

# INVESTOR'S BUSINESS DAILY®

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## Food Feeds Real-Estate Development In Edgy Areas

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INVESTOR'S BUSINESS DAILY



The Packing House in Anaheim, Calif., went from a Sunkist citrus-processing plant to a food marketplace. [View Enlarged Image](#)

A decade ago, downtown Durham, N.C., looked forlorn and empty. Storefronts and old tobacco buildings stood vacant, and street life was virtually nonexistent.

"Everybody had fled to the suburbs or the Research Triangle," said Scott Selig, associate vice president of Capital Assets and Real Estate at Duke University. "Literally 500 people were living there. The whole town was a ghost town."

No more. Those old buildings like the American Tobacco plant are packed with restaurants, retail, music venues, startups and established companies.

A growing number of condos, rental apartments and offices in renovated old buildings or all-new developments are cropping up to house a new population of millennials and others who want to live or work downtown.

Some 2,300 apartments were built downtown in the last 18 months, as well as five new hotels with 450 rooms in the last year, Selig says. A 26-story mixed-use tower called City Center is underway.

"When people come and see a city that is vibrant, they want to invest in that city. So they buy real estate," he said.

What sparked the change? "The restaurants probably came first," Selig said.

Early to the scene were Piedmont Restaurant and Rue Cler, followed by scores of others. At least four have been finalists for prestigious James Beard Awards: Scratch Bakery, Nana's, the Fullsteam Brewery & Tavern, and Mateo Bar de Tapas.

Southern Living magazine has dubbed Durham "the South's tastiest town," and notes, "Its foodie future is gradually wiping out its tobacco past."

Artists used to be the first to colonize neglected parts of downtown neighborhoods, sparking gentrification. Now it's local chefs and food purveyors who are serving as catalysts for real-estate development.

"There's a growing emphasis on healthy foods and where food comes from, and the real-estate industry has taken notice," said Rachel MacCleery, senior VP at the Urban Land Institute. "And it is leveraging that passion around food in their real-estate projects."

The Urban Land Institute and research partner PwC U.S. listed food as one of the top 10 trends to watch in real estate for 2016 in a recent report that cited creative uses of food in urban neighborhoods where land is still cheap and older buildings sit idle.

"Food is serving as a central focus point for new development projects and redevelopment of old buildings around the country," MacCleery said.

### **Single-Family Homes Follow**

In downtown Anaheim, Calif., the 18-month-old Packing House food hall, located in a former Sunkist citrus plant built in 1919, is spurring residential and commercial development around it, most notably by Brookfield Residential Properties.



In downtown Los Angeles' One Santa Fe project, the mix of uses includes space for independent food retailers and 438 new rental apartments. [View Enlarged Image](#)

Following the success of its single-family home development Colony Park, Brookfield is underway on the second phase of a 100-unit townhome project across the street from the Packing House, called the Domain. The first phase is fully occupied. Units sell for \$400,000 to \$500,000.

"I was surprised they would go at the price. Anaheim was not the most desirable place to live, especially downtown," said John Woodhead, director of community and economic development for the city of Anaheim. "A lot of the housing stock was deteriorated, and the commercial core in downtown had been decimated."

Now new retail stores are opening around the Packing House, and millennials are moving into the neighborhood, he says.

"It's all about the Packing House," he said. "From day one, it was immensely popular."

Some 30 food "artisans" serve everything from coffee, juices and crepes to Vietnamese and French fare. A farmers market is held in an adjacent park on Sundays.

"We think food is a new canvas. It has this powerful value to bring people together," said Shaheen Sadeghi, CEO of LAB Holding, a partner with the city of Anaheim in developing the food-focused concept at the Packing House. "I call it social capital."

The city of Anaheim had acquired the old citrus-packing house several years earlier, along with other parcels downtown, as part of a revitalization plan.

In Atlanta's Old Fourth Ward, the same kind of development is happening around the Ponce City Market, with its Central Food Hall. James Beard Award-winning chefs and other young restaurateurs have turned the former Sears, Roebuck & Co. complex into a happening place.

Award-winning chefs also have found their way into the Pepper Place Market District in Birmingham, Ala., once an abandoned warehouse district next to downtown that started growing rapidly after a farmers market opened 15 years ago — with food, home design and garden stores flocking in, as well as offices.

More than 400 apartment units are currently under construction in the area, says Catherine Sloss Jones, president of Sloss Real Estate, which developed 15 existing buildings in the district, including a former Dr Pepper syrup plant.

### **Attracting The Chefs**

"The farmers market helped bring focus to the district and attracted the chefs," Sloss Jones said.

In northeast Washington, D.C., the renovated and re-tenanted Union Market is starting to see development crop up around it as well.

And on the once-ragged far east side of downtown Los Angeles, in the fledging Arts District, the newly built mixed-used apartment and commercial project One Santa Fe, with its 438 rental apartments and cluster of independent food retailers, will soon see new neighbors, thanks to projects backed by a number of major real-estate and investment firms.

Apartments at One Santa Fe itself, which spans four city blocks, are nearly fully leased.

"It has a retail floor with all kinds of food. That's what has leased the apartments," said Sandra Kulli, president of Kulli Marketing.

Some \$2 billion in investment money is currently earmarked for the Arts District, according to representatives from One Santa Fe, which had backing from equity partners Goldman Sachs (NYSE: GS) and Canyon Partners Real Estate. Among those said to be putting money down: JPMorgan (NYSE: JPM), Square Mile Capital Management, Shorenstein, Atlas Capital Investors, Carmel Partners, Camden and USAA Real Estate, among others.

In March, large-scale developer SunCal closed on a 15-acre site in the district for an undisclosed sum. It's the largest single parcel in the Arts District and will be a "marquee development," said a company spokesman. The project will likely include apartments, creative offices, hotels, retail and "public gathering spaces."

Development in the Arts District "has been picking up over time," said Chuck Cowley, president of Cowley Real Estate Partners developer of One Santa Fe. "But it is relatively recently that large, high-profile national real-estate companies have realized what's happening in the Arts District and are strongly tapping into it."

Commercial property values in the district, he says, "have dramatically increased."

Blame the burgeoning food scene, if you will, on the new development activity in various parts of downtown L.A. and elsewhere in the country.

"Young chefs are bringing excitement, experimentation and great fresh food to parts of town that weren't thought of as great destinations for great restaurants," Kulli said.

"Developers like to say that food is the new golf," she said. "People play golf at a resort, but they don't necessarily want to live on a golf course like they did 15 to 20 years ago. More people are interested in food.

"Part of it is a reaction to living online," she said. "They're eager for unique experiences in their own cities. They want good food and diverse food."

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