

The Economics of Mixed Use:

Opportunities for Downtown Development

Presented to the

**El Camino Real/ Downtown
Visioning & Planning Process**



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Economics of Mixed Use

In the midst of a sea change, products are evolving

- The Return to Downtown
- Acceptance of urban density
- Changing household composition

Four Traditional Measures of Feasibility

- **Market**
- **Financial**
- **Physical**
- **Political**



Market

Choo-Choo Rule

Residential strongest opportunity last cycle

- **Chronic Undersupply**
- **Strong Demand, for-sale and rental**
- **Lifestyle changes supporting urban housing solutions**
- **Next Cycle: Office**



Housing Opportunities

- **Demographics: 2/3 of everything**
- **Age**

Baby Boom

76 Million

Baby Bust (Gen X)

45-50 Million

Echo Boom (Gen Y)

72 Million

Households

Strong Growth through 2015

National: 1.4 Million/year

- 44% 55-64 yrs old
- No kids – 65%

Echo Boom

- 2/3 minority in future
- 1/3 immigrant since 1990
- Urban or suburban



Popular Urban Centers

- **Attraction of cities – Bored of the ‘Burbs!**
- **The Commute!**
- **Suburban neo-urban life**
- **Condo prices rising faster than SFU’s**
- **Rising percentage of MFU’s**



Market Preferences

Renter Type	<i>Demographic Profile</i>	<i>Tastes/ Lifestyle</i>	<i>Preferred Amenities</i>
Urban Pioneer	30 - 45 Artists, tech Mostly male, educated	Cutting Edge Gritty Adventure	High ceilings, large windows, open floor plan, sturdy, storage
Yuppie / PIB	25 - 45 Single profs, mingles & couples, few kids	Luxury & conven. Cache, Security High-level service	High-profile locale, views, fine finishes, fitness, concierge
Suburban Transplant	22 - 45 Single profs, mingles & couples, few kids	Stability, quiet Simple Luxury Paris Holiday Inn	Upscale, quiet area, views, security, shops, social space
Empty Nester	40 - 55 Singles, Couples Educated, profs	Home office Luxury & conven. Secure	Security, concierge, fine finishes, shops, views, fitness

Market Segmentation

Renter Type	<i>Pioneering Lofts</i>	<i>Luxury Urban Mid/High-Rise</i>	<i>Contemporary Courtyard</i>
Urban Pioneer	✓ <i>Fits Lifestyle</i>	- <i>too mainstream</i>	- <i>too bland</i> - <i>too expensive</i>
Yuppie / PIB	+ <i>high-tech image</i>	✓ <i>Fits Lifestyle</i>	- <i>too bland</i> - <i>too remote</i>
Suburban Transplant	- <i>safety concerns etc.</i>	- <i>not enough convenience</i>	✓ <i>Fits Lifestyle</i>
Empty Nester	+ <i>adventurous</i> - <i>not enough convenience</i>	✓ <i>Fits Lifestyle</i>	- <i>too remote</i>

Office Opportunities

- **Resurgent Bay Area/Silicon Valley market**
- **Overlooked entrepreneurial market (Boomers)**
- **Compatible with retail**



Compatibility Issues

- **Ground Floor Use**
- **Breakfast at Tiffany's**
- **Six Feet Under**
- **Physical**



Financial Feasibility

- **Sub prime mess and credit crunch**
- **Risk of recession**
- **Strong growth trends**
- **Moderating construction costs increases**
- **Feasibility thresholds**

Physical

- **Building Types**
- **Development Guidelines:**
 - Ceiling Heights**
 - Leasing Bays**
 - Household Depths**
 - Servicing Requirements**
 - Visibility**
 - Continuous Frontage (lobbies, garage)**

Political

- **Public policy informed by economic reality**
- **Commitment & Resilience**

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