

Real Estate Finance & Investment

July 8, 2013

Views

Guest Column

The New Urban Campus

By Alan Mark

Alan Mark is founder and president of **The Mark Company**, a real estate sales, marketing and research firm. The company represents high-end condominium projects throughout the Western U.S. including 300 Ivy in San Francisco, Evo in Los Angeles and Insignia in Seattle.



Alan Mark

In cities throughout the Western United States, traditional boundaries dividing the workplace and home are rapidly disappearing, resulting in a new urban campus. From San Francisco and downtown Los Angeles to Portland and Seattle, buyer demographics are driving demand for condominium development.

Many young people prefer to live and work in an urban setting, and innovative companies such as **Twitter** and **Nike** are increasingly replicating suburban campuses in urban settings to attract new talent. Gen Yers, particularly those in technology, often maintain flexible work hours. As a result, new and renovated office buildings are providing more onsite amenities such as fitness centers, yoga studios and lobby lounges. Condominiums and apartment buildings are also offering more amenities to residents to meet this changing demographic.

The number of young people wanting to live and work in the same neighborhood is also growing. Since 2006, downtown Los Angeles has seen a 60% rise in the number of condo buyers who work in the area, according to data compiled by The Mark Company.

In San Francisco, the Mid-Market neighborhood (home to Twitter's new headquarters) is being developed simultaneously on the commercial, retail and residential fronts. Four condominium developments are scheduled to come online in the area between now and the second quarter of 2014, including 8 Octavia, along with more than 1,500 new rental units.

A growing percentage of today's new condominium purchasers are Gen Yers. These buyers in particular want to live near where they play and work. This is leading to continued demand for new residential construction near an office/commercial core. The way in which residential properties are being marketed is also evolving,

with developers now emphasizing the neighborhood in addition to the building's amenities and design.

There are actually two distinct types of urban campuses: Established/Reclaimed and New Emerging neighborhoods, each with their own amenities and unit mixes.

Established/Reclaimed Neighborhoods

Established and reclaimed urban campuses are areas with a strong existing base of shops, offices, amenities and services. As a result, the neighborhood becomes the ultimate amenity (and selling point) for urban, environmentally conscious buyers who prefer using public transportation and like to walk or bike to restaurants, shops and even work.

For residential developers, sellable square feet can be optimized while maintaining high price per square foot numbers. The amenities offered to buyers are more cost efficient and take minimal square footage, such as bike storage and shared car space. Examples of these types of buildings include 300 Ivy in the Hayes Valley neighborhood of San Francisco.

Another example of an established/reclaimed urban campus is the South Waterfront neighborhood in Portland. The area is home to **Oregon Health & Science University's** March Wellness & Fitness Center, which has research offices, commercial offices, a state of the art fitness and rehabilitation center, café and pharmacy. There are also restaurants, shops, and a park complete with a weekly farmers market and events.

The residential buildings in the area have evolved around the services offered at OHSU; for example, none of the six residential buildings there has fitness centers, because most owners use the facilities at March Wellness. Due to its proximity to an office and commercial core, the area is ripe for further development that can be heavily skewed towards maximizing sales footage.

New/Emerging Urban Campus

The other main type of urban campus is located in emerging neighborhoods, where commercial/office space is being introduced at the same time as residential properties. As neighborhood services and amenities are still in development, there is greater need to create a bigger in-building footprint with efficient and impactful amenities. A key element to ensure the success of this

“The number of young people wanting to live and work in the same neighborhood is also growing. Since 2006, downtown Los Angeles has seen a 60% rise in the number of condo buyers who work in the area.”

type of urban campus is optimizing amenity programming, so there is an efficient use of square footage and services that will help increase the price per square foot.

One example of a condominium in a new/emerging urban campus area is Madrone in the Mission Bay area of San Francisco. The project recently broke sales records by targeting workers in the newly built neighboring Science/Tech corridor and Mid-Market neighborhood, as well as offering an extensive amenity program.

In downtown Seattle, the connections between work centers, neighborhoods and entertainment districts are also rapidly dissolving. Both renters and buyers are increasingly interested in what is immediately around them when making their housing choices. In the past year, more than 200 companies have announced they are either moving to Seattle or opening a major branch office there.

The technology sector, a major component of job growth and sustainability, now draws 85% of software graduates to Seattle on

a permanent basis. With the new **Amazon** headquarters going in and hundreds of apartments under construction, downtown Seattle as a complete urban experience is well on its way. Insignia, a new project from **Bosa Development** that will neighbor the future Amazon campus, will have 350 residences and 23,000 square feet of commercial space.

Downtown Los Angeles is also attracting an increase in developer interest for a new urban campus experience. For instance, 7th& Figueroa Plaza was recently remodeled to support an increased live/work demographic. The block includes office buildings, retail, fitness, a farmers market, bars and entertainment in the summer and residential opportunities across the street (The Roosevelt) with more just blocks away (655 Hope Street, The Brockman Lofts and Evo South).

As downtown Los Angeles and other urban centers throughout the Western U.S. continue to emerge or be reclaimed, amenity programming will remain an important element enabling developers to maximize their price per square foot.