Mixed-use performance premium and analysis

JLL Research

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Mixed-use is breaking out as its own asset class as a result of demand for differentiated product

Mixed-use development saw increasing prominence during the past cycle, and with more product having delivered over the past decade a compelling outperformance narrative is emerging. Assets within mixed-use projects demonstrate a faster stabilization and higher rental rates than peers, and also generate premium pricing when brought to market. Over 150 million s.f. of assets in mixed-use projects will deliver in the next five years, which will further solidify the prominence of the asset type.

Demand for live-work-play environment

Mixed-use synergies drive value

Multiple uses can reduce volatility during market cycles

Complexity in form of multiple uses increasingly an expectation

Transformational mixed-use developments can enhance entire submarket

Capital markets impact

- ***Mixed-use synergies and placemaking drive faster stabilization and rent premiums:*** Mixed-use projects demonstrate a notable divergence in performance from purpose-built peers, with accelerated lease-up and premium rental rates achieved.
- ***Mixed-use projects are increasingly trading in cross-property type portfolios:*** Recognition of operational and economic efficiencies of owning entire mixed-use projects is increasingly leading investors to acquire multiple property sector components within mixed-use projects, as opposed to individual condominium interests.
- ***Mixed-use asset pricing sees outperformance even relative to new construction:*** Even compared to new construction and trophy peers, mixed-use assets see rent premiums and pricing premiums when brought to market. Transactions with multiple components enable blending lower-yielding and higher-yielding property sectors for a competitive return for premier ultra-core product.

Uptown – Dallas

The Union

Seller	RED Development
Buyer	KB Asset Management
Price ($ PSF)	$370.0M ($731)
Cap rate	5.22%

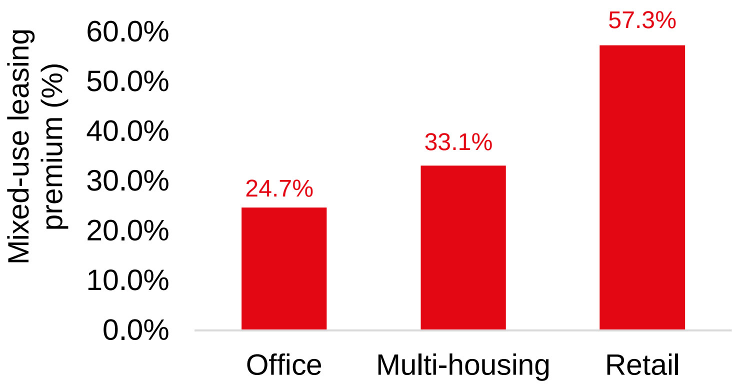
Mountain View – Silicon Valley

The Village at San Antonio Center

Seller	Merlone Geier
Buyer	Brookfield
Price ($ PSF)	$630.0M ($1,165)
Cap rate	5.00%

Mixed-use is breaking out as its own asset class as a result of demand for differentiated product

Commercial and residential spaces see significant leasing premium over the Class A market



Demand for live-work-play

Complexity in form of multiple uses increasingly an expectation

Multiple uses can reduce volatility during market cycles

Transformational mixed-use catalyze investment in entire submarket

Office leasing premium in mixed-use development	+24.7%	*Premium over baseline:*
Office in mixed-use with **green space**	+27.5%	+2.8%
Office in mixed-use with **hotel component**	+29.8%	+5.1%
Office in mixed-use with **significant retail**	+32.5%	+7.8%
Office in **transit-oriented** mixed-use	+34.0%	+9.3%
Office in **waterfront** mixed-use	+38.3%	+13.6%

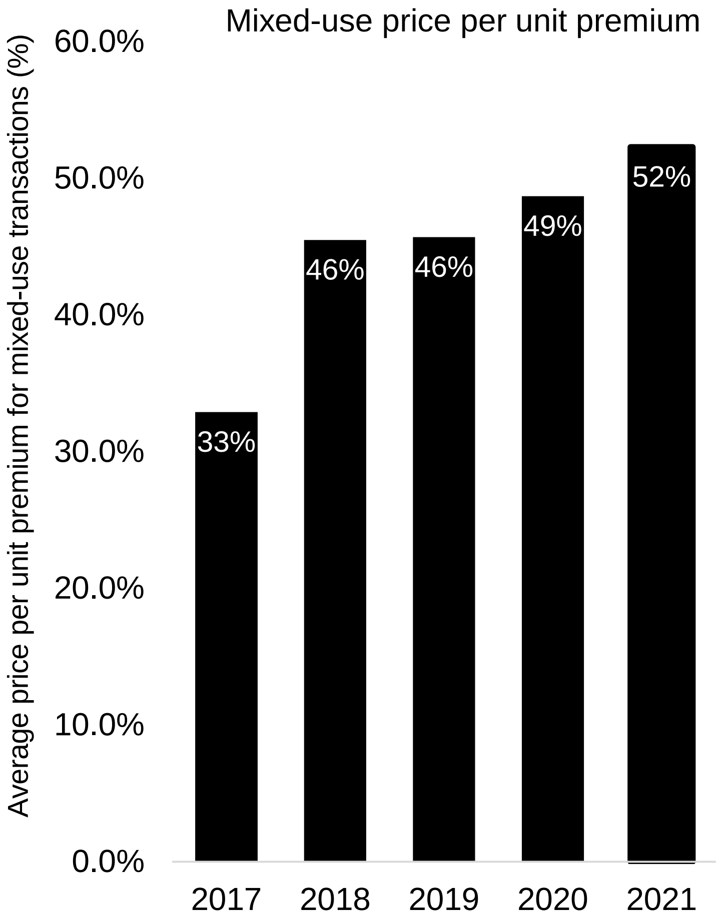
Tenants increasingly demand multiple uses

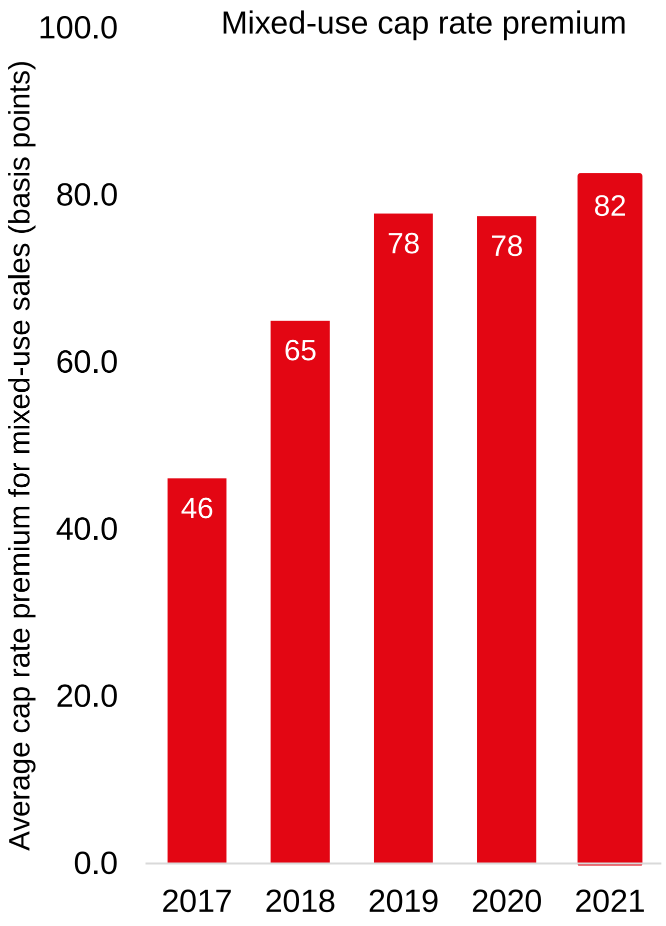
- ***Mixed-use synergies and placemaking drive faster stabilization and rent premiums:*** Mixed-use projects demonstrate a notable divergence in performance over broader submarket, with accelerated lease-up and premium rental rates.
- ***Each additional design and programming component drives additional out-performance***
- ***Mixed-use asset pricing sees outperformance even relative to new construction:*** Even compared to new construction and trophy peers, mixed-use assets see rent premiums and pricing premiums when brought to market. Transactions with multiple components enable blending lower-yielding and higher-yielding property sectors for a competitive return for premier ultra-core product.

Source: JLL Research, Axiometrics, CoStar

Mixed-use assets see premium pricing when brought to market

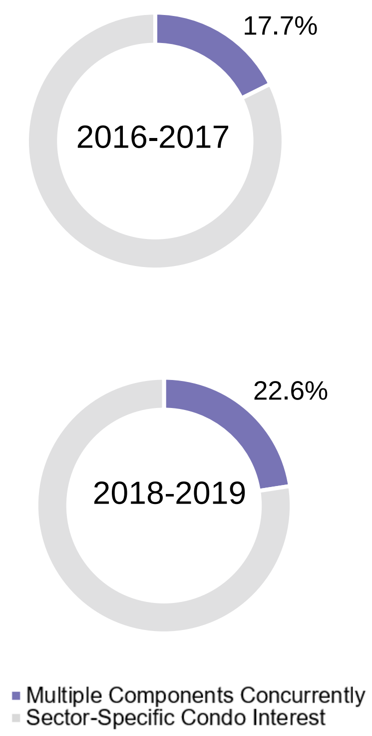
Mixed-use assets generate aggressive bidding activity when marketed, leading to premium sales pricing





Mixed-use increasingly trading as its own asset class

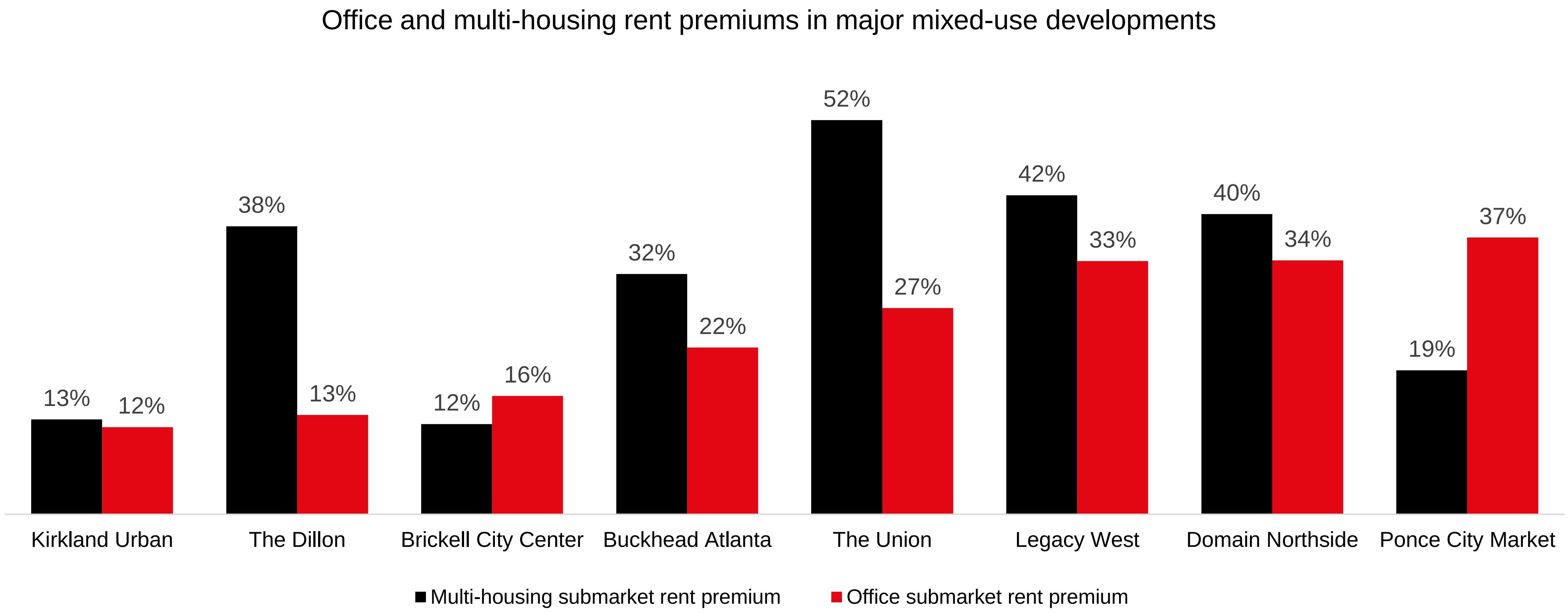
Mixed-use transaction volume pertaining to multiple components and/or entire project selling concurrently



Investor interest in acquiring entire mixed-use developments is rising notably given the opportunity to deploy capital at scale and own purposefully designed and out-performing real estate

Source: JLL Research, Real Capital Analytics (Transactions larger than $5.0 million)

Mixed-use rent premiums

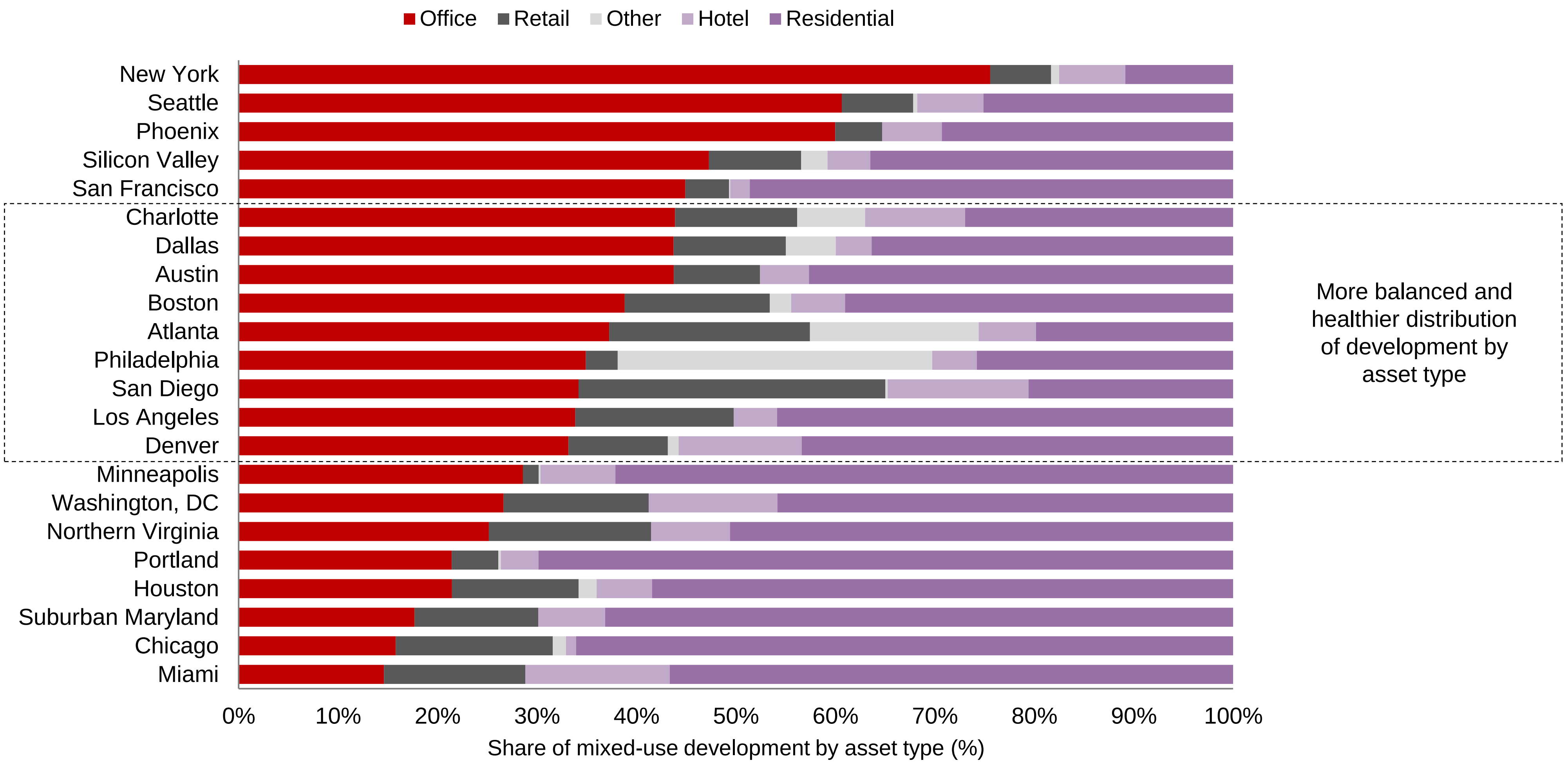


Multi-housing assets in mixed-use environments demand a 31 percent rental premium and 2.9 percent higher occupancy than the submarket average

Office assets in mixed-use environments generate a 24 percent rental premium and 10.2 percent higher occupancy than the submarket average

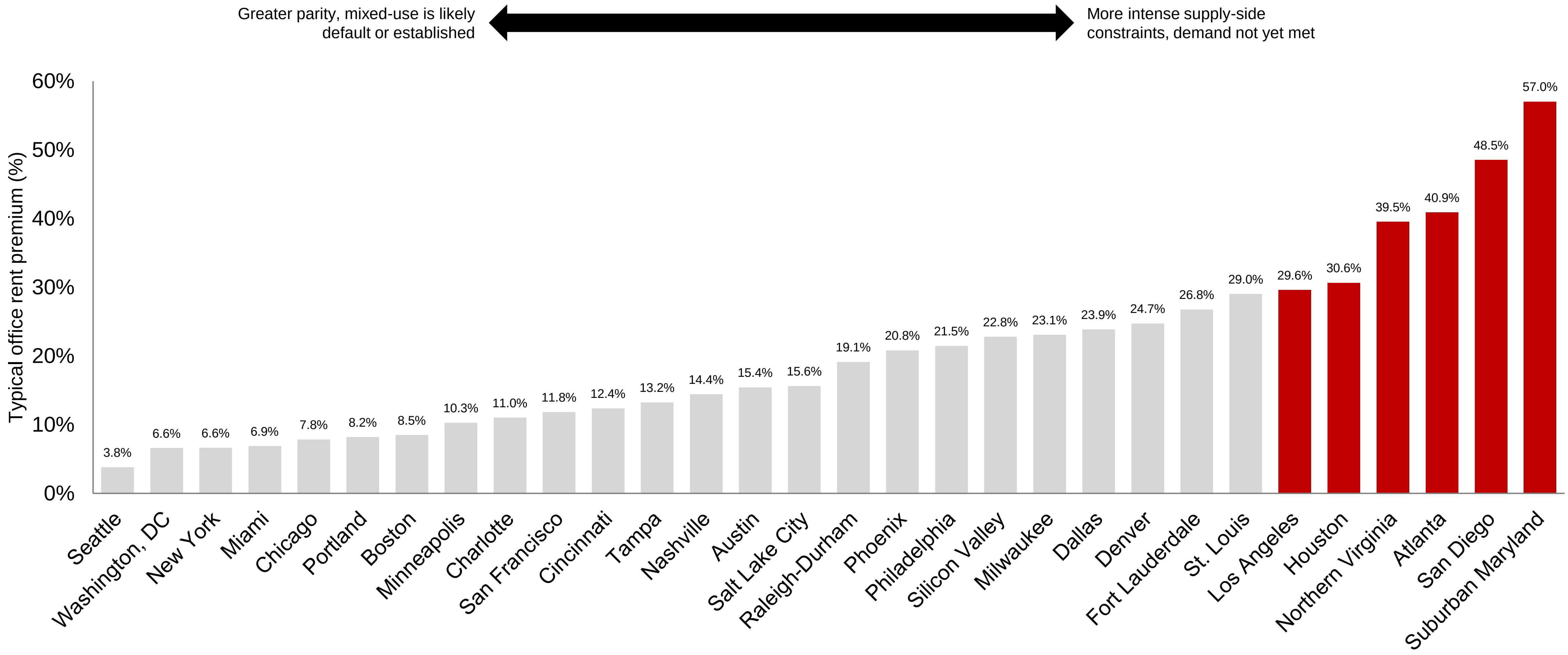
Source: JLL Research, CoStar

Proportion of uses by property sector varies widely by market and influenced by macroeconomic elements



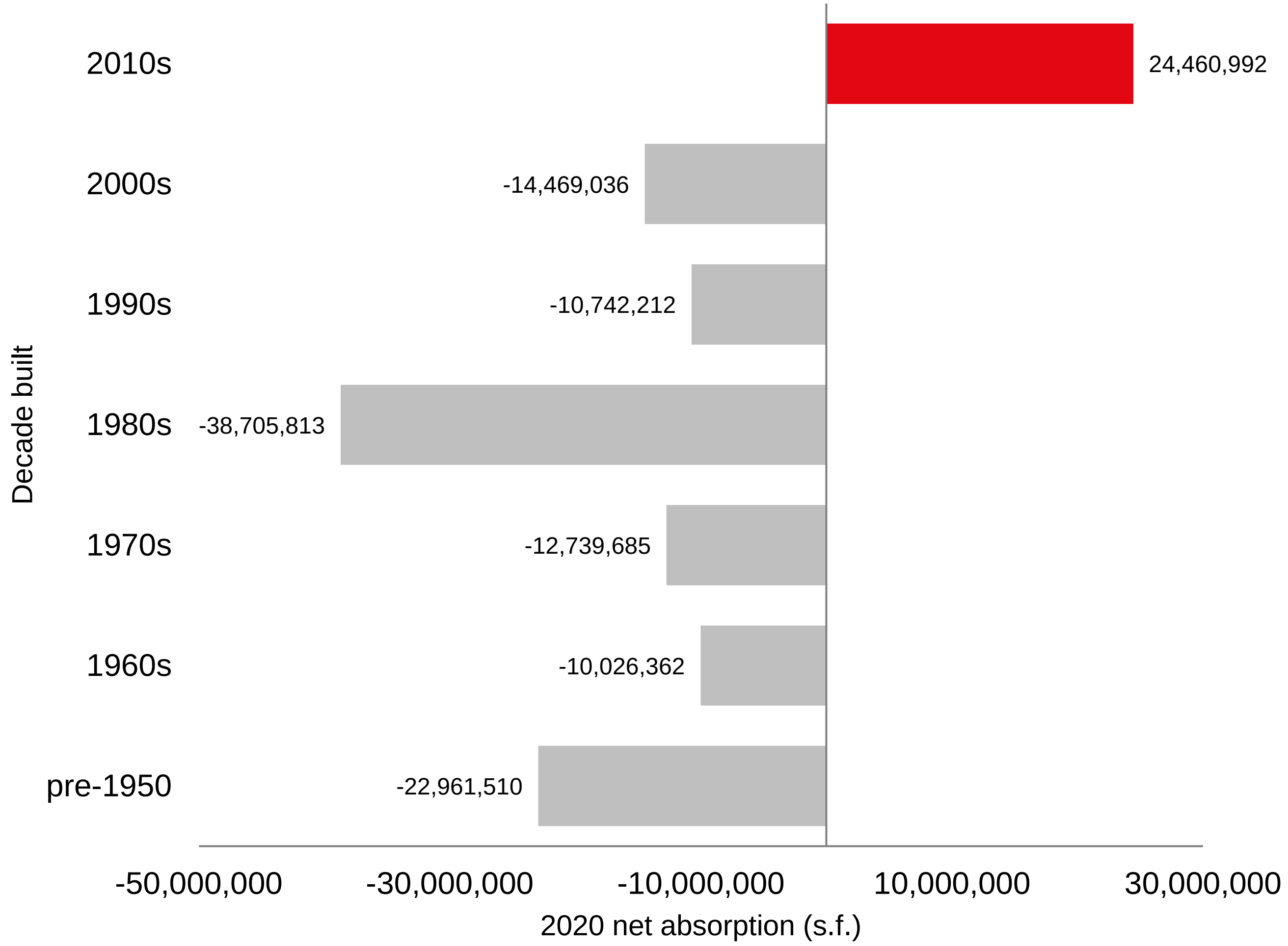
Source: JLL Research

Mixed-use rent premiums are generally highest in markets with congestion concerns



Source: JLL Research

Attention generated by mixed-use projects can lead to stronger pre-leasing; in line with overall theme of newer-vintage assets outperforming



Growth industries drive leasing:

Industry	**Share of leasing activity**
Technology	27.3%
Finance	20.3%
Professional/Business Services	15.7%
Healthcare/Life Sciences	8.2%
Media	7.9%

Source: JLL Research

Thank you