FPDsavills
INTERNATIONAL PROPERTY CONSULTANTS

investment performance funding and future directions mixed use

30.9.04

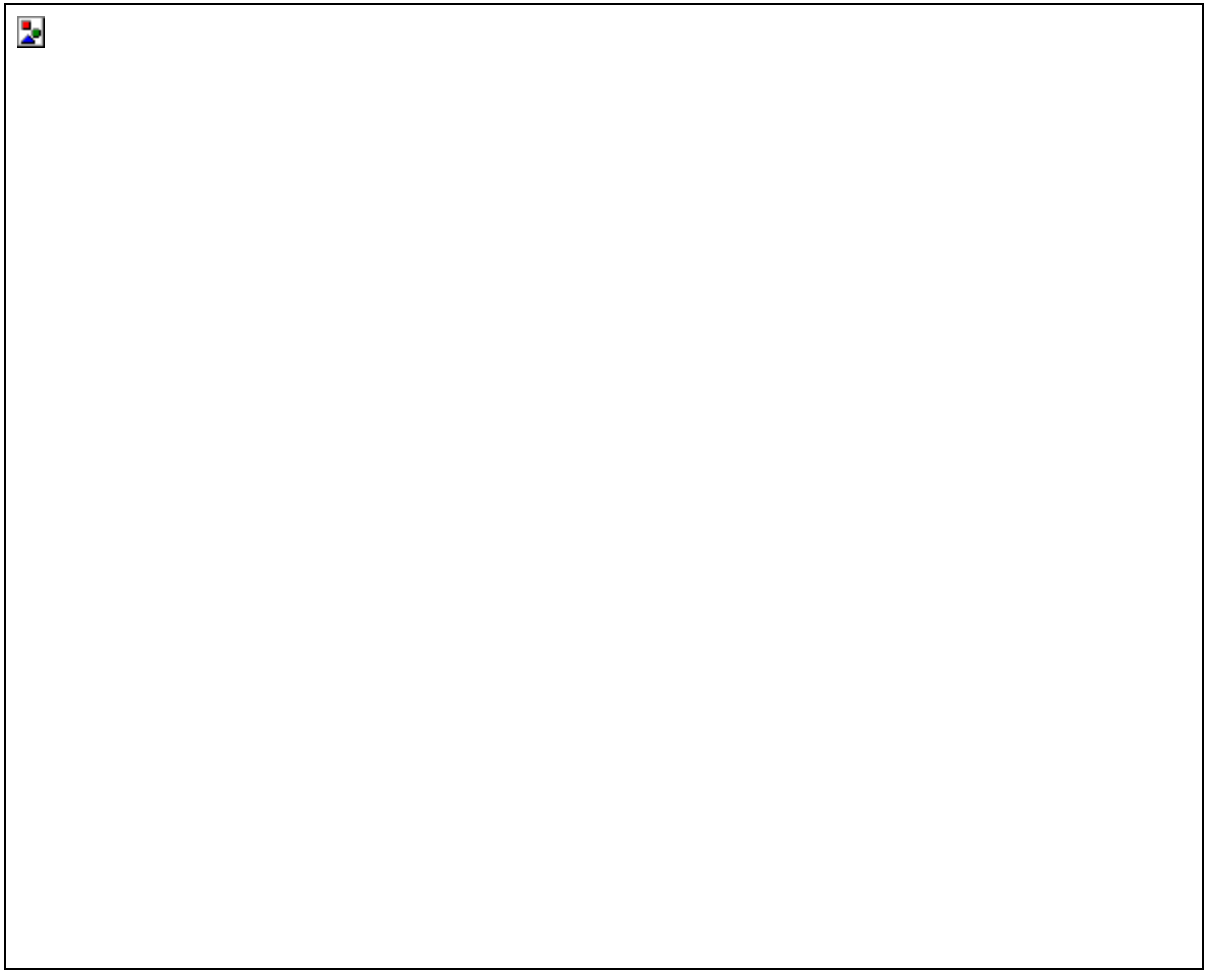
the issues facing mixed use investment and development

- the drivers:
  - planning (urban agenda)
  - big sites
  - existing expertise
  - investment choices
- the future:
  - suburban challenges
  - small scale mix
  - urban management

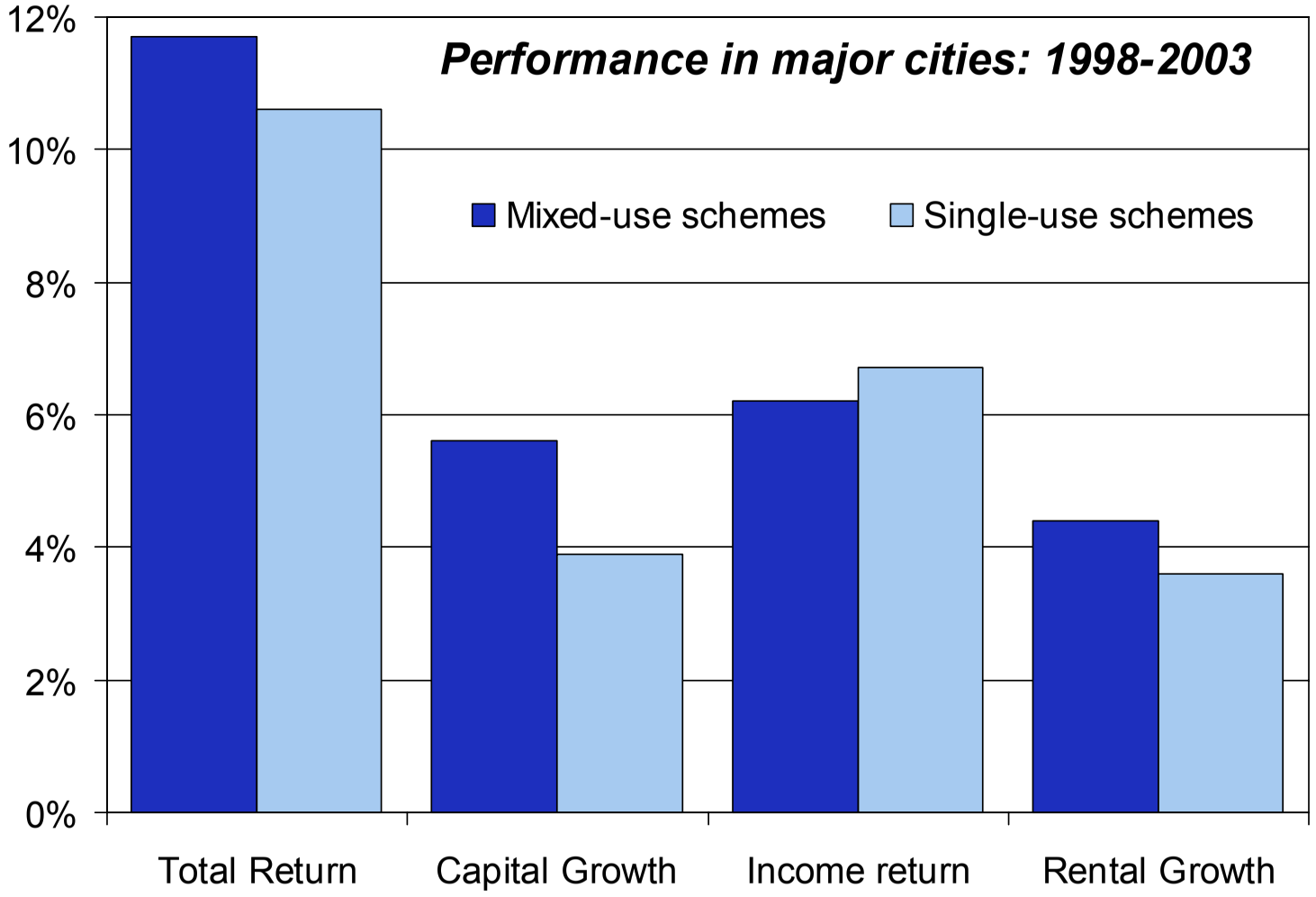
where are we now?

- big box schemes
- segmented investment
- industry divisions

an excellent example

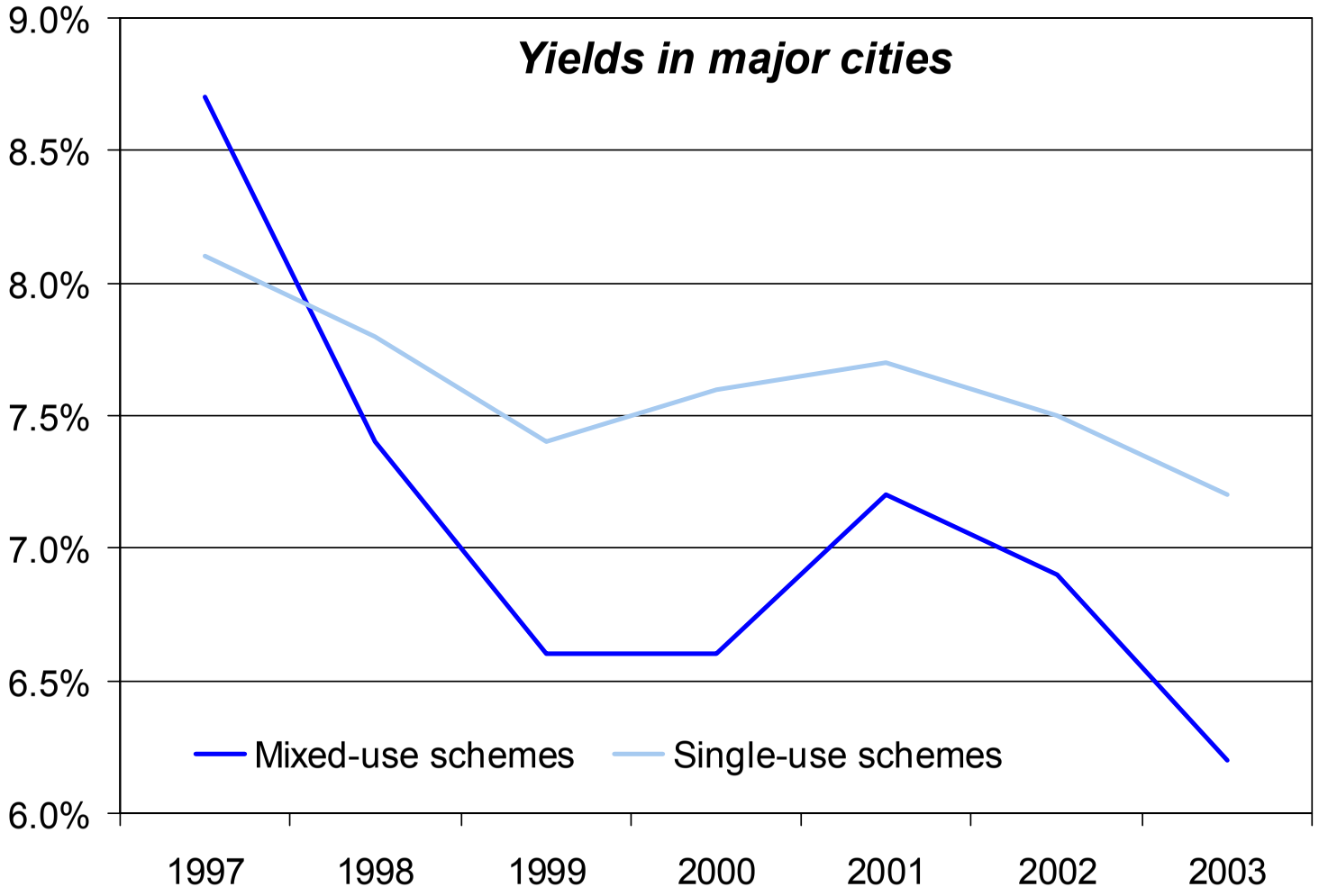


mixed use schemes do outperform …



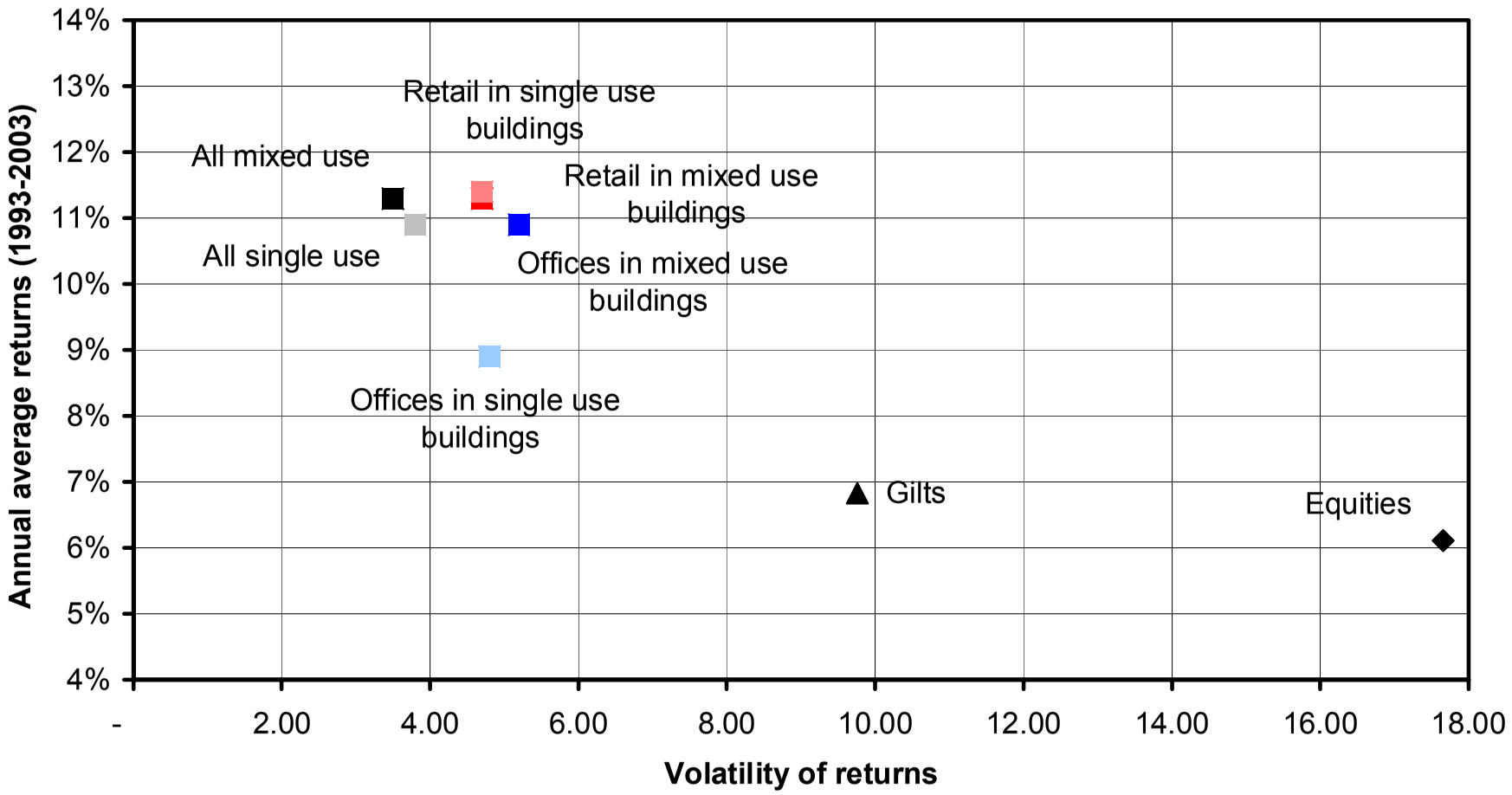
Source: IPD, FPDSavills Research

… and have found favour with investors



Source: IPD, FPDSavills Research

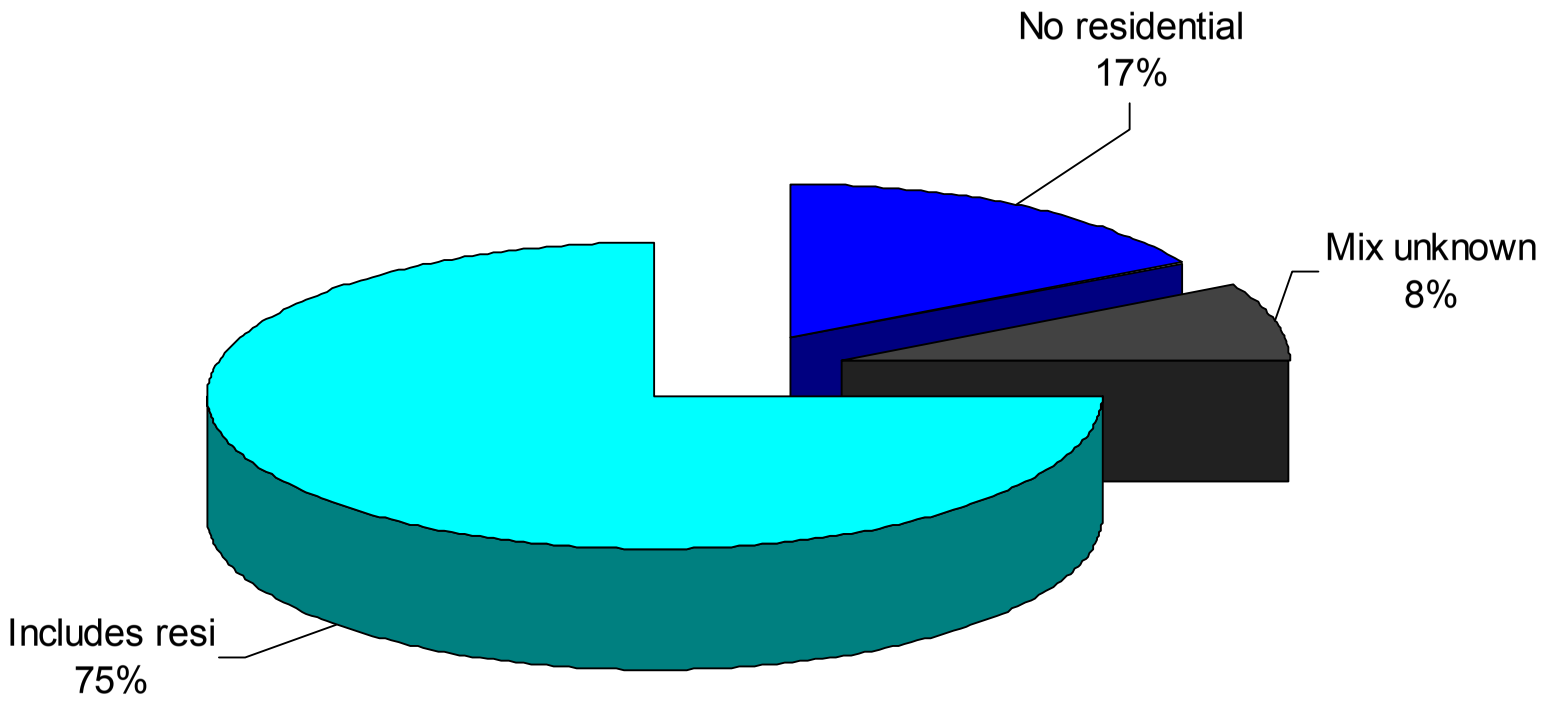
investment is in commercial elements …



Source: IPD, FPDSavills Research

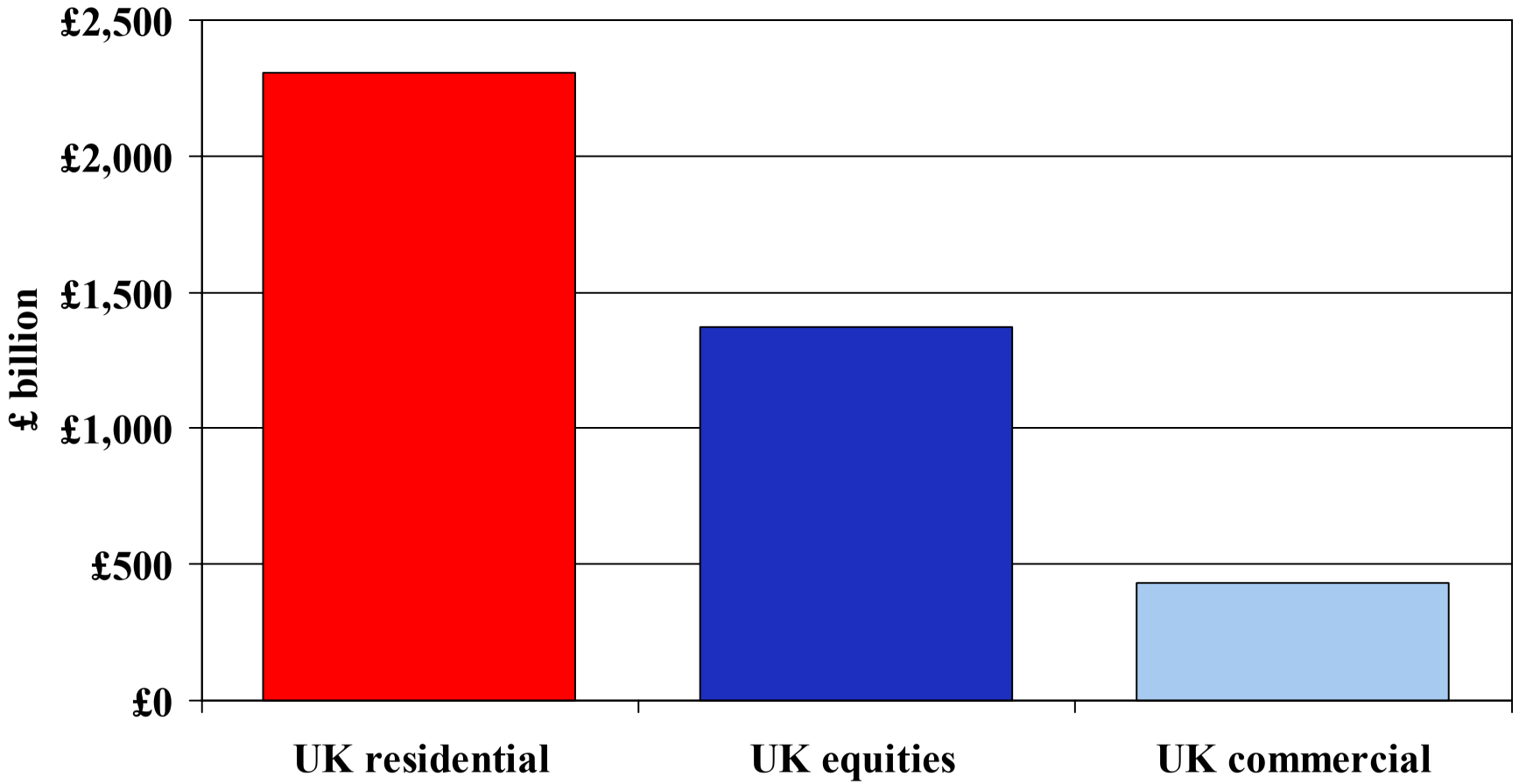
… but most large schemes include residential

number of large mixed use schemes with residential use



Source: FPDSavills Research

Need this be a problem?

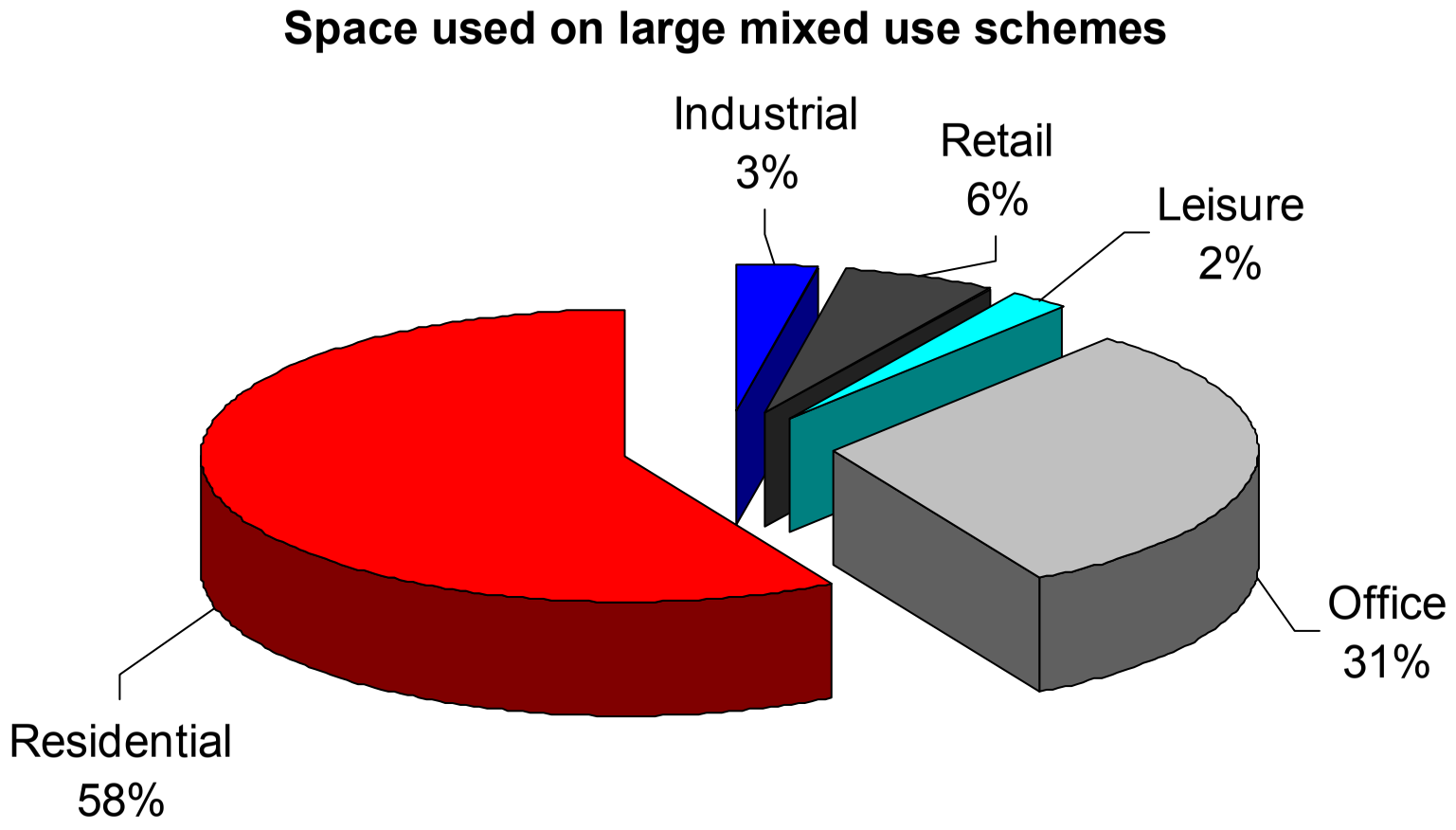


Residential and equities data is as at end-2003, the commercial property data is at end 2001

barriers do remain

- most investors want commercial title unencumbered by resi

… so schemes are biased towards commercial uses



Source: FPDSavills Research

barriers do remain

- most investors want commercial title unencumbered by resi
- physical integration is difficult
- redevelopment cycles are different for different property types
- finance and funding terms are also different
- planning is more complex
- large, complex urban sites are more risky to develop than small greenfield ones
- few players have experience

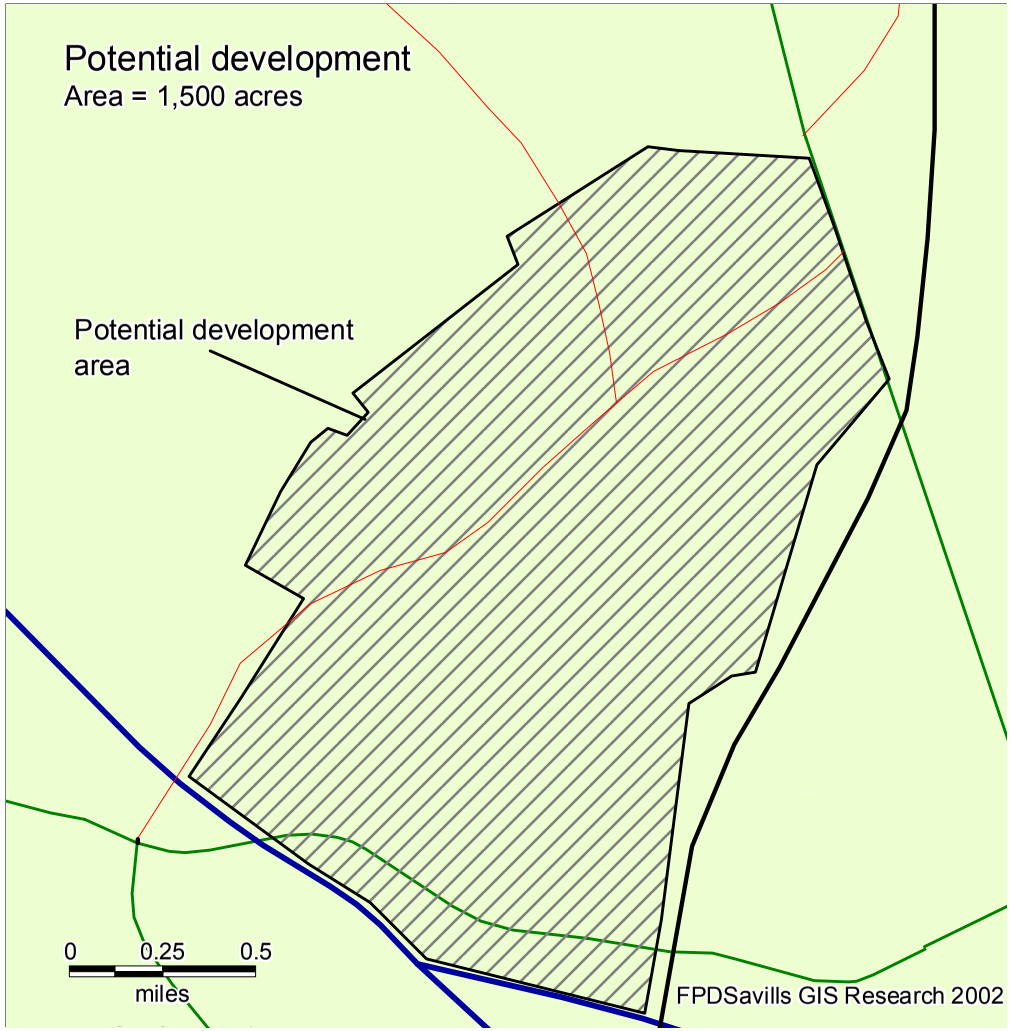
opportunities
(or threats?)

- weight of investor money
- diversification potential
  - investors
  - developers
- land shortages – redevelopment of inefficient “big boxes” with higher density, smaller ones
- public opinion and consumer demand
- increased research on urban and mixed use issues
- planning pressures for “sustainable communities”

what could this
look like in practice?

- a research approach
- a real example

take a strategic site …



Commercial: 273 hectares

Residential: 310 hectares

Other (Community): 24 hectares

… this is the standard product …







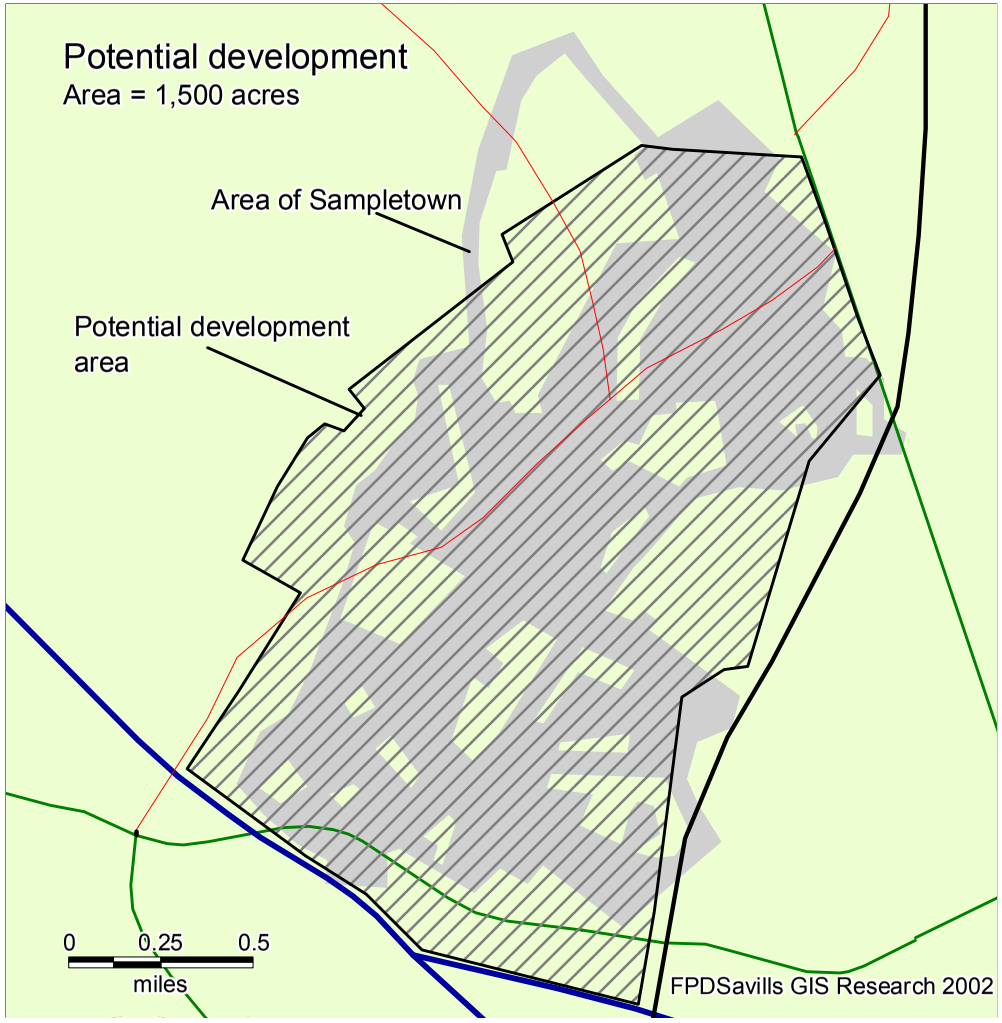




… laid out like this



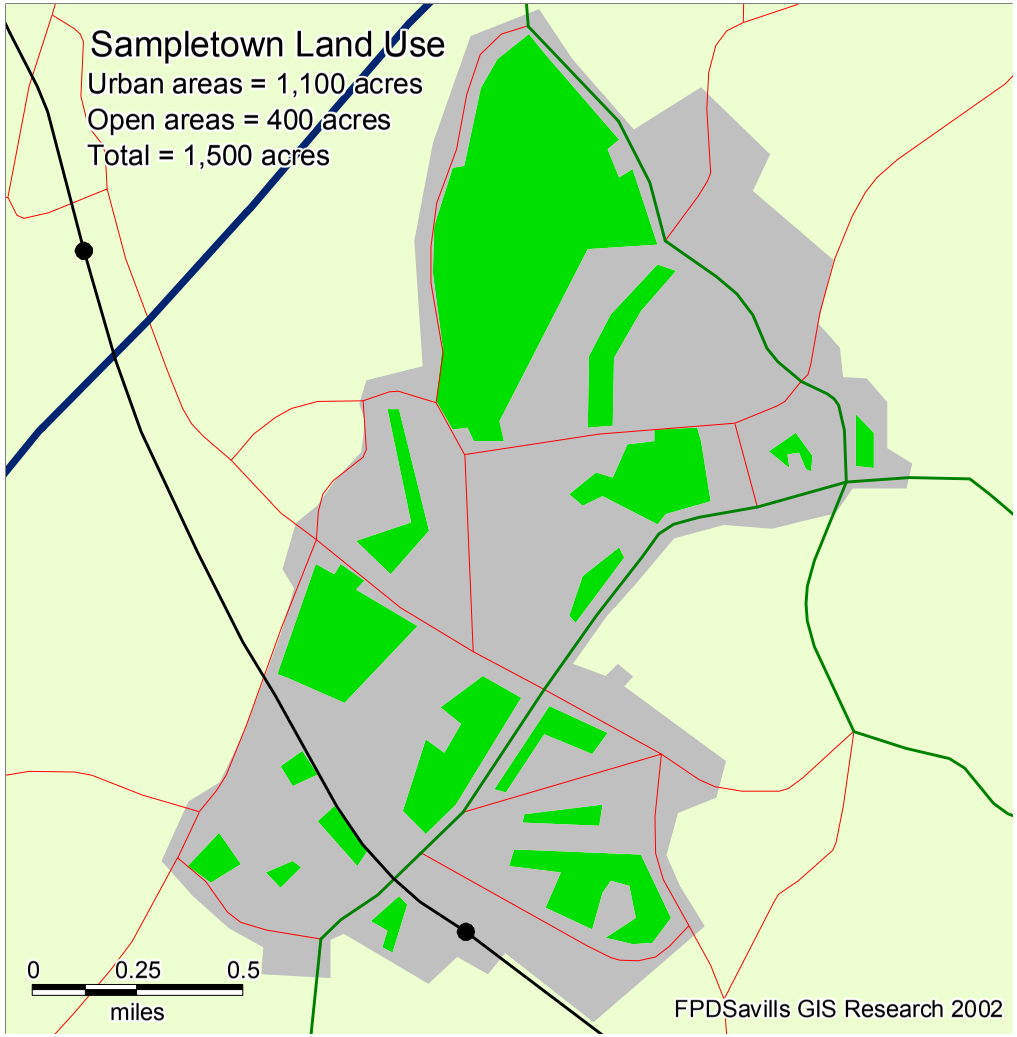
we have forgotten how to build real places



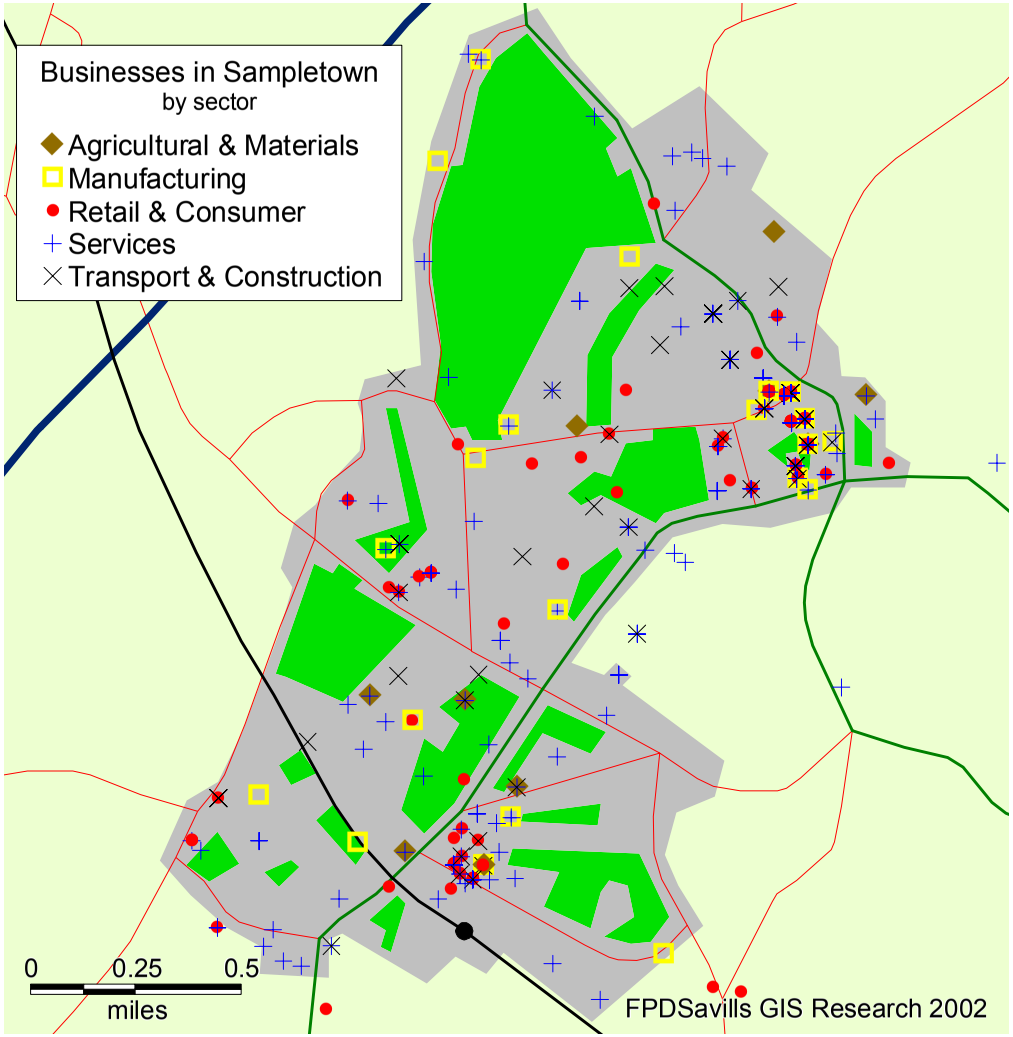
succesful places are varied …

Housing by tenure	*No. of units in sample town*
Owned	71%
Rented - furnished	5%
Rented – unfurnished	4%
Tied	1%
Council/HA	19%
Housing by type	
Detached	59%
Semi detached	23%
Terraced	7%
Purpose built flats	10%
Converted flats	1%
Other	0.2%

… and it's not just about housing …



… commercial uses don't always fit in boxes either



there are 302 businesses in Sampletown …

Market Sector Classification	No. of Units
Advertising & Design	12
Business Consultants	22
Estate Agents & Valuers	2
Chemists and Opticians	3
Cleaning Services	3
Clothing and Accessories	10
Education	17
Film and Photographic	1
Financial	16
Food and drink	17
Furnishings	6
Garages & Vehicles	18
Garden and Leisure	14
Hire Services	5
Hotels and Restaurants	27

Market Sector Classification	No. of Units
Household	3
Insurance	4
Legal	3
Leisure and Entertainment	18
Medical Services	15
Merchants and Wholesalers	3
News, confectionery and tobacco	5
Office services & equipment	12
Personal services	24
Property	20
Public administration	5
Repairs and servicing	1
Scrap and Waste	1
Social	13
TV and Radio	2

… so accommodation is needed for:

10 restaurants,
including takeaways
3 Estate agents
6 Pubs
2 Guest houses
2 Antique shops
3 Butchers
2 GP's surgeries
1 day nursery

1 Health club
2 Fish and chip shops
2 Banks
1 Hotel
2 Grocers
1 Gift shop
1 Supermarket
1 Pharmacy
3 dentist's surgeries

… amongst other things

real places are more valuable than homogeneity …

	Suburbia	**Sampletown**
Average unit price:	£145,000	£209,000
Residential building land:	310 hectares	310 hectares
Private sector residential land developable:	248 acres	248 acres
Units per acre	24	24
No. of units:	5,952	5,952
GDV of housing only:	£0.863bn	£1.244bn
Design impact		+£381m
Density impact (24 to 30/ha)		+£311m

people prefer this…



Butlers Wharf

to this



Wapping High Street

and this…



Chelmer village (Bryant Homes, Chelmsford)

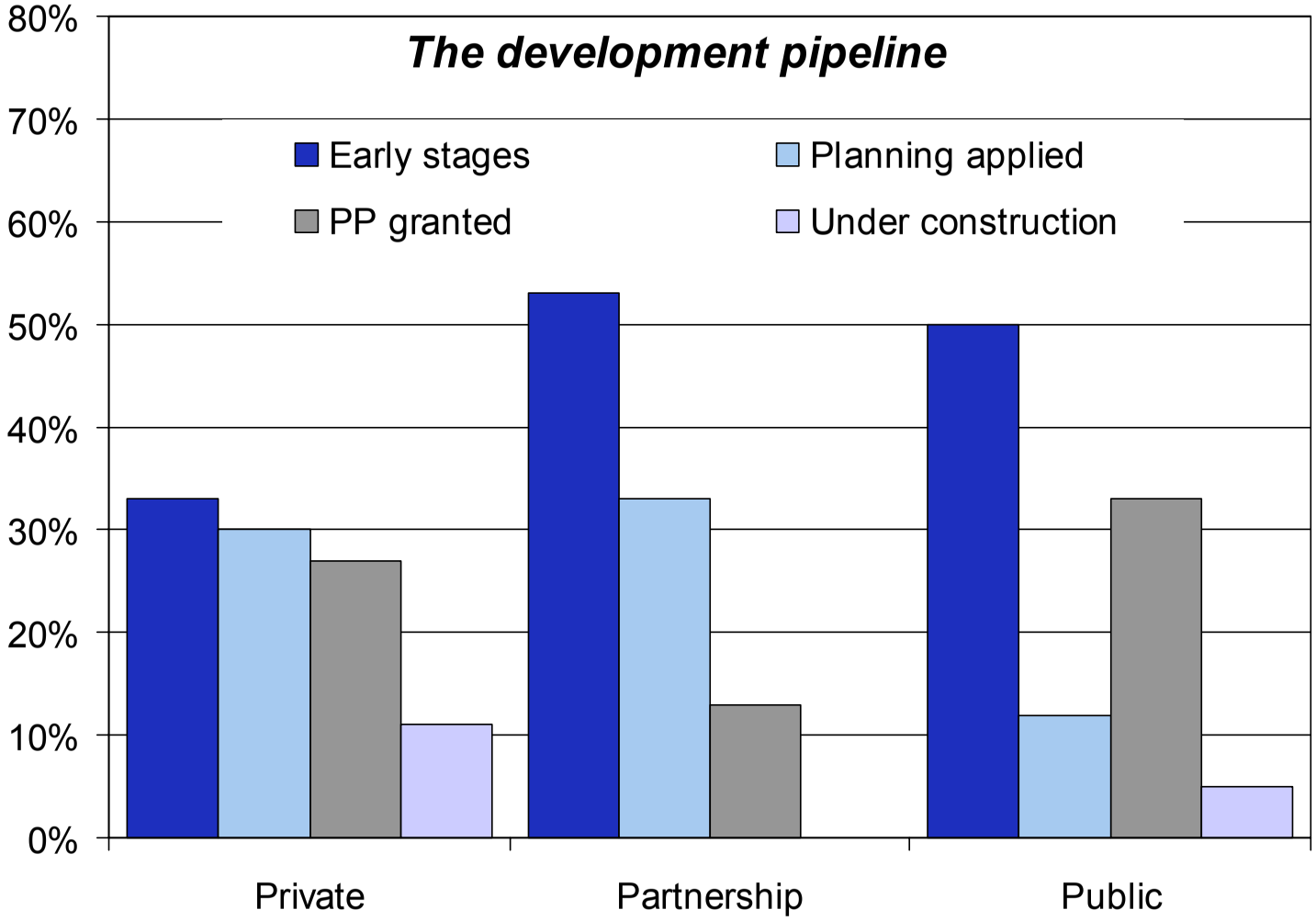
to this





Anywhere!

private sector is probably best at delivery



Source: FPDSavills Research

possible future opportunities and challenges

- shorter term:
  - big schemes in viable locations will be funded and invested
  - big box may not be or remain viable in some places/under certain conditions
  - some situations need public funding/infrastructure
  - schemes may be increasingly commercially led

possible future opportunities and challenges

- longer term
  - opportunities are suburban (will the urban “model” work everywhere?)
  - “estate management” may be the biggest issue
  - there is a knowledge gap in building and phasing neighbourhood commercial with ordinary residential
  - new types of investor may be needed
  - are the planning use classes flexible enough?