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REA 621
Real Estate market analysis

Lecture 9



MIXED-USE DEVELOPMENT Market analysis

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lecture

09

Abstract



This lecture introduces conducting a market analysis for mixed-use projects to determine the appropriate mix of uses, understand demand and supply dynamics, evaluate financial feasibility, and minimize development risks.



Contents

1. Introduction
2. Mixed-Use Development Challenges
3. . Characteristics of Mixed-Use Development
4. Analyzing the Market Potential of Mixed-Use Projects
5. Understanding Synergy
6. Using Consumer Research and Social Media
7. Overall marketability
8. Case Study: Market Analysis for a Mixed-Use Development Project

Learning outcomes

By the end of the lecture, you will be able to:

Understand the concept and characteristics of mixed-use developments.

- **Explain** the importance of market analysis in mixed-use real estate projects.
- **Identify** key demand and supply factors affecting mixed-use development markets.
- **Analyze** demographic, economic, and location factors influencing project feasibility.
- **Evaluate** the appropriate mix of residential, commercial, and other land uses in a development project.
- **Interpret** market indicators such as absorption rates, vacancy levels, and price trends.
- **Apply** market analysis techniques to assess the viability of mixed-use development projects.

Mixed-use development has become a central strategy in contemporary urban planning and real estate development. By integrating residential, commercial, office, hospitality, and recreational functions within a single project or district, mixed-use developments create vibrant environments that support economic activity, efficient land use, and sustainable urban growth.



Why?

A comprehensive market analysis helps developers and investors identify target markets, forecast absorption rates, and align project components with the economic and demographic characteristics of the surrounding area.

1. Introduction

A mixed-use project can cover a dozen acres or much more; it might have a few buildings with only one use (for example, freestanding restaurants, a hotel, or townhouses), and multiple taller buildings, each with two or more uses.

The development will have pedestrian connections between buildings, open space (plazas, parks, walking/ biking trails, water features), shared signage, and (to some extent) shared parking.

1. Introduction

Three or More Significant Revenue-Producing Uses

A mixed-use project as “a development, in one building or several buildings, that combines **at least three significant revenue-producing uses** that are physically and functionally integrated and developed in conformance with a coherent plan.

A mixed-use development might include, for example, retail space on the ground floor, offices on the middle floors, and condominiums on the top floors, with a garage on the lower levels.”

1. Introduction

Mixed-use developments are not the same as the MPCs. The latter, encompassing hundreds or even thousands of acres, usually will contain a variety of housing types and price points, as well as multiple commercial uses. MPCs may have pedestrian connectors and bike paths.

But the primary focus—and profit generator—is housing. The community shopping centers, professional offices, health clubs, and other recreational facilities in an MPC are included primarily to enhance the marketability of homes and apartments.

1. Introduction

- **Mixed-use developers** must strategize the proper sizing, placement, connections, and timing of components.
- **Site planners and architects** must deal with myriad building code standards, density limits, parking requirements, and design issues that can differ for each proposed use.
- **Market analysts must evaluate each property type individually and understand the synergies—both positive and negative— that can be created.**
- **Financing is complex as the developer, investors, and lenders conduct their due diligence on the individual uses, as well as the composite project.**



1. Introduction

- Today, mixed-use development is accepted and often encouraged by government agencies because of its vitality.
- In densely developed neighborhoods, combining apartments or condominiums with retail, hotels, and entertainment has created 24-hour locations that are safer for residents and more inviting for tourists and business visitors.



2. Mixed-Use Development Challenges

- Those involved must have managerial mastery and staff experience for each different property type involved and be able to monitor and adjust to very different market cycles for each.
- An eye for properties that make good candidates for such projects and the financial wherewithal to acquire the land in premium locations are also important. .

“You are dealing simultaneously with multiple different product types with different cycles, different demand generators and different fundamentals in the market for each form that are rarely in sync.

There is a ton of complexity.



2. Mixed-Use Development Challenges

Having at least three significant uses together in one development usually implies a project of considerable scale and impact. Typically, each major component will exceed 100,000 square feet, and total project size is usually more than 300,000 square feet. The largest developments can involve a million square feet or more.

“A mixed-use project can also improve the chances of success for a socially desirable but economically risky activity because the more profitable uses can carry the less profitable. For example, higher prices charged for market rate rental apartments provide funds to help subsidize less profitable units that are set aside for low-income households.

3. Characteristics of Mixed-Use Development

Physical and Functional Integration

The second descriptive characteristic of mixed-use developments is a :

significant physical and functional integration of the project's components.

All buildings and outdoor spaces should be interconnected by pedestrian links, although such integration can take many physical forms:

- Vertical mixing of project components into a single megastructure.
- Careful positioning of key project components around central public spaces (parks, fountains, plazas, amphitheaters) or open-air shopping areas.
- Combining single-purpose and multiuse buildings.
- Linking project components with sidewalks, interior walkways or trails, enclosed corridors, underground concourses, common lobbies, escalators and elevators, or even aerial bridges between buildings.
- Shared parking, which improves land use efficiency and reduces costs.



3. Characteristics of Mixed-Use Development

Parking, Circulation, and Transit

- An integrated mix of on- and off-street parking is the most desirable goal for mixed-use centers.
- The convenience of short-term, on-street spaces in front of stores or outdoor play areas is a marketing plus, whereas off-street spaces (either in garages or surface lots—or both) are needed to accommodate residents, workers, and customers who will be staying for more than an hour or two.
- If land values and planned densities are high, parking decks, either above or below ground, can be justified—and are certainly more desirable than endless rows of open parking.



3. Characteristics of Mixed-Use Development

“places thrive when users have a range of reasons to be there”

The reasons might include a place to sit, playgrounds to enjoy, art to touch, music to hear, food to eat, history to experience, and people to meet. Ideally, some of these activities will be unique to that particular place, reflecting the culture and history of the surrounding community.

Busy plazas and pedestrian-friendly streets contribute directly to retail customer satisfaction.

It’s not enough to have just one great place in a neighborhood—you need a number of them to create a truly lively community.”



Those features can push building rents upward and reduce vacancy rates..

3. Characteristics of Mixed-Use Development

Mixed-Use Projects Enhance Long-Term Investment Stability

The primary case for investing in mixed-use assets is that the combining of uses generates revenue and value premiums that exceed the incremental cost of delivery or acquisition.

In other words, mixed-use assets get better rents.

Also if the office component of a mixed-use building suffers because that local market became soft, the residential and retail components of the same building may continue to produce revenue growth.

4. Analyzing the Market Potential of Mixed-Use Projects

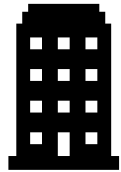
Mixed-use developments present challenges for the market analyst.

If conditions are optimal, the project's developer and investors can capitalize on the synergy among complementary uses and create an overall cumulative market attraction that exceeds what the individual project components would generate independently.



4. Analyzing the Market Potential of Mixed-Use Projects

In a project with multiple buildings, proper phasing of project components is crucial, as is the need for flexibility in planning and design. Elements of the original plan may need to be revised in response to changing market conditions.



Buildings in the initial phase must function independently of future activity, because a considerable lag in construction completion could occur. The project should begin with the uses that have the strongest current market potential, thereby creating cash flow that can be funneled into later phases of the project.

4. Analyzing the Market Potential of Mixed-Use Projects

- Different project elements may appeal to distinct socioeconomic groups. Prospective buyers of luxury condominiums might not like to see ground-floor retail space that caters to a less affluent demographic.
- Museums and cultural center patrons could be more affluent than office workers.
- Restaurants and coffee shops will need to cater to both groups.



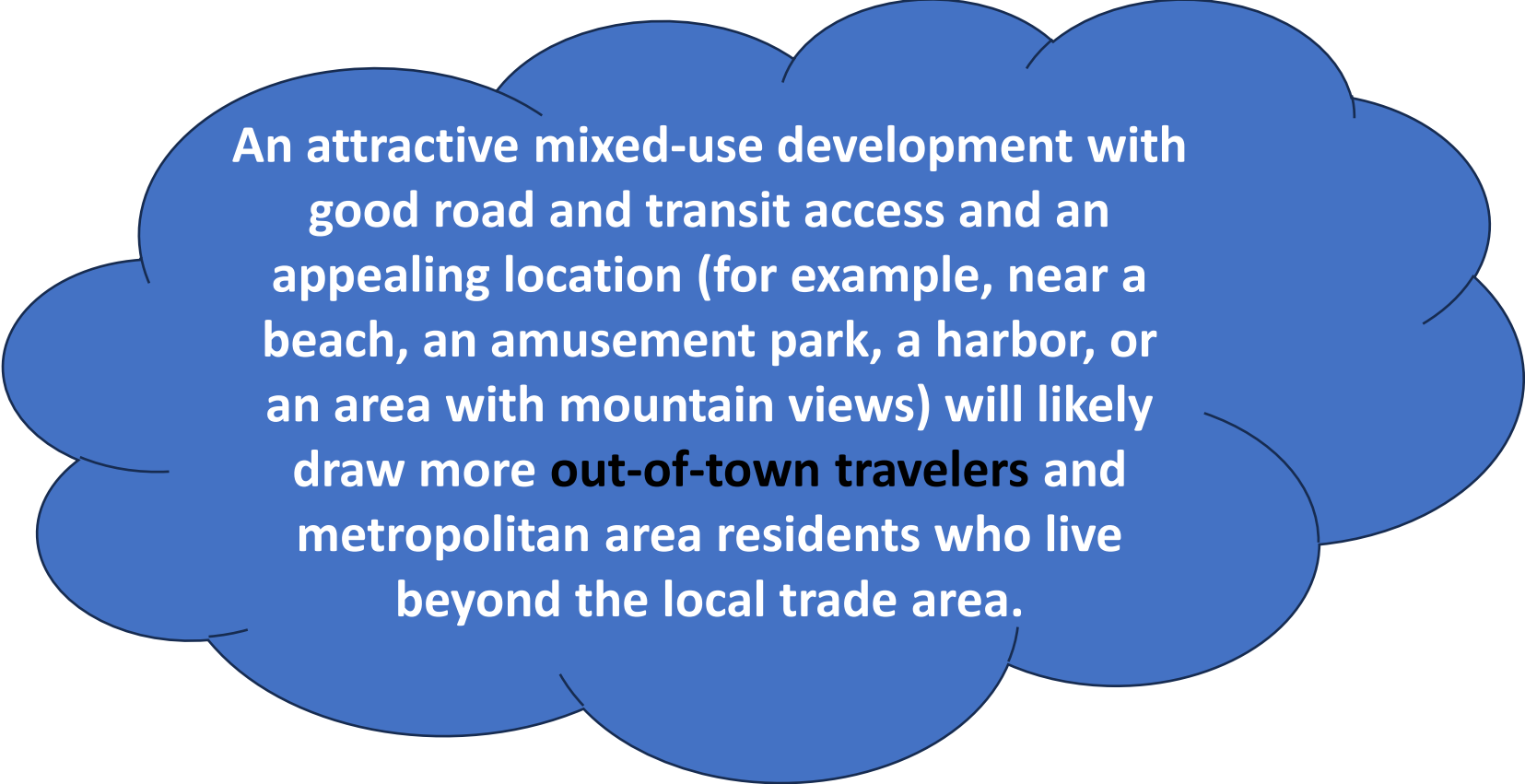
4. Analyzing the Market Potential of Mixed-Use Projects

The market analyst must start with the basics described previously:

- (a) The analysis of demand demographics
- (b) An assessment of the subject site's attractiveness and accessibility
- (c) Evaluation of the strengths and weaknesses of competitive properties
- (d) A review of market supply conditions,
- (e) Identification of “what’s missing” in the area.

These key steps are performed for each separate use as if each were to be independently located and built. The recommendations can then be refined to reflect the attraction among co-located uses and to estimate any cumulative attraction that might generate greater market penetration.

4. Analyzing the Market Potential of Mixed-Use Projects



An attractive mixed-use development with good road and transit access and an appealing location (for example, near a beach, an amusement park, a harbor, or an area with mountain views) will likely draw more **out-of-town travelers** and metropolitan area residents who live beyond the local trade area.

5. Understanding Synergy

Housing

- Clearly, a powerful relationship can exist between residential development and retail space.
- Residents need a place to shop for basic necessities, creating demand for convenience stores and services such as dry cleaners or hair salons.
- Mixed-use projects that include housing are attractive to both young adults and empty nesters, creating support for restaurants, coffee shops, specialty food purveyors.

It is unrealistic to expect that on-site housing alone will generate sufficient demand for shops and services to be successful. Most stores and restaurants will need to generate a majority of their market support from patrons living outside the mixed-use development .

5. Understanding Synergy

Housing

Consider a project with 500 housing units and 150,000 square feet of store space. Assuming that the retail space would need sales of at least \$400 per square foot per year, each residential unit would have to spend \$120,000 annually at the development's retailers to make it successful.

Clearly, the shops and eateries in a mixed-use project would not survive if they failed to attract residents of other neighborhoods, nearby workers, and visitors

5. Understanding Synergy

Office Space

- Office development has clear market synergy with hotels, and restaurants.
- Retail stores that are open in the evening can draw workers as they leave their offices
- The market analyst should explore the frequency with which businesses bring visitors for meetings and conferences, and the types of accommodations those visitors prefer.
- Medical practices, dentists, physical therapists, imaging centers, testing laboratories, can be attracted to multitenant office space, but they may prefer separate buildings.



5. Understanding Synergy

Hotels

- Hotels can be vital components of mixed-use developments for several reasons.
- A quality hotel can enhance the project's image and provide immediate name recognition.
- Secondary uses such as health clubs can be shared by hotel guests, office tenants, and residents, saving the hotel the cost of providing its own facilities.
- Hotel guests help support a mixed-use project's retail activity, especially unique specialty shops, bars and restaurants, sports arenas, and entertainment venues.



5. Understanding Synergy

Retail Space

- Depending on the size of the residential component and nearby competition beyond the project's boundaries, a supermarket could be included (a full-size, natural foods, or smaller specialty operator).
- Specialty retail uses (upscale apparel and shoe stores, children's items, unique craft and gift shops, local memorabilia and foods) are also included in downtown mixed-use projects.
- In downtown locations, retail space needs to be paired with entertainment and dining so that the development attracts patrons who live outside the central business district.



5. Understanding Synergy

Retail Space key questions to ask:

- What are the key sources of patronage?
- What are the likely demographic and income characteristics of households that will live in the mixed-use development?
- From how far away can other metro-area residents be drawn and what would bring them to the stores? (The mix needs to differ from what is seen in typical suburban community centers.)
- Will the development as currently envisioned generate demand from tourists and other nonlocal visitors?



5. Understanding Synergy

Entertainment, Culture, and Identity Creation

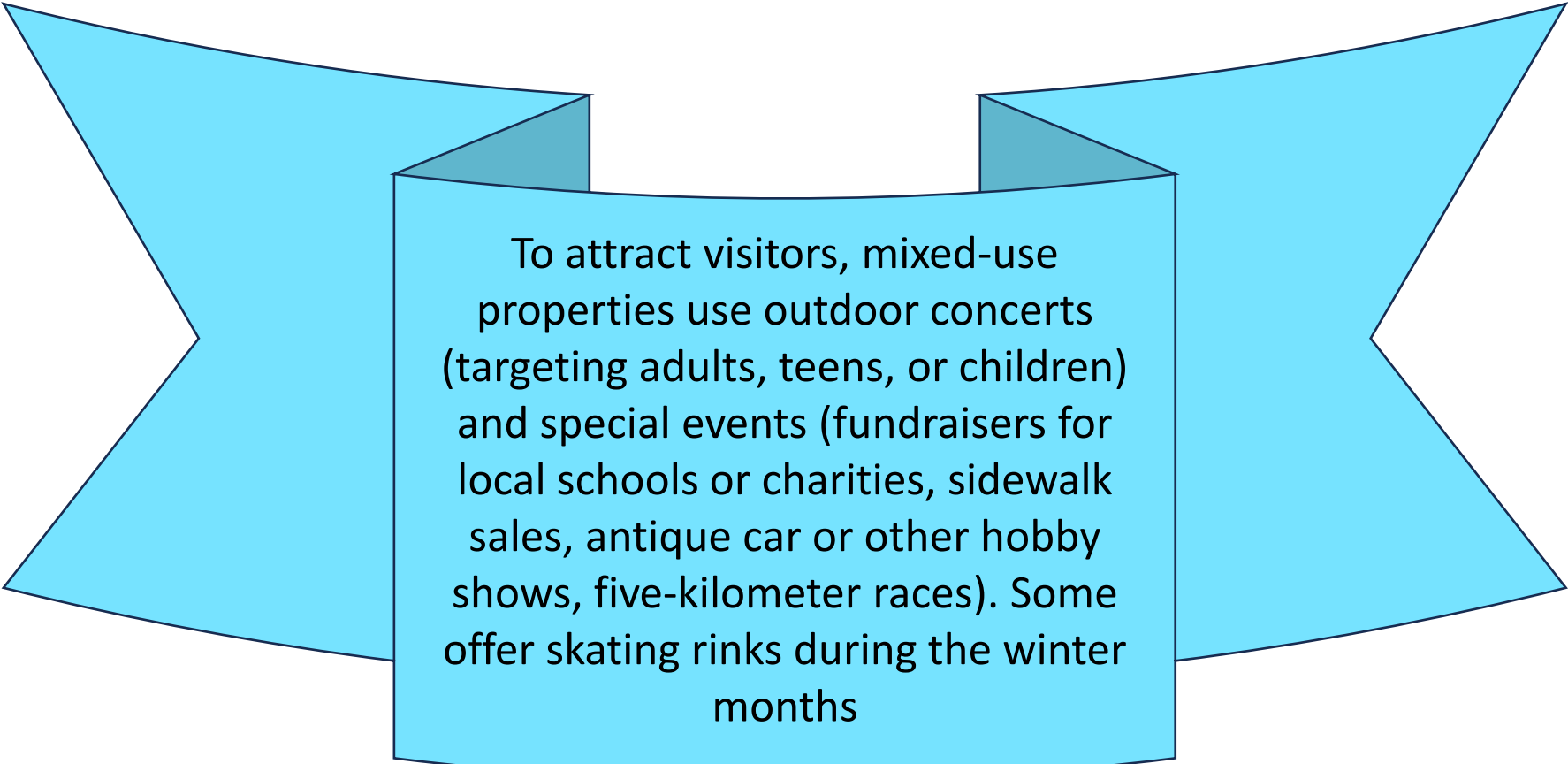
Often the key factors affecting the success of a mixed-use development are related to the sense of place that the project can create and its ability to attract patrons on both weekdays and weekends, at lunchtime and in the evening, and through all four seasons.

Entertainment, cultural facilities, Bowling alleys and golf simulators, **and casinos serve this objective well and have become key ingredients in many mixed-use developments.**

Plazas, sculpture, green spaces, water features, unique lighting, and colorful signage are also important in creating a sense of place and an identity for the “brand.”



5. Understanding Synergy



To attract visitors, mixed-use properties use outdoor concerts (targeting adults, teens, or children) and special events (fundraisers for local schools or charities, sidewalk sales, antique car or other hobby shows, five-kilometer races). Some offer skating rinks during the winter months

5. Understanding Synergy



Sports Facilities, Health Clubs, Spas, Marinas

Health clubs and specialty exercise studios are often included in mixed-use developments because potential revenues from residents living in the project (and those residing nearby) can be augmented by marketing the facilities to office workers.

Smaller fitness spaces devoted to cycling, yoga, kickboxing, karate, climbing walls, and high-intensity training are capturing a growing share of demand, as are exercise and swim facilities that cater to families.

In waterfront locations, mixed-use projects might include commercial marinas

5. Understanding Synergy - Example

Examples: Recent Mixed-Use Developments

Project name and location	Site size/previous use(s)	Residential development	Retail space	Other commercial development	Amenities
The Mayfair Collection, Wauwatosa, WI (suburban Milwaukee)	69 acres; vacant warehouses (some retained and renovated). Across Burleigh Street from Meijers supercenter.	269 mid-rise rental apartments.	270,000 sq ft; Whole Foods, DSW, Nordstrom Rack, Saks Off 5th, T.J. Maxx, Home Goods, Dick's Sporting Goods, and Ulta Beauty.	Homewood Suites hotel, Serendipity Labs coworking office space (30,000 sq ft, opening in 2019), eight local restaurants.	Summer concerts, outdoor movies, and children's events.
Avalon, Alpharetta, GA (suburban Atlanta)	86 acres.	250 rental apartments in two mid-rise buildings with concierge services; 101 attached and detached for-sale single-family homes.	570,000 sq ft; Whole Foods, Apple Store, West Elm, Urban Outfitters, Container Store, Pottery Barn, Crate & Barrel, apparel, banks, and personal care.	Office buildings and medical offices (570,000 sq ft), 300-room Autograph Collection hotel, 47,000 sq ft conference center, 12-screen movie theater.	Children's play area, skating, and dog park.

6. Using Consumer Research and Social Media

- Insights into consumer preferences and cross-sales potential can best be derived from direct user research involving each of the key constituencies to be represented in the mixed-use development.
- Focus groups are a good way to get consumer reaction to site plans, building designs, and materials.
- Interviews with representatives of potential retail and office tenant types—as well as operators of health/fitness and restaurant concepts—would also be advantageous.



6. Using Consumer Research and Social Media

Developers can use social media to post a description of the concept, highlight the various land uses and public spaces in the site plan, and show building renderings and streetscapes.

This is a good way to create “buzz,” but it can also generate useful input about materials, colors, and signage. Respondents can sign up for news about the project and be contacted as work progresses, thus creating a pool of marketing leads.

Consumer research meets two objectives:

getting user reaction to project plans and determining whether tenants or users of one project component will likely take advantage of other uses.

This information helps the analyst determine whether the array of uses will justify a rent premium



7. Overall marketability

The final step in the market analysis for a mixed-use development is to estimate its overall marketability on the basis of consumer demographics, the supply of key competitive properties, and the mix of tenant types at competitive locations.

Large-scale mixed-use projects usually have few, if any, directly comparable projects in the same market area with a similar combination of uses.

If such analogues exist, the performance of their key components should be analyzed in detail.

Comparable properties in other markets can also help direct the developer toward choosing the right land uses and tenant types and avoid pitfalls

7. Overall marketability

After examining the market potential, the team of analysts will recommend refinements to the plan. These refinements could include changes in the size or location of project components, phasing, design, or marketing. Some elements might be dropped if synergy is insufficient.

7. Overall marketability

Mixed-use developments are risk intensive and complicated to implement. But they can be highly desirable and worthwhile for developers, residents, and the community as a whole.

Although the premiums are difficult to quantify, and will not be the same for all property types, experience indicates that developers may see rent or sales price premiums **as high as 15 to 20 percent in a well-conceived mixed-use development** compared with those for a single-use project.

The challenge is to carefully determine early in the development process the proper balance between higher costs and higher payback.

8. Case Study: Market Analysis for a Mixed-Use Development Project

1. Project Overview :**Project Name:** Riverside Integrated Development

Location: Central Business District

Project Type: Mixed-Use Development (Residential, Office, Retail, Hospitality)

Site Area: 120,000 m²

Total Built-up Area: 350,000 m²

Proposed Components

Residential apartments: 1,200 units

Office space: 80,000 m²

Retail mall: 45,000 m²

Hotel: 250 rooms

Parking: 2,500 spaces

Development Objective: Create a vibrant urban destination combining residential living, commercial activities, and leisure facilities.

8. Case Study: Market Analysis for a Mixed-Use Development Project

2. Market Area Definition

The primary market area includes the **central districts**, including:

Project A

Project B

Project C

These areas represent the **main mixed-use and residential growth corridors** in the city.

8. Case Study: Market Analysis for a Mixed-Use Development Project

3. Macroeconomic Analysis

Population Growth

Population growth increases demand for housing, retail services, and offices.

Indicator	Value
Population (Abu Dhabi)	1.7 million
Annual Growth Rate	3-4 %
Expat Population	80 %

8. Case Study: Market Analysis for a Mixed-Use Development Project

Economic Indicators

Indicator	Value
GDP Growth	3.5 %
Major sectors	Energy, tourism, finance
Infrastructure investment	High

8. Case Study: Market Analysis for a Mixed-Use Development Project

4. Demand Analysis

Residential Demand

Key drivers:

Population growth

Expats moving to urban centers

Rising demand for lifestyle communities

Market Demand Estimate

Segment	Annual Demand
Apartments	6,000 units
Villas	1,500 units

Estimated annual apartment absorption in the study area: 3,000–4,000 units

8. Case Study: Market Analysis for a Mixed-Use Development Project

Office Demand

Office demand is driven by:

Government entities

International companies

Financial and consulting firms

Office Market Indicators

Indicator	Value
Vacancy Rate	12 %
Average Rent	1,300 AED/m ² /year
Demand Growth	3% annually

Mixed-use projects attract **companies seeking integrated environments.**

8. Case Study: Market Analysis for a Mixed-Use Development Project

Retail Demand

Retail demand is supported by:

Tourism growth

High household income

Expanding population

Retail Market Indicators

Indicator	Value
Retail Space Supply	2.7 million m ²
Average Rent	2,500 AED/m ²
Vacancy Rate	10 %

Lifestyle retail integrated with residential areas performs strongly.

8. Case Study: Market Analysis for a Mixed-Use Development Project

Hospitality Demand

Tourism drives hotel demand.

Indicator	Value
Hotel Occupancy	70 %
Average Daily Rate	\$170
Annual Visitors	24 million

tourism attractions support hotel demand.

8. Case Study: Market Analysis for a Mixed-Use Development Project

5. Supply Analysis

Major competing mixed-use developments include:

Project A

Entertainment and residential destination

Major retail and leisure facilities

Project B

Cultural district

Luxury residential projects

Project C

High-density residential towers

Commercial offices and retail

These projects demonstrate **strong market demand for integrated developments.**

8. Case Study: Market Analysis for a Mixed-Use Development Project

6. Competitive Analysis

Project	Residential Units	Retail Space	Office Space
A Projects	150000	150,000 m ²	200,000 m ²
B Developments	8000	80,000 m ²	Limited
C Developments	6000	200,000 m ²	100,000 m ²

The proposed project competes by offering **balanced land use and central location.**

8. Case Study: Market Analysis for a Mixed-Use Development Project

7. Absorption Analysis

Projected annual absorption:

Segment	Annual Absorption
Residential	300 units
Office	12,000 m ²
Retail	6,000 m ²

Full stabilization expected in 6–7 years.

8. Case Study: Market Analysis for a Mixed-Use Development Project

8. Financial Indicators

Estimated development cost:

Component	Cost	Full stabilization expected in 6–7 years.
Residential	\$650 million	
Retail	\$220 million	
Office	\$300 million	
Hotel	\$180 million	
Indicator	Value	
IRR	14 %	
Payback Period	8 years	
NPV	Positive	

8. Case Study: Market Analysis for a Mixed-Use Development Project

9. Risk Analysis

Key risks include:

- Market oversupply
- Economic fluctuations
- Construction cost escalation
- Changes in tourism demand

Risk mitigation strategies:

- Phased development
- Mixed tenant mix
- Flexible unit design

8. Case Study: Market Analysis for a Mixed-Use Development Project

10. Conclusion

The market analysis indicates that **mixed-use developments remain highly attractive**, driven by:

- population growth
- economic diversification
- tourism expansion.

The proposed project demonstrates **strong long-term investment potential**, particularly if implemented in **phases aligned with market demand**.

Conclusion

Mixed-use developments are risk intensive and complicated to implement. But they can be highly desirable and worthwhile for developers, residents, and the community as a whole.

In many ways, it consists of more than the sum of its parts: at best, it generates premium rents/prices because of cumulative attraction; at worst, it can fail because one or more uses were ill-conceived or failed to capture demand.



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Exercise

Do Mixed-use developments Market analysis to decide about developing new project in your town?



Thank You