



## College Towns Spur Economic Growth

📌 industry update economy

**Summary:** Colleges are often a key economic driver for their surrounding towns and cities because they attract spending power, encourage innovation, and drive demand. We explore these drivers and discuss some of the opportunities available for CFIs in college towns.

Established in 1636, Harvard University is the oldest higher education institution in the United States. It counts eight US presidents among its alumni, along with numerous Nobel Laureates, Pulitzer Prize winners, billionaires, Olympians, and other prominent people. Harvard has [grown tremendously over the centuries](#); while the university's first classes were held in a single-frame house, it now owns over 5K acres of real estate. The university also has the largest endowment of all US universities, [valued at just under \\$50B](#).

While not all colleges share Harvard's history, prestige, or funding, the towns in which they're located can often be good sources of business for community financial institutions (CFIs). We explore the ways in which colleges drive economic activity in their areas and the associated opportunities for CFIs.

### Economic Engines

Colleges are often a key economic driver for their surrounding towns and cities because they:

- **Attract spending power.** With large numbers of employees, many of whom will choose to live and shop in the area surrounding a campus, in addition to students and their visiting friends and families — colleges are often a vital source of income for the local community. The knock-on benefits in terms of encouraging business growth and development, along with social benefits such as affordable housing and urban regeneration, shouldn't be underestimated.
- **Drive real estate demand.** Colleges are often the anchor tenant for real estate development, with staff and students all in need of somewhere to live. Many students also choose to remain in their college town after graduating. Real estate investors are attracted by a steady stream of students needing rental accommodation. The need for community amenities such as shops, restaurants, nightclubs, fitness centers, and more also drives demand for commercial real estate.
- **Encourage innovation.** Colleges are often centers for innovation, research, and entrepreneurship. The strong interplay between colleges, corporations, research labs, and entrepreneurs can attract top talent and investment — both for these innovation hubs and the surrounding areas.
- **Support economic activity.** Colleges have been “saviors” for some towns, particularly those that were previously reliant on local manufacturing to drive the economy. Although this and other similar industries have declined in recent decades, the presence of [a large research university has been shown to support economic activity](#) and help maintain steady employment growth in the area.
- **Create development opportunities.** The pandemic-related trend toward remote and hybrid working has seen college towns emerge as even more desirable places to live. Evidence suggests that [Gen Z is particularly attracted to college towns' affordable housing](#) opportunities and their recreational amenities. These growing populations attract even more investment in housing — particularly multi-family and student housing — retail and leisure facilities.

## College Town Opportunities for CFIs

Here are **four ways in which your institution could capitalize on college towns.**

1. **Make the most of real estate lending opportunities.** All the real estate projects required for a college town — multi-family housing developments, student accommodation, affordable housing, business premises, and more — require significant funding. By offering competitive rates and leveraging your local knowledge and longstanding relationships, your institution could benefit from these opportunities and become the real estate lender of choice in various college towns.
2. **Work with new businesses.** Some graduates will go on to start new businesses in their college towns, attracting investment, talent, and more development. Meanwhile, as more remote workers move to college towns, companies are starting to consider opening satellite offices in those areas. These entrepreneurs and businesses may need funding, along with their usual business banking requirements — creating golden opportunities for CFIs.
3. **Tap into student talent.** By their very nature, college towns tend to host a high percentage of young, highly educated, in-demand workers. Positioning your CFI as an attractive employer for these graduates could help your institution overcome some of the challenges associated with the competitive talent market.
4. **Target new customers.** The influx of new students every year provides a fantastic opportunity for CFIs to gain new customers, and appeal to younger generations. In fact, one financial institution has developed an online college planning platform to appeal specifically to this market. Your institution's digital service offerings, social media presence, financial education offerings, and affordable fee structures are key to enticing Gen Z, and eventually, Gen Alpha. Similarly, remote workers moving out of the big cities and into more affordable college towns might be attracted to banking with a local, community-focused institution.

There's a wealth of possibilities for new businesses, real estate development, and more in college towns. To make the most of the opportunities offered by doing business there, CFIs must be prepared to tailor their services and products to meet the specific needs of customers found in these areas.

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## ECONOMY & RATES

Rates As Of: 08/07/2023 05:42AM (GMT-0700)

| Treasury         | Yields         | MTD Chg     | YTD Chg |
|------------------|----------------|-------------|---------|
| 3M               | 5.54           | -0.01       | 1.12    |
| 6M               | 5.50           | -0.03       | 0.74    |
| 1Y               | 5.31           | -0.05       | 0.61    |
| 2Y               | 4.82           | -0.06       | 0.39    |
| 5Y               | 4.19           | 0.01        | 0.19    |
| 10Y              | 4.09           | 0.13        | 0.21    |
| 30Y              | 4.24           | 0.23        | 0.28    |
| <b>FF Market</b> | <b>FF Disc</b> | <b>IORR</b> |         |
| 5.33             | 5.50           | 5.40        |         |
| <b>SOFR</b>      | <b>Prime</b>   | <b>QBER</b> |         |

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