Bond Case Briefs

Municipal Finance Law Since 1971

Washington University Latest School to Sell $1 Billion in Munis.

- **Deal comes to market amid weak muni performance and volatility**
- **Federal stimulus for higher education likely to end this year**

Washington University in St. Louis is planning to sell $1 billion in municipal bonds, joining a wave of schools tapping taxable debt amid a period of historic volatility and weak performance in the $4 trillion market.

The private university is looking to finance a slate of capital projects, including a neuroscience research facility and cancer center, offering investors one of the largest taxable deals on the calendar that's expected to price this week, according to roadshow documents.

"If you have your focus on credit and you know how to maneuver the market well, there are definitely buying opportunities," said Dora Lee, director of research at Belle Haven Investments. "Rewind to last year, everyone was looking for yield, and now yield is here."

The Missouri university is the latest school to issue taxable debt this month, following similar deals by the Massachusetts Institute of Technology and University of Michigan.

The higher education sector was hit with credit downgrades early in the pandemic, and many colleges and universities have struggled to overcome pressures on enrollment, on-campus living and fluctuations in state budgets. This year will likely be the last to see significant budget relief from federal Covid stimulus, according to a Fitch Ratings report, and it could be a painful transition.

That said, enrollment declines were on average less severe at private colleges and universities, and top-choice schools were better insulated from wavering student interest, according to the Fitch report. Washington University accepted 13% of its applicants this year. Plus, it has seen full-time enrollment grow 12% since the 2017-18 school year despite a slight dip during the pandemic.

The deal stands to benefit from solid investor demand, garnering an Aa1 rating from Moody's Investors Service, which cited a strong financial profile, leadership and an "excellent" brand.

The University of Michigan's century bond — the biggest ever sold by a college or university and part of a record $2 billion debt package — was "well-oversubscribed" earlier this month, according Barclays Plc, the underwriter.

However, Washington University's deal will likely price "slightly cheaper" given the difference in name, said Nisha Patel, a managing director at Parametric Portfolio Associates LLC. It will also issue the debt under a corporate CUSIP in a move that may give the school more flexibility in how it spends the proceeds.

"This is obviously not the typical structure that most muni buyers are looking for, especially all that duration in an environment where rising rates are a concern," she said.

Washington University plans to use the funds to build a 620,000-square foot neuroscience facility with an 1,800-car garage, as well as an ambulatory cancer center that will be jointly owned with Barnes-Jewish hospital.

Bloomberg Markets

By Nic Querolo

March 30, 2022, 8:00 AM PDT

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com