

Attractive Features for San Luis Obispo's Collegiate Rental Market

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The purpose of this study is to analyze what college students would like to see in their rental units and would potentially pay more for if they had the option. It attempts to identify key features that would make valuable investments for rental unit owners. Data collection consisted of an anonymous online survey. Student respondents in the construction management major at California Polytechnic State University were asked questions regarding their current rental housing unit conditions and monthly rental costs. In addition, respondents were asked to further analyze the importance of a set list of features that could be added to their current rental housing unit, whether these features were already included, and to identify a dollar value range they would be willing to add to their monthly rent if the corresponding features were incorporated into their rental units. Of the 19 features analyzed in this study, students found relative importance in the following nine: washer, dryer, central heating, easily cleanable hard surface flooring, common area, adequate lighting, adequate parking, additional bathroom, and hard surface countertops. Of these features, washer, dryer, and central heating were the top three features respondents expressed that they would pay more for monthly.

Keywords: College Students, Off-Campus Housing, Rental Markets, Renter Preferences

Introduction

Prior to this study, there was limited knowledge about student housing preferences in San Luis Obispo. With such a large rental demand due to the collegiate presence, this study attempts to provide beneficial information that identifies features rental owners can add to their rental units to make them more attractive to student renters. According to information provided by the City of San Luis Obispo in the 2000 census, renter-occupied housing units increased from 58% to 61% in 2010, while the age distribution in the city for 18–24-year-olds makes up 33.6% of the population in comparison to only 9.9% of California's total population (Housing Element Community Profile, 2015). In addition, San Luis Obispo's rental market has become increasingly competitive as, "an increase in the number of renter households since 2010 has outpaced the number of rental housing units added to the market" (Ramirez, 2020). With such a large concentration of student-aged population in San Luis Obispo and an increasingly competitive rental market, new knowledge regarding the preferences of the largest age group renting in San Luis Obispo is necessary to further develop the rental market and cater to this different demographic's needs.

This research seeks to uncover new knowledge that could aid in the residential construction industry and home renovations. It seeks to identify amenities and housing features that are attractive to the largest portion of San Luis Obispo's population which could benefit those who own rental properties looking to renovate lower stock housing units or even developers adding various types of housing stock to the San Luis Obispo rental market. This information could prove useful for small-scale residential construction projects as well as new apartment construction ventures in San Luis Obispo.

This study will attempt to identify realistic features homeowners could add to their rental properties to make them more attractive to student renters in San Luis Obispo, California. It will examine the general rental market throughout the United States, and summarize the recent home improvement trends throughout the industry as of late and their attributing factors. Lastly, it will narrow its lens on the rental market in San Luis Obispo, take a look at emerging student off-campus preferences, and introduce new findings from California Polytechnic State University.

Literature Review

Rental Unit Data

According to Pew Research Center's (2020) evaluation of the Census Bureau Housing Data, the United States has seen an increase in households headed by renters rather than owners. As of 2016, households headed by renters account for 36.6% of the housing market, and are hastily approaching the historical renter status high of 37.0% set in 1965 (Cilluffo, 2020). In general, homeownership rates throughout the United States have declined from 67.9% in the second quarter of 2020, to 65.4% in the second quarter of 2021. Specifically, in the Western Region, homeownership rates have dropped from 62.6% to 60.1%. The West encompasses data collected from Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming, Alaska, California, Hawaii, Oregon, and Washington (U.S. Census Bureau 2016).

For the purposes of this study, it is also important that there is a clear understanding of what is meant by a 'housing unit' as it will be used synonymously with 'rental units' as they relate to San Luis Obispo's student renter population. A 'housing unit' is defined as:

“a house, an apartment, a group of rooms, or a single room occupied or intended for occupancy as separate living quarters. Separate living quarters are those in which the occupants do not live and eat with other persons in the structure and which have direct access from the outside of the building or through a common hall... Living quarters of the following types are excluded from the housing unit inventory: Dormitories, bunkhouses, and barracks; quarters in predominantly transient hotels, motels, and the like...” (Annual Statistics 2020 definitions and ...2020).

This definition sets parameters within this study for what is considered a housing unit within the United States and as particular interest is paid to San Luis Obispo hereafter.

Home Improvement Types and Trends

A study conducted by the Joint Center for Housing Studies of Harvard University (2021) revealed a 6% average annual increase in spending on home improvement projects for homeowners and renters. Since 2011, “Replacement projects (such as upgrades to roofing, siding, windows, systems, and equipment) continued to dominate the remodeling market in 2019, accounting for 46 percent of total expenditures. Spending on discretionary projects (such as kitchen and bath remodels and room additions) made up 29 percent.” In this study, home improvement projects were broken out into distinct three categories: (1) replacement, (2) discretionary, and (3) other. Replacement projects include the replacement of doors, openings, roofing, exterior siding, flooring, insulation, and all major and minor MEP systems and equipment. Discretionary spending included kitchen and bathroom remodels, room additions, and exterior additions like garages and decks. Other projects included outside property and disaster repairs. Outside property includes septic tanks, driveways or walkways,

swimming pools, fences, landscaping, and other storage and recreational structures (Improving America's Housing, 2021).

Other Attributing Factors

The composition of home improvement projects varies widely depending on age of housing stock, age of the homeowner, economic status of the homeowner, and proximity to natural disaster hotspots. As the housing stock continues to age, houses see a growing need to update home accessibility and conduct replacement projects. One of the largest most recent factors that has influenced the home improvement market has been the recent coronavirus pandemic. As offices and schools went dark for the majority of 2020, homeowners transitioned to working remotely while also accommodating virtual learning for children. Out of either choice, convenience, or necessity, families began to move back in with each other under one roof, and “many urban households that were able to telecommute left the cities, often for more affordable living situations. These profound lifestyle changes encouraged many owners to modify their homes to accommodate their new circumstances” (Improving America's Housing 2021). Along with changing priorities of housing units that follow the changing lifestyles of most Americans post-pandemic, the Better Businesses Bureau (2021) is inclined to believe that low interest rates, competitive pricing, an improving job market, and more eco-friendly and energy-efficient trends for remodelers will be the driving factors that will carry the home renovation market.

Student Renters and Preferences

Due to the high concentration of student renters, many areas within San Luis Obispo's housing market have experienced 'studentification.' The term studentification describes, “the high concentration of tertiary students moving into established residential areas and creating distinct social, cultural, physical and economic effects” (Noraini, 2017). In a Malaysian pilot study of students' off-campus housing preferences, there were five particular variables that would contribute; “namely location, rental cost, quality, housing type, and rent tenure” (Noraini, 2017).

While earlier it was highlighted that the rental market throughout the United States is at an all-time high and that more non-traditional demographic renters are increasing, “older adults, families with children, and high-income households” it is important to acknowledge the growing interest in student preferences (The State of the Nation's Housing, 2021). Currently there is high pressure on the private rental sector, “which often results in high rent, low-standard accommodation and problems between students and other residents in certain areas” (Thomsen, 2010). This study will attempt to decipher clear student renter preferences to help rental owners accommodate their living units to student renters.

San Luis Obispo

When narrowing the geographic confines of rental data searches, the same overall rental trends were observed. According to information provided by the City of San Luis Obispo (2010), renter-occupied housing units have increased from 58% in the 2000 census to 61% in 2010. In addition, the average household size within the city experiences declined from an average of 2.388 persons per household in 1990 to 2.29 in 2010. This decline puts stress on the supply of available housing units for individuals in San Luis Obispo. As household size declines, “the existing housing stock accommodates fewer people, exacerbating housing needs, particularly for families and large households” (Housing Element, Community Profile, 2015). This trend of declining household size also impacts the availability of housing stock in San Luis Obispo for college student renters in search

of economical housing. San Luis Obispo's population is heavily influenced by the presence of California Polytechnic University and Cuesta Community College, as 35% of its population is between the ages of 18-24 years old (Housing Element, Community Profile, 2015).

Acknowledging the need for student housing within this geographical area provides opportunities for owners of rental properties to cater their rental properties to or away from student housing. When looking at home improvement trends categorically within this market, identifying these additive features by analyzing student preference could alter the type of home improvements rental property owners undertake in the future.

Methodology

An anonymous online survey was distributed via email to the entire construction management student population at Cal Poly San Luis Obispo. The survey consisted of ten questions. The first five questions were multiple choice and examined the participant's year in college, type of housing unit, the number of individuals the participant currently lives with, how many people the participant shared a room with if any, and how many people the participant lived with in total. The next two questions were free responses and asked the participants to state how much of the total rental price the participant contributed to rent monthly, and how much the average total monthly rental cost is for their housing unit.

The final three questions consisted of five-point Likert scales addressing the following rental unit features: washer, dryer, central heating, air conditioning, sink with garbage disposal, easily cleanable surface flooring, common area, additional kitchen storage, additional study space, adequate lighting, adequate parking, refrigerator with icemaker, additional bedroom, additional bathroom, hard surface countertops (excluding tile), landscaping surfaces, turfed backyard, dishwasher, and shower with bathtub. The common area was defined in the survey as a shared space within one's rental unit that is designated for communal activities (i.e. eating, homework, and various forms of entertainment). Adequate lighting was defined as light intensity for twenty foot-candles or approximately a sixty-watt bulb at a clear distance of five feet. Adequate parking was defined as having an accessible parking space for every tenant in the rental. Lastly, landscaping services were defined as owner-provided services by a third-party gardening service that would come once a month. The eighth survey question asked the participant to state the level of importance of the features listed above as either very important, important, neutral, unimportant, or very unimportant. The ninth survey question asked whether the participant's current rental unit included the previously mentioned features. Lastly, the tenth survey question offered the following monetary ranges: \$0-25, \$26-50, \$51-75, \$76-100, and \$100+. These monetary ranges would indicate the amount the participant would pay in addition to their current rental cost.

Results

The survey was open for approximately four weeks and received 47 responses. Of the 47 respondents; 31 stated that they were renting an off-campus house; six answered they were renting University provided housing; five answered they were renting off-campus apartments; and five answered that they were renting a condo or townhome (see Table 1). By limiting the definition of what will be considered a 'housing unit' in the *Rental Unit Data* section, University housing options will be excluded from the field of this study.

Table 1: What type of housing are you renting for the 2021-2022 school year?

Category of Rental Unit	# of Respondents
University provided (Poly Canyon, Cerro Vista, etc.)	6
Off-Campus House	31
Off-Campus Apartment	5
Off-Campus ADU (Accessory Dwelling Unit)	0
Condo or Townhome	5
No Current Housing	0
Other	0

When asked what year in school the respondents were in, half identified as fourth years (50%), 13 were third years (28%), six responded that they were fifth years or greater (13%), three responded as second years (7%), and one responded that they were a first year (2%) (See Figure 1).

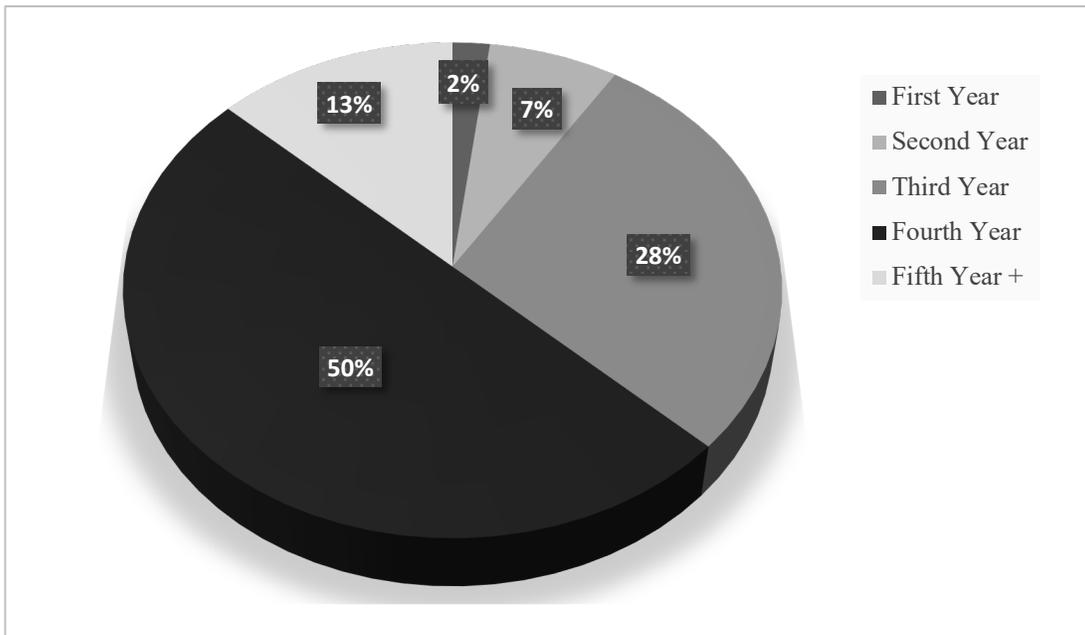


Figure 1: Demographics of respondents from survey

When asked how many rooms were in the respondent's rental units, answers varied widely. Thirteen of 47 responded their rental units had five or more rooms (28%), 12 responded that their rental unit

had four rooms (26%), 11 responded with three rooms (24%), nine responded with two rooms (20%), and one responded with one room (2%) (See Figure 2).

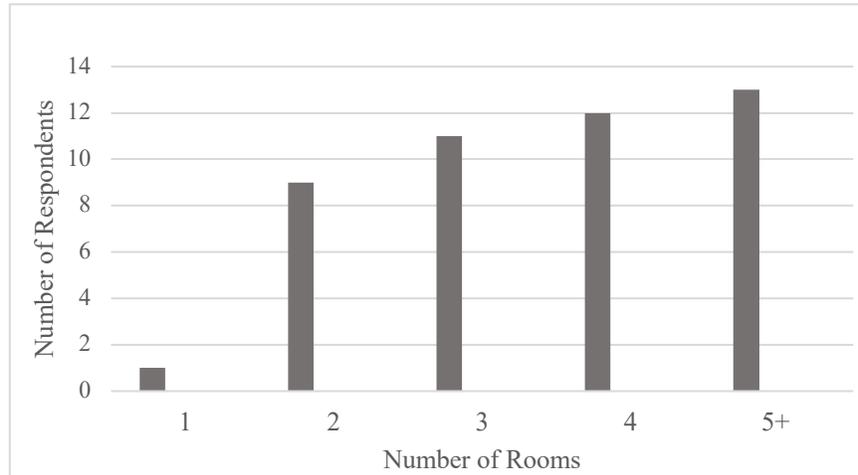


Figure 2: Number of rooms in respondent's rental unit

When asked how many individuals the respondents shared a room with, 37 out of 47 (80%) said that they did not share a room with anyone. Eight out of 47 said that they only shared a room with one other person, and one said that they shared a room with two people.

When asked how many people the respondents share a housing unit with; 15 out of 47 respondents answered that they share their rental unit with five or more individuals; eight answered that they share their rental unit with four individuals; nine answered that they share their rental unit with three individuals; six respondents answered that they share their rental unit with two individuals; another

six respondents answered that they share their rental unit with one individual; and two responded that they do not share their rental unit with anyone at all(See Figure 3).

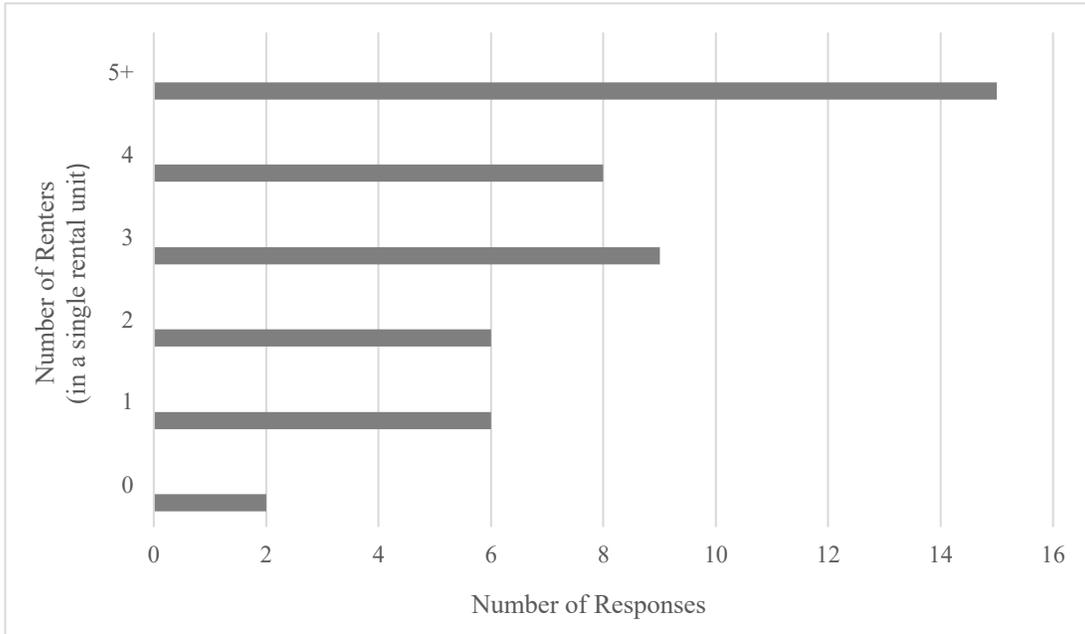


Figure 3: How many people do you share your housing unit with?

After the multiple-choice questions, two free-response questions asked the respondents what their individual monthly rent average was and what it costs to rent the entire unit that they inhabit. When asked what their individual average monthly rent was, the maximum response was \$1,200 and the minimum response was \$590. The average of the 47 respondents was \$903 and the most frequent response was \$1,100. When asked what their total monthly rent was for their entire rental unit, the maximum response was \$5,600 and the minimum was \$1,800. The average of the 47 responses was \$3,695.

For the final three questions, respondents were asked to consider the features listed in the methodology section above and in Figures 4 and 5. Of the nineteen respective features, the top four features regarded as 'very important' by respondents were: washer (72.9%), adequate parking (68.8%), dryer (66.7%), and common area (45.8%). The top six features regarded as relatively 'important' by respondents were: adequate lighting (58.3%), additional kitchen storage (51.1%), hard surface countertops (excluding tile) (43.8%), easily cleanable hard surface flooring (37.5%), central heating (37.5%), and additional bathroom (35.4%). additional study space (48.9%), additional bedroom (42.6%), refrigerator with an icemaker (31.4%), having a shower with a bathtub (34%), shower with a bathtub (34.0%), and landscaping services (31.3%) were regarded with relative neutrality. The remaining sink with garbage disposal, air conditioning, and dishwasher were regarded with relative 'unimportance' or 'extreme unimportance' (See Figure 4).

When asked which of the features the respondents did not currently have in their rental units, the most frequently 'not included' features were air conditioning (89.6%), refrigerator with icemaker (81.3%), and turfed backyard (79.2%). While the most commonly included features were common area (95.8%), hard surface countertops (excluding tile) (83.3%), adequate parking (81.3%), washer, dryer and shower with bathtub (79.2%).

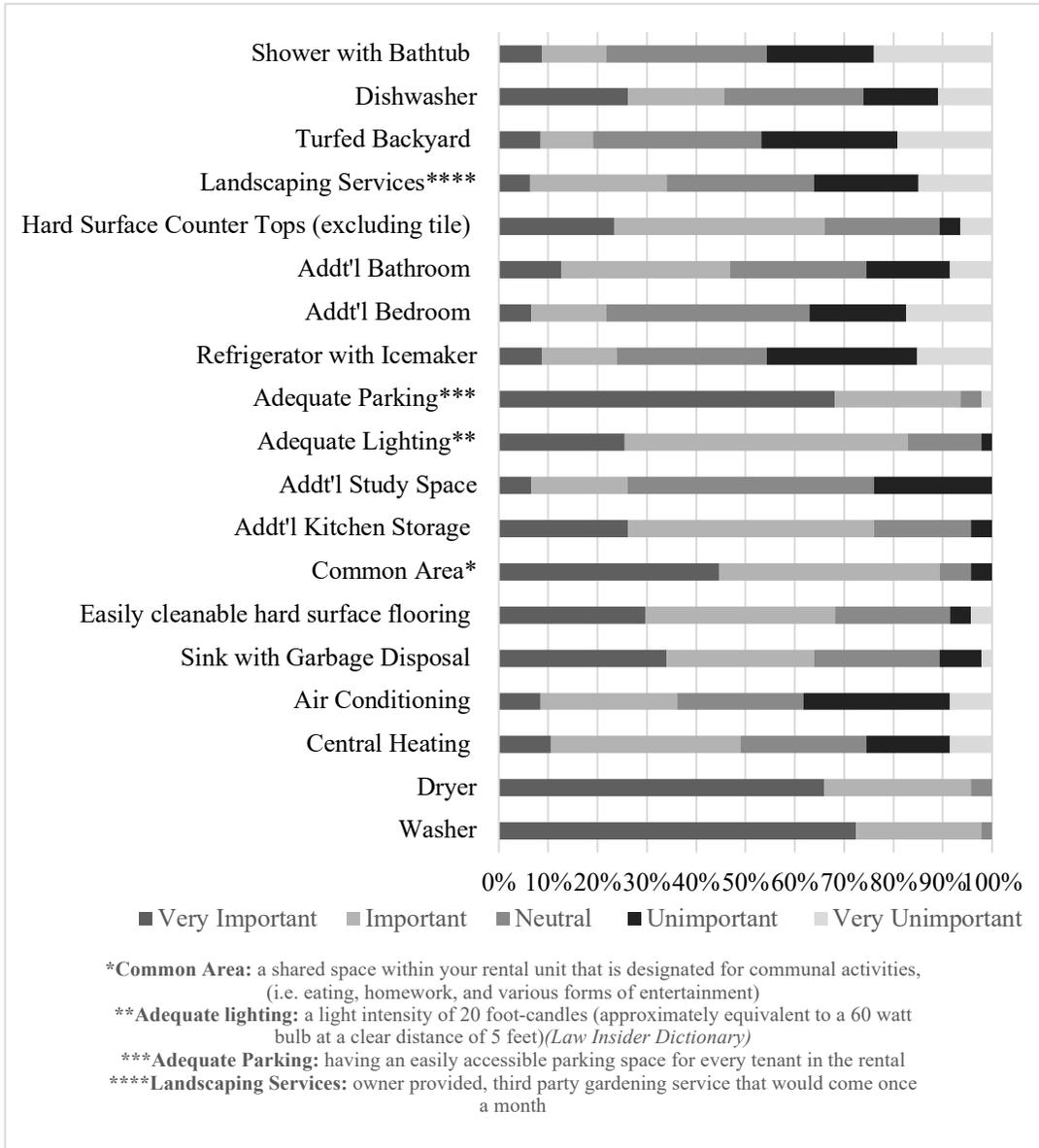


Figure 4: Importance of features as identified by survey respondents

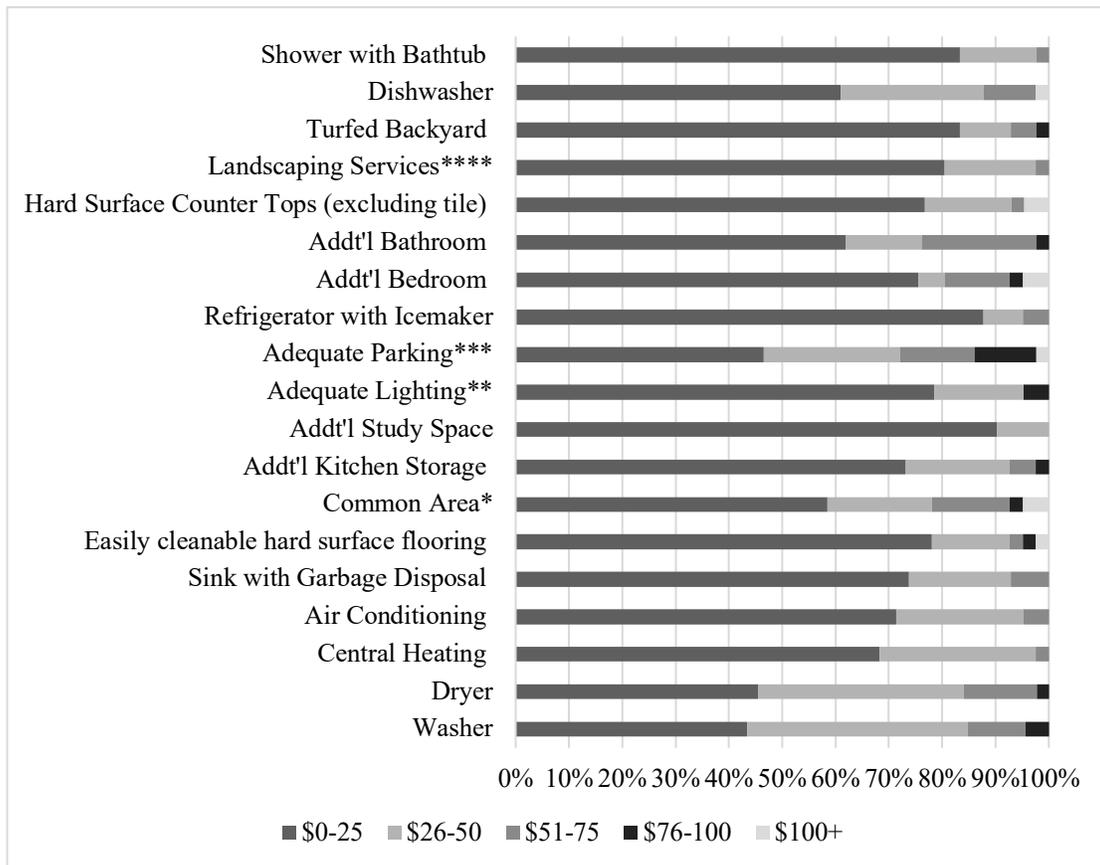


Figure 5: Dollar value respondents are willing to pay for additional features in a rental property

Lastly, when looking at the results to see what features respondents would potentially pay more monthly to have, relative importance was taken into consideration. Of the features regarded as either ‘Very Important’ or ‘Important’, the top three features for the \$0-25 range were: adequate lighting (76.7%), easily cleanable hard surface flooring (76.2%), and hard surface counter tops (excluding tile) (75%). The top three features for the \$26-50 range were: washer (40.4%), dryer (37.8%), and central heating (31.0%). The top three features for the \$51-75 range were: an additional bathroom (20.9%), common area (16.7%), and adequate parking (15.9%). The percentages for the two highest additional price ranges (\$76-100 and \$100+) were relatively low.

Analysis

When looking at the current student rental market, research suggests that a majority of college students are living in off-campus houses over any other rental unit type (66% according to the data in Table 1). Over half of the respondents are living in rental units that have four or five+ bedrooms which correspond to the nearly half of respondents inhabiting a rental unit of four or five+ individuals. In addition, roughly 80% of respondents answered that they have their own room within the rental

unit. With the implication that many student renters already have their own bedroom the respondent's relative neutrality when addressing features dealing with additional personal space, such as 'Additional Bedroom' and 'Additional Study Space', is justifiable. It also suggests that if renters are allotted their own bedroom, additional personal space is not preferred, and rental investors should not focus on creating additional personal spaces in their rental properties for student renters.

As stated in the results section above, connections were only drawn between features that respondents deemed 'Very Important' or 'Important' in survey question 8 and additional monetary ranges in survey question 10. Of the 19 features, the features that respondents identify as 'very important' or 'important' were: washer, dryer, central heating, easily cleanable hard surface flooring, common area, adequate lighting, adequate parking, additional bathroom, and hard surface counter tops. Of these the top three features that respondents expressed being willing to spend an additional \$0-25 were: easily cleanable hard surface flooring, adequate lighting, and hard surface counter tops(excluding tile). Incorporating a washer, dryer, and central heating were the top three significant features that respondents indicated they would pay an additional \$26-50 on monthly. These are realistic features that could be worthwhile for rental investors to incorporate into their properties, allowing them to install these units while increasing the rent to cover the cost of the appliances and their maintenance.

While respondents expressed importance in having a common area, additional bathroom, and adequate parking, there was no clear indication on any of the price ranges that respondents would be willing to pay a certain amount more monthly for those features. Results indicated that the top three features for the \$51-75 range were an additional bathroom (20.9%), common area (16.7%), and adequate parking (15.9%), but these are not majority percentage across the board for each specified feature and are not considered significant for this study.

Lastly, the remaining air conditioning, sink with garbage disposal, additional study space, refrigerator with an icemaker, additional bedroom, landscaping services, turfed backyard, dishwasher, and shower with a bathtub were features that college student renters regarded as relatively unimportant or treated with indifference. This suggests that rental investors should not focus on incorporating these items into their properties if their target market is collegiate renters because they expressed little care about them. Observable studentification patterns and preferences could give rental owners insight into student priorities and thus help them either target or dissuade student renters in the private rental market.

Conclusion

The purpose of this study was to analyze what college students would like to see in the rental units that they occupy and would potentially pay more for if they had the option. The study attempted to identify students' rental preferences by addressing 19 distinct features that could be reasonably added to a rental unit and make a worthwhile investment for the rental owner. This aspect was analyzed by the student's willingness to pay an additional amount of money for each different feature.

This relates to the construction industry because a majority of the identified features involve home improvement projects and updates. In researching what features rental property owners could add to their properties to attract college students and potentially generate a greater return on their investment, new knowledge could be produced for potential residential investors in San Luis Obispo. This is significant information for real property managers, owners, and even potential investors in rental properties in San Luis Obispo. This information will benefit the rental market to inform owners how they can be spending their money. It is also specific to college-aged renters, so individuals roughly 18

to 22 years of age, and it attempts to uncover small-scale property features that would enhance student living.

When reviewing the anonymous survey questions some limitations were identified. For question ten that asked students to identify a range of money they would pay in addition to their current monthly rent for the respective feature, there should have been a category where students responded that 'they would not pay any additional money' or '\$0'. This would have given a clearer indication of what features students would pay an additional cost for, instead of automatically choosing the lowest price-range (\$0-25) for the features they deemed of little value. In further analysis of the survey demographics, it would have also been interesting to ask respondents their gender to attempt to identify preferential differences among college student genders. Some limitations acknowledged in the literature review were that the City of San Luis Obispo has not yet published the most recent decades' Community Profile as a consequence of the pandemic.

In San Luis Obispo's most recently published Community Profile (2010), there was an indication that the household size in the region was on the decline. This trend was not identified in the anonymous survey results as nearly half of respondents indicated that their rental unit was occupied with four or five+ renters. The three discernable home improvement types identified in this study are replacement, discretionary, and other. Of the ten features, respondents indicated as relatively 'important' or 'very important' the following fall into the category of a replacement improvement project: hard surface countertops, adequate lighting, easily cleanable hard surface flooring, central heating, washer, and dryer. Additional bathroom, additional kitchen storage, and common area fall into the discretionary home improvement category. Lastly, adequate parking falls into the other home improvement category. It was also addressed earlier in this study how there is high pressure on the current private rental market due to an increase in demand across the board from rental housing. Generally, this increase in demand also increases rental price with the caveat of a low-standard of accommodation. From this study, it was found that the average monthly rental cost from the forty-seven respondents was roughly \$3,700. An increase in rental cost may be a contributing factor to the respondent's relative reluctance to pay more for the additive rental features.

Lastly, gathering feedback on location preferences in San Luis Obispo was another rental attribute that would be interesting to address in further research of the region's collegiate rental market. This study chose to leave the element of location out due to the fact that it is a noncontrollable variable for rental owners. Identifying physical neighbors and preference in proximity to resources could give rental owners and investors a better understanding of where Cal Poly students would prefer living.

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