

RESTORE



Commercial and Mixed-use Development Trends In The Rocky Mountain West

“Emerging trends require new developments that are adaptable, flexible and convenient.”

Preferences are changing, but what about development patterns?

In the Rocky Mountain West, as in other parts of the United States, people’s attitudes about where they want to live, work, shop and play are changing. The Sonoran Institute’s 2013 report, RESET: Assessing Future Housing Markets in the Rocky Mountain West, found that 90 percent of survey respondents would prefer living within an easy walk to other places in the community. Analysis of home sale prices in six western communities revealed an 18.5 percent price premium for homes in compact, walkable neighborhoods.

How do these changing preferences impact the market for commercial real estate? Are we seeing more commercial spaces mixed in with residential areas to meet the increase in demand? These are the central questions behind the Sonoran Institute’s new report, RESTORE: Commercial and Mixed-use Development Trends in the Rocky Mountain West, which examines the commercial and mixed-use development landscape, both nationally and in the West.

As a follow-up to RESET’s analysis of the residential market, RESTORE seeks to characterize trends in commercial real estate in the Rocky Mountain West, and to identify regional challenges and opportunities for mixed-use development.

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Market Trends

Across the nation, several factors are converging to change the face of commercial real estate. These include the rise of online retail, increasing preferences for mixed-use neighborhoods, and the influences associated with the two largest generational cohorts, Generation Y (born 1982 – 2000) and the Baby Boomers (born 1946-1964). Those in Generation Y are coming of age, establishing new households, and are demonstrating strong preferences for shopping experiences at locally owned stores that offer unique goods and services. Baby Boomers are reaching retirement age, and are increasingly seeking out goods and services that are within a short distance from their homes to reduce driving times and dependence on cars. These emerging trends require new developments that are adaptable, flexible and convenient in order to stay relevant and retain their consumer base.

Right-Sizing Commercial Real Estate

- There has been a general downsizing in store size, as the requirements for storage space, and even floor space overall has reduced with an increase in online shopping.
- Since the Recession, many commercial real estate developers have refocused on higher-density infill projects rather than greenfield development, either by rehabbing an older building or by demolishing the structure and creating a new one.
- Although strips and convenience centers are the most common commercial developments, important emerging trends include artisan restaurants and bars with locally-sourced products, as well as hybrid concepts which combine more than one commercial use in the same space.
- Office tenants are decreasing the amount of space they require. Ten years ago, the standard for office space required per employee was 250 square feet and has since reduced by 26 percent.

“... demand will continue to rise for mixed-use developments and walkable neighborhoods, and there will be a movement away from single-use neighborhoods and stand-alone commercial centers ...”

To read the full report and see case studies from throughout the region visit:

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Analysis of Communities in the Rocky Mountain West

The research indicated that certain types of mixed-use development are more feasible in some places than others, and matching the appropriate type and size of development to the community is essential. We used census data on population size, population growth, education, income and age of residents to inform what mixed-use development types would be most successful in various communities. We grouped the communities into tiers that represent distinct community typologies with specific recommendations for mixed-use development types.

TIER	CHARACTERISTICS	EXAMPLE COMMUNITIES	DEVELOPMENT TYPES
A	<ul style="list-style-type: none"> Large, young, educated population Significant population growth High income 	Fort Collins, CO Grand Junction, CO Boise, ID Bozeman, MT Billings, MT Cheyenne, WY	Vertical Mixed-use Horizontal Mixed-use Lifestyle Center Historic Urban Mixed-use Main Street Commercial Complete Neighborhood
B	<ul style="list-style-type: none"> Medium-sized communities Slower growing or declining population Mid-range income Mostly young residents, with a growing older cohort A strong base of residents with post-secondary education 	Helena, MT Idaho Falls, ID Coeur d'Alene, ID Sheridan, WY Laramie, WY Glenwood Springs, CO	Horizontal Mixed-use Historic Urban Mixed-use Main Street Commercial Complete Neighborhood
C	<ul style="list-style-type: none"> Small towns Low growth rates or declining populations Lower income Aging populations Low percentage of residents with post-secondary education 	Red Lodge, MT McCall, ID Buena Vista, CO Salmon, ID	Historic Urban Mixed-use Main Street Commercial

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Responding to a Changing Market: *Challenges and Opportunities*

Most Rocky Mountain communities are not well-positioned to accommodate the rising demand for mixed-use neighborhoods. This is both a challenge for the public sector and an untapped opportunity for the private sector. Here are some tools to address this:

- **Understand the location.** Learn from past successes and failures in local mixed-use development and use market analyses to understand local demand.
- **Efficiently communicate expectations.** Integrate mixed-use development into comprehensive plans and zoning codes, and create design guidelines that encourage walkable development.
- **Form effective partnerships.** Public-private partnerships, joint ventures, and community engagement can be essential to the success of the development.
- **Be flexible to achieve success.** Phased development timelines and flexibility of uses help ensure that various parts of a project are constructed per market demand.
- **Get creative with financing.** If traditional financing methods won't work for the project, local governments can use tools like municipal bonds or tax increment financing and federal programs like historic preservation tax incentives can assist in the reuse of older buildings.
- **Educate both public and private sectors about the viability of mixed-use developments.** This will build familiarity and confidence within the financial and real estate communities and promote policies that support mixed-use development.

For more information on these tools and to read about developments that have successfully utilized them, download the full RESTORE report at communitybuilders.net/RESTORE.



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