The Method of Modern Mixed-Use

The long economic recovery has seen an increased blending of properties requiring more agile companies and contracts.

By Brian Lee | June 21, 2019

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RICHARDSON, TX—Change is a constant in the business world, but there's nothing like a threat of a recession to push commercial properties to get creative. Traditional approaches and legacy systems in the real estate industry have often suffered in the current cycle as creative problem-solvers charged ahead to new opportunities. We spoke to **Alex Stanton**, VP of solution engineering at real estate software and data analytics provider **RealPage**, to discuss how both property and contractual lines have realigned in recent years.

“We’re seeing a commercial real estate evolution, particularly since the downturn and the reconfiguration of space,” he said. “What’s really intriguing about the evolution is there’s a blending of space and lease terms, a redefining of mixed-use.”

The broad CRE trend is for developments, tenants and leases to get more agile and/or accommodating. Developers cater to more and newer property types, occupants downsize their footprints and contracts include shorter and more transactional terms. The overall focus has shifted from the tenant to the even more-powerful consumer, a lesson the retail sector has learned the hard way.

That move is being reflected in pop-ups and other alternative retail applications, office development mixing in more complementary types of uses, and industrial properties getting more and more nimble to serve that all-important “last mile” within population centers. Another evolutionary trend has been the creation or rise of new commercial subclasses: flex, storage, entertainment, data centers and healthcare. CRE is seeing a lot of retail space complemented by outpatient healthcare providers.

“When you used to look at commercial space and the systems that served them, they were often vertically aligned,” Stanton said. “You could basically take CRE and box it into three broad categories—office, retail and industrial—and then there would be edges around those. That has all changed.”

With the shift in site selection, mixed-use development and even established properties comes the evolution of lease terms. The commercial contracts of yesteryear were long in duration with a lot of upfront work in managing tenants. Now they’re built for fluctuation and the fusion of all these new property types.

“You’re seeing a different monetization in these changing lease terms,” added Stanton. “And frankly it’s giving legacy systems some challenges because they were built to solve that long-term, slower business model. As lease terms are getting more transactional there’s a higher velocity and visibility into the revenue streams.”

Modern mixed-use properties, with their renewed focus on an increasingly empowered consumer, have changed the CRE game in many ways. It’s now both a sprint and a marathon.
