Good design for real estate development
Moving beyond the generic city

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Abstract
This chapter examines the role architects, landscape architects and urban designers play in real estate development. The global real estate market and project delivery methods within those markets vary greatly. However, the increasing internationalization and institutionalization of real estate capital have put pressure on design to standardize in order to mitigate risk. Simultaneously, cultural and ecological requirements are causing project design to respond with increased sensitivity to local conditions. For a project to succeed as an investment, respect local community values in order to obtain approval, and promote sustainability to benefit future generations, its designers must integrate these often-competing elements.

There is a broad spectrum of approaches to achieving successful outcomes. In some cases, a development firm will choose to focus exclusively on creating value by perfecting the delivery of a single building type, or it may work across a variety of types but limit itself to a specific region. At the other end of the spectrum, firms choose to specialize in creating value by resolving complex special situations across global markets that are not repeatable. Each approach requires a design team that is well suited to the value creation model of the real estate developer. This chapter puts forward a set of principles for design that can be used across this spectrum as a framework for creating unique developments that differentiate themselves from other projects. Through design differentiation, developers can gain competitive advantages, generate value premiums, and ultimately create a more heterogeneous built environment that meets the unique needs of a wider range of diverse users.

Introduction
My colleagues, friends, and family often say to me that so many of the new development projects in cities, whether New York or Shanghai, Atlanta or Minneapolis, feel the same. Cities have “collected” the signature, often stylistically repeated cultural and civic buildings designed by a handful of global “starchitects.” Many cities now have a “Gehry” or a “Renzo.” But museums, like the art within them, have become commodities in the global exchange culture. The case is even worse for commercial development of office buildings, retail malls,
houses, apartments, hotels, and industrial buildings that make up the vast majority of the urban fabric.

Because cities have drawn from the same limited well, the differentiator that could exist between them has been neutralized. Cities are making themselves equivalent. Office towers look the same, glassy boxes that could be anywhere with the same familiar mass and bulk. Well-meaning retail environments have brands we know and love. But once you are at the mall, you could be anywhere.

Families with children need a yard and a good school district. They can pick from a few options in the model sales center in a suburban subdivision. But unless they are wealthy, it’s hard to find a home that expresses the unique character of a place or individual taste and style. Recent graduates or empty nesters want the convenience, amenities, and walkability of an urban high-rise rental apartment or condominium, and there are plenty to choose from, but they all seem the same.

Travelers are increasingly faced with a similar experience. They choose to travel to cities for leisure or business and often select a hotel because of rewards and points, not because of the inherent quality of the building as something they experience. So many opt to go to the “historic district” of a city to experience what is unique about it. New developments are having a hard time tapping into what is culturally, climatically, and technologically unique about a place; its genius loci.

Rem Koolhaas asked the question in his essay the “Generic City,” “Is the contemporary city like the contemporary airport - ‘All the same’” (Koolhaas and Mau, 1995, p. 1248)? How can the development community, which is responsible for defining the vision, program and financing of buildings, respond? Why are cities becoming more generic when we have greater capacity than at any other time in history due to technological advancement, wealth, and stability to take risks and generate mass customized approaches to the creation of commercial real estate?

**Causes of the generic city**

Cities are ecologies. Like a swamp or a forest filled with specialized species of animals that have evolved into their perfect forms, buildings within cities have also been evolving into their highly calibrated typologies over time. Historically, climate, locally available materials, and local know-how produced a distinguishable “indigenous” style. In the last 20 years, the world has globalized and with it has come the globalization and standardization of real estate investment markets. This phenomenon can be clearly seen by the continued growth of the global REIT market. The global market capitalization of REITs now stands at approximately $1.7 trillion, up from $734 billion in 2010 (Ernst & Young, 2016).

The real estate market is the largest asset class in the world. The total value of world real estate reached $217 trillion in 2015. This represents 2.7 times world GDP and 60 percent of global mainstream assets (Savills, 2016). In an effort to price risk, real estate investors seek to standardize assets; buildings, in order to compare apples to apples. Gerald Hines observes, “The movement [has been] to very large organizations and capital structures. And who would have thought that pension funds would be doing joint ventures with developers?” This has had the net effect of causing architecture to respond to the requirements of lenders and investors who may be able to appreciate the qualities of one-of-a-kind works of architecture, but find themselves bound to a system that has evolved into a “check-the-box” regime of risk mitigation. It’s not to say that this system does not exist for good reason.

Many people view the majority of commercial real estate development as boring. Boring aesthetically, boring programmatically, and boring from the point of view that they are just
happy to get a place that meets their bare minimum requirement for a price they can afford. But what are people looking for in a place in which to live or work, or to go for cultural enrichment? The exercise of determining what the market wants is dependent on the view of a limited handful of market research firms that lenders and investors trust. While the data is useful it is as one saying puts it, “footprints in the snow.” It tells you where you’ve been but not necessarily where to go.

Most developers and designers have come to adopt a strategy of specializing in a building typology and replicating it in a geographical area that they dominate. In the USA, most firms serve a local or regional client base, with 51 percent serving a single metro area, 34 percent serving a multistate or multi regional area, 6 percent are national and 9 percent international (AIA, 2006). Firms use data and experience from past projects and make minor innovations within the margin of risk that the process will allow. Data is useful. My view is that our increased ability to segment data opens the possibility for more mass customization. The sameness of our cities is due to a lack of detail or nuance in our analysis of real estate market demand and program. But it is only one arrow in a quiver of potential strategies for bringing more diversity and authenticity back to cities.

This chapter is meant for people who are interested in an aspirational vision for the built environment. We have to understand and question the underlying forces and logic of a system that is presently causing a self-replicating specialization and the resulting homogenization of our cities. The chapter will offer a set of principles that can be explored in moving beyond the generic city.

### Design approach

When a developer is engaging in a design process, what do they need to know? There are different approaches to development. Some developers follow a formula and impose it on a site. For example, a developer may be very successful creating a specific brand of hotel. They look for an opportunity where the market conditions pre-exist that will support what they know will sustain the project and then execute a formula. The opposite approach is to start with a site and allow a custom, locally based project program to evolve organically from it.

The legendary developers throughout history have always had a very strong idea about the design of their projects. The developers in Table 24.1 were committed to good design in terms of creating projects that have been considered by industry experts and the general public as beautiful, vibrant, authentic and in some cases, ultimately iconic. What are the principles of these developers? What are the different strategies of each? What can we learn from their approaches? What are younger firms doing and thinking about design? What experiments are they conducting and what are the outcomes? Most importantly, what approaches are relevant for conditions that exist today?

<table>
<thead>
<tr>
<th>Successful design oriented developers</th>
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<tbody>
<tr>
<td>John C. Portman: An architect and developer.</td>
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<tr>
<td>Gerald D. Hines: Hired many different architects of high caliber.</td>
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<tr>
<td>William Zeckendorff: Hired I.M. Pei and forged an ongoing relationship.</td>
</tr>
<tr>
<td>J.C. Nichols: A place based community developer.</td>
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Source: Author
The developers who rose to the top of the game care about design and have been rewarded in terms of financial return, prestige, and longevity. This chapter will provide examples of projects and design principles for development that promote the creation of unique places and generate quality and differentiation.

**Specialization versus diversification: A dynamic tension**

What is the development process? Development usually starts from one of several points: either someone has a site, a tenant, or investment capital allocation. Each starting point has a different impact on choosing a design approach. Often, a local design firm will have political influence or networks of relationships that can facilitate the development of a specific site. But using a design firm because they have political influence alone may not generate the best design project from an aesthetic point of view.

The same is true when a tenant who has worked with a design firm before insists that they be used on a project or they will not proceed. This can put the developer in a difficult position. The last example, is perhaps the most challenging. Financing due diligence almost always includes the relevant experience of the architecture firm in having designed the same type of building as a prerequisite for approval. Investors and lenders want to know that the architect has done “this type of building” before.

The logic of qualification, experience and pre-existing relationships dominate the real estate development world. It is a self-reinforcing system of “unto him who has, shall be given.” The current system is logical, but at the expense of logic and risk mitigation is innovation and diversification. It is analogous to the logic that drove the expansion, domination, and homogenization of the food industry.

There are hundreds of potato varieties grown globally (College of Agricultural and Life Sciences, 2008), but due to the logic, efficiency, and economy of scale that the fast food industry generated in the latter half of the twentieth century, the US potato crop had essentially been reduced to a single species, the Idaho russet that now comprises 57 percent of the annual yield (Miller, 2009). Fortunately, the monoculture approach to food production has been declining as the food industry seeks to diversify.

The food industry has been exploring ways to generate more diversity. The consumer is demanding it. Likewise, today’s consumers of space are looking for unique, locally based and inspired typologies. The current trend of mass customization in the third industrial revolution is moving away from the generic to the unique. Real estate must respond by finding ways to enable a multiplicity of voices in an industry that is currently consolidating, according to the logic of global finance.

**The designer’s role**

What is the role of the designer? The designer’s primary responsibility is to translate the developer’s program into a plan and materials that visualize an idea or aspiration. Good designers with experience in the type of project a developer is undertaking can offer a lot of insight into the program creation.

What is the relationship between the developer and the designer? How does a developer select a designer? And what value does design bring to a development? The success of a project is absolutely dependent on having the correct designer and good chemistry. Good chemistry can mean a dynamic tension wherein the developer and designer challenge each other to consider things beyond the limits of their own individual imaginations. The developer must...
also select a designer who has demonstrated an ability to problem solve. Each project will have a unique set of challenges and require a unique solution.

A good design has the potential to command a premium in rent or total value the same way a better view, higher floor, or better location can command a premium. In real estate development, a primary factor affecting rate is location. Increasingly, the brand of a designer plays an important role in certain real estate asset classes, most notably luxury residential and hotel projects that tend to be more directly end-user or consumer facing. Developer William Zeckendorf made this concept clear, “I recognized that we could afford to lose ground income if, by giving tenants a prestige building, we could ask for rents fifty percent greater than those in the immediate vicinity.”

**Innovation**

Development starts with market demand and design must respond correctly to that demand. Understanding how demand triggers design is simple. People need space. Everyone needs a place in which to live, space to work in, and facilities for shopping, culture, wellbeing, and other activities. Designers often want to create novelty and innovation at a rate that is not logically aligned with the rate of transformation taking place in society at large or a specific segment of the real estate market. It is important for developers and designers to understand where the opportunity for innovation exists due to increased population growth, real estate supply and demand, credit availability, technological progress, and the evolution of cultural values and tastes and price the risk of innovation correctly.

Creating novelty for novelty’s sake can work sometimes, but it is not a rational or prudent approach to creating diversification or differentiation in a project. Innovations need to be grounded in analysis, empirical process and creativity. A number of principles illustrate thematic areas or approaches that guide a rigorous approach to arriving at an innovation in the development design process.

**Principles**

The following principles have the potential to increase positive outcomes for projects in the development and design process. They take into consideration the realities and constraints of the current market demand context while also creating space for innovation.

I’ve defined these principles for use in our own practice (see Table 24.2). They act as a touchstone that we return to as we evaluate a project opportunity, our own performance, or the performance of the team. I believe the overarching principle for good design was best articulated by John Portman as he observed that, “Buildings should serve people, not the other way around” (personal communication). I would extend this idea to the entire built environment including public space, and infrastructure, which increasingly are being integrated into the design and development of the total environment.

The principles are small and simple concepts that can be used to instigate approaches to projects that have the potential to generate something unique. They are rooted in a premise that decisions about projects are never imposed arbitrarily, but grow naturally and organically out of the conditions, people and aspirations of a specific time and place. They are something to meditate on when engaging in a project. They are meant to serve as guidance and not as a formula.
Table 24.2 Design principles for differentiated real estate development

1. Unique – Recognize that every project is unique.
2. Patience – Don’t impose design solutions too soon.
3. Clarity – Make sure that how you talk about a project makes sense to the public.
4. Solvers – Select designers who are problem solvers, not past repeaters.
5. Context – Gather lots of context information before starting design.
6. History – Take time to learn the history of the site, the politics, and how the community feels.
7. Program – Create a solid space program before you come up with a building form.
8. Simplify – Simplify, simplify, simplify.
9. Understand – Know in detail what your end-user is looking for.
10. Let go – Be prepared to eliminate a design feature you love if the tenant or community doesn’t.
11. Fight – Fight for the design even if it isn’t immediately embraced.
12. Equality – Our cities must serve everyone. Sex, gender, race, age, sexual orientation, origin, caste or class, income or property, language, religion, convictions, opinions, health, or disability must not result in unequal treatment.
14. Beauty – The production of beauty in our communities inspires us to work, and work raises us up.
15. Teamwork – Creation involves teamwork. In addition, research has become consolidated as a new feature of the architectural creative process.
16. Empirical – Good design asks questions. It is the record of one’s direct observations and provides a repeatable system for innovation.
17. Culture – Regional design as a style is an expression of its own geographical and cultural context as well as its design traditions.
18. Computation – As has occurred in most fields of human evolution through the ages, new technologies are a resource for the progress of design.
19. Materials – All materials have the same architectural value, regardless of their price.
20. Media – Design must consider how new forms of media, communication, and machines are affecting our interaction with one another, our communities and the natural world.
21. Scalable – Architectural innovations may start small at the scale of an individual room or building and expand to address the needs and problems of larger segments of society.
22. Iterative – A project solution, whether architectural or financial should be created quickly, tested and refined in a rapidly evolving and repeating process that constantly responds and adjusts to changing conditions.
23. Experiments – Some experiments succeed and some fail, but ideas from them can be saved and recycled to solve other problems.
24. Global – Real estate is always a local business, but concepts, capital, technologies, and other forces that significantly impact a project are increasingly global.
25. Heterogeneous – Cities are moving away from the mono-functional planning systems of the twentieth century and demanding more complex mixes of uses and programs.
26. Health – The impact of a project on human health is an important consideration.

Source: Author

Project examples

As previously mentioned, as a single asset class, real estate is the largest. But within the overall class, there are five main subcategories that are widely recognized and used by the development community. Primarily, the types of activities or uses that occur within the building define the categories: residential, office, lodging, industrial, and retail. One can see this classification system...
mirrored in NAREIT’s system of REIT sectors (NAREIT, 2016). It is important to draw attention to the pre-existing system of order that governs and controls the development world. Ideas about design innovation, mixing of uses, creating interesting programmatic combinations, and ultimately “breaking the mold” remain in the realm of naïve speculation without developing an understanding of the system of investment and financial logic that ultimately constrains or sets free new ideas.

The following examples of projects demonstrate the principles for good design. They are organized by the five categories for simplicity but also to highlight that these projects are realized examples of innovations that were executed within their categories. These example projects are not intended to represent the entire category, but rather serve to illustrate the principles and demonstrate positive, innovative outcomes.

**Residential**

Residential is the largest segment of all real estate asset classes. The cumulative value of all homes in the USA at the end of 2013 was approximately $25.7 trillion (Hopkins, 2013). Because the residential sector of real estate is so large, there is significant potential to scale innovations and have wide reaching impacts on the built environment.

There is wide variation within the residential real estate sector. There are locational differences, whether urban, suburban or rural. There are typological differences, whether single-family homes, multifamily, low-rise, or high-rise. And there are differences in how people occupy real estate, whether as owners or renters and now, as participants in the sharing economy that is emerging.

The overwhelming trend that is reshaping the global landscape of residential development is the migration from rural to urban. It is predicted that by 2050 about 64 percent of the developing world and 86 percent of the developed world will be urbanized (The Economist, 2012). The landscape of urbanization is varied. Cities are striving for diversity in housing typology, recognizing that housing stock will inevitably reflect the heterogeneous population that occupies it. Cities understand how high-density high-rise apartments and condominiums use land and infrastructure more efficiently and advocate for this development pattern. But users continue to be motivated by other factors such as style, cultural predispositions, dreams, amenities, relationship to nature, communal living, and a host of other symbolic considerations that drive demand for different types of housing.

Developers and the financial partners that invest with them carefully study what buyers and renters are looking for. Home styles have evolved slowly over time and have been designed to respond to timeless needs of human inhabitants, but in every generation there are advancements in technology and lifestyle that drive transformations in the design of domestic space. One of those evolutions was the introduction of what we now refer to stylistically as “mid-century modern.” But what this type of housing indicates is a move away from traditional conceptions of what housing should be or look like, towards something new that is meeting a demand for a differentiated form of domestic space.

Post-war America was best defined by the rapid suburban expansion and production of single-family homes of traditional styles in new subdivisions. These homes were built using a mass production methodology that focused on efficiency, affordability, and a design that responded to historical conceptions of what the ideal home should “look like.” But in 1956, in Palm Springs California, a new type of development and design emerged.

The Alexander Construction Company, working with architects Dan Palmer and William Krisel in Palm Springs, produced an approach to delivering a new housing type that anticipated
and met the demands of a new way of living. Together, they designed and developed over 2,500 modern homes, known as the Alexander Tract, which is the largest modernist housing development in the United States (Newman, 2009). They took their cues from custom modernist homes that had been built for wealthy clients a generation earlier, and made them accessible to the burgeoning middle class.

Through design, they pioneered a method of construction that was affordable and simultaneously had the effect of appearing custom made. “The Alexander homes have very similar floor plans but the unique rooflines, variety in front finishes, the placement of the properties on the lots, make the neighborhoods look more like a collection of custom built homes” (midcenturypalmsprings.com, 2016). Today homes that were sold for $19,000 in 1956 – adjusted to present dollars, about $260,000 – are selling for over $1,000,000 (midcenturypalmsprings.com, 2016).

The Alexander Construction Company had been a more traditional home builder. It was their architects, Palmer and Krisel, who persuaded them to conduct an experiment and test the market to determine if there was enough demand for a radically different home. George Alexander and Robert, his son, agreed to build ten homes designed by Krisel in a new subdivision. The original ten homes sold quickly and as a result, the Alexanders developed, on average, 250 homes annually for the subsequent ten years in this small idyllic pocket of the USA. It is difficult to determine how far-reaching the Alexander model could have extended. George and Robert, with their spouses and friends, were killed in a plane crash in 1967.

Office

One of the most successful office developers is Hines. Gerald D. Hines founded the company in 1957 and has gone on to create some of the world’s most iconic office buildings. He revolutionized the way developers partnered with institutional capital and also revolutionized the way developers work with architects. “Hines raised the bar by showing that quality and financial success can be mutually attainable. He was one of the first developers to hire world-famous architects, believing tenants would flock to top-quality buildings, even in a down market” (Sarnoff, 2007).

Hine’s current development, T3, in the North Loop of Minneapolis, is innovative in multiple ways and embodies several of the principles. The project is situated in a post-industrial warehouse district. The local urban context and existing building fabric inspired the development team in the creation of its program and design approach. This area of Minneapolis has evolved from a collection of dilapidated warehouses made of brick and timber into a burgeoning creative office and residential district.

The North Loop is one of three top neighborhoods in the city for millennials. Tenants within the target market have a strong desire for authenticity and quality of materials that evoke the environments of Soho in New York City and BOMA (a warehouse district in San Francisco), places where tech start-ups and creative firms moved into old warehouse space that had a casual, yet “real” aesthetic. The success of these firms, such as Facebook, and others, has generated a demand for comparable space.

Since there is a limited supply of historic brick and timber warehouses with locational advantages and amenities such as transportation access and pedestrian-friendly context, Hines began the exercise of developing and designing the new construction of a seven-story office building of about 230,000 square feet made of post and beam timber construction with a “raw” space aesthetic sought by millennials.
The approach of Hines to the T3 project embodies many of the principles, most importantly that the design of the building grows organically and relates to the urban context in which it is located. It reimagines a new warehouse for the third industrial revolution; that of the knowledge-based, shared economy. The design takes cues from the timber structural system and large, open, polished concrete floor plates of the previous industrial revolution. As an office building, it stands in sharp contrast to the glass and steel office towers with gypsum wallboard, acoustical tiles, drop ceilings, and synthetic carpeting of the latter twentieth century.

**Industrial**

Industrial buildings are not typically thought of as having a lot of potential for innovation or creativity. The vast majority are utilitarian structures that are designed and engineered to provide the most economical enclosure possible while meeting the requirements of the user.

Architects Herzog and De Meuron have approached the design of the typical warehouse and created an artful work of architecture in the creation of the Ricola warehouse in Laufen, Switzerland.

**Retail**

The Design District in Miami, Florida, is a unique retail environment being developed by Craig Robins and his firm Dacra, with L Real Estate. Robins worked with Duany Plater-Zyberk to create a master plan for the district that codified guidelines promoting a development that responds to its local culture and climate, while taking risks on new avant-garde architects and designers to reimagine the shopping experience in the twenty-first century.

The development is located in the Buena Vista neighborhood of Miami. The Design District encompasses approximately 18 city blocks and when complete will accommodate about 200 retail shops, restaurants, and galleries. The area has evolved from a blighted warehouse district into one of Miami’s premier shopping and art destinations with global luxury brands such as Tom Ford, Hermes, and Louis Vuitton locating flagship stores within the development.

The developer took an unconventional approach to the design of the project by assembling a consortium of up-and-coming architects and designers to each design individual buildings. The result and effect has been the creation of an authentic and organic place with great aesthetic, visual, and material diversity. This would contrast with previous approaches wherein a singular developer would define a program for a shopping mall and engage a single architecture firm to assume responsibility for the design of the entire area and then leave the individual shop interiors to be designed by the tenant’s designer.

**Lodging**

Hotel development varies in complexity. Limited service economy hotels in suburban locations are very different from full service luxury hotels in city centers. John Portman is widely considered to be the most successful and innovative developer of hotels globally in the modern era. An architect by training, he is also credited with reimagining the role of the architect as a developer, and in effect, becoming his own client. He has also made numerous other pioneering innovations in the world of design and development.
Portman’s rise to prominence began with his development and design of the Hyatt Regency in Atlanta. What is not well known about this project is that it began, conceptually, as a design for affordable senior housing. Portman was engaged by a public agency as an architect, to design a modest building for seniors. He came up with a design for a building with a central atrium of about seven stories, naturally ventilated, with apartments ringed around it. The building was built but Portman took the atrium concept experiment he developed for the housing project, iterated it, recycled it, and enlarged it to create the project that made him famous: the Hyatt Regency.

As Portman states, “Architects in the past have tended to concentrate their attention on the building as a static object. I believe dynamics are more important: the dynamics of people, their interaction with spaces and environmental condition.” This approach to viewing a project as a dynamic experiment that relates and adjusts to changing conditions, is one of the principles that it is important to meditate on. All too often, architects and engineers become frozen in a process that is inherently dynamic. Successful developers tend to be highly adaptive.

Summary

The expansion of globalization and the institutionalization of capital on one hand, and the increased localization of political, cultural, and ecological forces on the other is creating a new paradigm for real estate development. Developers are faced with defining a strategy that differentiates what they do from others in order to gain competitive advantages and increase successful outcomes. Design is a discipline that is intrinsically based in problem solving. It is an aesthetic pursuit, but at a deeper level it is a process that synthesizes and resolves often seemingly contradictory conditions. The principles set out in this chapter are a framework for more consciously engaging in a process that is occurring regardless of whether the participants are actively managing it or not. Meditating on these principles and applying them, testing them and adapting them to the specific conditions of a project can serve the developer and design team by providing a flexible framework around which the development and design process can be organized.

References


