



PRAGMA + BENOY

**Commercial Strategy
for Mixed-Use Masterplans**

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Introduction

Evolving consumer and occupier behaviours are increasingly leading to the creation of mixed-use rather than single-use developments. The commercial benefits of housing multiple uses within a development are clear: if the provision and the environment are tailored correctly, footfall – and subsequent turnover and rents – can increase through the attraction of different audiences through the day/week/year whilst a varied user and occupier base lessens reliance on one particular audience/set of occupiers and therefore reduces risk.

However, faced with both the design challenges (different uses have considerably different architectural requirements) and commercial strategy challenges (different uses have different and often conflicting needs in terms of space, environment, brand, and ambience), many developers simply subdivide larger developments into smaller, single use plots. Though technically ‘mixed-use’ development – in that the larger development site hosts a range of uses – such design negates the benefits of true mixed-use, which is the increased turnover and value that can be created by having different audiences utilise the same space.

Beyond the challenge of accommodating the varied design requirements of different uses in a single space (which our sister company Benoy are well-versed in resolving), we see the greatest reticence to creating true mixed-use as an inability to truly understand the



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diverse requirements of different user groups and how a development can – or in some cases cannot – meet their combined needs. As experts specialising in the creation and implementation of successful commercial strategies, Pragma has both a broad and deep experience of the various challenges often faced by mixed-use developments and crucially, proven strategies for delivering success. This paper highlights the process Pragma takes when assessing the opportunity for mixed-use developments and highlights some of the schemes that have been able to successfully deliver against different user requirements.

Identifying success criteria

Though a mixed-use development will house multiple uses (typically retail, food & beverage, leisure, grocery, offices, residential and hotel), not all uses will be equal. Priority will be afforded to uses that provide the greatest potential to deliver against a development's success criteria.

Typically, the primary success criteria will be the direct income, but there are a wider variety of success criteria that need to be considered when prioritising uses. Uses that generate the most direct income now will not necessarily be those that generate most income in the future. Financing that may be available for some uses may not be available for others. And some uses – though generating little in terms of direct income themselves – can be crucial in generating the awareness, footfall or brand position that can both establish a development over a longer-term and inhibit future competition, potentially protecting future value. It is crucial for developers to clearly establish their success criteria as early as possible, as they will have a fundamental impact on the uses selected, the quantum of space required for each and the physical layout of the scheme – all things that are difficult to change farther down the line.



Success criteria should not be vague but measurable – what rents are targeted, which uses and occupiers can achieve these rents, what mix of uses, positioning and environment would be needed to attract these occupiers, how achievable is the creation of this offer given existing and planned competition, how could the offer be changed or tweaked to take this into account, how might performance expectations need to change accordingly, does the business plan for the development still add up? Too often, developers initiate work on developments without having a clear picture of what success will look like, or do not update their vision as the plans for the scheme evolve. This can lead to at best an inefficient process and at worst, the creation of schemes that are fundamentally flawed before they are even built.

EcoWorld, Bengaluru, India

Brookfield's EcoWorld scheme in Bengaluru, India, on which Pragma worked in 2021/2022 – highlights the degree to which a focus on uses beyond those that drive the primary income can position a development for success. Though it is the development's 7.5 million square feet of Grade A+, LEED gold rated and IWBI certified office space that provides the vast majority of rental income, The Bay – EcoWorld's retail and food & beverage space – is the point of difference that sets EcoWorld apart. With work from home an integral part of workers' repertoire across the world – and particularly in white collar jobs including IT and services – mixed-use developments prioritising office provision need to be compelling, multifaceted destinations where workers can do more than simply work. Developments need to provide for the health, wellness and social requirements of both workers and their wider families – so facilities like gyms, crèche, restaurants and bars, all situated in a diverse and engaging environment become hugely important.

With Pragma's assistance in understanding both the worker and resident audience that EcoWorld has access to, as well as the potential impact of future competing schemes, Brookfield have been able to secure the



internal sign-off required to deliver updates to The Bay including the reactivation of the amphitheatre – which has played host to a range of community events – as well as the introduction of new commercial offerings including 'Chianti' Italian restaurant, 'The Sauce Code', 'Kampot' and 'Mannheim Craft Brewery' and improved environment, access and seating. The focus of investment on what could be considered secondary or non-core uses increases the satisfaction of office workers (and those that choose where to locate their offices) and also attracts nearby residents, whose presence makes for greater footfall – particularly at weekends when office worker numbers are lower – and greater spend potential, allowing for the attraction of a stronger and more varied retailer and food & beverage offering, beyond that normally found at an office park. This point of difference undoubtedly assists in both the attraction and retention of global office occupiers such as Honeywells and KPMG, and the maintenance and growth of office rents.

The failure to identify and act on success criteria

Such strategies may appear little more than the implementation of common sense, yet there are multiple examples where the failure to identify and act upon success criteria have led to either a focus on short-term gain, missed opportunities to increase and/or protect long-term asset value and/or a total collective inertia, to the detriment of assets, investments and more. An example where this applies to the vast majority of assets in a category class would be UK town centres.

The vast majority of the UK's town centres have, until very recently – and in many cases still do – focused almost exclusively on a single use type – retail – and have been unwilling/unable to embrace wider uses until such uses have been foisted upon them. Impeded by disparate ownership, town centres have often lacked a collective vision as to what success looks like, with privately owned assets typically seeking strategies and solutions that benefitted their asset only, with publicly owned assets typically underfunded and lacking resource and capability. Crucially, despite evidence of a need for change (increasing online retail sales, falling occupier sales and occupier demand, CVAs and administrations) a



collective inertia allowed UK town centres to drift. With government-led initiatives a sticking plaster at best, the majority of UK town centres still present little evidence of what success would look like for them and therefore the majority continue to decline, rather than show signs of recovery. The mindset that focuses on direct income is still clearly in evidence today, with car parking charges – largely recognised as being a major annoyance/impediment to visits to UK town centres – still widely in evidence, whilst a lack of focus on understanding and delivering on audience requirements have seen most town centres suffer at the hands of out of town retail parks and the internet (superior convenience) and regional shopping centres (superior brands and experience), whilst failing to recognise and implement the changes that would be needed to make them compelling locations for office, residential or leisure uses.



Paya Lebar, Singapore

Contrast with some of the best mixed-use areas globally. Paya Lebar – Singapore, developed by LendLease in 2019, sits at the heart of the Singapore Urban Redevelopment Authority’s masterplan to develop a dynamic regional business hub between the CBD and Changi Airport. Its success criteria recognises the need to focus on a wider range of metrics beyond initial direct income, with a need to attract a range and volume of businesses to become a credible workplace destination. To do this, LendLease’s scheme provides both the office space required to house the target businesses but also the residential, hotel, retail, leisure and social space required to make Paya Lebar a place that businesses choose to locate. The workspace comprises a mixture of formats, either a traditional exclusive lease or as flexible workspace that can be shared, with requirements easily able to flex upwards and downwards on short-term leases. All workspace is augmented with event and

meeting facilities, with the three LendLease towers (there are a total of ten towers in the wider district) WELL certified – confirming the presence of best-in-class measures to provide clean air, temperature control, lighting and acoustics in an environmentally sustainable way, supported by biophilic design and access to healthy food and lifestyle options to further support worker physical and mental wellbeing. This provision of both best-in-class multifunctional space allows for the potential attraction of both larger businesses and smaller startups, creating a more diverse and dynamic environment.

However, though one of the main elements of the scheme and a large driver of direct income, the workspace itself only works if people and their employees choose to work there. Access to the scheme is provided via road (car and regular buses) and also via an MRT



Paya Lebar, Singapore

station meaning the development can be reached from the CBD in 12 minutes, but it is the successful attraction and integration of residents that stops Paya Lebar becoming a singular use office-led development that empties at night and at weekends. 429 apartments provided in three Park Place residences provide a quantum of residents onsite, providing footfall and vibrancy across the day and week. Residents and workers support and are supported by over 200 shops and restaurants, but it is the environment at Paya Lebar that stands out. Many urban brownfield developments lack the environment and facilities required to attract and retain residents, particularly families. Lendlease have invested in biophilia, green spaces and parks to ensure residents and workers have access to the type of environments that aid physical and mental wellbeing, allowing for exercise, relaxation and contemplation. To maintain this position, Lendlease, Paya Lebar Square and

SingPost Investments have formed a pilot Business Improvement District (BID) programme to maintain and further create vibrant districts and attractive public spaces. This focus on the common needs of different audience groups helping make Paya Lebar a location of choice, enabling Lendlease to achieve one of their primary aims by attracting a diverse range of global office occupiers such as Bayer, CBRE, JLL and Maersk.



Understanding an audience



Demand, existing and planned competition impact the selection of success criteria and therefore the uses chosen for a mixed-use scheme. In terms of audiences, Pragma typically segments into Captive and Catchment Audiences, with Captive Audiences having a rationale to be onsite regardless of the commercial provision available, whilst Catchment Audiences need to actively choose to visit a development. Neither segment is inherently ‘better’ – Captive Audiences are easier to attract, Catchment Audiences typically provide higher total spend potential. Within these segments, different users have their own characteristics: residents bring high spend potential, footfall throughout the day/week and a sense of ownership and identity to a scheme; workers bring significant

lunch and after-work spend potential – particularly in food & beverage and leisure – and hotels can provide both high volumes of business guests – again boosting food & beverage turnover potential – or holiday visitors, often already in ‘spend mode’. Crucially, these generalisations need to be fully explored, proved, disproved, quantified and developed in order to be successfully applied to define the opportunity for success and inform the commercial strategy

Sizing an audience can be done relatively quickly and robustly and forms a crucial building block of success criteria and strategy. Pragma utilises best-in-class data providers, such as Experian – who utilise census data and aerial photography to create

population counts, demographic and spend profiling at 250m grid squares for the majority of countries across the globe. Industry standards in workspace per worker allow for office populations to be forecast whilst number of units, beds, keys and occupancy rates allow for residential and hotel audiences to be sized. Target occupiers of office space, target operators of hotel space and target price-point for residents inform expectations about target audience, which can then be used to inform expected demographic profiles and spend potential.

Audience sizing provides a quantification of spend potential by audience type. It is crucial to then contextualise this spend potential with similar schemes, particularly if the performance (footfall, turnover, rent) of similar schemes is known. This analysis helps to determine how much of each audience groups' spend potential could translate into turnover and subsequent rents. Whilst this is not an exact science, assessment has been significantly aided by the increased availability of consumer behaviour through mobile phone data tracking,

which allows for like-for-like quantification of competing schemes' footfall, catchments, audience dwell times and visit frequency. Creating a detailed universe of scheme performance from across the world combined with careful assessment of existing and planned competition -

“their strengths and weaknesses in terms of accessibility, environment, uses and brands – helps understand the strength of appeal to different audience groups, and helps determine with which audience groups the target scheme could ‘win’, which areas of focus should be prioritised and crucially, the impact on footfall, turnover and rent of ‘winning’ with each audience group.”

Sensitivity testing of results allows for assumptions to be tested, challenged and the impact of under or overperformance with different audience groups to be tested. Such analysis is crucial in optimising a schemes' chance of success by determining the most appropriate use of space and layout. Unfortunately, these questions are often only raised as an architect presents design options or worryingly, may not be raised at all.



St James Quarter, Edinburgh

One of the most successful mixed-use developments of recent years has been the redevelopment and extension of St James Centre to create St James Quarter in the heart of historic Edinburgh, UK. The 1.7 million square feet mixed-use development houses 850k square feet of retail, foodhall, cafés, bars and restaurants, a rooftop Everyman cinema and new leisure occupiers including Flightclub, Lane7 and Toca digital football. The development also comprises 152 apartments, a 74-room, four-star Roomzzz Aparthotel and a 244-room five-star W Edinburgh Hotel, the first for the brand in Scotland.

Assisted by Pragma, who have worked on the scheme since 2016, developer Nuveen were able to confidently create the optimal size of scheme for Edinburgh city centre, taking into account the quantum and strength of existing provision on Princes St but also the underserved opportunity generated by local residents but particularly wider catchment residents and tourists. As the largest tourist destination in the UK outside of London, Edinburgh generates vast spend potential from tourists. The creation of an environment – under cover unlike the Old Town –

a retail offer, including international brands like Cos, Kate Spade and Zara, anchor store John Lewis and more selective offerings like Kartel, Iolla and Scamp & Dude – and F&B offer – with food hall Bonnie & Clyde providing an array of cuisine types and capable of seating 400, supported by 42 further F&B offerings – makes it a ‘must visit’ element to a trip to Edinburgh. This in turn increases the appeal for hotel operators to take space. Of further advantage to hotel operators is the availability and scale of F&B provision. Though hotel operators are becoming increasingly adept at providing quality, engaging F&B offerings, it is not their primary function. Many are operated at a loss or as loss-leaders for the main hotel business. Hotels increasingly partner with outside operators (often celebrity chefs) to operate space, limiting risk but also return for the hotels. The provision



of such strong F&B provision at St James Quarter means Roomzzz Aparthotel can operate without providing its own F&B provision – providing just a ‘coffee and a croissant breakfast’ – whilst W Hotel can successfully focus on high-end provision (in Edinburgh the W Lounge and SushiSamba) safe in the knowledge more affordable options are also available to guests on its doorstep, without having to provide it for themselves. This understanding of how the needs of differing users can align is crucial in determining the optimum occupier mix and the attraction and retention of brands.





Coal Drops Yard, Kings Cross, London, UK

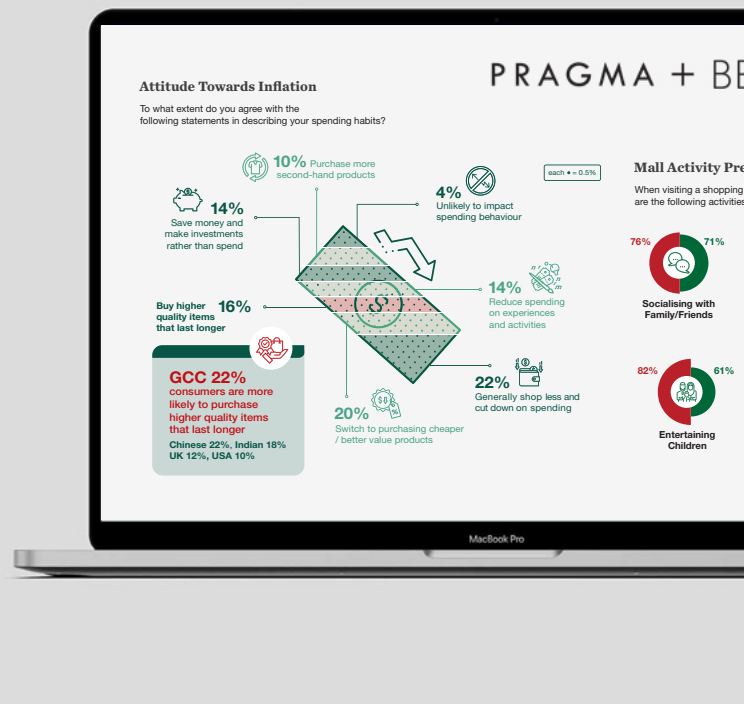
Identify best practice

With the financial performance and return on investment of schemes closely guarded and little-known, and with no knowledge of the specific success criteria that drive decision making, the industry often forms judgements on partial data, led by personal perception. For example, some schemes will be judged based on rumoured sales performance, others on the amount of vacant units or perceived footfall, often based on a single snap shot in time. But developers may have prioritised different success criteria of which the industry is unaware. For example, to build the reputation of the wider King's Cross redevelopment, Argent

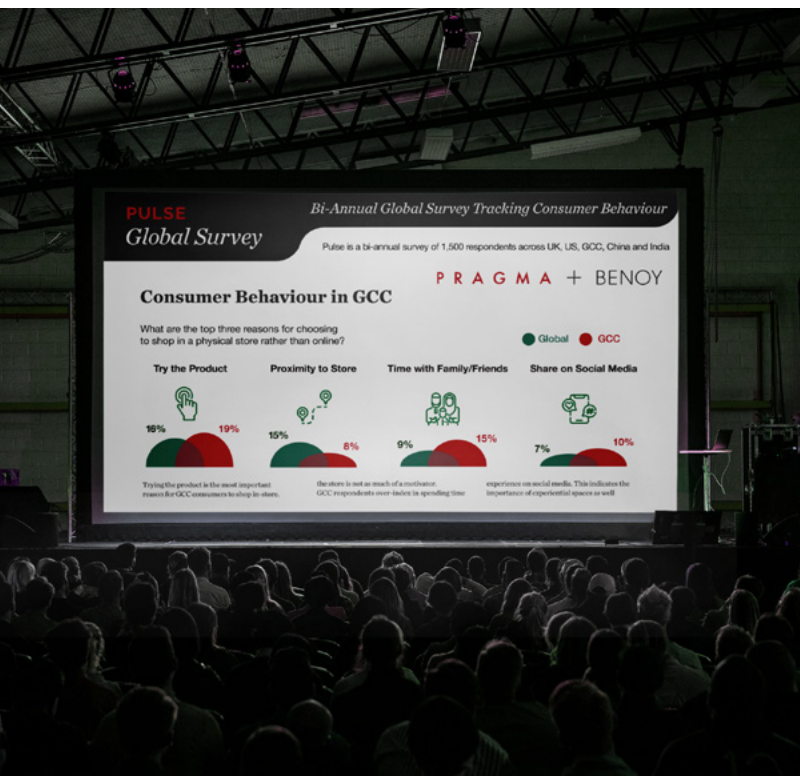
chose a highly aspirational occupier mix for Coal Drops Yard, featuring high-end international brands and a number of bespoke, smaller-scale brands. While this may or may not generate the footfall, sales or direct rental income of a different occupier mix, it has successfully established the brand positioning of the wider King's Cross development, helping to identify it as a valid location for aspirational brands, residents and office occupiers. As such, the occupier mix of Coal Drops Yard may well be delivering against its required success criteria.

One way of identifying best practice is to speak to occupiers and consumers directly. This is often a stage of the

process that is overlooked, with behaviours and motivations assumed rather than thoroughly collected and analysed. Primary research allows for research, assumptions and opinions to be tested with target audiences. Pragma carries out a bi-annual global survey to understand and track the behaviour, opinions and motivations of consumers across the globe. Project-specific primary research can take many forms including; online surveys – to quickly test key assumptions around existing behaviours, likes and dislikes, recognition of brands and potential engagement with proposed concepts with either representative or select audience members in a country



or catchment; on-site surveys – to establish existing scheme catchments, visitor profiles, behaviours, likes and dislikes; in-depth-interviews – to carry out in-depth one-on-one discussions with existing or target audiences to understand the reasons and motivations that translate into existing and future behaviour and focus groups all for groups of similar audience types to discuss, debate, agree or refute with information regarding behaviour, preferences, motivations and desires. This information is crucial in understanding the performance of existing schemes, the potential performance of future competing schemes and where the opportunity for the target development lies.





Alserkal Avenue, Dubai

A recent Pragma project that involved a high degree of primary research was at Alserkal Avenue, Dubai, the regions leading art and cultural attraction. Made up of over 80 former industrial units, the Avenue comprises a mix of retail, food & beverage, office and leisure occupiers featuring art galleries, spin studios, cinema and theatre, coffee shops and bakeries, physiotherapists and flexible workspace. In addition to reviewing the raw metrics of occupancy and rent, detailed primary research allowed Pragma to collect, review and suggest actions based on the behaviours, perceptions and motivations of key consumer groups. Through focus groups – held with

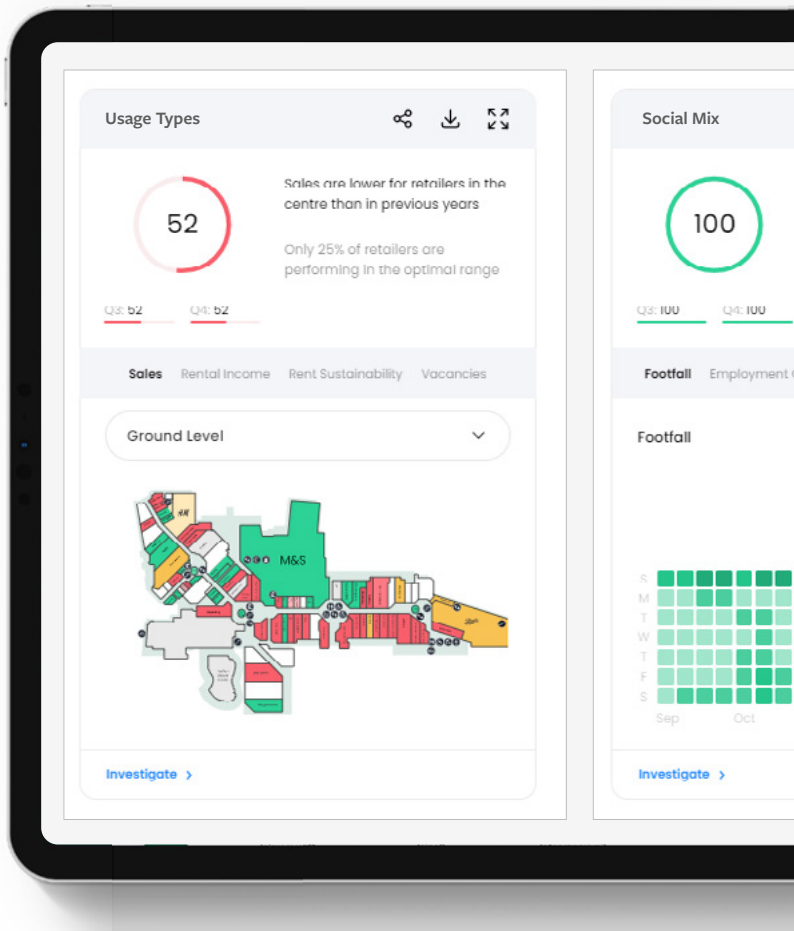
different customer groups in different languages – consumers were able to voice and debate key strengths and weaknesses, likes and dislikes, desired requirements, comment on ideas and concepts and crucially locate best practice experienced elsewhere. This information base provides a treasure-trove of information to inform future strategy – from the retention and replacement of existing occupiers to the selection of new uses and brands, through understanding of the impact of hosting events and the required frequency, form and content of marketing. Too often the input on what creates best practice fails to fully engage those that the scheme will be depending on for success.

Create the commercial strategy

Clearly, the strategy created for each mixed-use development is highly individual, based on the aspects discussed above. However, no matter the scale or range of uses, each development should have identified and, as much as is possible, quantified the performance criteria that will lead to its success. Without doing so, it is unreasonable to expect master planners and architects to understand and define the optimum layout and design, or for leasing teams to determine the most appropriate occupiers. As a minimum, developers should be setting briefs for mixed use developments with the provision of:

- Composition of commercial uses – what commercial elements (retail, food & beverage, leisure and grocery) are to be included in the scheme
- Quantification of uses – what amount of floorspace is to be dedicated to each of these uses

The above are all key outputs of a Pragma study, and help developers provide more informed, detailed briefs to master planners and architects. This can both save time/



- What the target positioning of the commercial offer should be
- Who the key target occupiers are
- What the point of difference to competing schemes will be
- What is the inspiration/best practice seen elsewhere that needs to be built on

allow time to be better utilised, create better informed designs and significantly improve the performance prospects of the development post opening.

Reaping the rewards

Pragma's involvement with a number of the large-scale development projects currently taking place in Saudi has allowed us to utilise the above methodology on behalf of our clients. One such project was Konoz Box of Jewels - the development of a world-class mixed-use development on Riyadh's 'Golden Strip', on behalf of Al Othaim Investment. Whilst the client aspiration - leveraging the site's prime location (adjacent to King Abdullah Financial District with its own stop on the forthcoming metro line) and the subsequent quantum and quality of footfall to create a development fully aligned with the aspirations of the 2030 vision - were clear and understandable, the use of the above methodology allowed Pragma to inform both the client and the architect (sister-company Benoy) of the strengths and weaknesses in different commercial strategies and the most appropriate directions to take.

This allowed for the creation of a robust evidence-base and independent recommendations on key elements including the quantum of space to be developed, the split of space by use, the layout of the scheme and the unique points of difference that would secure both the target audience and target occupiers. The benefit of applying this approach early in the process means it



allows for an alignment of vision between client and architect, and for design work to be data-driven. This provides a tighter design brief, allowing architects and designers to focus on the key elements that will drive success, rather than having to create multiple scenarios that address a less well-defined scope. This ultimately saves time and expense, and allows for expertise to be better concentrated and applied.

The insight and output from Pragma's work has informed the on-going development of the scheme, which will align with the newly developed Riyadh Metro, which features stations designed by Zaha Hadid Architects and Snøhetta, among others. To read more about our work on Konoz Box of Jewels

[CLICK HERE](#)

For a discussion on how Pragma and Benoy could assist you and your business, please contact:

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