



Making the Investment Case for Smarter Urban Growth

By [Kathleen McCormick](#)

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Compact, well-connected urban development can create vibrant cities that are more competitive, inclusive, and resilient and that have lower carbon footprints. But many cities around the world continue to pursue sprawling, automobile-dependent development models. Panelists speaking at the 2016 ULI Fall Meeting shared research making the case for denser development.

[Learn more about ULI Europe's research on density.](#)

"We're seeing a huge influx to cities, and we have to address the issue of where to house and provide workplaces for people, and also to accommodate tourists," said Lisette van Doorn, chief executive officer of ULI Europe. She said that misperceptions and barriers to density still exist. "Good density is not about peak density, it's about average density." Berlin has a slightly higher average density than New York, she said, while Paris is Europe's densest city because it consistently has blocks of five-story buildings. Good density, she added, "is about keeping human [scale] and increasing human densification across the board."

"Density and sprawl are two small words, but they're packed with emotion and politics," said Rosemary Feenan, director of global research for JLL, formerly Jones Lang LaSalle, the Chicago-based international professional services and real estate investment management firm. "We have to understand how to deal with more people in cities," she said, to support another projected 2 billion people worldwide. The most compact and connected U.S. cities with the greatest density, such as New York and San Francisco, are expensive compared with "expansive" cities like Atlanta, she said, but "the biggest failure of these expensive desirable cities is the lack of affordable housing."

Cities need "leadership, vision, and a strategy because this is a long-term story, not a quick fix," said van Doorn. "We have to create different approaches across multiple cycles and manage the unintended consequences." She said that investors increasingly are concentrating on a handful of cities, and to encourage more widespread support for cities, "we're trying to build the business case for investors to invest in good density by adding that to the investment model. We think the land value of good density will be higher and more resilient against the downside." She said that cities need the right infrastructure first, and must ensure sustainability elements, such as convenient transportation.

"Walkable urbanism is gaining [in the market] five times faster than drivable" development, said Christopher Leinberger, chair of the Center for Real Estate and Urban Analysis at the George Washington University, during a discussion on recent research on walkable urbanism in the largest U.S. metro areas. Unlike the old distinction of city and suburbs, he said, "what applies today is whether it's walkable urban." In the United States, he said, "density can be achieved almost exclusively by infill, so there is no reason to add more to our metropolitan imprint."

Walkable urban universities are rising in the market because millennials want to go there, said Leinberger. He pointed to the Massachusetts Institute of Technology as a model for building an innovation district with Forest City in Cambridge, Massachusetts. In the Boston area, walkable urban development earned premiums over drivable, ranging from 41 percent for retail, to 90 percent for for-sale residential, to 134 percent for hotels, and those premiums have not leveled off yet. He said that walkable urbanism is correlated with higher education levels, which drives gross domestic product (GDP) per capita.

"It's seriously time for us to build walkable infrastructure" to replace roads and bridges built decades ago that now need repair or replacement, said Leinberger. "We can't afford another cycle like this in economic or environmental terms. By

building urban density, we can reduce our carbon emissions to the level we need to for climate change.”

Vanessa Muscara, senior research analyst for M&G Real Estate, international asset managers in London, said that cities in Europe such as London, Frankfurt, Copenhagen, and Berlin have not kept up with housing population growth. M&G analyzed 64 European cities for technology, urbanization, urban design, and connectivity, both digital and physical. For investment purposes, good density equaled connectivity. Paris came out first and London eighth, she said, with “the more connected the city, the greater the yield.”

M&G broke new ground this year including density metrics related to connectivity to be weighed in the process of selecting new funds for the firm to invest in. This new density-connectivity factor “might not make or break investment choices, but it’s a step in the right direction,” said Muscara.

“The younger generation is choosing cities they want to live in,” said van Doorn. “Connectivity is often the first priority, and that’s where GDP goes. We see this consistently also with smaller cities like Lisbon, Copenhagen, Stockholm, and Amsterdam, cities with an intimate atmosphere where you want to be, and you can walk. We see investments going there.”

Kathleen McCormick, principal of Fountainhead Communications in Boulder, Colorado, writes frequently about healthy, resilient, and sustainable communities.

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