



## Smart Growth: A growing real estate niche

Findings from the forthcoming Smart Growth Capital Report (US EPA)

5<sup>th</sup> Fifth Annual New Partners for Smart Growth Conference

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Denver, Colorado

Prepared by Lee Sobel

US EPA



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## What is the size of the Smart Growth market?

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## Testing and measuring

- o Emissions
- o Trips, VMT
- o Density & affordable housing
- o Water quality & runoff
- o Street width
- o Public health
- o BF remediation
- o Energy efficiency
- o Costs of infrastructure & services
- o Development
  - Capital investment
  - Construction



Haile Village Center,  
Gainesville, FL.

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## Why measure capital investment and construction?

- Smart Growth is real estate investment and development
- Compiling and tracking information on debt, equity, square footage, and geographic location are common and customary practices
- Real estate and finance industries thrive on market data, development trends, active players, and growing markets in order to find new opportunities
- Industry professionals may have read case studies or toured projects but may not be aware of the breadth of projects in the market
- Sales figures, rental rates and yields are difficult to collect
- New information & analysis creates growth opportunities and competition when it is available to everyone
- These additional tools are available and helpful



ULI's Reality Check, Washington, DC

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## From experiment to development

- 1983 – 1<sup>st</sup> demonstration project begins: Seaside, FL
- 1998 – “...visit a neighboring state.”
- 2004 - 648 projects codes and comprehensive plans in 42 states & DC (also Canada (13), Europe (25), the Americas (3)).
- 2005 – 339 projects complete or under construction

Source: New Urban News, 2005

Source: The Town Paper: TND Neighborhoods, October, 2005

Kentlands, Gaithersburg, MD



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## Early assessments measuring capital investment

- Research conducted by the TND Fund in 1999, estimates \$1.2 billion invested cumulatively in traditional neighborhood developments (TNDs) by the end of 1997 and \$2.1 billion by the end of 1998.

Source: “New urbanist projects attract investment”, New Urban News, Jan-Feb 1999.



Courtesy: New Urban News

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○○○ Construction data prior to 2000

- Completed projects: 22
- Acres: 6,845
- Housing (by units):
  - For-sale & Rental 18,314
- Office, industrial & retail: 6,353,802 sq ft



Market Common, Arlington, VA



Kentlands, Gaithersburg, MD



Mizner Park, Boca Raton, FL

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○○○ Defining the market: Projects considered

- Smart Growth Principles
- Projects under significant construction or expansion
  - Between 2000 - 2004
- Greenfield and infill sites
- Over fifteen acres in size



Hercules Waterfront District, Hercules, CA

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○○○ Defining the market: Projects not considered

- Smart Growth Principles but...
  - Completed projects
  - Resort or second home
  - Remote market
  - Site under fifteen acres
  - Single-building urban projects
  - Projects outside report window

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○○○ Construction activity identified

- Qualified projects: 73
- Construction activity: 2000 to 2004
- Acres: 30,784



Summerset at Frick Park, Pittsburg, PA

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○○○ Construction activity identified

- Qualified projects: 73
- Construction activity: 2000 to 2004
- Acres: 30,784
- Housing (by units):
  - For-sale 22,624
  - Rental 11,335



New Longview, Lee's Summit, MO

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- Qualified projects: 73
- Construction activity: 2000 to 2004
- Acres: 30,784
- Housing (by units):
  - For-sale 22,624
  - Rental 11,335
- Retail: 6,395,153sf



King Farm, Rockville, MD

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- Qualified projects: 73
- Construction activity: 2000 to 2004
- Acres: 30,784
- Housing (by units):
  - For-sale 22,624
  - Rental 11,335
- Retail: 6,395,153sf
- Office & industrial: 17,205,280sf



Carlyle, Alexandria, VA

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○○○ Construction activity identified

- Qualified projects: 73
- Construction activity: 2000 to 2004
- Acres: 30,784
- Housing (by units):
  - For-sale 22,624
  - Rental 11,335
- Retail: 6,395,153sf
- Office & industrial: 17,205,280sf
- Total Est. Investment: \$9,113,131,862

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○○○ Upon projected buildout

- Qualified projects: 73
- Construction activity: 2000 to 2004
- Acres: 30,784
- Housing (by units): 95,701
  - For-sale 22,624
  - Rental 11,335
- Retail: 6,395,153sf 23,046,592sf
- Office & industrial: 17,205,280sf 48,853,453sf
- Total Est. Investment: \$9,113,131,862

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○○○ | Geographic breakdown of projects

- South 33
- Southwest: 15
- Midwest: 12
- Northeast: 8
- Northwest: 5
- Total: 73
- Coverage: 24 States
  
- Most Active: Florida (9), California (9), Ohio (5), Texas (5), Colorado (4), Maryland (4)

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○○○ | Capital Investment

- Total estimated capital investment exceeds \$9.1B
- Median land cost was 13% (excluding site work)
- **Equity** financing accounted for an average of **39%** of total development costs. **Debt** financing accounted for an average of **61%** of the total development costs
- Sources of debt: local, regional & national banks, institutions, and government loan programs
- Who are the **leading institutions** for placing capital on active smart growth projects? Wachovia Bank (3), Wells Fargo (2), Bank of America, CalPERS, 23 other banks identified.

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○○○ | Projects by product category

Large Land/Greenfield Projects	
• Acreage Range:	200 to 8,000
• For Sale Housing Range:	100 to 1,000 units
• Single family units:	From \$80,000 to \$1 million
• Average price:	\$350,000
• Rental units:	0 to 300 (average range)
• 2 Bdrm Average:	\$800 - \$2,000/mo
• Retail/Commercial (sf):	20,000 - 1,000,000



Celebration, FL Developer: Walt Disney Land Co



Stapleton, CO Developer: Forest City Enterprise

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## Projects by product category

### Infill Development Project

- Acreage Range: 15 to 250
- For Sale Housing Range: 0 to 850
- Single Family Units: From \$200,000 to \$900,000
  - Average Price: \$300,000
- Rental Units: 0 to 4,000
  - 2 Bdrm Average: \$2,500/mo
- Retail/Commercial: 2,000 to 1,000,000



Haile Village, FL Lender: Sun Trust Bank



Hercules Waterfront District, Developer: Bixby Company



Bellmont Bay, VA Equity: Private Firm

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## Projects by product category

### Redevelopment/Re-Use Projects

- Acreage Range: 15 to 1,500
- For Sale Housing Range: 23 to 2,000 units
- Single family units: From \$200,000 to \$700,000
  - Average price: \$600,000
- Rental units: 0 to 1,600 (average range)
  - 2 Bdrm Average: \$1,500/mo
- Retail/Commercial (sf): 300,000 - 700,000



Santana Row, CA Federal Realty



CityPlace, FL Palladium Co



Mizner Park, FL Equity: TIAA

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## Smart Growth is a growing real estate niche

- New projects: 125
  - Planning completed, approved or under construction after 2004
- Acres: 34,447
- Housing (by units)
  - For-sale & rental: 78,892
- Commercial space: 44,581,000sf



Upper Rock, Rockville, MD

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# Thank You

Image credits

- o US EPA
  - Carlyle, Alexandria, VA
  - Haile Village Center, Gainesville, FL
  - ULI's Reality Check, Washington, DC
  - Market Common, Arlington, VA
  - Kentlands, Gaithersburg, MD
  - Mizner Park, Boca Raton, FL
  - Hercules Waterfront District, Hercules, CA
  - Summerset at Frick Park, Pittsburgh, PA
  - New Longview, Lee's Summit, MO
  - King Farm, Rockville, MD
  - Carlyle, Alexandria, VA
  - Stapleton, Denver, CO
  - CityPlace, WestPlam Beach, FL
- o Duany, Platter-Zyberk
  - Master plan & aerial, Kentlands & Lakelands, Gaithersburg, MD
  - Master plan, Upper Rock, Rockville, MD
- o New Urban News, Issue Jan-Feb 1999
- o Urban Design Associates, Celebration, Kissimmee, FL
- o Greenberg, Eilen, Santana Row, San Jose, CA

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