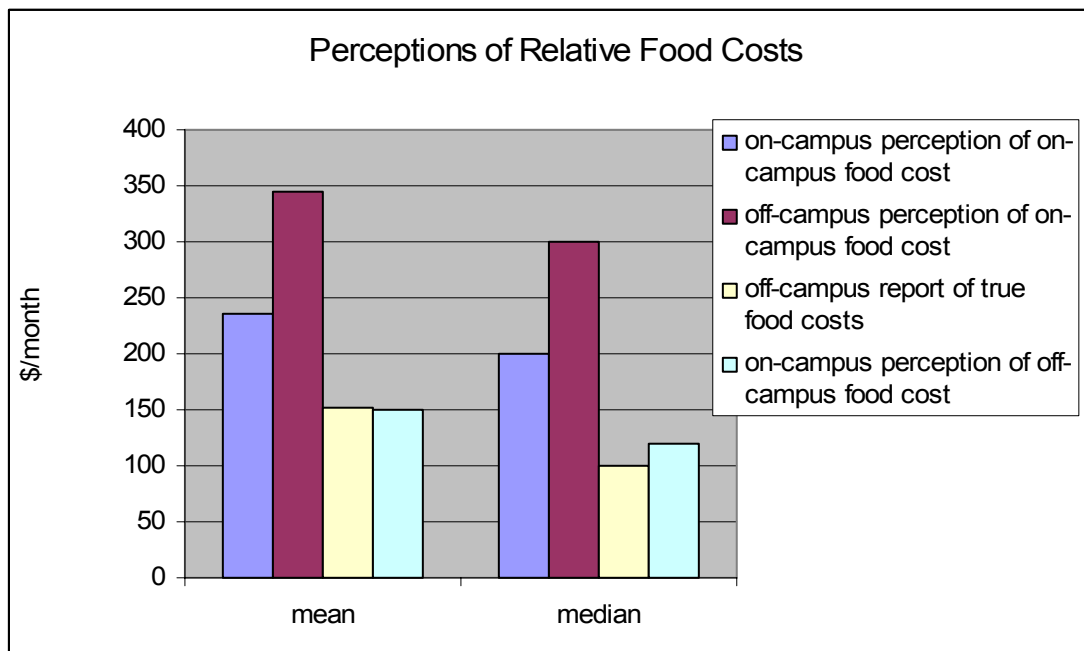


FIGURE 13

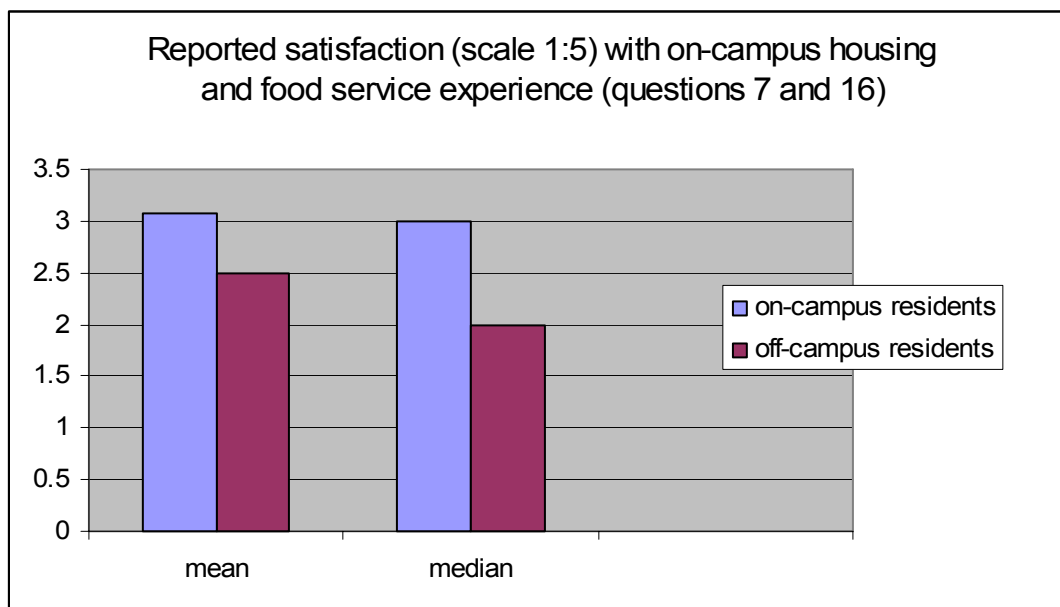


FIGURE 14

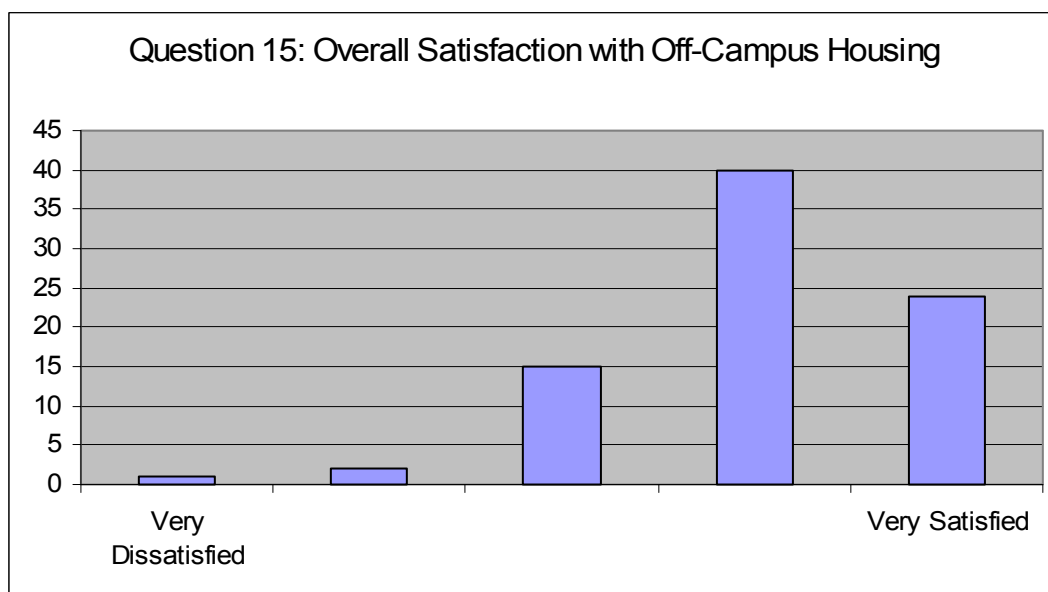


FIGURE 15

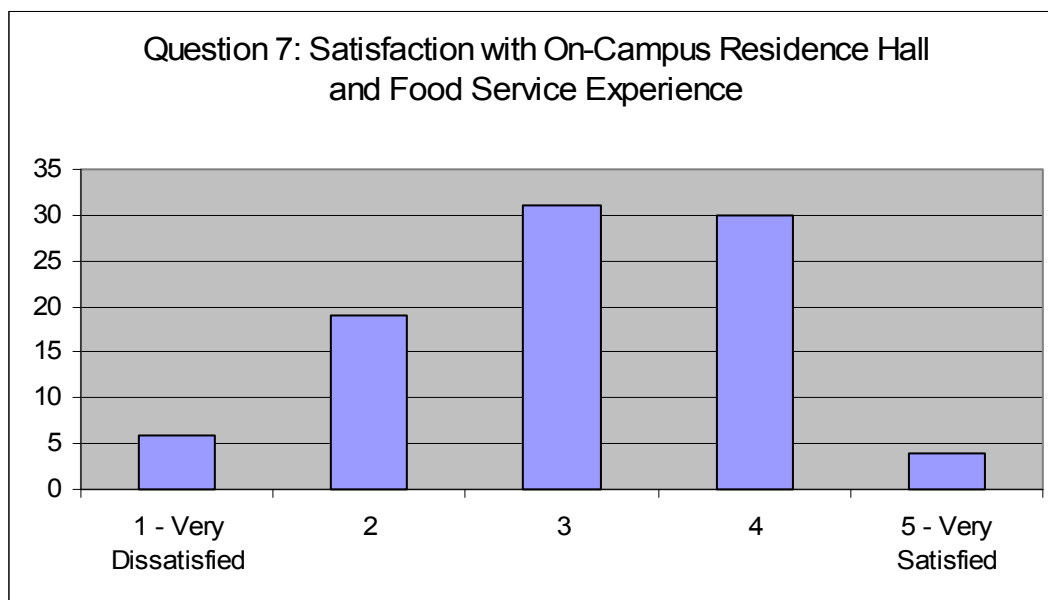


FIGURE 16

