The future of finance and investment for real estate development and investment

Changing approach for a new structural era

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Abstract

Real estate is structurally shifting toward walkable urban development. This structural shift affects every aspect of the industry from site acquisition, construction, design, property, and asset management to finance and place management, a new field. This chapter focuses on the financing and investment in real estate in this structurally new era, contrasting it to the previous era (drivable suburban), in which most financial professionals learned their skills and gained their experience. It also touches on the needed skill set changes for the real estate development and investment industry to adapt to this new era. In essence, the skill sets and experience learned in the drivable suburban era have to be completely modified to the new walkable urban era. Applying the previous era’s skill sets to the current will lead to substantial under performance and even failure.

Introduction

Real estate development and investment is one of the oldest asset classes in economics and business history. Real estate is a basic industry essential to human existence, where we live, work, and socialize. It has consumed a large portion of the investment capital of economies since cities emerged over 6,000 years ago. Today in developed economies, approximately 35 percent of all assets are invested in real estate (residential, retail, office, industrial, institutional, government, university, etc.) and the infrastructure needed to support this real estate. Infrastructure includes transportation in all of its forms, water, sewerage, electrical, cable, wireless, parks, etc. Hence, real estate and infrastructure – the built environment – is probably the largest asset class in the economy.

Real estate has always been a long-term asset. Historically, buildings last 25–50 years until they either need to be torn down or need fundamental redevelopment. It is the reason the United States Internal Revenue Service mandates that real estate should be depreciated over 39 years for non-residential property and 27.5 years for residential rental property (land is not
included since it does not depreciate) (Department of Treasury Internal Revenue Service 2014). Yet, real estate investment is generally financially underwritten like every other investment asset; that is, it is required to generate cash flow in the short term under conventional discounted cash flow methodologies. The result is that this long-term asset class is evaluated for initial development or redevelopment using short-term evaluation techniques, generally with a 3–7 year time frame.

This chapter reveals and challenges the mismatch between this long-term asset class being evaluated and underwritten using short-term techniques. These techniques include the various forms of discounted cash flow, particularly the prevalent use of internal rate of return (IRR) in real estate underwriting. Far more research is needed to prove this mismatch in long-term investment horizons and short-term underwriting is harming investors and the quality and form of the built environment, but the hypothetical case is proposed here. However, many private individuals and families, and increasingly publicly traded companies and institutions with long-term cash flow needs, are recognizing, once again, like their forbears a century ago, that a long-term asset such as real estate is best served with long-term investment underwriting.

Recent structural changes in real estate investment and market demand

Prior to the 1990s, real estate investment was generally locally financed. Local banks or regional offices of national banks provided construction financing to primarily local developers, regional offices of national developers and investors. Long-term financing was provided by local and national institutions, such as insurance companies and pension funds predicated on the understanding of local market fundamentals. Private investors, corporations, government, and non-profit institutions also undertook substantial real estate investment, many times using internal financing.

Furthermore, real estate has been an illiquid asset class for millennia. It has been assumed for many centuries that real estate generally takes a long time to sell, depends upon “windows of opportunity,” and that it has high transaction costs, slowing the sales process. There were times during the real estate cycle when selling at anywhere near the cost of acquisition or replacement was not possible and an investor just had to wait for better economic conditions. Real estate continually went from boom to bust, such as boom times in the late 1970s, mid-1980s, mid-1990s and mid-2000s, always followed by the busts of the early 1980s, early 1990s, and 2007–10. Most of the busts led to general economic recessions given the large asset base of the real estate industry in the economy as a whole.

In the early 1990s, during the worst real estate bust up until then since the 1930s, the beginning of a revolution in real estate finance started. For the first time in history, a significant portion of the real estate industry was made liquid and instantly tradable. Taking the form of secondary residential and commercial mortgage packages and publicly traded companies, particularly real estate investment trusts (REITs), it began to fundamentally change how real estate financially functioned. Buying and selling tradable stock in a REIT, which owns and manages billions of dollars of real estate assets, was as easy and quick as any other common stock in a household or institutional portfolio. Secondary mortgage-backed securities hit a major downdraft and in fact helped cause the Great Recession in 2007–8 due to lax oversight of underwriting and lack of understanding of the assets held in those packages. Yet, residential and commercial mortgages being sold into a worldwide market has returned as of 2016 and one hopes the recently enacted reforms, such as better underwriting and minimum long-term ownership stakes by the fund sponsors, will bring needed discipline for continued expansion.

However, there was a price required to easily, cheaply and quickly trade in financial markets.
That price was commodification. Financial markets required commodification of any product being traded, whether a specific class of General Electric common stock, the grade of pork bellies, or currencies. Without commodification, financial markets cannot trade at high volume and low trading costs. Financial markets are not auction houses, which trade unique assets that require high transaction costs and specialized knowledge.

As real estate companies approached Wall Street to float the “class of 1993” for REITs, there became a demand for commodification of real estate products. Wall Street investment analysts knew relatively little about how real estate would perform financially in the early 1990s, even though the REIT structure had been around since 1960. The question was whether REITs were a utility (low risk with predictable dividends), a growth hybrid stock (high risk with high dividends), a cyclical investment (high returns in good times and implosion in recessions), or generating cash flow in good times and bad. There were few publicly traded REITs in the USA until the recession of the early 1990s drove formerly privately owned real estate companies to seek this “new” funding source, most listing on the New York Stock Exchange in the USA.

Wall Street analysts and institutional stock owners had a lack of experience with the REIT management. Many REITs were led by high profile company founders, such as Sam Zell (Equity Office and Equity Residential), Bill Sanders (multiple REITs in different product categories), and various spin-offs of Trammel Crow Company, the largest developer in the USA in the 1990s. Wall Street analysts have experience with professional managers in conventional corporations, not high profile “promoters” in real estate.

Many other countries have recently enacted legislation allowing the REIT form of publicly owned real estate, including the United Kingdom (2006), Germany (2007), Japan (2001), Canada (1993) and Hong Kong (2005). The investment analyst understanding of how these companies work and behave has to go though the same learning curve as the US markets have since the early 1990s.

**Nineteen standard real estate product types**

In the USA, the commodification of real estate led to what is referred to as the “19 standard product types” comprised of silos of single product types such as rental residential, entry level housing for sale, office, warehouse, etc., shown in Table 15.1. Without a public track record, Wall Street investment bankers wanted REITs to focus on one product type. Mixed-use projects and mixed-use product public companies were generally not allowed to go public. In the case of two REITs in the 1990s, Federal Realty (neighborhood retail centers) and Post Properties (suburban apartments), the founders and CEOs began to experiment with mixed-use projects. Both firms started walkable, urban, high-density developments with destination retail on the ground floor with apartments in the upper floors. However, investment analysts soon turned on these new strategies, leading to the firing of both CEOs. The message was clear: “stick to your knitting.”

In addition to mandating single product types, Wall Street and major investors had a strong preference for low density, “drivable suburban” products, which were the “conventional,” well-understood form of development that the industry had perfected in the late-twentieth century. This product form was segregated from other development, generally had surface parking and was connected to the rest of the region only by car and truck. Once again, the naturally conservative financial markets were not interested in the newly emerging forms of high-density walkable urbanism, such as downtown redevelopment, “New Urbanism,” and “transit-oriented development.” Lack of REIT track record, little experience with real estate management teams, and the conventional wisdom being that Americans only wanted drivable
suburban forms of development, led institutional investors to keep REITs on a “short leash” for the last 20 years.

Wall Street wanted as much predictability as the real estate industry could deliver. That meant well defined, well understood, drivable-only locations and low density, single purpose products. For example, a “neighborhood retail center,” pictured in Figure 15.1, has all the same characteristics, as shown in Table 15.2. Generally speaking, a neighborhood center anywhere in the country follows this formula and trades as a commodity. It also explains why the country tends to look the same, aside from the superficial architectural theming.

The financing of the 19 standard product types became the defining feature of US real estate investment, whether publicly traded companies using Wall Street capital or private companies building with commercial bank financing or institutional investors. Hundreds of billions of investment capital poured into publicly traded real estate companies and secondary mortgage backed securities, providing a fundamental financial infusion of capital into the industry, allowing for much more liquidity, low cost trading, and more predictability.

<table>
<thead>
<tr>
<th>Table 15.1 Nineteen standard real estate product types, 1990–2006</th>
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<tbody>
<tr>
<td>These real estate products are the easiest and most acceptable to the conventional investment community. They are generally single product type, stand-alone developments with self-contained parking, though some mixed-use developments are now possible.</td>
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### Income products

<table>
<thead>
<tr>
<th>Office</th>
<th>Build-to-suit office</th>
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<tr>
<td></td>
<td>Mixed-use urban office/retail/restaurant</td>
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<td>Medical office</td>
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<td>Multi-tenant office</td>
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<th>Industrial</th>
<th>Multi-tenant bulk warehouse</th>
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<td>Build-to-suit industrial</td>
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<tr>
<th>Retail</th>
<th>Grocery anchored neighborhood center</th>
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<td>Big box anchored power center</td>
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<td>Lifestyle center</td>
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<th>Garden apartments</th>
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<th>Self-storage</th>
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<td>Mobile home park</td>
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<th>Hotel</th>
<th>Budget hotel</th>
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<th>For-sale products</th>
<th>Entry level</th>
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<td>Move-up housing</td>
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<td>Luxury housing</td>
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<td></td>
<td>Retirement (includes a variety of segments, e.g., assisted living, independent, etc.)</td>
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<td></td>
<td>Resort/second home</td>
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*Source: Author*
Figure 15.1 Standardized neighborhood retail center with national credit grocery store anchor, Sacramento, California (USA)

Table 15.2 Neighborhood retail center as an example of the 19 standard real estate product types

- 12–15 acres (5–6 hectares) in land area
- 80,000 to 350,000 square feet in total size (7,500 to 32,500 square meters)
- 80% of the land will be covered with surface parking quite visible from the street traffic
- 20% of the land will be covered by the buildings set back from the street with significant store signage
- Loading and trash in the back lane behind the stores
- Located on the “going home” side of a major arterial
- Minimum of 25,000 cars per day passing the site
- Minimum household demographics within a 1–3 mile radius (2–5 kilometers)
- Anchored by national credit grocery and drug stores at opposite ends of the center
- In-line stores also national credit including card (example, Hallmark), fast food (Subway), fitness (LA Fitness), office supplies (Staples) and occasionally local tenants, such as nail salon, dry cleaner, etc.
- Outparcel pad sites immediately at the entrance from the arterial for banks and casual chain restaurants (TGIFs, Chipotle’s, etc.)
- Architecture as an after thought, depending on the locally accepted popular theme, such as Mediterranean in Southern California, Williamsburg in Virginia and Cape Cod in New England.
**The market changes**

Just as the finance industry had commoditized the industry in the 1990s, the consumer market began to change, slowly at first and only in selective metropolitan areas in the USA. There arose a demand for the opposite of drivable suburban development, which is walkable urban, where high-density concentrations of various product types are clustered in a relatively small amount of land. It allowed for multiple ways of getting to the place (car, truck, rail and bus transit, biking, walking, etc.) but once there, the place was walkable for all destinations, as the example in Figure 15.2 shows. Unlike the USA which abandoned its city centers, most other developed nations maintained the traditional walkable urban development of their city centers even as they were adding the new American-style drivable suburban development on the expanding metropolitan fringe.

European walkable urban real estate values in the city centers were maintained even as drivable suburban development occurred along the arterials and highways. However, from the start of the twenty-first century, walkable urban real estate in European and Asian city centers became the most expensive in most metro areas, as housing and commercial space in the center of Paris, Munich, Singapore, London, along with selective US center cities, appreciated well beyond any historic experience, to become the most expensive real estate in the world.

Starting in the mid-1990s, the market for walkable urban, mixed-use development started to revive across the USA, gaining speed in the 2000–7 real estate cycle and increasing even faster during the current cycle, depending on the metropolitan area. This has resulted in high rent/sales prices and valuation premiums, as demonstrated in the GWU research *Foot Traffic Ahead* (“FTA”) (Center for Real Estate and Urban Analysis 2016), released in June 2016. FTA ranked the 30 largest metropolitan areas in the USA (54 percent of US GDP) on three criteria: current walkable urbanism percentage for rental office, retail, and multi-family occupied space; a forward-looking “Development Momentum” ranking; and “Social Equity” (the percentage of low-income household spending on housing and transportation and accessibility to employment). The key findings are summarized below (Foot Traffic Ahead, 2016):

- All 30 metro areas achieving walkable urban rental rate premiums over drivable suburban space in the three product categories, averaging 74 percent. This is the first time all 30 have achieved walkable urban rent premiums in probably 60 years.

*Figure 15.2 Mixed-use, walkable urban place: downtown Detroit, Michigan, USA*
• In 26 of 30 metro areas, rental premiums increased between 2010–2015, indicating the premiums have not leveled out yet.

• All 30 metros are seeing walkable urban market share gains over the base period (1st quarter 2010) for the six years ending 4th quarter 2015, and 28 of the 30 metros have seen market share gains over 2010 of between 77 percent and five times. This is the first time all 30 have achieved walkable urban market share in probably 60 years.

• In the six most walkable urban metros (New York City, Washington, DC, Boston, Chicago, San Francisco and Seattle), 81 percent of total office and multi-family absorption over this six-year period went to “regionally significant” walkable urban places that used only 0.4 to 1.2 percent of the metropolitan land. This is an indication that drivable sub-urban sprawl may be over in these product types in these metro areas.

• The most walkable urban metros have the most educated workforce (40 percent of the population over 25 years of age have a college degree) and the highest GDP per capita ($72,110) compared to the least walkable urban metros. The most walkable urban metros had 33% more college graduates in the workforce than the least walkable urban metros. In addition, the most walkable urban metros have a 49 percent higher GDP per capita than the least walkable urban metros. This 49 percent GDP per capita premium is the difference between high performing Germany and moderate performing Russia, Croatia and Latvia.

• In spite of these rental premiums, the most walkable urban metros surprisingly have the highest social equity ranking. While low-income households in high walkable urban metros spend slightly more of their income on housing, they spent a much lower percentage on transportation, more than offsetting the housing premium. Also, all metro households also have two to three times the accessibility to employment in a walkable urban metro for the same commuting times.

Required changes for the walkable urban real estate era

Institutional investors and Wall Street are under increasing pressure to finance walkable urban, mixed-use development and investments. One would think this would be an easy concept to understand for the investment community. After all, many of them live and work on Manhattan Island, which is the highest density, most walkable urban mixed-use place in the country, generating the absolute highest rents, sale prices, and valuations. Yet, there is a disconnect between how they view real estate underwriting on their small island and the rest of the country.

How can the real estate investment community understand this changed market dynamic playing out in most metropolitan areas in the country? What needs to be done to allow for the financing of this market-driven type of development? There are a number of things to address this structural shift in financing, as outlined below.

Education of the investment community

Commercial and investment bankers and institutional money managers are obviously bright professionals. If a case could be shown to them for investing in mixed-use walkable urban development, they will certainly shift their underwriting. In fact, many conferences, such as the Urban Land Institute, have focused attention on the growing market demand and rental/sale and cap rate premiums for walkable urban real estate.

However, walkable urban development is much more risky and complex than developing and managing the 19 standard real estate products of drivable suburbanism. Many investment managers and bankers only have experience with one product type, say neighborhood retail or
entry level housing. In addition, finance is by its very nature conservative. Increasing risks or investing in a “new” real estate product type is not what the majority of investment managers want to do. Staying with the tried and true, even if the market is slipping away, seems like the right thing to do from a fiduciary perspective. Plus, most funds have proscribed what type of real estate product they invest in, so mixed-use, high-density walkable urban would probably not fit the official proscription.

Finally, as will be described below, the cash flows of walkable urban development perform differently than drivable suburban. Walkable urban development often takes longer to stabilize its cash flow and it performs better in the mid- to long-term. The 19 standard drivable suburban product types have been crafted as formulas that fit any place in the country and generate cash flow in the short term; the mid- to long-term cash flow potential is generally less. Most real estate funds are set up with a 3–7 year life, hence, just when the walkable urban development is maturing, it is time to sell and liquidate.

**Upgrading of development/asset management skill sets**

Developers/asset managers have to develop different skills sets and track records to engage in walkable urbanism. Investment managers correctly note that developers/asset managers need fundamentally different skill sets for walkable urbanism. The market for this form of development in the USA has only resurfaced since the beginning of the twenty-first century – depending on the metro area – so there is only a minority of developers/asset managers with much experience. Walkable urban development and management are fundamentally different to drivable suburban development. Developers/asset managers have to retool from the ground up. Walkable urban requires fundamentally different skill sets in finance, site acquisition, architecture, construction, phasing, marketing, project management, and place management (many have never heard of this new field). Transitioning from drivable suburban to walkable urban has many pitfalls, such as falling back on old rules of thumb that do not apply in the walkable urban world.

For example, a major publicly traded REIT was developing a high-rise rental apartment for the first time, across the Hudson River from Wall Street. Financial analysts could actually watch its progress from their windows. It was located in a former industrial area that was redeveloping as a mixed-use, walkable urban place. This area was in the early phase of the redevelopment process, which increases the risk. The REIT “stuck to their knitting” by not including any other products aside from multi-family rental but it had no experience with high-rise construction or marketing a walkable urban product. There was a significant construction overage; however, there was an even more significant rental rate premium than projected, leading to a better than forecasted return on investment. However, the Wall Street analysts were disappointed in the company on two points: their inability to manage construction costs and forecast rental rates, even though it turned out financially better in the end. If another product type, such as retail, was added, the financial analysts would be even more nervous. The learning curve for walkable urbanism is steep and the investment community is still skeptical of developers/asset managers who do not have the skill sets or track record.

**Better national place-based inventory, trends, and performance metrics**

The emergence of real estate as a separate asset class, joining cash, bonds, and stocks, only occurred in the 1990s with the surge of REIT initial public offerings and the rise of residential and commercial mortgage-backed securities. Only then did private data companies
with national datasets emerge, such as Zillow, CoStar, Redfin, WalkScore, etc. Yet these databases are in product silos, reinforcing the 19 standard product types. Therefore, the typical Wall Street investor would say that if you want to invest in a mix of uses, invest in an office REIT, a retail REIT, and a multi-family REIT. However, the economic premiums referred to above in the Foot Traffic Ahead research (74 percent rent premium per square foot for walkable urban) only happens when there is a high density, walkable mix of uses or a mixed-use project. Therefore, there is a need for far better datasets and performance metrics of walkable urban versus drivable suburban development. In other words, there needs to be a “Bloomberg” for real estate that is national in scope and dissects the data into walkable urban versus drivable suburban. Only then will the investment community have a clear picture of economic performance.

**Increased equity in capital stack, including “patient” equity**

There is much to be learned from developers from the early twentieth century, such as J. C. Nichols (Country Club Plaza in Kansas City), Henry Flagler (Miami), and the Rockefeller family (Rockefeller Center). They have become role models to be emulated in the walkable urban revival of downtowns, suburban town centers, new urbanist projects, transit-oriented developments, and lifestyle centers throughout the USA. While attention has focused primarily on the urban design lessons they employed, there are financing lessons they can teach us as well. The most important financing lesson is to recognize that real estate has always been a long-term asset class. One reason downtowns lately are reviving so quickly is the positive market response to the rehabilitation of historic structures — buildings whose quality of construction could never be matched today. However, over the past half-century real estate has changed. Today, most real estate projects have a seven- to ten-year life as a Class A property — the result of a reduction in the construction quality of projects and the building of a commoditized, single-purpose product. To build projects like Country Club Plaza or Rockefeller Center — mixed-use projects erected in walkable environments — something in short supply today was undoubtedly employed: patient equity. Patient equity is the capital committed to a development or redevelopment budget that does not have a defined payback. To many today it is an oxymoron — since equity is the most expensive and, therefore, most impatient of all capital. However, patient equity in the past was generally required to move a project forward, but also used because of the pride taken in building something that J. C. Nichols called of having “enduring value.”

Increasing the equity in the capital stack, especially patient equity, is more difficult to do but not as outrageous as most investors and developers think. The sources of patient equity include:

- **Land:** All projects start with land control and often, the existing landowner could be a contributor of that land in a patient equity manner. Especially when there is a common philosophy of the landowner and developer (walkable urbanism, sustainability, revitalization, etc.) and the landowner has owned it for many years, if not decades, possibly at zero basis and possibly it is not generating cash flow at present, it could be painlessly contributed to the venture. It is important to note that the land would have to be subordinated to any debt and possibly much of the additional equity invested in the project.
- **Developer fees:** The developer should be willing to invest any fees for development, marketing, brokerage, asset management, etc. into the project for an increased share of ownership in a patient manner.
- **Professionals:** Development professionals (architects, planners, lawyers, etc.) have been known to contribute their fees in the development in exchange for ownership.
- **Mezzanine equity:** This is a high cost equity but it also increases equity in the capital stack.
• Mission-driven investors: Many walkable urban developments are of interest to foundations, university endowments, public sector players, etc. They may have financial resources that could be invested in a patient manner.

The benefits of increasing equity in the capital stack, especially patient equity, is that it allows the project the required time for it to mature, it can weather an economic downturn that can sink a conventionally financed development, and makes construction lenders much more interested in the project since there is more money in front of the debt. In fact, having 30–50 percent of the capital stack as equity might mean the construction lender may negotiate a non-recourse loan, a major benefit to developers.

**Build/buy and hold for the long term**

One of the key differences in the financial performance of walkable urbanism versus drivable suburban is the length of economic performance. Drivable suburban financial performance tends to peak over a 5–7 year period. During the late twentieth century, sprawl had many times pushed demand further out to the fringe and inner suburban developments may have suffered. In addition, the construction quality was not of the highest so as to minimize front-end costs. As a result, drivable suburban projects would be re-evaluated at the end of the 5–7 year period to see if additional investment for re-habitation was justified or would the asset be left to unwind economically over time. Finally, the competitive market area (CMA) was generally very large, dictated by driving distance. As more competition was built, especially further out toward the fringe, the trade area might become overbuilt with newer projects. In other words, drivable suburban can suffer from “more is less”: as more competition is built the threat of overbuilding and demand moving further towards the fringe would degrade financial performance.

Walking distance – between 1500 and 3000 feet defines a walkable urban place – puts a governor on competition. Walkable urban places tend to cover a relatively small amount of acreage (\(\pi \times R^2\)). In metro Washington, the average walkable urban place is 406 acres; about three times the size of a regional mall, including the surface parking lot. Not only does this limit overbuilding to a degree (obviously not entirely) but also another crucial factor kicks into financial performance: “more is better.” As the next rental apartment is built next to your project that may have retail on the ground level, the sales, overages, and rents all go up. Even if the adjacent development includes retail, that creates more critical mass of retail that increases traffic for all of the retail tenants, increasing sales, overages, and rents. The more urban vitality makes the place perform better for all participants.

“More is better” changes the holding period of real estate investment. Rather than the 3–7 year holding that has become prevalent for investment portfolios, it makes more sense to hold long term. That was the way the Nichols, Flaglers, and Rockefellers financed a century ago. It seems to be affecting portfolio managers today as it appears there has been the beginning of a sea change toward long-term holding of walkable urban developments. Certainly the entire REIT industry is predicated on long-term holdings of assets, especially if the companies are focused on walkable urban development, which include highly regarded companies such as Equity Residential, AvalonBay, Federal Realty, and Forest City.

**Investment in place management**

Walkable urban places must be managed 24/7 to achieve their maximum economic performance.
Place management is a missing level of governance in society and the extent of services provided has barely been tapped as we learn how walkable urban places grow and prosper. Even more intense than ordinary property management, place management includes elements outlined below:

- Clean and safe: increasing the safety and cleanliness provided by the local municipality to deliver a higher level which the market for walkable urbanism demands.
- Economic development: crafting the product mix for every real estate product type within the walkable urban place, whether it be retail tenant mix, restaurant concentrations, clusters of companies and employment, tourism mix, cultural assets, etc.
- Festivals: developing and managing festivals, in essence temporary product types, that occur periodically such as ethnic events, sporting events, farmers’ markets, cultural festivals, charity events, seasonal events (Christmas shows and markets, New Year’s celebrations, etc.), parades and public celebrations (winning the professional or university championships).
- Parking and transportation: managing the parking of the place, lobbying for or even providing transportation to or circulating around the place.
- Social equity: ensuring there is a mix of housing for all employees working in the place.

Summary and conclusion

The rediscovery of walkable urban real estate changes everything, including how it is financed. This structural shift gets the industry back to how it was financed a century ago; actually since cities were first built thousands of years ago. It should transform real estate finance from a transactional business, continuously buying and selling over a short time period, into building economically sustainable, cash flow generating assets worthy of holding long term. Given the price and cap rate premiums we are already discovering, this is a profitable way of building value in real estate.

The need to retool finance and investment skill sets is essential for success in this new walkable urban era. It is also essential that the development and asset acquisition community that the finance and investment community is funding needs to completely retool their skill sets. Underwriting standards need to be fundamentally adjusted to this new reality. Those developers and investors being financed also need to be informed of these new underwriting standards and that they require a fundamentally different business strategy and tactics in the future.

References

