



MIXED-USE DEVELOPMENT TRENDS

REALTORS Land Institute Webinar
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RCLCO
REAL ESTATE ADVISORS

ABOUT RCLCO

- ▶ RCLCO (formerly Robert Charles Lesser & Co.) is the leading knowledge solutions provider to the real estate industry
- ▶ “First call” for those seeking strategic and tactical advice regarding property investment, planning, and development
- ▶ We provide end-to-end advisory and implementation solutions at an entity, portfolio, or project level
- ▶ Engaged on ~500 projects annually touching more than \$5B in real estate
- ▶ Affiliated with more than 25 leading industry associations including ULI, NMHC, etc.



WHY MIXED USE?

Growing market wants walkable, mixed use environments for convenience and greater sense of community

Developers recognize and appreciate the premium pricing that can be realized, particularly for multifamily residential associated with retail and restaurants

Millennials, especially those in higher earning professions, are a key target market

A growing share of aging Baby Boomers are seeking high quality rentals and condominiums in urban mixed use environments

Companies are relocating offices to mixed-use environments as part of their hiring and retention strategy to appeal to their younger urban preferring work force

CRITICAL SUCCESS FACTORS

LOCATION

- ▶ Situated where the underlying demand fundamentals support each of the land use elements
- ▶ Situated where the location is an amenity due to its walkability, connectivity to commercial and civic amenities such as shopping, services, entertainment, employment, parks and public transportation
- ▶ Site meets the needs of all the land uses, e.g. retail needs visibility and access to both on-site and off-site market audiences

DESIGN

- ▶ The architecture is both interesting, exciting and appropriate to the location, and meets the needs of both residential and commercial users

LAND USE MIX

- ▶ The housing component fills an under-served niche in the market for more urban living and access to on-site and neighborhood amenities

MADISON SQUARE MALL REDEVELOPMENT

REAL TIME NEWS FROM HUNTSVILLE

“The planned mixed-use development at the site of a downtrodden Huntsville mall is expected to net the city more than \$200 million in tax revenue, according to a study.

The revenue study of MidCity Huntsville, recently completed by RCLCO (Robert Charles Lessor & Co.), said that the tax revenue would be generated over a 20-year period.


The study said that the MidCity project would generate more than \$258 million in tax revenue for the city. For comparison, the study said that declining baseline at Madison Square Mall would generate just \$9.9 million over the same time span.

The study also said the MidCity project would create more than 1,525 permanent jobs in hospitality, retail, park and office positions as well as 4,480 construction jobs.”

REAL-TIME NEWS FROM HUNTSVILLE

Project at Madison Square Mall site could mean \$250 million to Huntsville

Updated on December 6, 2016 at 12:06 PM, Posted on December 6, 2016 at 11:59 AM



MADISON SQUARE MALL REDEVELOPMENT

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Public Amenities / Park

RESEARCH PARK BOULEVARD

OLD MONROVIA ROAD

AREA 120

THE POINT

EVERY BODY MADE

Mid City HUNTSVILLE

COMING SOON

MIDCITYHUNTSVILLE.COM

LEASING:
SHANNON MARTIN
404.312.4305

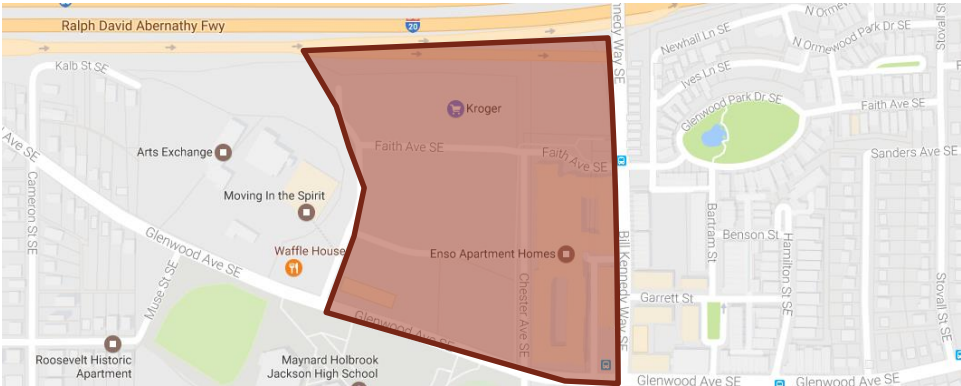
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GLENWOOD PLACE

CASE STUDY

METRO: Atlanta, GA
YEAR BUILT: 2016
SIZE: 385,000 SF
DEVELOPER: Fuqua Development and Trammell Crow Residential
ARCHITECT: Dwell Design Studio
PROGRAM:
 Retail: 175,000 SF
 Office: N/A
 Residential: 216 Units (rental)
 822 SF Avg Size

**SURROUNDING AREA PRIMARILY RESIDENTIAL;
 LOCATED ADJACENT TO ATLANTA'S BELTLINE TRAIL**



RETAIL MIX ON SITE*:



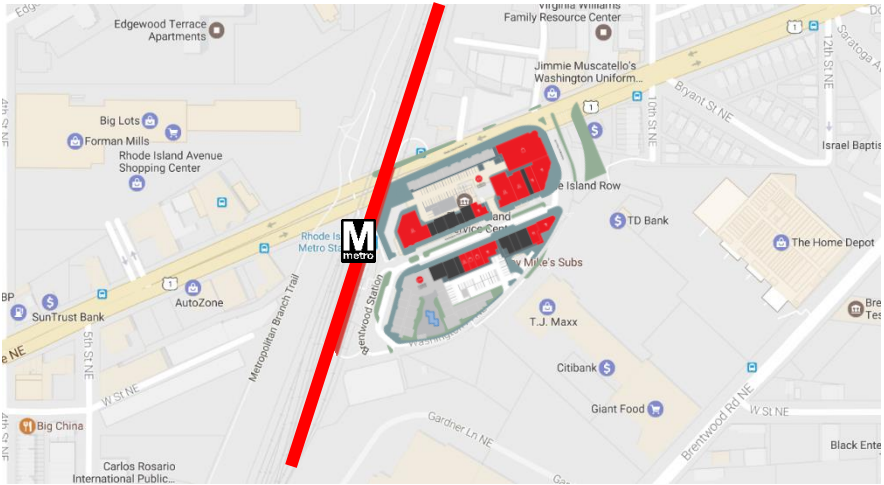
* Percentages based on number of occupied retailers
 Source: RCLCO, Axiometrics, Property Websites

RHODE ISLAND ROW

CASE STUDY

METRO: Washington, D.C.
YEAR BUILT: 2011
SIZE: 350,000 SF
DEVELOPER: Urban Atlantic and A&R Development
ARCHITECT: Lessard Design
PROGRAM:
 Retail: 70,000 SF
 Office: N/A
 Residential: 274 Units (rental)
 940 SF Avg Size

BUILDING LOCATED ADJACENT TO METRO (SUBWAY) STATION



RETAIL MIX ON SITE*:



* Percentages based on number of occupied retailers
 Source: RCLCO, Axiometrics, Property Websites

MCHENRY ROW

CASE STUDY

METRO: Baltimore, MD

YEAR BUILT: 2011

SIZE: 613,000 SF
(excluding proposed program)

DEVELOPER: 28 Walker

Development

ARCHITECT: Martin

Architectural Group

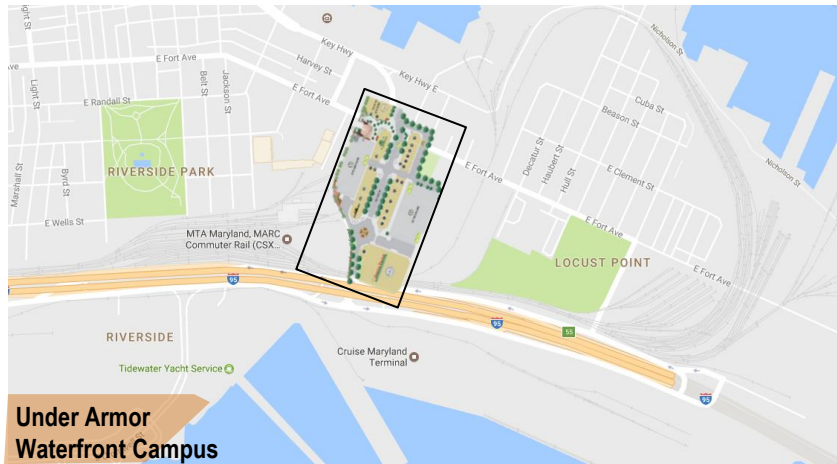
EXISTING PROGRAM:

Retail: 110,000 SF
Office: 300,000 SF
Residential: 250 Units (rental)
811 SF Avg Size

PROPOSED PROGRAM:

Office: 100,000 SF
Residential: 224 Units (rental)
Hospitality: 119 Keys (Marriot Branded)

PROPOSED 119 KEY HOTEL WILL COME IN PHASE 2



EXISTING RETAIL MIX ON SITE*:



* Percentages based on number of occupied retailers
Source: RCLCO, Axiometrics, Property Websites

MARKET TRENDS INFLUENCING DEMAND

DEMOGRAPHICS – MILLENNIALS AND BABY BOOMERS

The Coming Retirement Wave: A Changing Economic Context for Baby Boomer Housing

A Big Boom in Affluent, Older Renters-by-Choice in the U.S.?

CHANGES IN MULTIFAMILY HOUSING

Honey I Shrunk the Apartments: Average New Unit Size Declines 7% Since 2009

Is Smaller Getting Bigger? Visualizing Micro Units Across the United States

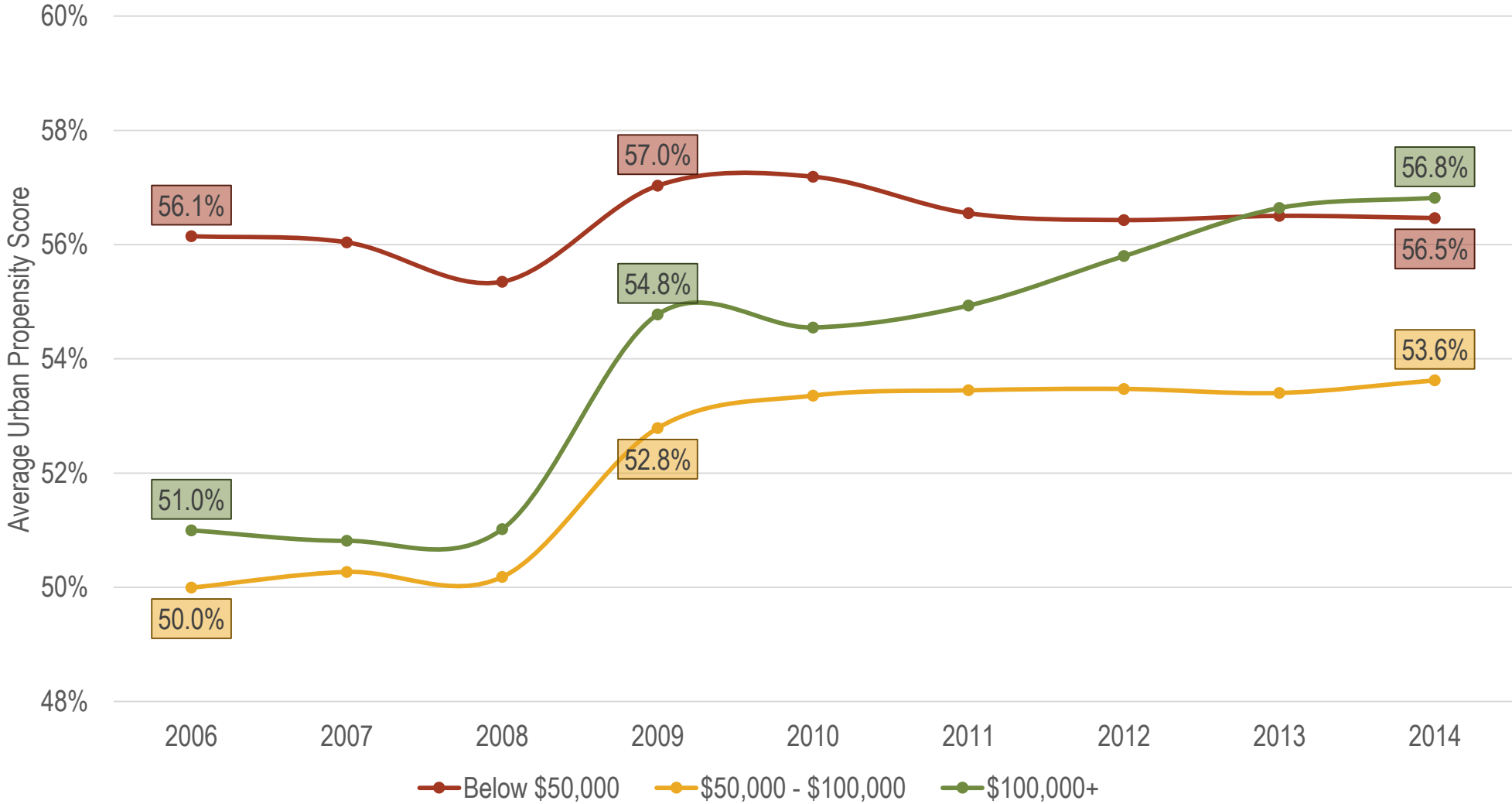
Bigger Units, Bigger Payday: Exploring and Mapping the Growth of Macro Units

AUTONOMOUS VEHICLES

Autonomous Vehicles: ♂A Real Estate Road Map to the Future

HIGHEST EARNING MILLENNIALS STRONG URBAN PROPENSITY

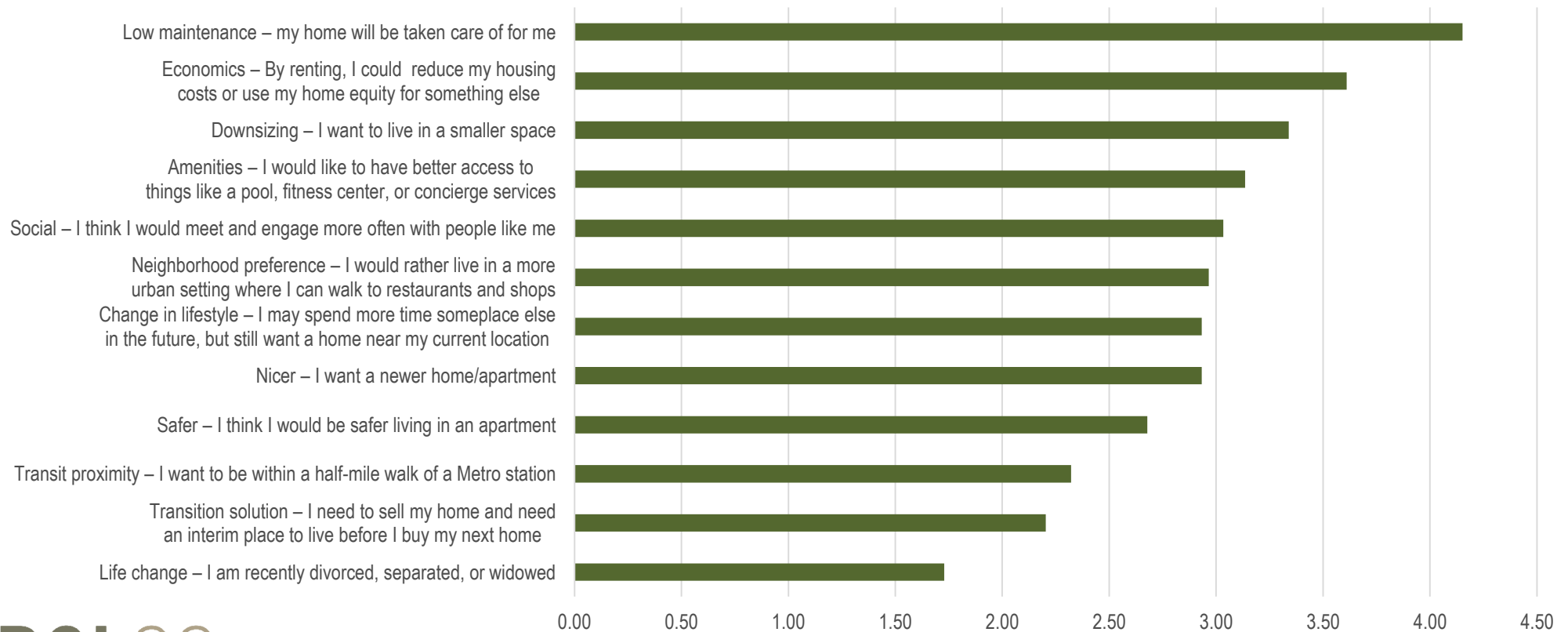
Age 22-34 Household Residential Locations by Adjusted Income Level



WHY MANY BABY BOOMERS PREFER TO RENT

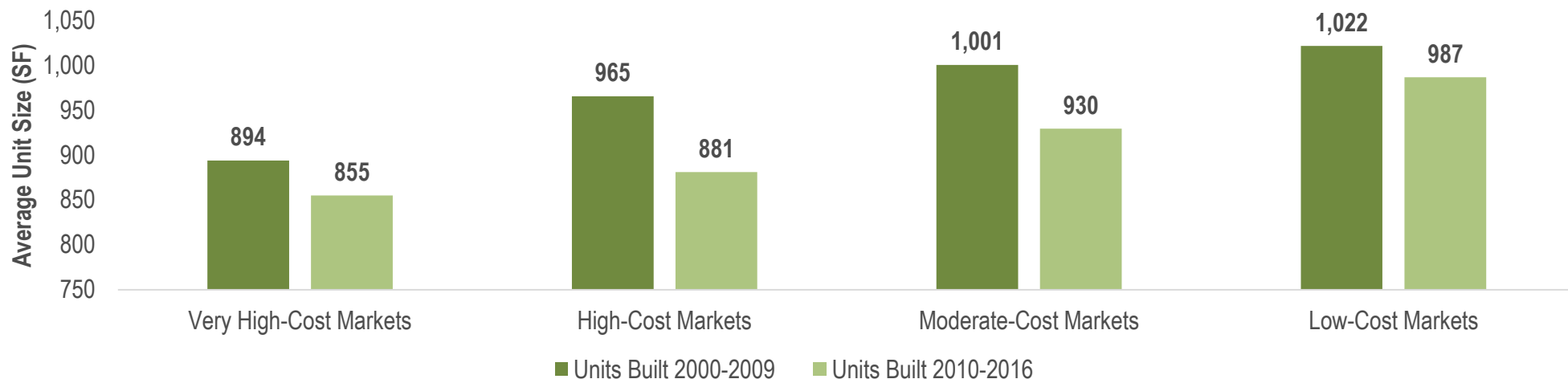
- ▶ Gain a low-maintenance lifestyle
- ▶ Reduce housing costs & use home equity for other expenditures
- ▶ Downsizing to a smaller home

Why Rent Rather Than Own?
(Rated Individually 1-5; 5 = "A Significant Concern for Me")



APARTMENTS ARE SHRINKING

Unit Size Change by Market Type



Very High-Cost Markets

- New York
- San Francisco

High-Cost Markets

- Chicago
- Boston
- Los Angeles
- San Diego
- Washington, DC

Moderate-Cost Markets

- Atlanta
- Dallas
- Denver
- Houston
- Miami
- Minneapolis

Low-Cost Markets

- Detroit
- Phoenix
- Inland Empire
- St. Louis
- Tampa

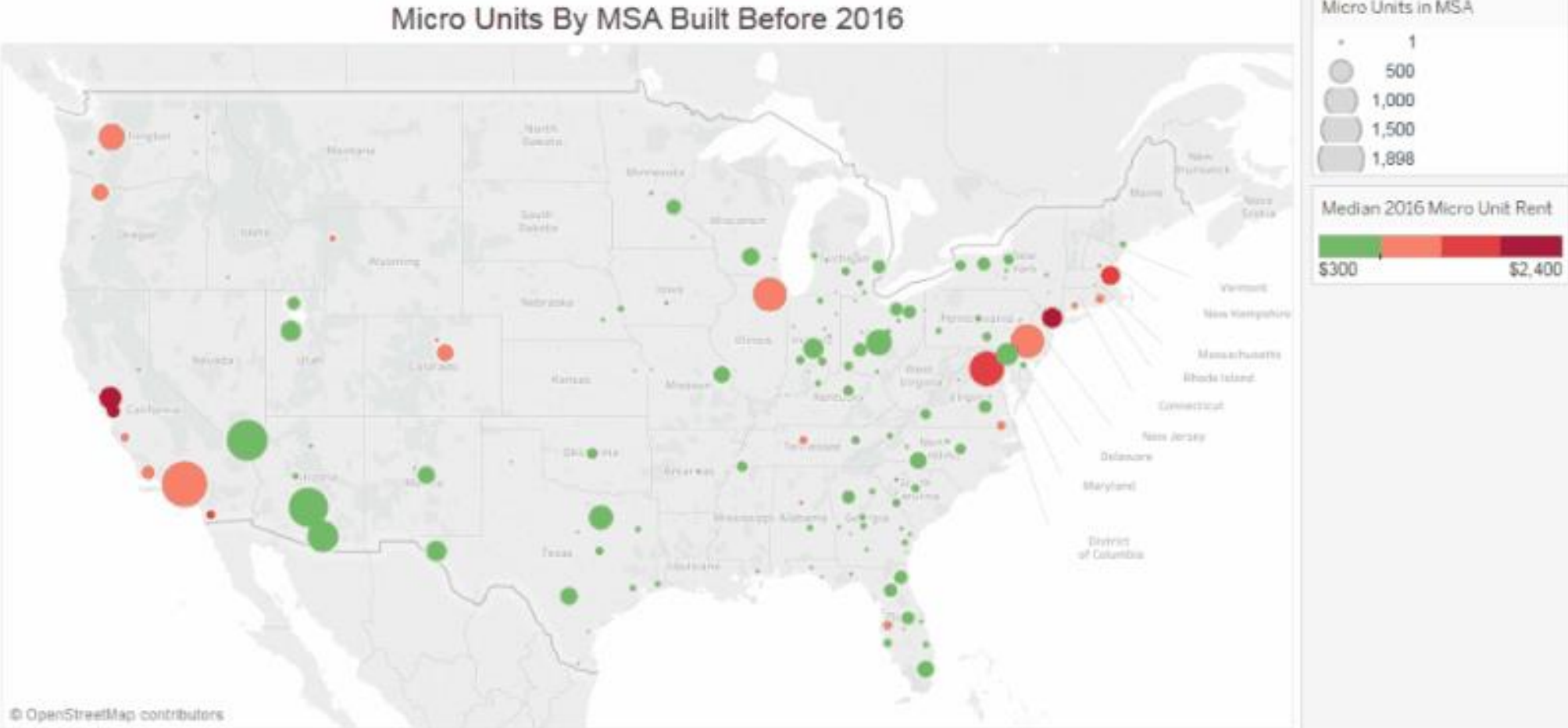
MICRO UNITS

A small studio unit, typically less than 350 square feet, with a fully functioning kitchen and bathroom.

- ▶ High quality living in efficient spaces
- ▶ Two variations include micro suites and co-living



MICRO UNITS – THE NEXT SMALL THING?



MICRO UNIT TARGET MARKET

Typical renters are single, own few personal possessions, are new to the local area, and are at their first job.

- ▶ Value short-term leases
- ▶ Want a better idea of local market
- ▶ Take the opportunity to live alone without the need for roommates
- ▶ Looking to start fresh and/or “de-clutter”
- ▶ Some childless couples, move-down simplifiers, some pied-de-terre, party-, crash-pads, but not many



RENTAL APARTMENTS WITH RETAIL MIXED USE PREMIUMS

Premium Attribution Among Retail-Integrated Case Studies

RETAIL-INTEGRATED PROJECT	UNADJUSTED PREMIUM OVER COMPARABLES	+	AGE ADJUSTMENT	+	UNIT SIZE ADJUSTMENT	=	PREMIUM NET AGE & SIZE
The Residences at Market Common	23%	+	0%	+	0%	=	23%
The Residence at South Park	42%	+	0%	+	34%	=	76%
Allure Apartments	29%	+	-4%	+	5%	=	30%
Crescent South Park	25%	+	-4%	+	0%	=	21%
Solis Sharon Square	27%	+	-3%	+	4%	=	28%
Parkside at Legacy	24%	+	0%	+	-3%	=	21%
Northside at Legacy	5%	+	0%	+	-10%	=	-5%
Legacy Village	19%	+	1%	+	5%	=	25%
Legacy Village - Acqua	22%	+	0%	+	8%	=	30%
Post Legacy	20%	+	5%	+	-1%	=	24%
Average	24%	+	-1%	+	4%	=	27%

RETAIL-ADJACENT PROJECT	UNADJUSTED PREMIUM OVER COMPARABLES	+	AGE ADJUSTMENT	+	UNIT SIZE ADJUSTMENT	=	PREMIUM NET AGE & SIZE
Ashley Square Apartments	6%	+	0%	+	-4%	=	2%
Mezzo1	25%	+	-3%	+	-6%	=	16%
Post Park at Phillips Place	0%	+	5%	+	1%	=	6%
AMLI at the Ballpark	28%	+	-2%	+	4%	=	30%
Colonial Reserve at Frisco Bridges	15%	+	-2%	+	5%	=	18%
Cool Springs at Frisco Bridges	8%	+	0%	+	5%	=	13%
Average	14%	+	0%	+	1%	=	14%

AUTONOMOUS VEHICLES ARE COMING

MULTIPLE SOURCES SAY THEY WILL BE COMMONPLACE BY 2040

2015-2020

Partially Autonomous
Vehicles Available

2025-2030

Autonomous Vehicles Begin to
Dominate Market

2020-2025

Autonomous
Vehicles Enter
Market



MORE THAN HANDS-FREE DRIVING

A NEW OWNERSHIP MODEL

TODAY:

- ▶ Private ownership
- ▶ 256M cars for 242M adults
- ▶ Cars parked 96% of the time
- ▶ High fixed costs
- ▶ Cars = goods

THE FUTURE:

- ▶ Carsharing model
- ▶ 1 car for every 12 adults
- ▶ Cars on the move
- ▶ Pay per use
- ▶ Cars = service providers

THE CAR2GO EFFECT

UP TO 11 VEHICLES REMOVED PER CAR-SHARING VEHICLE

City	Vehicles Sold	Vehicles Suppressed (foregone purchases)	Total Vehicles Removed per Carsharing Vehicle	Range of Vehicles Removed per Carsharing Vehicle
Calgary, AB (n=1,498)	2	9	11	2 to 11
San Diego, CA (n=824)	1	6	7	1 to 7
Seattle, WA (n=2,887)	3	7	10	3 to 10
Vancouver, BC (n=1,010)	2	7	9	2 to 9
Washington, D.C. (n=1,127)	3	5	8	3 to 8

REDEVELOP PARKING INTO HIGHER USES

LOWER THE COST OF URBAN HOUSING



Parklet in London



Seattle, Northgate Mall

OPPORTUNITIES

- ▶ Plan for conversion of parking to residential, hotel, or office
- ▶ Demand for last mile warehouse space will continue to grow
- ▶ Obsolete strip commercial creates huge redevelopment opportunities at prime locations
- ▶ Mall Redevelopment: from retail and parking to residential, retail, civic, office, entertainment





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LA

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ORLANDO

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