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# Why Mixed-Use Development is the Future of American Communities

*Alex Black*

Nestled to the west of Dorchester, England sits Poundbury, the brainchild of Prince Charles, now King Charles III. This experimental town stands as a shining example of thoughtful urban planning and architectural innovation. In 1989, Prince Charles laid out his captivating vision for a new kind of community—one that defied conventional modernity and instead embraced timeless planning principles, including walkability, green space, affordability, and mixed-used development.<sup>1</sup> Mixed-use development has enabled the rapid, sustained growth of many cities in the past, and it is

increasingly apparent that developers and builders today need to return to this practice.

First we must understand the forces driving the contemporary surge in desire for mixed-use development. Then, we will explore the benefits it brings to both communities and developers, and outline ways to respond to common points of opposition to mixed-use. Finally, we will introduce ways to get in on the many opportunities to improve the places American live and see returns in the process.

## What is Driving the Surge in Mixed-Use Development?

Two major forces have combined to make this transition to increased mixed-use increasingly necessary: a constraint on housing supply and the changing preferences of Americans for this type of housing.

### Increase in Constraints

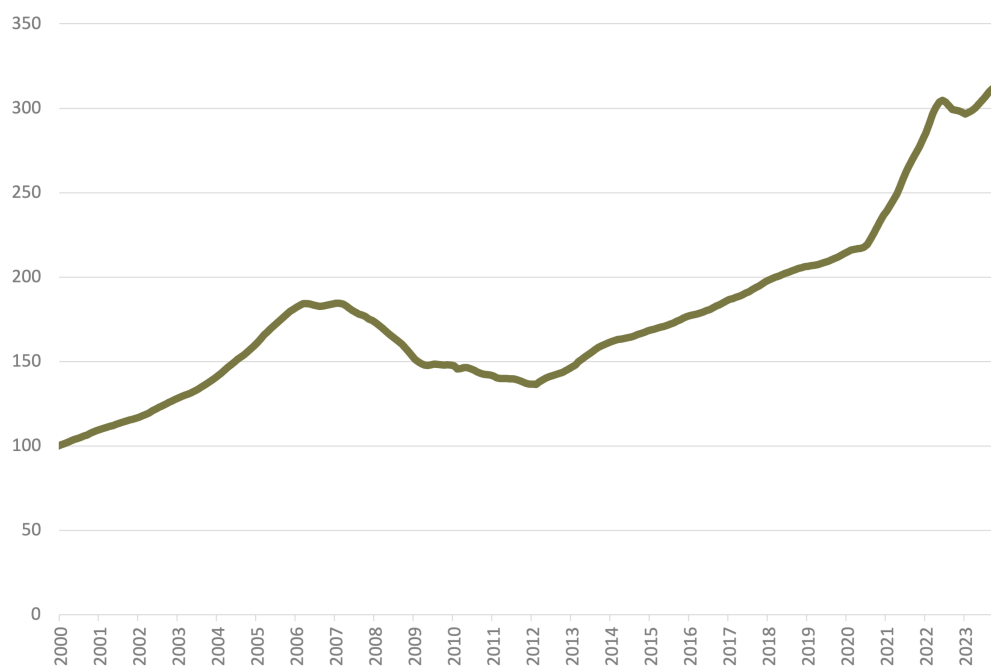
Population growth and urbanization have led to increased space constraints in cities,

Traditional single-use development cannot provide adequate housing and working space given those constraints. Research collected by White House researchers including Jared Bernstein indicates an increasing deficit in the housing market, resulting in a drastic rise in housing costs.<sup>2</sup> In examining the trajectory of the Case-Shiller house price index from 2000 to 2023, we find disturbing results. The index, graphed below in Figure 1, has surged by a staggering 300%. Mixed-use development, with its more efficient use of land and infrastructure, can meet the increasingly unmet demands of the American housing market demonstrated

Figure 1

### How much more expensive is it to buy a house?

Case-Shiller Index, a measure of American home prices



Source: "S&P CoreLogic Case-Shiller U.S. National Home Price Index"<sup>3</sup>

by the massive increase in housing costs across the country.

## Change in Preferences

A survey by the National Association of Realtors in 2023 indicates a strong trend in the preferences of Americans for walkable and cohesive communities.<sup>4</sup> This trend indicates a rejection of the single-use, separated development patterns that developers and city planners still widely use today. However, private companies and governments have yet to fully respond to these evolving preferences regarding the desired living environments of Americans. As reported by the US Department of Housing and Urban Development's Office of Policy Development and Research, the vast majority of new housing built in the United States is still single family homes.<sup>5</sup>

Prince Charles foresaw this shift decades ago and identified modern, 20th century development patterns as major catalyst for economic and social decay, and a return to mixed-use development as the future.

## How Does Mixed-Use Benefit Communities and Developers?

Mixed-use development is not a zero-sum game between communities and developers; instead, these projects can bring increased returns for both communities and developers.

## Communities

Communities willing to adopt mixed-use development can reap massive benefits. Mixed-use development places people closer to destinations such as work, school, shopping, and recreation. This decrease in distance means fewer resources are used to access these amenities and opportunities, increasing a community's sustainability, economic equality, and economic activity.

In comparing the cities of Mumbai and New York City, Zamorano and Kulpa observed that "sprawling cities decrease quality of life; compact, mixed-use developments yield economic and social benefits."<sup>6</sup> Indeed, developers can and will play a huge role in bringing these benefits to millions of Americans.

*"Sprawling cities decrease quality of life; compact, mixed-use developments yield economic and social benefits."*

## Developers

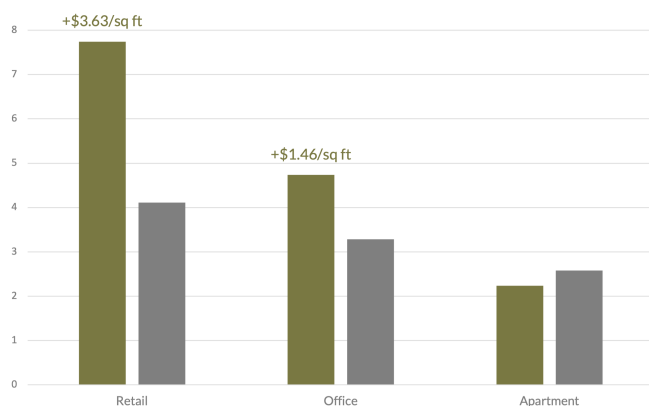
Because many individuals and communities have begun to recognize the numerous advantages, abundant opportunities now exist for developers.

Shohei Nakamura and associates led an extensive study of net operating income (NOI) trends in several mixed-use developments, and they revealed a notable increase in both retail and office properties.<sup>7</sup> Figure 2 below highlights the advantageous financial performance of retail and office spaces within mixed-use environments.

Figure 2

### What is the difference in NOI?

Difference between mixed-use and traditional properties per sq ft.



Source: "Are There Investment Premiums for Mixed-Use Properties?"

The study showed a significant increase in the NOI per square foot for retail spaces within mixed-use developments compared to those outside. With an increase of over three dollars per square foot, it suggests that retail properties located within

mixed-use developments are experiencing higher-than-average profitability in their operations. Similarly, office spaces within mixed-use developments also exhibit a notable increase in the NOI per square foot, although to a lesser extent. Interestingly, the study did not find a significant difference between apartments inside or outside of mixed-use developments. Developers clearly have many opportunities to gain a solid return on investment in mixed-use developments, especially in retail and office spaces.

Embracing mixed-use development also offers developers a unique opportunity to forge stronger relationships with the communities they serve. Unlike conventional developments that often extract wealth from cities, mixed-use projects signify a commitment to sustainable growth and long-term investment. Charles Marohn and Urban3 demonstrate through their assessment of Lafayette, Louisiana that newer, more affluent single family neighborhoods are subsidized by the property taxes in the city's denser, poorer communities.<sup>8</sup>

By integrating diverse amenities, services, and residential options within a cohesive framework, developers demonstrate a genuine understanding of their communities' needs and aspirations. This approach fosters a sense of belonging and ownership among residents, cultivating

vibrant, inclusive neighborhoods where people live, work, and thrive.

## How Can Developers Overcome Opposition to Mixed-Use?

Even Prince Charles, who understood these benefits and held great sway in the decisions for Poundbury, faced great pushback from community members and industry professionals while constructing his vision. Several strategies and facts can help address opposition to mixed-use properties.

### Government and Community

Concerns from local community and government leaders often arise that push against the approval and implementation of mixed-use projects. Common concerns include traffic congestion, density, infrastructure costs, and the impact on the quality of life for current residents. Mixed-use developments bring benefits to everyone at the table, including local governments. These developments can provide increased property tax revenue when compared with lower-density areas without significantly increasing the cost of public infrastructure.<sup>8</sup> If built correctly, these developments can also decrease traffic and congestion, as car trips will be

replaced by residents walking to close-by amenities and occupations. Taylor Dotson highlights the opportunities for this in a new neighborhood built in Freiberg, Germany, which features a densified environment that increases residents' quality of life without increasing congestion.<sup>9</sup>

### Industry

Industry-wide skepticism towards mixed-use projects has historically stemmed from concerns over feasibility and profitability. However, recent research, such as Jamie Metzinger's surveys of real estate developers, suggests a promising shift in attitudes.<sup>10</sup> As industry leaders recognize the growing demand for mixed-use spaces and the financial incentives they offer, there is a burgeoning realization that these projects can not only meet market demands but also yield substantial returns on investment.

## Why Should You Act Early on Mixed-Use Opportunities?

If you visit Poundbury today, you will find a thriving community filled with residents who are proud of their home. The final phase of Poundbury is scheduled to finish construction in 2027.<sup>11</sup> The fruits of Charles' labors are paying dividends—both

to Poundbury's residents and to those who built the project. Around the world, similar projects continue to succeed. It is time to get in on this opportunity and get building, before everyone else does!

## Others will follow the evidence

The statistical evidence shows that mixed-use development can financially outperform traditional development methods. They repeatedly yield higher property values, rental incomes, and greater customer satisfaction.

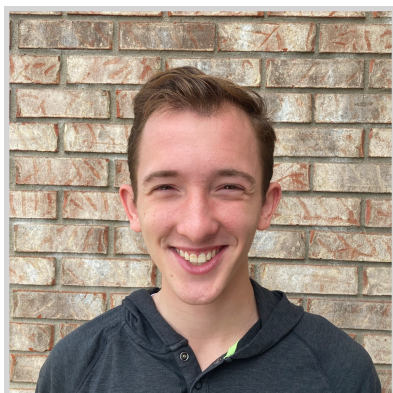
## Others will follow the trend

Moreover, public preference continues to favor the lifestyle facilitated by mixed-use

communities. By recognizing and capitalizing on this trend early, developers can position themselves as pioneers in their communities, meeting the needs and desires of their customers.

In light of these realities, the next move for current or future developers is clear: seize the opportunity to shape the future of cities by prioritizing mixed-use development. By doing so, they can both realize financial returns and contribute to the creation of vibrant, sustainable communities that will stand the test of time.

## About the Author



Alex Black is studying Information Systems Management in the Marriott School of Business at Brigham Young University. He grew up in Newburgh, Indiana, and served as a volunteer for the Church of Jesus Christ of Latter-day Saints in Tucson, Arizona. He is currently a developer for the McKay School of Education at Brigham Young University.

## Endnotes

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