

By **Tim Newcomb**

Mixed-Use, Multi-Family Projects See Uptick

Developers expect market to remain robust through 2016

The signs of a robust market are everywhere: From Seattle to Denver to the East Coast, developers nationwide expect the growth cycle to continue well into 2016.

A particular area of growth is mixed-use projects. Miami-based Crescent Heights has plans to locate a 101-story high-rise in Seattle's Financial District. The tallest building in the state and taller than any other on the West Coast, the tower will comprise a mix of residences, hotel rooms, and office and retail space.

"We're bullish on the Seattle market and have waited several years for the right opportunity to invest here," says Roman Speron, Crescent Heights regional manager. The firm is promoting mixed-use projects, Speron says, adding, "The scale and complementary mix of uses allows us to create vertical neighborhoods and a vibrant, 24-7 activity level."

Speron says Crescent Heights has experienced success, from San Francisco to New York City, by designing lifestyle-driven buildings, customized to the market and neighborhood in which they are located.

San Francisco has proven to be a popular destination for new commercial buildings, as developers attempt to create vertical neighborhoods in new areas to match the needs of growing companies, particularly the influx of tech firms. The success of new builds has encouraged additional growth, Speron says.

Denver is another hot spot, says Dave Menke, president of Minneapolis-based Opus Development Co.

He says Denver's "tremendous growth" in the past three years is based on job growth and has resulted in multi-family housing leading that market's recovery.



TREND-SETTER A building by Crescent Heights has helped to lead development of San Francisco's historic mid-market neighborhood.

And what started as multi-family now has Opus moving into speculative office. "We have had a presence in Denver. We like Denver," Menke says. He says that, throughout the Midwest and West, multi-family housing is in heavy demand, as is industrial work. But even the build-to-suit markets and, in certain cases, such as in Denver, the speculative markets, have started to make a comeback, he adds.

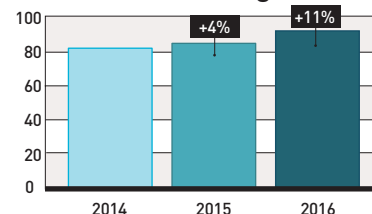
Mixed Use in the Mix

Andrew Gallinaro, senior vice president and director of asset and property management at Newton, Mass.-based National Development, says that he, too, has seen the speculative market make a return and that mixing uses that "feed off of each other and help to create a sense of place" have the most success. As an example, he cites a current Burlington, Mass., project that will turn an office park into a walkable, mixed-use environment.

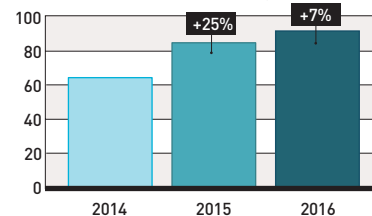
"Additionally, this type of development represents an efficient use of land—from a planning perspective—by allowing for shared parking schemes," says Gallinaro. "[These schemes] promote opportunities for more open space, which can really add value to a development."

Building Starts in \$ bil

Commercial Buildings



Multi-Family Housing



Actual Estimate Forecast

SOURCE: ENR.

Gallinaro sees suburban communities starting to embrace mixed-use buildings, as the buildings' commercial taxes can support quality residential environments.

With mixed-use projects that stray beyond a city's typical downtown core, Gallinaro says projects must "re-create a sense of urban vibrancy with its dynamic mix of amenities while also capitalizing on the inherent advantages of a suburban location."

Downtown can work just fine, too. "Real estate is cyclical, and we are in the middle of a strong run in this cycle," Menke says.

Pointing out that, within the cycle, each product type finds a different spot in the cycle, Menke says multi-family projects lead the way, trailed by office demand. In that vein, Opus plans to build its second multi-family high-rise in Minneapolis. The first, a 26-story rental building completed in December 2014, was the first high-rise luxury rental in that city in more than 30 years.

Now, plans are in place to build a 30-story luxury rental next door, starting in early 2016. ■

PHOTO COURTESY OF CRESCENT HEIGHTS