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Mixed-Use Properties Proliferate

- More than two years after the COVID-19 pandemic began, the office sector looks much different than it once did. One aspect of office markets we expect to persist is the proliferation of office space in mixed-use developments.
- The mixed-use trend predates the pandemic: In the latter part of the last decade, there was an acceleration of projects that promised to offer an enticing mix of working, living, shopping and eating. When the pandemic hit, there was some belief that the pandemic would kill mixed-use developments. With offices empty and providing so little foot traffic for restaurants and retail space, the concern was justified. Now, emerging trends suggest that mixed-use development can meet the post-pandemic demands of developers, owners, tenants and workers. For owners and developers, mixed-use can offer protection from office's uncertain future by diversifying across asset classes. Many companies that adopt a hybrid work strategy will look for ways to draw their employees into offices without forcing them to do so in a tight labor market. One way to achieve this will be to locate in a building that provides a wide array of amenities, including options for retail and dining.
- There are two types of mixed-use real estate. Vertical mixed-use—typically high-rises in downtowns and central business districts (CBDs)—offers a wide array of uses within a single building. This is especially popular in markets with limited land for development. In Brooklyn, Triangle 613 LLC recently secured a \$92 million construction loan for a mixed-use building in the Midwood neighborhood. In Uptown Dallas, Granite Properties acquired a \$265 million loan for 23 Springs, a 23-story mixed-use development set to break ground this summer. Bank OZK, which provided the loan, also signed a lease at the property for four floors.
- Horizontal mixed-use—single-use buildings on a campus—is more popular in suburbs and less dense cities. In Salt Lake City, The Gateway is a popular mixed-use development with office and lab space, shopping and dining, and is located next to Vivint Arena. In Charlotte, Riverside Investment and Development is planning a \$750 million mixed-use development across three buildings where Uptown meets the South End, with 650 multifamily units, 50,000 square feet of retail and 800,000 of office. In Plano, Texas, Triten Real Estate Partners is demolishing Market Square Mall and developing 180,000 square feet of office to go alongside retail and multifamily.

