

[ SPECIAL REPORT ]

# urban Renewal

Return to urban living  
creates opportunities and  
challenges for property  
managers and owners  
by Bridget McCrea



Think of Atlanta, and phrases like “traffic congestion” and “urban sprawl” come to mind. During the busiest parts of the day, the city’s surface streets are lined bumper-to-bumper with commuters waiting either to enter the city to start the workday, or exit to their homes on the outskirts of the booming metropolitan area.

“Our city is rated the third-longest average commute in the country,” said John Reagan, partner with Atlanta-based Urban Realty Partners, “and has an increasingly challenging traffic situation.”

But rather than run away from the congestion and metropolitan hubbub of the typical American city, individuals and families are embracing it—opting not only to work there, but live and play there, too.

Motivated by convenience, employment opportunities and cultural and entertainment offerings, everyone from single professionals and young families to empty nesters is converging on cities like Atlanta, Minneapolis, Tampa, Philadelphia and Los Angeles in search of a piece of new urbanism.

The trend encompasses much of the country, crosses nearly all commercial real estate sectors and is particularly relevant in areas where urban sprawl took hold in the 1990s, forcing governments to rethink measures for preventing the spread. The movement comes after decades of urban flight left America’s cities dormant between 5 p.m. on Friday and 8 a.m. the following Monday.

Those residents who have already made the move are benefiting from short commute times, a sense of community, nearby dining, entertainment

and cultural venues and the convenience of living where they work and play. Helping boost those benefits is a community of property owners and managers who are either building new or adapting existing buildings to meet the wants and needs of new urban dwellers.

“People want to be close to what urban areas have to offer, such as quality of life, nearby restaurants and coffee houses and cultural institutions,” said Steven Gartner, president at Philadelphia-based Metro Commercial Real Estate, which manages and leases over 5.5 million square feet of retail space throughout Pennsylvania, New Jersey and Delaware, and is currently involved in a retail-residential development in downtown Philadelphia. “This movement definitely has a lot of momentum right now, and is getting a lot of attention.”

### *in search of simplicity*

Look no farther than New York City for the perfect example of urban renewal, said Tim Jones, partner at Robert Martin Company LLC, in Elmsford, N.Y. With over 20 million square feet of commercial property under acquisition or development, his firm has developed a large amount of land in New York and in doing so, has witnessed several major trends taking

hold in the region’s real estate market. Among them, said Jones, is a declining crime rate, resulting in a greater feeling of security and safety among residents and workers alike.

“You really can’t overemphasize the decline in violent crime in most of

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our cities, including New York,” Jones said. “As a result, we’re seeing more development and price appreciation in boroughs like Brooklyn, the Bronx and northern Manhattan, which had traditionally been viewed as being unsafe.”

The nation’s aging population, characterized by more empty nesters less concerned with having backyards and more focused on low maintenance and convenience is another trend driving new urbanism, Jones

said. He said the new urbanites are empty nesters in their mid-40s looking for a flurry of activity or interested in dinner and a show being just a stone's throw from their front stoops.

"They like to partake in nearby activities, even if it just means going for a walk," Jones said.

Jim Baeck, vice president at Development Design Group Inc. in Baltimore, broadens the new urbanite

criteria to include retirees and young couples or singles in search of a more convenient lifestyle. Baeck, whose planning, architecture and design firm's urban projects include CoCoWalk in Miami and Easton Town Center in Columbus, said the most successful developments promote and extend that lifestyle.

"People want to be able to go down to the corner store, grab a coffee and a newspaper, and then sit in the nearby park to read it," Baeck said. "They also want to be with other people, congregating and enjoying a pride of ownership and community in the space."

Soon, Las Vegas will showcase that kind of atmosphere. More than 11,000 condominiums are underway in downtown Las Vegas, said Jimmy Foster, president and owner of Blue Tipping Group, which is handling sales for two major developments—Urban Village and Club Renaissance—and 4,000 other luxury condominiums under construction or in the works.

Urban Village is a 2,400-unit condominium community located on the South Strip, while Club Renaissance will encompass 912 condominiums, plus retail and office components.

"The movement is huge," he said. "People are moving back to the city for the convenience and close proximity to work and play and the benefits of community living."

From e-mail to text messaging to online banking, new urbanism can be attributed to

the on-demand culture that exists across the country. People want their needs met immediately, and many of these multi-family projects including office and retail space are alleviating immediacy issues, Foster said.

"They simply don't want to wait," he said. "Convenience is key, and buyers are opting for anything that can simplify lives and increase free time."

Foster said developers realize this, and are taking steps to fulfill those needs and offering potential buyers soup-to-nuts packages. According to Foster, it all comes down to simplicity.

"Every decision a property owner or developer makes should reference back to this question," Foster said, "Does it add value to the residents by simplifying their lives?"

### Movers and shakers

Creating an active downtown community comprised of multi-family, retail and office properties can be somewhat of a catch-22: Drawing residents downtown requires offering amenities. Attracting amenities downtown requires residents.

"It's a bit of a chicken and the egg phenomenon with residential development tending to be the key driver," said Dirk Riekse, senior vice president at Jones Lang La Salle in Chicago.

Because many of America's cities are short on land, condos are a popular choice for developers. Low interest rates have created tremendous demand for such properties and in turn have also helped drive supporting retail and some office development, Riekse said. Although, the latter tends to vary by market.

To capitalize on the trend, Riekse said property managers must stay on top of market trends, educate themselves on active and planned proj-

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Comprising condominiums, retail and office components, the Club Renaissance—under development in Las Vegas—is an example of new urbanism.

ects across all real estate sectors and understand how overall development, not just development in a specific sector, can enhance specific sites.

Drilling down on the residential side, property owners can often find opportunity in what Reagan calls “urban economic infrastructure,” which includes basics like grocery and drug stores. To fulfill such needs, Reagan suggests developing multi-family residences in locations within easy walking or cab distances of such retail stores.

Despite the unique challenges they present for property owners, mixed-use projects can be another good option for owners or managers looking to maximize downtown properties.

Leasing the ground floor of a building to one or more retailers, converting a portion of the building into an alternative use or working cooperatively with other building owners or developers to identify and conveniently locate “urban economic infrastructure” facilities are all ways to enhance downtown properties.

“There are many steps building managers can take, and they all start with the recognition that people who want to live, work and play in a fairly limited geographic area have to be able to get everything they need without a lot of hassle,” Reagan said. “If it turns out to be just as big of a hassle as the other perceived problems associated with urban living, then they won’t stay.”

### Tackling the issues

Managing downtown buildings and developments can present unique challenges. Mixed-use projects are among the most demanding develop-

## catering to Philadelphia’s “jobbers”

The typical center city Philadelphia resident these days touts a lot of “jobbers”—people working in the vicinity and looking for a non-traditional lifestyle, said Steven Gartner, president of Metro Commercial Real Estate in Philadelphia. Joining the jobbers is an influx of married couples with young children, he said. The latter tend to be somewhat affluent, hip and interested in being near the action, he said.

“We’re starting to see that the more traditional families want traditional, suburban settings,” Gartner said, “which has led to fewer of those families living in the newly urbanized areas. That’s because they still yearn for the traditional detached homes with a backyard, lawns and neighbors.”

The jobbers have different priorities, Gartner said. Younger in age and either single or married, these residents want to be able to walk to parks, push strollers down the block to the grocery store and have a doorman help them with their bags. They don’t want to drive everywhere, and they gravitate toward nearby restaurants, clubs and cultural venues in their spare time.

“They also like the idea of walking to work,” Gartner said. “They feel that adds to their quality of life, and extends the amount of time they can spend with their families.”

When leasing properties downtown, Gartner said these individuals have high expectations. Particularly in demand are high ceilings, off-street, secure parking, private or community-oriented outdoor space, large rooms and ample storage facilities.

“They want it to look old fashioned, but function as if it were new,” he said. “They want everything that you would find in a typical suburban home, with the realization that they’ll have to pay a premium to have those extras.”

Now, with the return to urban living, ex-suburbanites expect to be able to stretch out in spaces that were once considered too small to raise a family. Gartner said the reason cities were built vertically in the first place was due to a lack of space—not because people enjoyed living higher up.

“Property managers need to realize that people don’t want to live on the ninth floor, and that they would rather live in a town home,” Gartner said.

Going forward, Gartner sees more jobbers making their way into downtowns like Philadelphia, lured in by growing residential components and the retail shops and restaurants sure to follow in their footsteps. He said more master-planned, urban communities will come into being, with an emphasis on the multi-family, retail and office mix.



ments to run, Baeck said. They require an especially active management and operations team to oversee various aspects.

“The landlord and/or the developers must remember that they’re also a part of the neighborhood, and they need to facilitate the programming of the use of the space and keep it safe and clean,” Baeck said. “A project that mixes residential with retail and/or office, for example, may pose more security challenges than a single-use property.”

“It’s not an entirely new concept,” he said, “but it can be very important to the people who are selling their large, suburban homes and accustomed to a high level of service.”

Jones said security is also a key factor that can make or break a downtown property. While most property managers take care of security in their own buildings, they can improve their properties’ marketability by also looking at the surrounding area to ensure residents feel safe within their own walls and in the immediate vicin-

looking to acquire or build new properties within the confines of the nation’s metro areas.

Billie Redmond, president at Coldwell Banker Commercial TradeMark Properties, Inc. in Raleigh, N.C., sees significant opportunity with mixed-use space.

“People want the opportunity to live and work and play in the same area,” she said, noting the escalating cost of land and development, because of more regulatory demands, has created a need for increasingly dense development. “Additionally, the need and ability to move people whether by mass transit, or some other form of transportation, will create new development opportunities to capitalize on.”

Baeck said hybrids of the downtown urban trend-town centers including a mix of single-family, multi-family, retail and office components-springing up in suburban areas will also likely be successful. The developments mimic their urban counterparts in that they combine a one-stop-shop approach to living, shopping and playing.

“It seems like it has legs,” he said of the urban movement, “and we expect it to continue in various forms.”

Riekse also sees a continuation of the urban living trend, with the low-maintenance aspect of condominium living as a key driver. The movement could be tempered by a spike in mortgage interest rates, he said.

“Those who are considering a downtown place as their second home would find such investments to be less affordable,” Riekse said, “and developers would be more conservative about taking on projects if rates went up considerably.” □

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—Tim Jones, partner at Robert Martin Co. LLC, in Elmsford, N.Y.

Fundamentals like garbage disposal and parking can also present challenges in an urban setting, where ample space and facilities can be hard to come by.

“Many of these projects do not have a conventional ‘rear end’ to them, so the issue of trash and deliveries becomes difficult if not properly thought out,” Gartner said. “Other key issues that need to be addressed early in the architecture and construction process include minimizing the noise generated by retail for those dwelling above and venting for any restaurants located in the facility.”

Looking to the upper end of the market can also behoove property managers, Jones said. He said offerings like concierge services are a way to entice downtown dwellers to a project.

ity. Getting involved with local business improvement districts or associations focusing on such issues can help property managers address security issues.

“If someone is making a decision to buy or rent in a particular building, and if they feel as if they can go outside at night and walk to the local restaurants or stores without being concerned, there is a real value in that,” Jones said.

#### More to come

Expect to see the urban renewal trend continue to grow strong as America’s cities continue to make themselves more attractive to those who want to live, work and play in them. The trend is particularly positive for property owners and managers already immersed in the movement, or those

# A gathering place

Jim Baeck, vice president at Development Design Group Inc., in Baltimore, likes to think of his firm as a pioneer of sorts when it comes to downtown development and the “main street town center” concept. And while he’s not taking full credit for the concept, Baeck said Steiner + Associates and DDG helped rediscover the idea by creating the Easton Town Center in Columbus, Ohio.

“This was the first one of its kind out of the box, and it’s been very successful,” Baeck said. Currently, the project’s sixth phase is underway on what was once a 1,200-acre cornfield.

Easton Town center was co-developed by The Georgetown Company, Steiner + Associates and Limited Brands. Open since June 1999, the development comprises a \$300 million, 1.5 million square-foot “new urban retail” center featuring pedestrian-friendly streetscapes, open-air gathering spaces, fountains and parks for children and more than 160 retail, entertainment and dining tenants.

Honored with an Innovative Design Award by the International Council of Shopping Centers in 2000, the development draws more than 30 million visitors annually and includes more than 7 million square feet of retail, office hotel and residential space.

Similar developments will be cropping up around the country, Baeck said. His firm is currently working on a large town center in Las Vegas known as Town Square, a Phoenix project called Westgate City Center, which will be anchored by a sports arena, and a development in Kansas City, Mo., known as ZonaRosa.

In these and other DDG projects, Baeck said the focal point is always a gathering space, whether its a town square, fountain square or other entity. The idea, he said, is to create an open space all residents, workers and shoppers can enjoy.

“In a sense, it’s their front or backyard where they can go to read a book, take a walk or congregate with other members of the community,” he said. Baeck said setting aside such space is particularly important in urban projects where neighbors don’t always have the chance to meet in the street like they do in the suburbs.

In creating urban projects, Baeck said his firm also focuses on the street itself, ensuring it’s both functional and pleasing to the eye.

“We look carefully at the 15-foot area leading up to the storefront and down the sidewalk, to the sidewalk material itself,” he said. “Everything from the landscaping to the width of the street adds effect, and becomes a part of the whole public area, which is an amenity in itself.”

For urban projects to succeed, Baeck said they must include a mix of residential, retail, entertainment and/or restaurant, office and—in some cases—a hotel or sports venue. He advocates a vertical design—requiring less land—with various uses stacked on top of one another, rather than sprawling them out over city blocks.

“We’re discovering if you put the residential on top of the retail and/or the town center, it works out much better,” Baeck said. “So instead of just putting one floor of office in a project, we’re now including four floors above the retail, with two levels or more of walk-up residential that comprises different types of units (from studios to lofts to multi-bedroom units) and appeals to the different demographics that are making their way into the city.”



photos: Walter Larrimore, iMedia



Visitors to the Easton Town Center—a mixed-use development in Columbus, Ohio—take advantage of open gathering space and pedestrian friendly streetscapes, key components for successful mixed-use developments, developers said.

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