The added value of mixed-use
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Real Estate Management
Urban Development Management
Introduction

Changing role of the real estate developer

Adaptive re-use of vacant real estate and land

Increasing popularity of mixed-use in urban planning
“How can mixed-use real estate generate value for both the area and the redevelopment business case?”
(re-)development business case
(re-)development business case

investment into additional functions

added value

alternative value streams

investment

return

cash flow
time
(re-)development business case

investment into additional functions

added value

alternative value streams

cash flow
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return
(re-)development business case

investment into additional functions

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alternative value streams

cash flow

time

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return
SQ1: What are the benefits and downsides of mixed-use?

SQ2: How can mixed-use add value to the area?

SQ3: How can mixed-use contribute to the business case?

SQ4: How can the added value for the area be captured for the business case?
Part I
Theoretical research
literature review
  Document review
  Desk research

Research questions:
1
2
3
4

Part II
Empirical research
context analysis
  Document review
  Exploratory interviews

case studies
  Desk research
  In-depth case interviews
  Cross-case analysis

Research questions:
1
2
3
4
Methodology

Descriptive & Exploratory

Outcome-focused

Embedded multiple case study
Case A

Added value for the area

Case B

Added value for the area

Case C

Added value for the area

Added value for the business case

Added value for the area

Added value for the business case
Literature review

SQ1: *What are the benefits and downsides of mixed-use?*

Mixed-use compared to single-use

Solution to problems of the modern city

‘Soft factors’ of the built environment
Benefits

● More vital during different parts of the day
● Safer through increased social control
● More coherent through vertical integration
● More attractive to their users
● Diminish need to travel or commute
● Provide greater opportunity for public transport connections
● Less car reliant
● Justify and better integrate public spaces
● Increase financial feasibility through synergies
● Strengthen the sense of place and adoption of unique project brand
Downsides

- Fragmented ownership could lead to differences in the (re-)investment cycle of project components
- A complex ownership structure, which hinders maintenance and facility upkeep
- The project must be pre-planned completely and hit the ground running
- Relying on synergy of functions brings risk as poor timing may lead to vacancy and low rents
- The added complexity and longer development timespan increase this risk and add costs
  However: Independent financial feasibility of the project components mitigates this risk but means that cornerstone land-uses cannot compensate for other urban functions.

- Greater difficulty securing capital than single-use projects
- Regulatory hindrance
- Policies and land-use plans form obstacles
Literature review

SQ2: *How can mixed-use add value to the area?*

Context benefits

Figure: Relationships between benefits of mixed-use development (British Department of the Environment, 1995b).
Literature review

SQ3: *How can mixed-use contribute to the business case?*

Utility and synergy between space-uses

Placemaking and branding

Public space

Depends on context benefits
Literature review

**SQ4:** *How can the added value for the area be captured for the business case?*

- Asset value depends on vibrancy of the site
- Compensation from public parties
- Benefits are hardly quantifiable and spill-over to others
- Negotiability of soft factors
- ESG & corporate social sustainability
### Part I

Theoretical research

- Literature review
- Document review
- Desk research

**Research questions:**
1.  
2.  
3.  
4.  

### Part II

Empirical research

- Context analysis
- Case studies

- Document review
- Desk research
- Exploratory interviews
- In-depth case interviews
- Cross-case analysis

**Research questions:**
1.  
2.  
3.  
4.  

21
Case context analysis

Zoning and parking regulations

Fiscality

Main attractors

Strategic advantage

Paradigm
<table>
<thead>
<tr>
<th>Urban function:</th>
<th>Fenix I</th>
<th>Haasje Over</th>
<th>KJ Residences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td></td>
<td>Residential</td>
<td>Residential</td>
</tr>
<tr>
<td>Leisure</td>
<td></td>
<td>Leisure</td>
<td>Retail</td>
</tr>
<tr>
<td>Culture</td>
<td></td>
<td>Culture</td>
<td>Public space</td>
</tr>
<tr>
<td>Hospitality</td>
<td></td>
<td></td>
<td>Hospitality</td>
</tr>
<tr>
<td>Mixed-use form:</td>
<td>In plinth</td>
<td>Through building stacking</td>
<td>In plinth of public hall</td>
</tr>
<tr>
<td>Part of a larger redevelopment plan:</td>
<td>Revitalisation of the neighbourhood</td>
<td>Reintegrating Strijp-S industrial site in the city</td>
<td>Ground floor hall is the new entrance to the city</td>
</tr>
</tbody>
</table>
Added value for the area A

Added value for the area B

Added value for the area C

?
<table>
<thead>
<tr>
<th>Incorporation of extraordinary space-use as placemaking</th>
<th>Fenix I</th>
<th>Haasje Over</th>
<th>KJ Residences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engages with / includes local community through social / cultural space-use</td>
<td>●</td>
<td>●</td>
<td></td>
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<tr>
<td>Shift in local attitude towards redevelopment</td>
<td>●</td>
<td>●</td>
<td></td>
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<tr>
<td>Strong identity strengthens brand of the area</td>
<td>●</td>
<td>●</td>
<td>●</td>
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<tr>
<td>Increased preservation of industrial legacy</td>
<td>●</td>
<td>●</td>
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<tr>
<td>Increase traffic flow on foot</td>
<td></td>
<td></td>
<td>●</td>
</tr>
<tr>
<td></td>
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<td>KJ Residences</td>
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<tr>
<td>--------------------------------</td>
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<tr>
<td>Provides space for local cultural initiatives</td>
<td>●</td>
<td>●</td>
<td></td>
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<tr>
<td>Attracts new user groups (young families / creatives)</td>
<td>●</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>More diverse housing stock retains families</td>
<td>●</td>
<td>●</td>
<td></td>
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<tr>
<td>(New) strong identity &amp; brand of the area</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Spark rapid increase in surrounding real estate prices</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Improve quality of stay &amp; character of public space</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Origin of investment:</td>
<td>Fenix I</td>
<td>Haasje Over</td>
<td>KJ Residences</td>
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<td></td>
<td><strong>Concession</strong>, as inclusion of social space-uses was a municipal demand</td>
<td><strong>Intrinsic motivation</strong>, to engage with local communities out of social responsibility</td>
<td><strong>Concession</strong>, the design and quality of use of the public hall were tender assessment criteria</td>
</tr>
<tr>
<td></td>
<td>Part of the urban renewal of Katendrecht. The municipality was willing to invest in public space as developer helped realise their ambitions.</td>
<td>The municipality takes part in a Special Purpose Company for allotment of land.</td>
<td>Redesign of KJ square, large underground bicycle parking and connection to Koekamp park.</td>
</tr>
</tbody>
</table>
Added value for the business case

A

Added value for the business case

B

Added value for the business case

C

?
<table>
<thead>
<tr>
<th>Project</th>
<th>Rebranding causes increased demand and new user groups</th>
<th>Long-term investment met with high yield for pioneers</th>
<th>Improved quality of public space improves marketability</th>
<th>Land bid compensated for loss of buildable land / space profitability</th>
<th>Long-term financial commitment of municipality</th>
<th>Freedom in temporary use</th>
</tr>
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<tr>
<td>Fenix I</td>
<td>☐</td>
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- Land bid compensated for loss of buildable land / space profitability
- Long-term financial commitment of municipality
- Freedom in temporary use

* Haasje Over in settlement
* KJ Residences in tender
<table>
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<th>KJ Residences</th>
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</thead>
<tbody>
<tr>
<td>Great municipal interest loosens 'soft' restrictions</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased attractiveness (not expressed monetarily) due to greater vibrancy of the area</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Improved marketability due to service level provided by additional space-uses</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Strengthened relationship with (public) project parties</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mixed-use development may favour strategy of the firm over optimised business-case</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reference for acquisition</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Novel character</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Reference for acquisition</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>
Conclusions

Much of the added value is qualitative and cannot be expressed monetarily

Practice relates area benefits to local users and communities

Stakeholders valuate benefits differently

Broadening of the business case remunerates value ‘lost’ to the area
(re-)development business case
time

cash flow

time

investment

additional investment

return

direct additional return
cash flow

investment

additional investment

time

return

indirect additional return

direct additional return
direct additional return
indirect additional return
strategic return
investment
additional investment
cash flow
time
return
Direct returns: Rent income and financial compensation
Indirect returns: Synergies, increased marketability, and looser 'soft' restrictions
Strategic returns: Project team & public relations, acquisition, references
Context benefits: Day-round vitality, economic activity, safety, mobility, and environmental sustainability
Discussion

Divided

Marketability

Motivation

Regaining value for the business case
Limitations and recommendations

Method

Validation

Transferability

Recommendations
Final takeaways

- Added value for the area and for the business case are not mutually exclusive
- Conflict between strategic advantage and operational effectiveness
- ‘Yield-based thinking’ vs ‘Value-based thinking’
- Value is based on who you ask
Direct returns: Rent income and financial compensation
Indirect returns: Synergies, increased marketability, and looser 'soft' restrictions
Strategic returns: Project team & public relations, acquisition, references
Context benefits: Day-round vitality, economic activity, safety, mobility, and environmental sustainability
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<th>Motivations</th>
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<tr>
<td>The case projects must be redevelopment projects.</td>
<td>The problem statement specifically states redevelopment projects as these (often inner-city) locations demand new stimulus in order for value to increase. This demand driven perspective is important for understanding how the case projects came to be.</td>
</tr>
<tr>
<td>The case projects must be located in The Netherlands.</td>
<td>The scope of this research is limited to the Dutch real estate practice for the sake of comparability of the cases and their economic and juridical similarity.</td>
</tr>
<tr>
<td>The developers of the case projects must be based in The Netherlands.</td>
<td>Once more, this limit is placed to minimise political and cultural differences for the sake of case comparability.</td>
</tr>
<tr>
<td>The case projects must either introduce or retain an unprofitable function to the site.</td>
<td>The thesis aims to study the synergy of unprofitable and profitable functions for the area and the business case. However, the interventions that enable unprofitable functions to sustain their existence in the area are also viewed as successful spin-off redevelopment cases.</td>
</tr>
<tr>
<td>The initiators of the case projects ideally differ in type of real estate development company.</td>
<td>To assess a wider variety of perspectives within the limited scope and timeframe of this research, it may be interesting to analyse the perspective of stakeholders with different but comparable backgrounds.</td>
</tr>
<tr>
<td>The case projects must be comparable in type.</td>
<td>These factors ensure comparability of the cases; excluding entangling variables in the analysis.</td>
</tr>
<tr>
<td>The case projects must be mixed-use, but the exact functions may differ.</td>
<td></td>
</tr>
<tr>
<td>The case projects must be recent, with initiation or execution within the last 5 to 10 years.</td>
<td></td>
</tr>
</tbody>
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Table 6.1: Case selection criteria