The Economic Impact of Walkable Communities

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New Partners for Smart Growth Conference
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Who is LOCUS?

• **Only** organization working directly on behalf of developers and investors of walkable urban, transit-oriented and smart growth development.
Changing Market Preferences

Young professionals

64% of college-educated 25- to 34-year-olds looked for a job after they chose the city where they wanted to live.

- U.S. Census
Boomers are a different kind of Senior Citizen: Adulthood II
Preferences: Transportation

• Baby boomers are walking more and driving less...

– Health Impacts
– Traffic Concerns
– Rural Seniors hold licenses longer
– Higher rates of automobile accidents
Market Trends For Senior Adults

• A scientific poll of people age 45 and older by AARP in 2010 found that having the following amenities close by were also particularly important to older adults: bus stop (50%), grocery store (47%), park (42%) and pharmacy/drug store (42%)

• Based on a recent RCLCO’s national survey of boomer preferences for amenities, 83% ranked walking, 67% nearby shopping, and 51% bicycling as top priorities. In addition, one notable trends are towards development of mix-aged housing projects and age-restricted housing projects that are closely integrated into an intergenerational neighborhood.

• Employment proximity is also becoming increasingly important, as the number of workers 75 or older has risen by 77 percent in the past two decades according to AARP’s Public Policy Institute.
We’ve got the wrong housing stock for the 21st century
Smaller homes-more people
Larger homes-fewer people

Average and Median Square Feet of Floor Area in New Single-Family US Houses, 1973 to 2013 vs. Average US Household Size

Source: Census Bureau
Carpe Diem Blog

Source: Adapted from American Housing Survey 2011 by Arthur C. Nelson, University of Arizona.
Foot Traffic Ahead

Ranking Walkable Urbanism in America’s Largest Metros 2016
The Largest 30 Metros in the United States

SHARE OF U.S. POPULATION

- LARGEST 30 METROS: 54%
- REST OF U.S.: 46%

SHARE OF U.S. GDP

- LARGEST 30 METROS: 46%
- REST OF U.S.: 54%
The Old Dichotomy

URBAN

SUBURBAN
Time for New Lenses

WALKABLE URBAN

DRIVABLE SUB-URBAN
<table>
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<tr>
<th>Form &amp; Function of Metropolitan America</th>
<th>Metropolitan Land Use Options:</th>
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<td>Walkable Urban</td>
<td>Regionally Significant</td>
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<td>Walkup: Metro Area Acreage: 1%</td>
<td>Local Serving</td>
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<td>Drivable Sub-Urban</td>
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<td>Edge City: Metro Area Acreage: 3-4%</td>
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<td>Neighborhood: Metro Area Acreage: 2-6%</td>
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<tr>
<td>Bedroom Community: Metro Area Acreage:90-94%</td>
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WalkUPs Defined

**WALK SCORE:**
Walk Score ≥ 70

**OFFICE & RETAIL SPACE:**
Office ≥ 1.4 million sq. ft.
and/or
Retail ≥ 340,000 sq. ft.
Key Findings

- **Walkable urban real estate product** in the 30 largest metros commands a 72% rent-per-square-foot premium over rents in drivable sub-urban areas.

  - **Office Space:** 90%
  - **Retail Space:** 71%
  - **Multi-Family Rental:** 66%

- **All 30 metros have a walkable urban rent premium**, ranking from 4-191% (most 20-97%)

- And, these **premiums have grown between 2010-2015**

- **All 30 metros for walkable urbanism gaining market share:** 28 metros growing 77% to 4X faster over 6 yrs.

- **Walkable urban absorption in metro Boston over 6 years absorbing 93% of new space in 1.2% of land**
Key Findings

• There are 619 WalkUPs, or regionally significant walkable urban places, in the 30 largest metropolitan areas in the United States.

• Six Highest-Ranked Metros:
  • New York City
  • Washington, DC
  • Boston
  • Chicago
  • San Francisco Bay
  • Seattle
Key Findings

• Walkable urban development is not limited to the revitalization of center cities; it is also the urbanization of select suburbs.

• For example, nearly half (47%) of Washington, DC’s WalkUPs are located in its suburbs.
WalkUPs in Metro Washington, DC

- 44 WalkUPs
- 408 acres on average
- 17,500 acres or 1% of land mass

Key: WalkUP Types

- DOWNTOWN
- DOWNTOWN ADJACENT
- URBAN COMMERCIAL
- SUBURBAN TOWN CENTER
- URBAN UNIVERSITY
- REDEVELOPMENT of DRIVABLE SUB-URBAN
- GREENFIELD / BROWNFIELD
average performance by economic level

Walk Score: +6.22 points
Office rent: +$7.28/square foot annually
Retail rent: +$6.71/square foot annually
Rental apartment rent: +$6.22/square foot annually
For-sale housing price: +$113/square foot

COPPER WALK SCORE: 70-77
SILVER WALK SCORE: 78-85
GOLD WALK SCORE: 86-92
PLATINUM WALK SCORE: 93-100
Correlation: 
WALKUPS & GDP per Capita

- Significant correlation between walkable urbanisms & GDP per capita
- *Causal* link between Education of workforce & GDP per capita
- $56,598 average GDP per capita for largest 30 metros
- The top 6 high-ranked walkable urban metros have GDP per capita of $72,110 vs. 7 low ranked metros of $48,314—or 49% higher
- Comparable to difference between Germany VS Russia, Latvia or Croatia

*Correlation: Walkable Urbanism & Per Capita GDP of Metro Regions (2012 per capita GDP, chained 2005 dollars)*

\[ R^2 = 0.49 \]
Development Momentum Rankings

1. New York City
2. Boston
3. Detroit
4. Seattle
5. Phoenix
6. Washington, DC
7. Los Angeles

Top 30 Metro Regions: Office, Retail & Multi-Family Rental Premiums

- HIGH DEVELOPMENT MOMENTUM for Walkable Urbanism
- MIDDLE DEVELOPMENT MOMENTUM for Walkable Urbanism
- LOW DEVELOPMENT MOMENTUM for Walkable Urbanism

Legend:
- Change in Premium Since Q1 2010
- Current WalkUP Office, Retail & Multi-Family Rent Premium vs. Drivable Sub-urban
Key Development Momentum Findings

- Development momentum metrics show that some metropolitan areas, such as Detroit, Phoenix, and Los Angeles, are making some surprising and unexpected shifts toward walkable urban development.

- **Detroit:** Nationally significant downtown turn around and strength in suburban downtowns, like Ann Arbor, Royal Oak and Birmingham

- **Phoenix:** ASU causing Tempe and downtown Phx to explode, using light rail as ‘horizontal elevator’

- **Los Angeles:** Building on old rail-based walkable urban backbone, largest new rail system revives old downtowns
Counter-Intuitive Social Equity Outcomes

- Shown above, substantial walkable urban rent premiums
- Planning *attainable housing* to combat the natural effects of WalkUP development S-T
- 70% of premium is land costs
- BUT, highly walkable urban metros have 14 lower percentage point for moderate HH TRANSPORTATION costs
- Increased access to jobs: 2-3 X more jobs accessible by moderate income HHs
Key Social Equity Findings: Moderate Income HHs (80% AMI)

- The *most* walkable urban metros have the *highest* social equity:
  - New York City
  - Washington, DC
  - Boston
  - San Francisco
  - Minneapolis-St. Paul

Higher housing costs for moderate income HHs but substantial lower transportation costs, plus 2-3X more accessibility to employment

**NEED AGGRESSIVE ATTAINABLE HOUSING PROGRAM AT WalkUP LEVEL**
Executive Summary

- All 30 of the largest U.S. metros have rent per square foot premiums for walkable urban office, retail and rental multi-family housing.

- Walkable urban development is expanding market share in all 30 metros, drivable suburban losing market share; 1st time 60 years.

- Walkable urbanism correlates with a highly educated workforce and higher GDP per capita.

- High walkable urbanism metros have the highest social equity, in spite of rent premiums.

- These trends suggest FUTURE DEMAND for tens of millions square feet of WALKABLE URBAN DEVELOPMENT...Likely the end of sprawl.
Thank You!

More information, please visit: www.locusdevelopers.org

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