

Charlotte, North Carolina: Mixed-Use is All the Rage

By Dan Marcec

Throughout the Charlotte, North Carolina, commercial real estate market, developers are looking to mixed-use projects as the future in large-scale development, and as a result, the landscape is alive with activity in this sector. The old business model in Charlotte was to find an interchange off the interstate accessible to an employee base, build an office building and businesses would

flock, but anymore, building owners, companies and employees are looking for amenities near their workplace, effectively seeking the lifestyle that has become the mantra of mixed-use development — a place to live, work and play.

Jim Plyler, partner at Piedmont Properties of the Carolinas / COR-FAC International, explains, "Looking back, one of the first major mixed-

use developments in Charlotte was built more than 25 years ago in University City. Today, the area is fully developed with separate areas for multiple uses, but that original model has resurfaced elsewhere in the city with fully integrated projects featuring office, retail and multifamily components."

Amenities that are most attractive to these types of developments include workout facilities, which are relatively standard due to the fact that so many employees like to exercise

before, during or after work. Further, retail components including spa/massage parlors, a range of restaurants (including high-end, but more often than not catering to the lunch crowd), and oftentimes entertainment venues for nighttime recreation and dining. Multifamily components also are essential to many mixed-use projects, as the housing sector drives the scope of retail within a given development.

"Focusing on just one sector such as office, retail or multifamily limits a developer's ability to obtain the zoning required for the most profitable portion of the project," says Plyler. "Therefore, some companies are bringing in other specialized developers to handle aspects in which they do not have expertise." Resulting from these types of partnerships, mixed-use projects naturally arise.

The list of mixed-use developers in Charlotte is long, and generally includes some of the major developers in the region such as Crosland, American Asset Corporation Real Estate, Edens & Avant, Colonial Property Trust, Crescent Resources, Pappas Properties, Collett & Associates, Spectrum Properties, Cornerstone Real Estate Advisors, and Childress Klein Properties, to name a few, as well as many smaller developers. Overall, many mixed-use projects are cropping up in downtown or within a few miles of downtown due to a new zoning classification in Charlotte, the TOD (Transit Oriented Development). The TOD allows developers higher density

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CONSTRUCTION ON SOUTHFAIR PLAZA SET TO BEGIN THIS SUMMER

Situated in the SouthPark submarket of Charlotte, which is one of the most vibrant commercial districts outside of downtown, LNR Property Corporation is developing SouthFair Plaza, a new mixed-use project that will encompass 185,000 square feet of retail, 685 residential units (including 535 condominiums and 150 apartments), and 150 hotel rooms. Design for the development currently is underway, with construction expected to begin this summer. Delivery of the final product should come on line in 2009 or 2010 after a 24- to 36-month build-out.

LNR purchased the 10.5-acre site upon which SouthFair will be situated, which is adjacent to SouthPark Mall, one of the highest grossing malls in the United States. The site already contained two office buildings, rising 14 and 15 stories, which will be complemented by the mix of new uses to be constructed on the property.

"The number one key to this project is its location, given its proximity to the mall; however, the way the site is configured, it gives the residential component a suburban feel in an urban setting," says Tom Creasy, vice president of the Southeast region for LNR. "In addition, the flexibility in zoning allowed us to convert one unit of residential into two hotel rooms, and with the need for a boutique hotel in this submarket, by reducing 75 units of housing we were able to add 150 hotel rooms in one of the residential buildings."

Though the property is situated near one of the most bustling retail properties in the country, SouthFair is trying to attract high-end retailers that want to be near the mall, but not in the mall. In addition, other retailers enjoy the prospects of store-front parking and the built-in business from the residential component. "Overall, I think SouthFair Plaza will continue to enhance a well thought-out, well developed, very high-end submarket in SouthPark," says Creasy.

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SouthFair Plaza will feature 185,000 square feet of retail; 685 residential units; and 150 hotel rooms.

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development along new transit corridors identified by the city; in conjunction with this new classification particularly, the expanding South End area of Charlotte has become of major interest to mixed-use developers.

"Mixed-use projects are cropping up everywhere in Charlotte, as the most important thing for a new development is to be placed where people naturally want to live and shop, and everything else follows that model," says Parker Melvin, associate in brokerage services for CB Richard Ellis in Charlotte. "Many of these new developments, such as Baxter Village and Ayrslley, are based upon New Urbanism: pedestrian-focused with a town center-style."

Some of the major mixed-use projects currently underway in Charlotte include Phillips Place, located in the SouthPark market, which features residential, entertainment and retail components. In the South End submarket, a Lowe's Home Improvement Warehouse is expanding to 180,000 square feet while adding 6,000 square feet of retail space, a maximum of 85 residential units, as well parking spaces on Lowe's roof, bringing the total parking capacity to 500.

Further, Pappas Properties, Collett & Associates and Colonial Property Trust are developing The Metropolitan, which features 200 residential units, 155,000 square feet of office space, and 190,000 square feet of retail. At 300 South Tryon Street, a new 32-story property is being constructed by Spectrum Properties, which will include ground-level and second story retail, 13 stories of office space and 17 floors of condominiums. Finally, Donald Trump has discussed a possible project in the downtown submarket, which could include a mix of retail, office, residential condos and a luxury hotel, with preliminary talks of a struc-

North Carolina Property Report


ture rising as high as 80 stories.

"For the most part, developments in the prestigious SouthPark area lead the way," says Plyler. "The new Piedmont Town Center is a mix of office, retail and multifamily properties all in the same buildings, and the super regional SouthPark Mall is developing a residential component to complement the traditional mall amenities." At SouthPark Mall, jointly developed by Simon Property Group, Hanover Company and MetLife Real Estate Investments, 150 luxury apartments ranging in size from 1,025 square feet and 3,057 square feet are up for rent, varying widely in rent from \$1,700 per month to \$5,900 per month.

In general, mixed-use properties in Charlotte tend to lease well, as most of the projects meet specific needs of the tenants or residents interested. "Mixed-use properties tend to cost more to create, and leasing rates tend to be higher, so the marketing strategy is a little bit different," says Melvin. "For example, an office building may lease for a couple dollars less a square foot right across the street from a mixed-use, but it's really comparing apples to oranges; if someone wants traditional office space, they might stick with a segmented office property, but oftentimes the amenities will draw customers to everything a mixed-use has to offer."

Looking toward the future, the mixed-use trend in development appears to be here to stay in Charlotte. As a city planning concept, it is much more viable than other options, especially with the rising concern regarding automobile usage and gas prices; people would much rather have everything they need at their fingertips. With sections of the city designed for particular uses, the practicality of driving everywhere to find their various needs is becoming more difficult to justify.

"I think the future of the mixed-use product is both in the urban markets and the suburban markets, with a higher concentration of the developments

near the center city, where land is more expensive and density is being pushed not only economically but politically by way of zoning," says Plyler. 

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