

# Downtowns Rebound

## The Data Driven Path to Recovery

A detailed examination of the impact of the pandemic and subsequent events on the state of recovery

in 26 of the nation's largest downtowns

Released October 2023





### DOWNTOWNS REBOUND

THE DATA DRIVEN PATH TO RECOVERY



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## Summarized in short article in Urban Land; Jan 4, 2024

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### America's Downtown Recovery: What Does the Data Say?

By Paul R. Levy  
January 4, 2024

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For today: updated recovery data thru December 31, 2023

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Report

## Downtowns Rebound: The Data Driven Path to Recovery



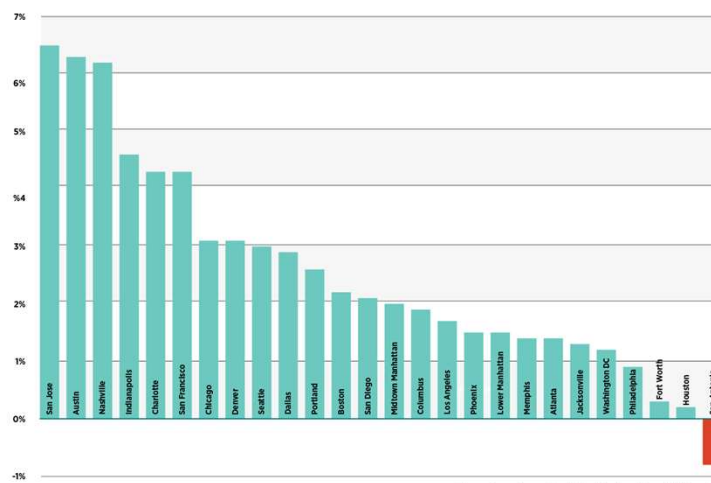
[www.centercityphila.org](http://www.centercityphila.org)

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## The decade 2010-2019 was one of robust, private sector job growth in our largest downtowns

**FIGURE 9 CORE DOWNTOWN PRIVATE EMPLOYMENT, AVERAGE ANNUAL PERCENTAGE CHANGE, 2011-2019**  
Job growth in nearly all downtowns was robust in the decade following the Great Recession.



Source: Census Bureau, Longitudinal Employer-Household Dynamics

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**Downtowns across the country diversified  
& became great places to live, work & play**



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**Arts, entertainment, sports, downtown living  
All grew robustly**



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**Then came the pandemic: 2020**



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**All but essential businesses directed to close**



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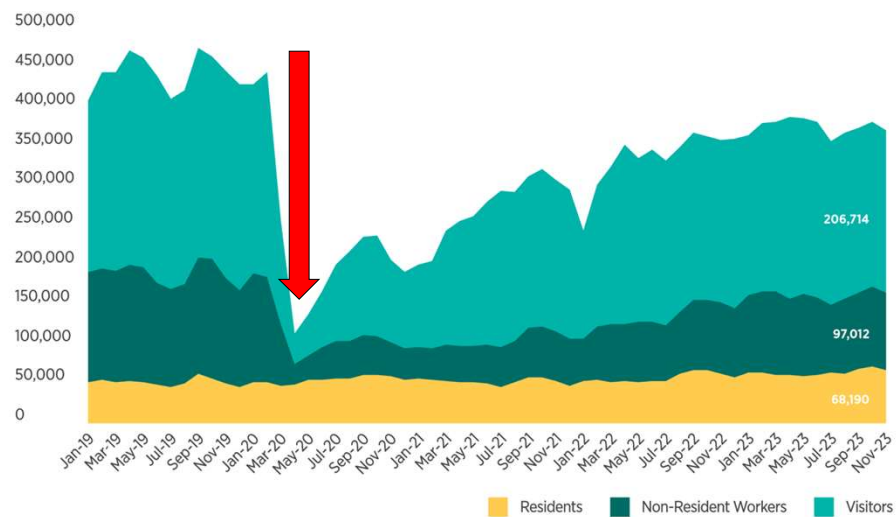
## Downtowns across the country & world emptied out



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## Downtown pedestrian volumes plummeted 70%-80%

Figure 8: Average Daily Visits to Core Center City: Residents, Workers, and Visitors



Source: Placer.ai

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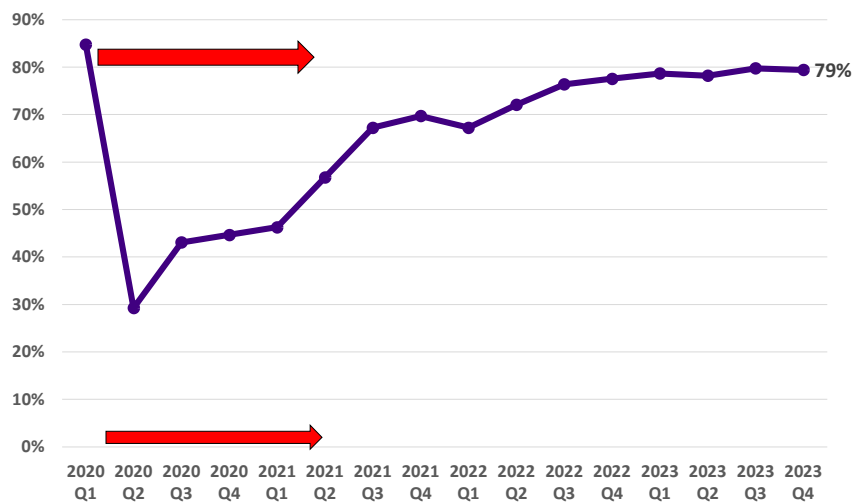
Recall the horror & emptiness after 9/11;  
Time limited & site specific: NYC & Washington DC



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## 2020 shut-down & health safety concerns lasted months everywhere

Median Recovery Rate in 26 Core Downtowns for Residents, Workers & Visitors,  
2020-2023



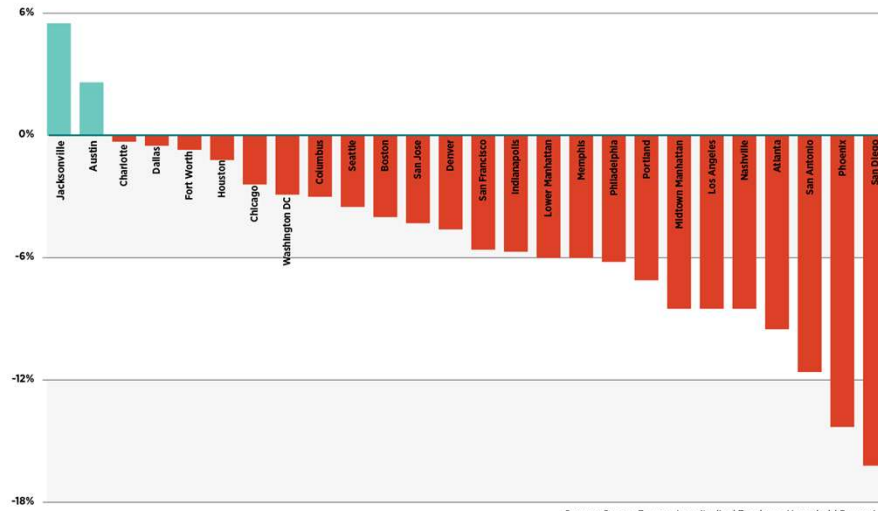
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## Nearly all downtowns lost private sector jobs between 2019 and 2020

FIGURE 10 CORE DOWNTOWN PRIVATE EMPLOYMENT, PERCENTAGE CHANGE, 2019-2020



Source: Census Bureau, Longitudinal Employer-Household Dynamics

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## New technology was ready to deploy: alternative to the office Pandemic was an accelerator of pre-existing trends



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Many quickly claimed the office is dead  
& we can rely on a virtual water cooler



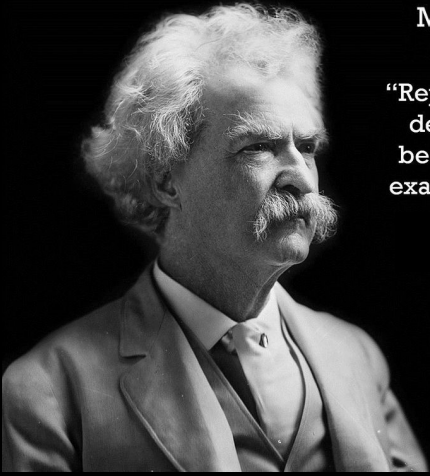
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Even worse: Academics declared downtown is dead  
We're all trapped in an inexorable downward spiral:  
The Urban Doom Loop  
Every newspaper wrote this story; 3 times




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Mark Twain

"Reports of my death have been greatly exaggerated."

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Even Professor Doom Loop has now recanted

POST FOCUS ON COMMERCIAL REAL ESTATE

You mean NYC ain't dying?!

STEVE CUOZZO

REALTY CHECK

WHEW! The sky isn't falling on the Big Apple after all.

The academic behind the infamous "Doom Loop" scenario says that things might be looking up for New York City, despite his earlier forecast that less need for office space would cast it into a death spiral.

Columbia University econom-

ics professor Stijn Van Nieuwerburgh wrote an oft-quoted, 2022 essay, "The Remote Work Revolution: Impact on Real Estate Values and the Urban Environment."

Its thesis, later amplified in a report he authored with two colleagues, prophesied that less demand for offices after the pandemic would cast the city into a death spiral resulting from decreased tax revenue and resulting civic decay.

Van Nieuwerburgh as recently as October called the office market "a trainwreck in slow motion."

But in an interview with online news site Gothamist last week, Van Nieuwerburgh hit a heavier pause button on the apocalypse

than he did in a New York Times interview a year ago when he merely said it was "not inevitable."

He told Gothamist's Arun Venugopal: "New York City is recovering to a better extent than most large U.S. cities . . . [due to] the fact that New York City's economy is a well-diversified economy," unlike tech-dominated San Francisco, which is on the brink of collapsing.

Van Nieuwerburgh added about New York, "It also has to do with the fact that the financial sector has been pretty strict about the return to the office."

He might have mentioned that the same is true of law firms, which, like financial services, drive the high-end market.

Sounding almost like an "I Love NY" copywriter, he said, "I feel that New York City is coming back, because people are coming back to the city and when people come back, it makes it more attractive for their colleagues and their friends to come back as well."

IT'S ALIVE!

The "Doom Loop" scenario Stijn Van Nieuwerburgh predicted for New York City due to remote work reducing the need for office space was premature, the Columbia University prof said.



Stijn Van Nieuwerburgh

The Big Apple is "an amazing place to live, not just to work," he said.

The surveys illustrate the extent to which the top tier of the office market is "impervious" to woes at the lower end, as CBRE phrased it. (The data from both firms include both new leases and renewals.)

Tucked into CBRE's survey of

Office market rebound

Separate reports by major brokerages CBRE and JLL show that the Manhattan office market is far from dead — or even stagnant.

See **REALTY CHECK** on page 34

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## We knew from tracking trends in Center City Philadelphia That the doom loop scenario simply wasn't true



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## Having launched the Center City District (BID) 1990: Dirty & dangerous.



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## Substantial ground & upper floor vacancy

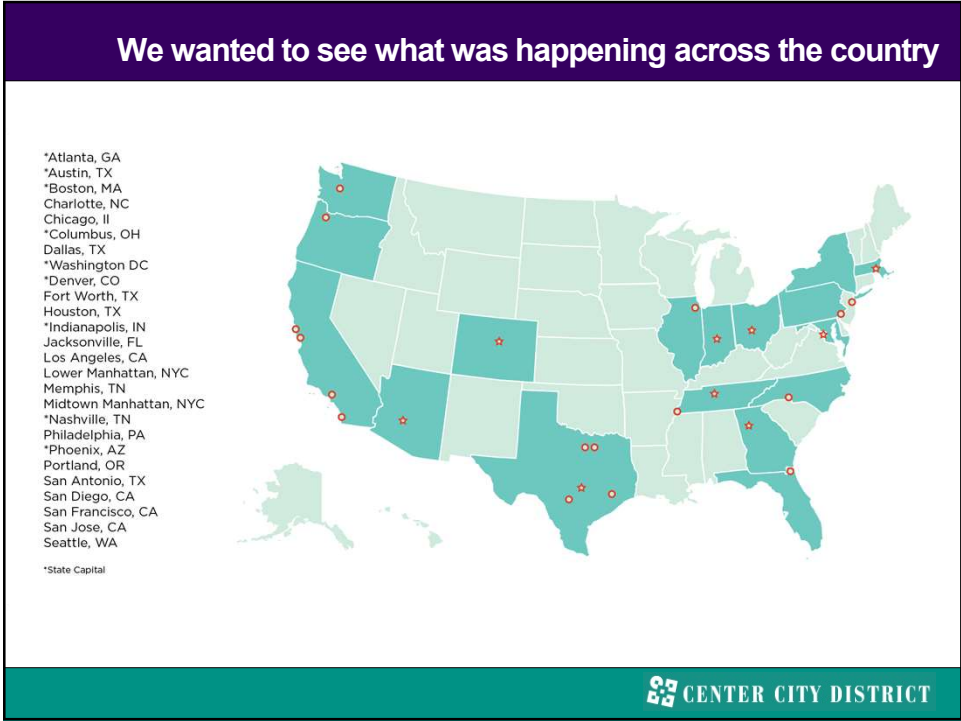


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## Downtown was a place to avoid: Been here before; “it is 1990 all over again”



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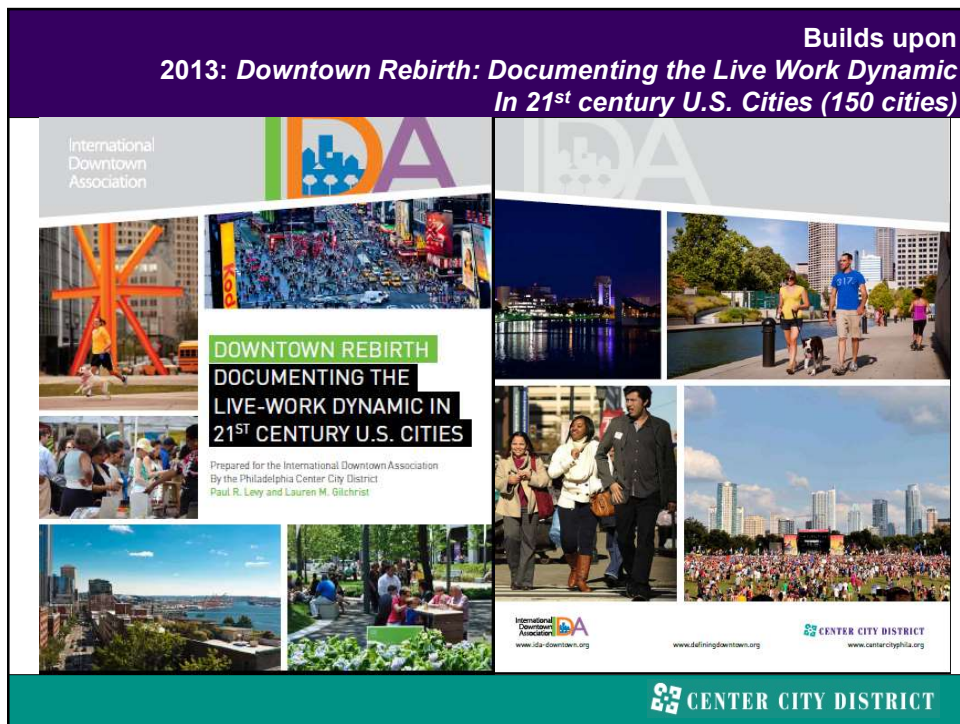
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THE DATA DRIVEN PATH TO RECOVERY

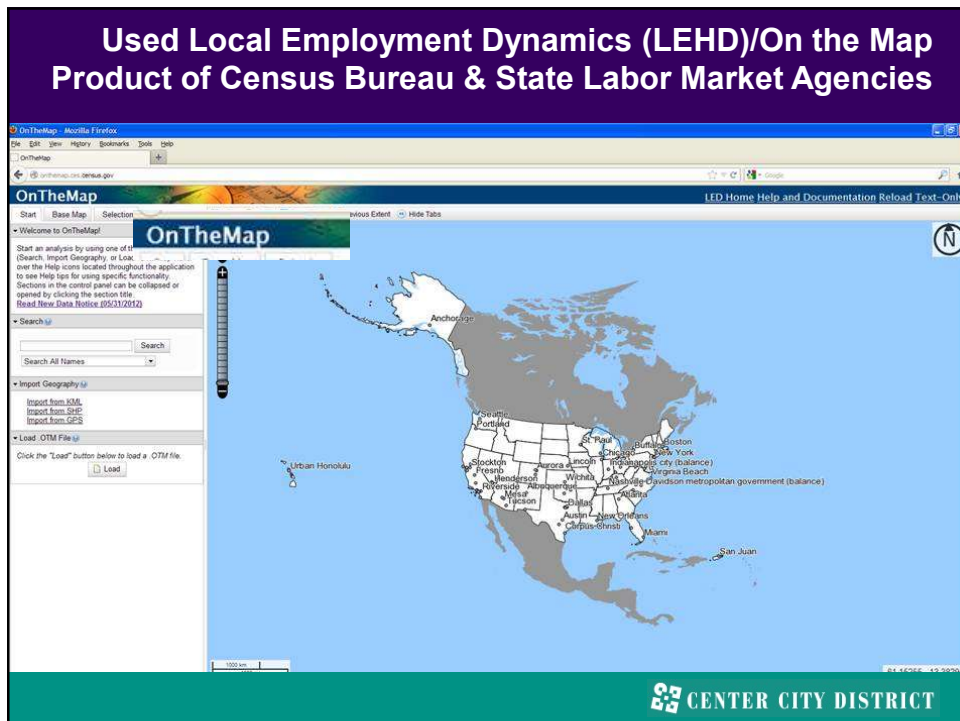
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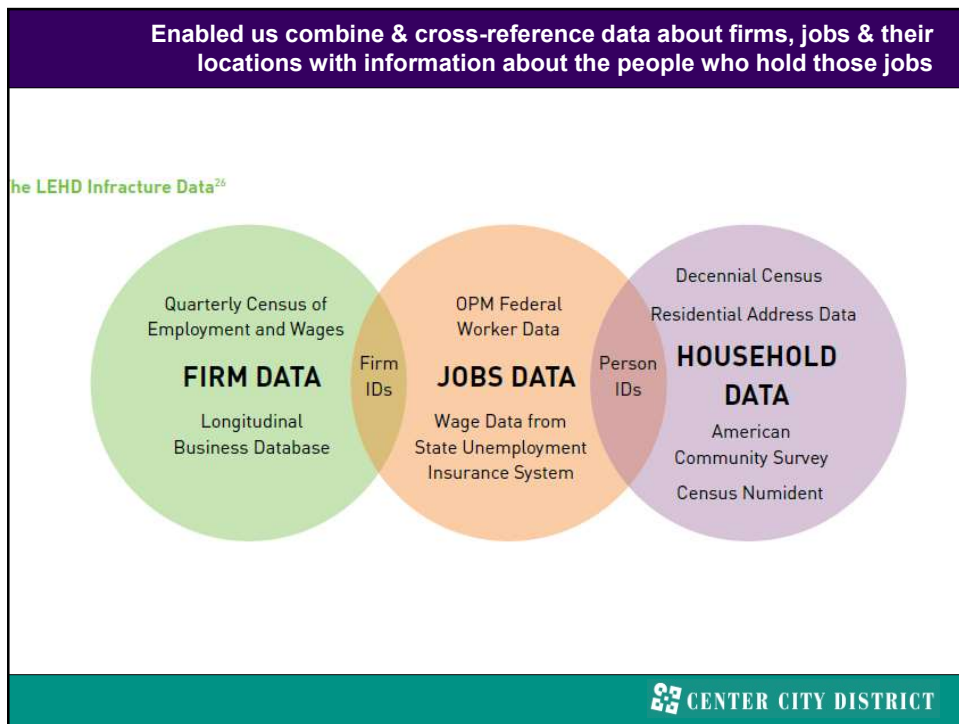




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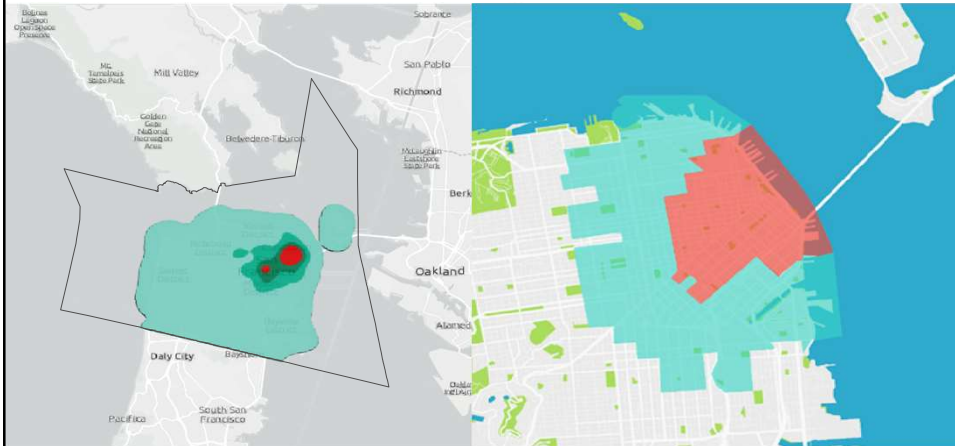
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## San Francisco's job dense areas placed within census tracts

Core commercial + 1 mile adjacent mixed-use area = "Greater downtown"



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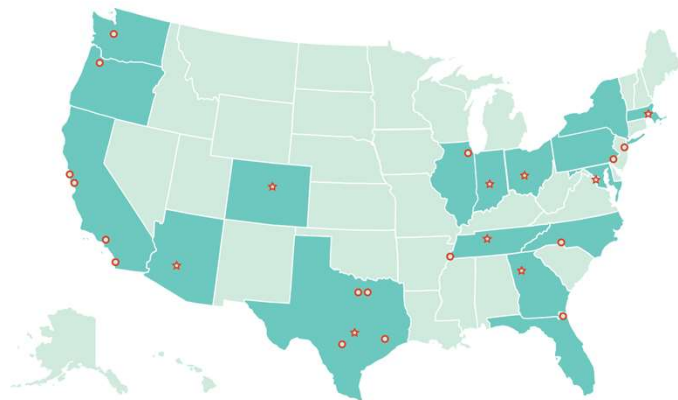
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## Used the same methodology

### 26 of the largest downtown (by # jobs)

\*Atlanta, GA  
 \*Austin, TX  
 \*Boston, MA  
 Charlotte, NC  
 Chicago, IL  
 \*Columbus, OH  
 Dallas, TX  
 \*Washington DC  
 \*Denver, CO  
 Fort Worth, TX  
 Houston, TX  
 \*Indianapolis, IN  
 Jacksonville, FL  
 Los Angeles, CA  
 Lower Manhattan, NYC  
 Memphis, TN  
 Midtown Manhattan, NYC  
 \*Nashville, TN  
 Philadelphia, PA  
 \*Phoenix, AZ  
 Portland, OR  
 San Antonio, TX  
 San Diego, CA  
 San Francisco, CA  
 San Jose, CA  
 Seattle, WA

\*State Capital

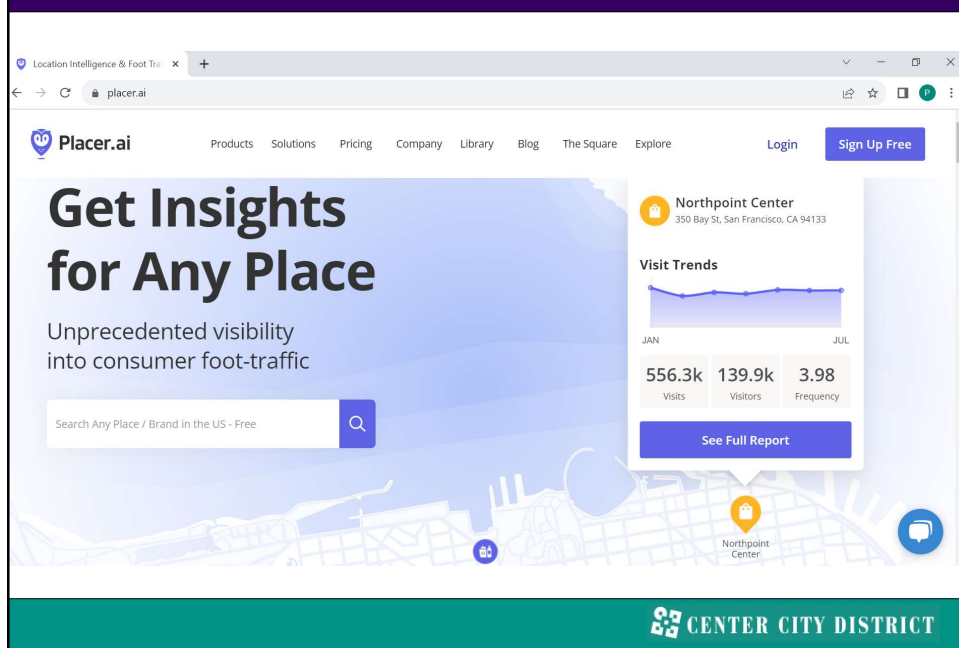


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**(b) Used Placer.ai anonymized cell phone data  
Separates visitors, workers & residents & tracks their return downtown**

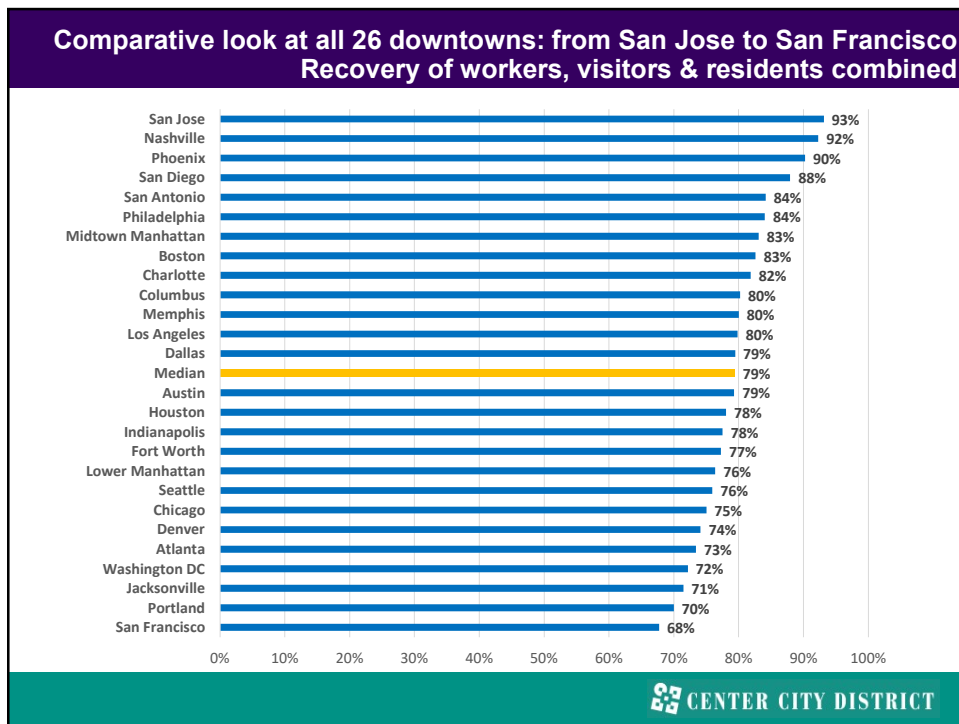


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**Recovery is happening everywhere but at different rates  
Comparing year-end 2023 to year-end 2019  
Residents + workers + visitors back at 93% in San Jose & 68% in San Francisco  
But before cheering for San Jose & weeping San Francisco,  
the story is far more nuanced**



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**Four key variables that impact recovery**

- (1) the composition of downtown economy/employment**
- (2) the length of commute for workers**
- (3) leadership exercised by business, civic & political actors**
- (4) perceptions of safety**

*While safety dominates headlines, the report finds, it may not be the most important variable.*

*Like any complex issue, this is multi-determined & variables interact with each other*

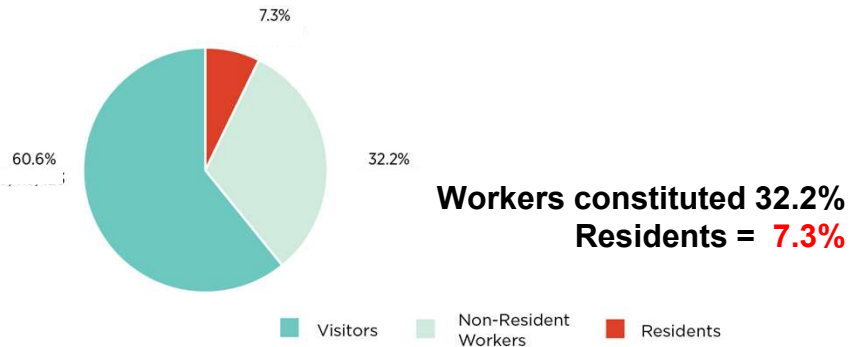
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**Overall average daily downtown composition  
In 2019: visitors were 60.6% of those present  
Largest share of those downtown in all 26 cities**

COMPOSITION OF POPULATION OF ALL 26 CORE DOWNTOWNS COMBINED

FIGURE 5 2019 Q2, DAILY AVERAGE



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**Visitors = shoppers, diners, tourists, patients, convention, music & sports venue attendees (neither live, nor work there)**



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Visitors were the first to disappear; easier than workers to bring back  
The decision to shop, dine or be a tourist requires far less commitment  
Than signing a lease or commuting 4-5 days per week



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Different downtowns specialize & excel in different industries  
Significant variations in the return rate of different types of workers



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**Biggest challenge has been getting office workers back**



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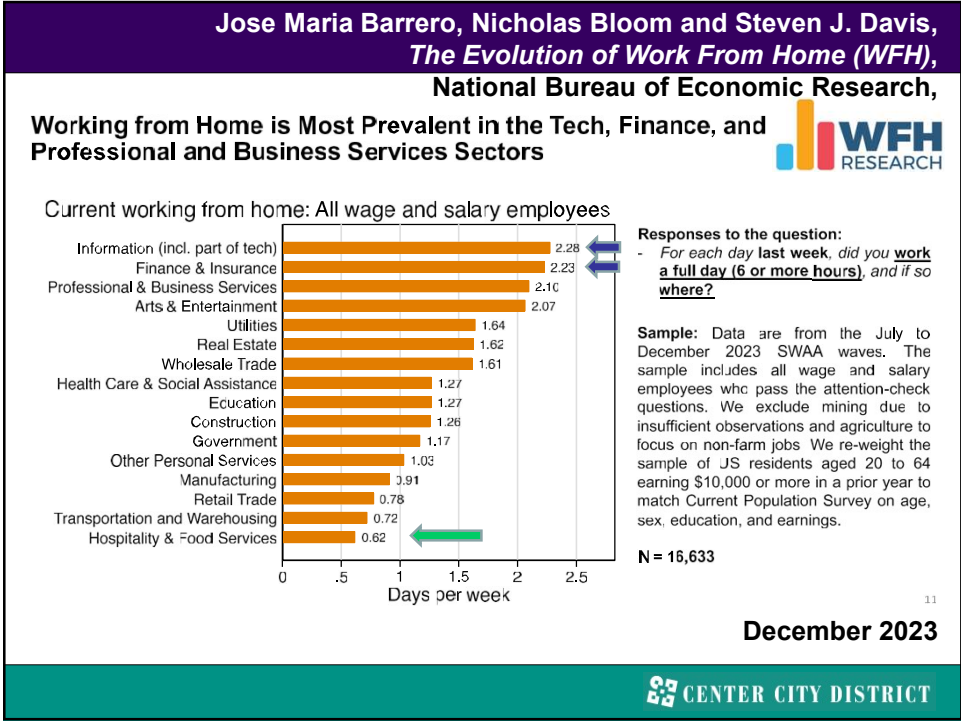
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**But the industries that fill our office buildings  
impact the rate of recovery**

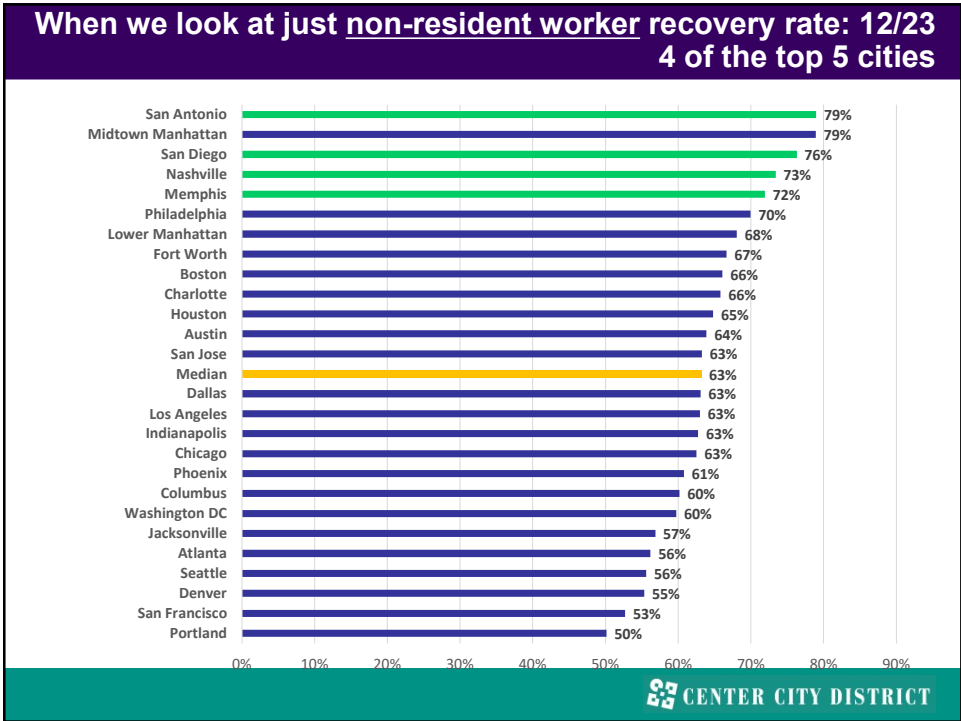


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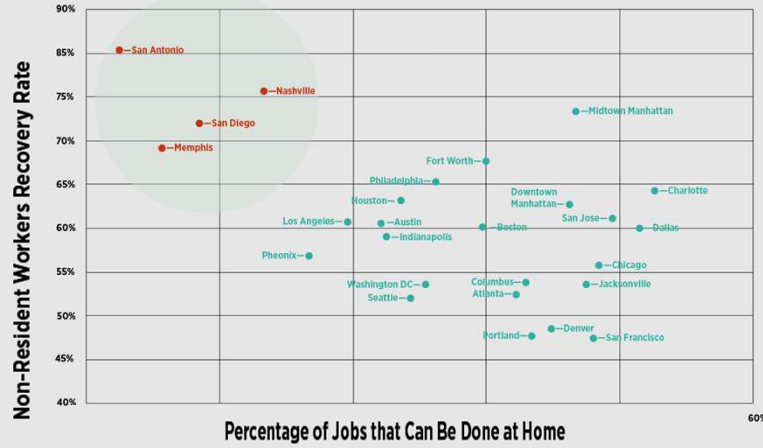


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## San Antonio, Nashville & San Diego & Memphis ...

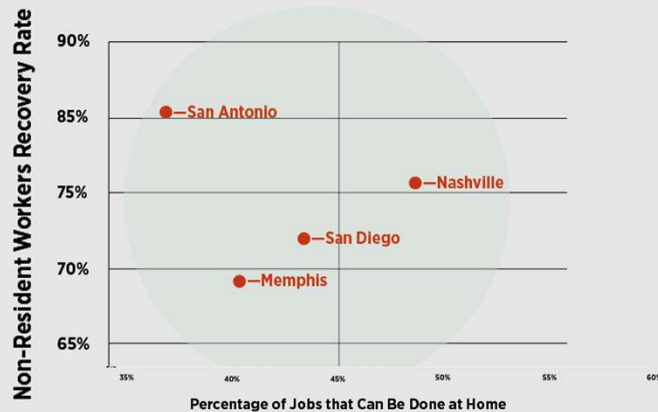
**FIGURE 17 CORE DOWNTOWN RECOVERY RATE VS PERCENTAGE OF JOBS THAT CAN BE DONE REMOTELY**  
Three of the four cities that rank near the top in job recovery have the highest share of jobs that can not be performed well remotely.



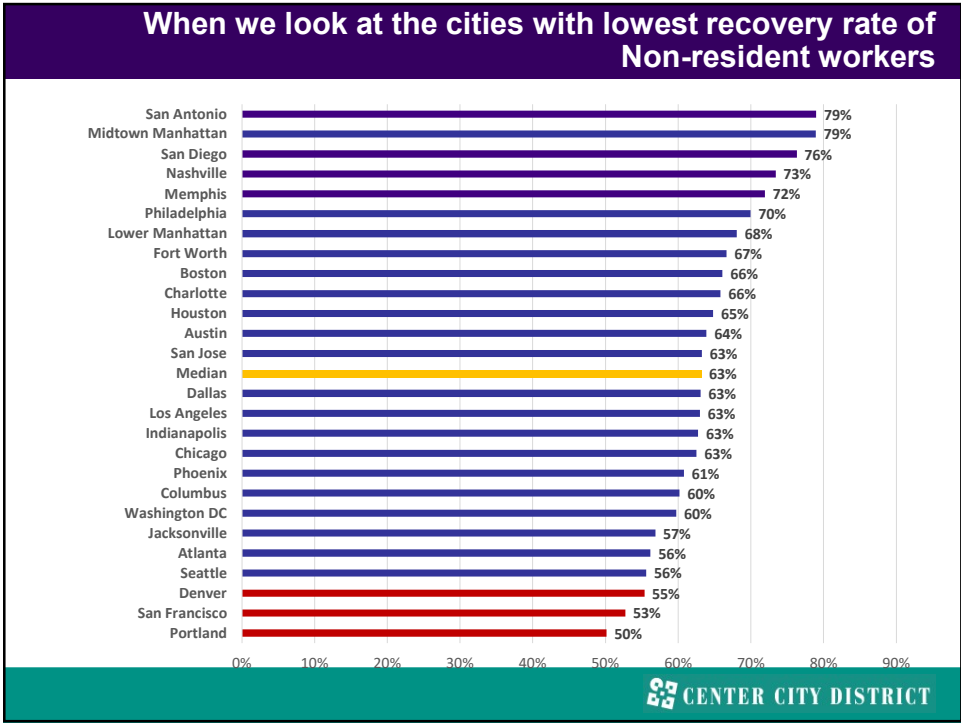
Source: Non-resident worker recovery rate from Viacera.ai, and Center City District estimate of percentage of downtown jobs that can be performed from home, based on Census Bureau Longitudinal Employer-Household Dynamics downtown employment by industry and industry level estimates of the share of jobs that can be performed at home from Jonathan I. Dingel and Brent Neiman, "How many jobs can be done at home?", Journal of Public Economics 189 (2020): 104235.

43

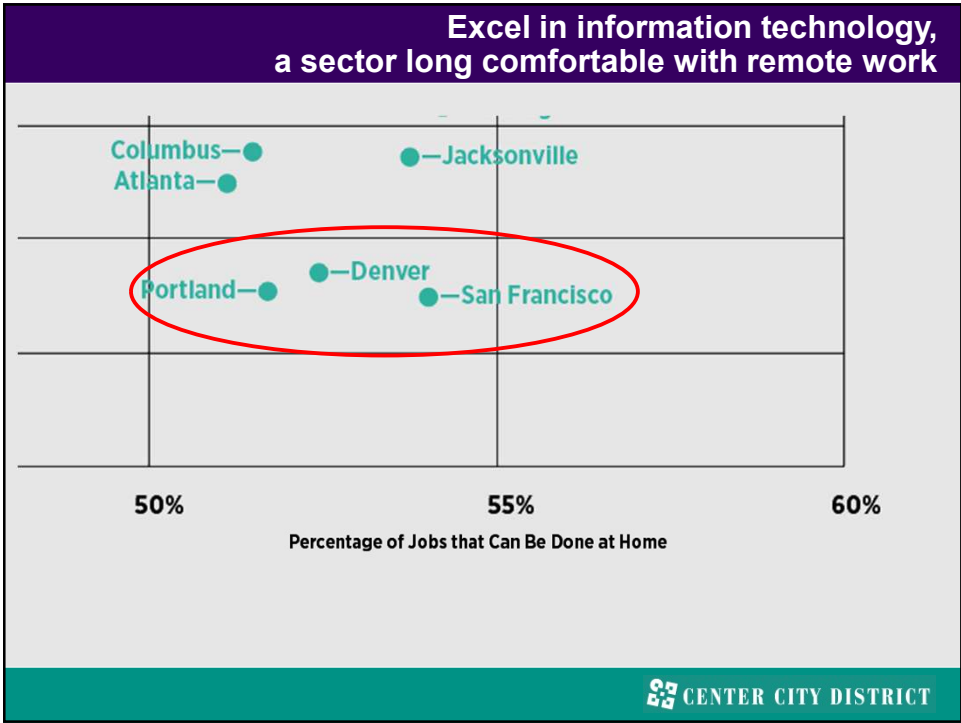
## Have largest share of their downtown employment in hospitality & entertainment Jobs which can not easily be performed remotely



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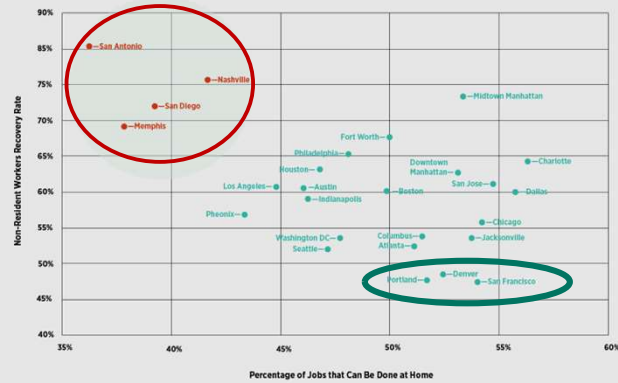


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## So industry mix matters

**FIGURE 17 CORE DOWNTOWN RECOVERY RATE VS PERCENTAGE OF JOBS THAT CAN BE DONE REMOTELY**

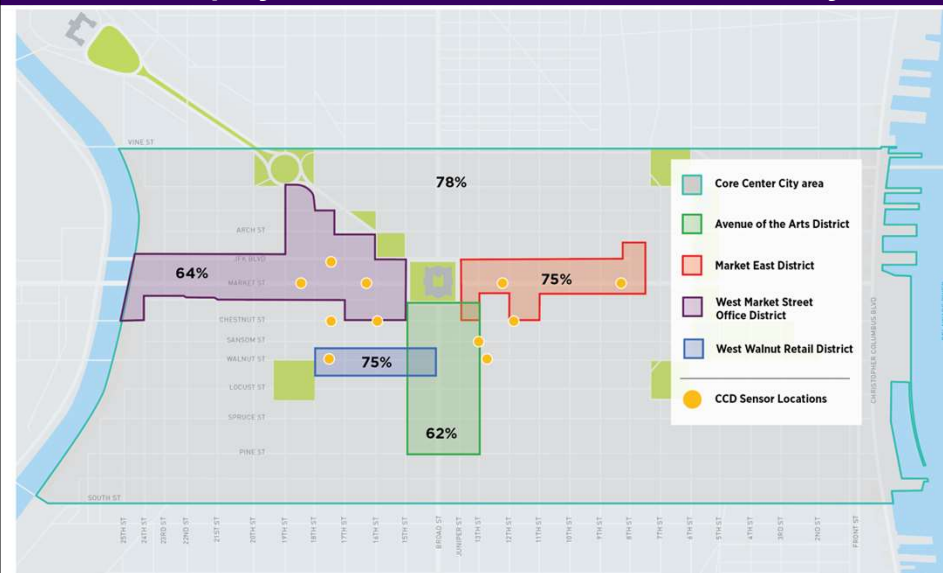
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## Plays out even within our downtowns Different employment clusters have different recovery rates



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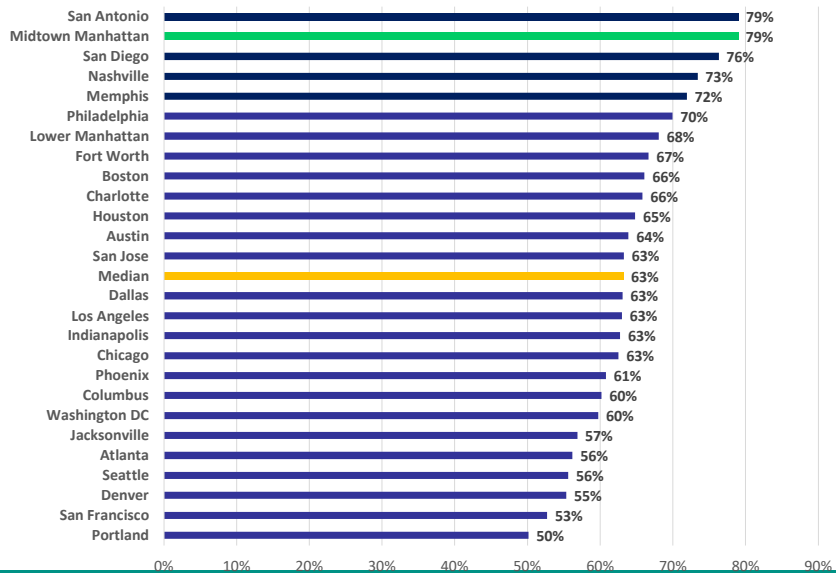
## (2) Significant differences in the rate return of workers based on their distance & mode of commuting



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## Did you notice that the capital of “doom loop” theory, Midtown Manhattan was #2 nationally in worker recovery?

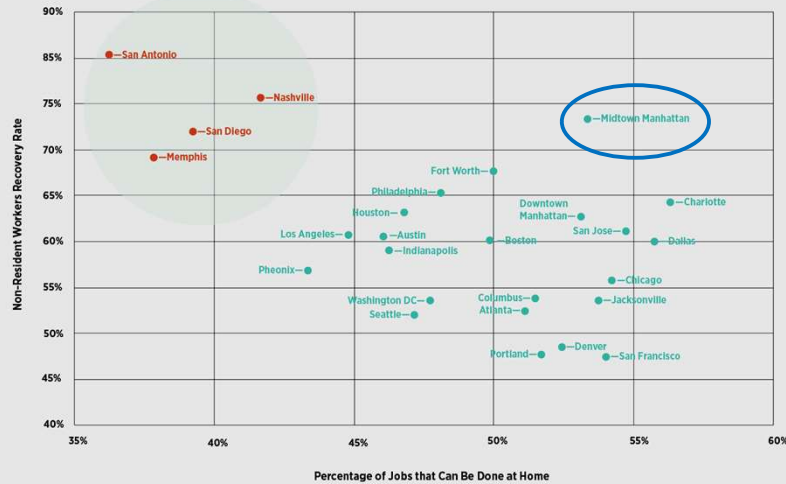


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## Why is Midtown Manhattan so high on the list of worker recovery Even with a high percent of jobs that can be performed remotely?

**FIGURE 17 CORE DOWNTOWN RECOVERY RATE VS PERCENTAGE OF JOBS THAT CAN BE DONE REMOTELY**  
Three of the four cities that rank near the top in job recovery have the highest share of jobs that can not be performed well remotely.



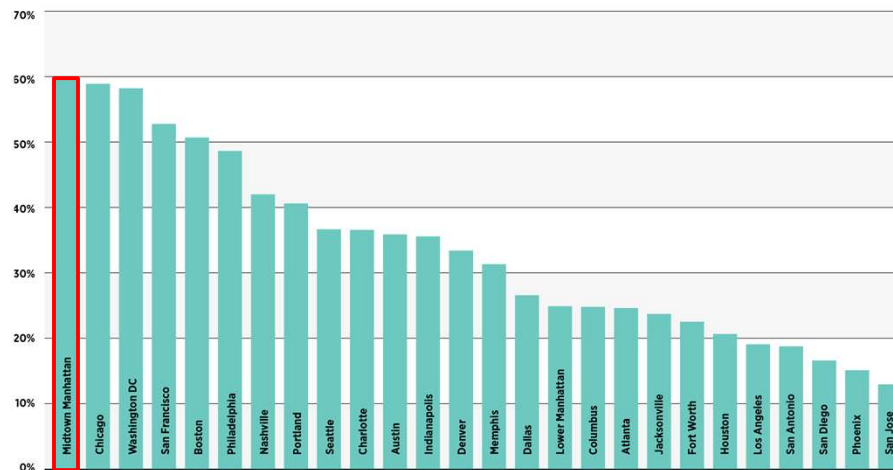
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## Because they have the highest number of workers who live close by Almost 60% of working residents in Midtown, work in Midtown, So their "commute" is very short

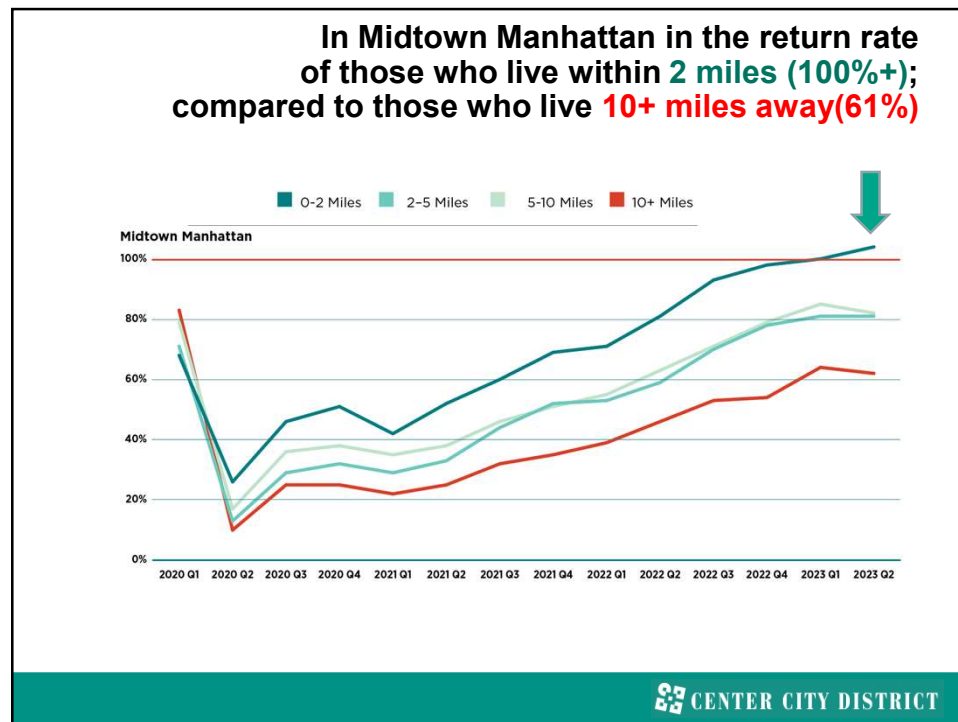
**FIGURE 4 PERCENTAGE OF GREATER DOWNTOWN EMPLOYED RESIDENTS WHO WORK IN GREATER DOWNTOWN, 2020**  
There is a significant variation across cities in how many people who work downtown live in adjacent neighborhoods.



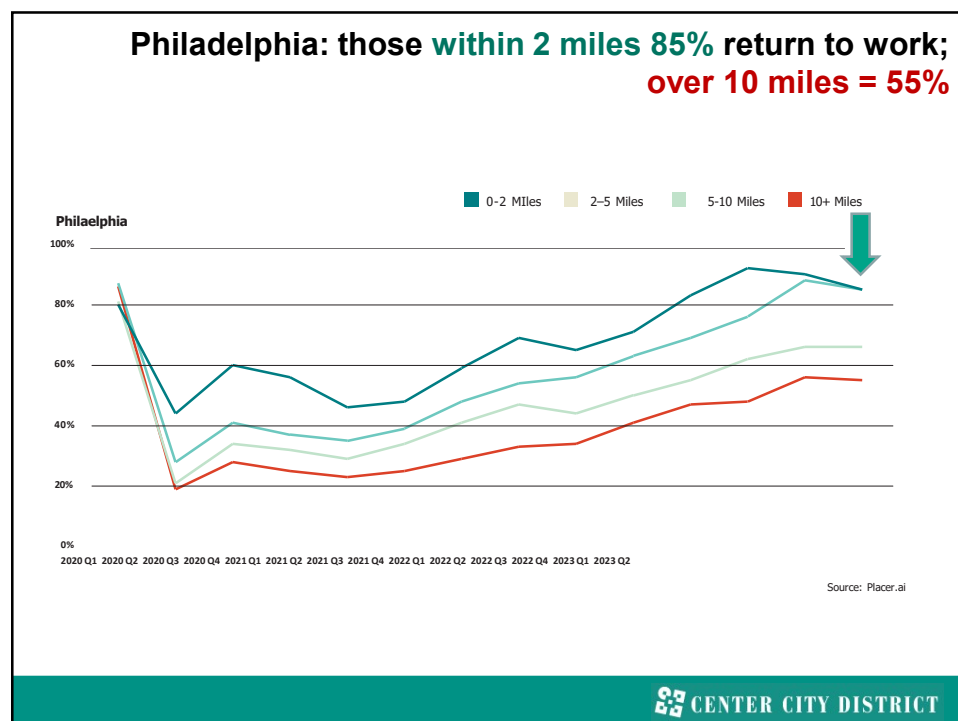
Source: Census Bureau, Longitudinal Employer-Household Dynamics

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**San Francisco, return rate of those living within 2 miles (80%+) compared to those living 10+ miles away (below 40%)**



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**The live-work downtowns we have all been building  
Are yielding recovery dividends**



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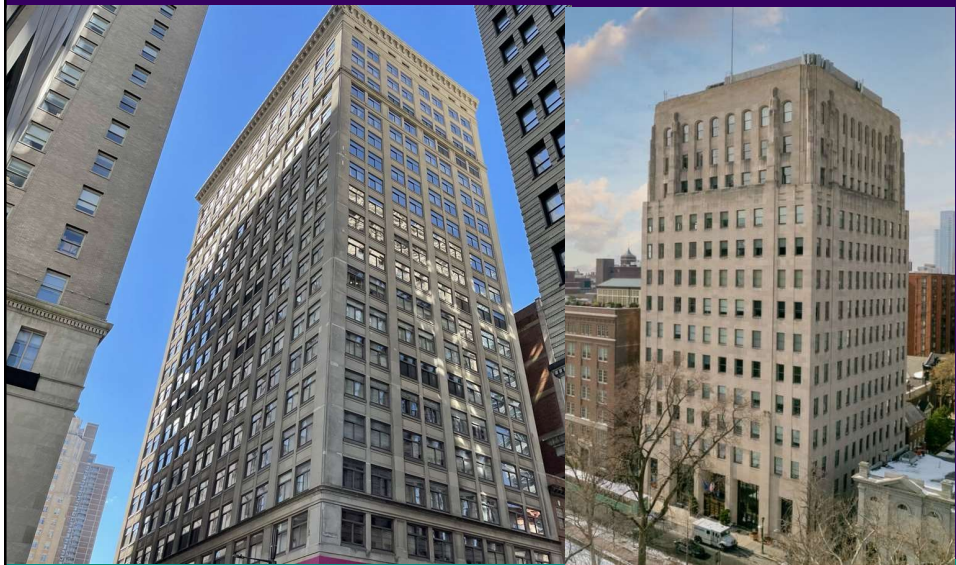
## Downtown residential growth an on-going success story



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## Yes, converting vacant office buildings to residential use is an important & necessary step



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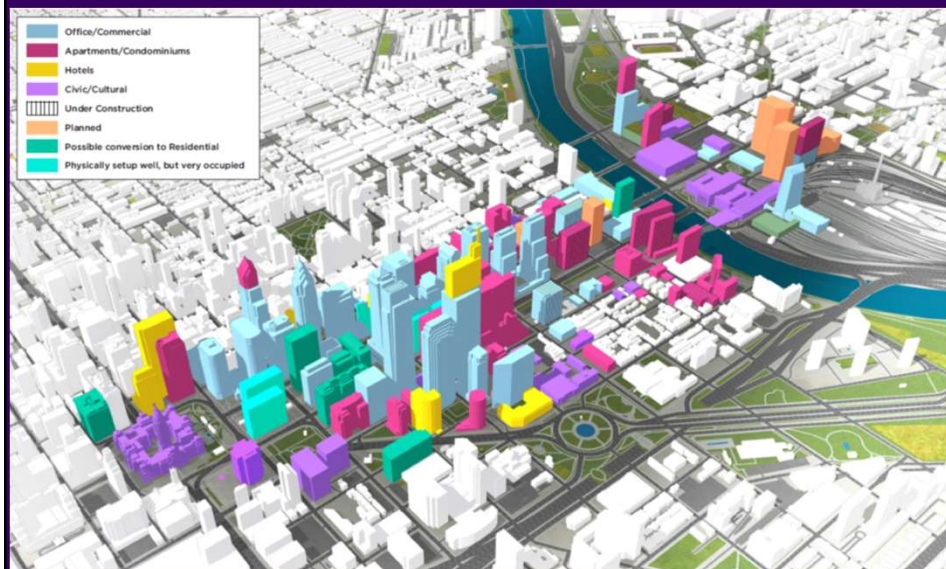
Because Philadelphia has been a slow growth city  
 We passed a 10-tax abatement for conversions in 1997  
 Between 1998-2023, 40 major buildings converted downtown  
 to residential or hotel use: 10 million sf of office space



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We call it the office district



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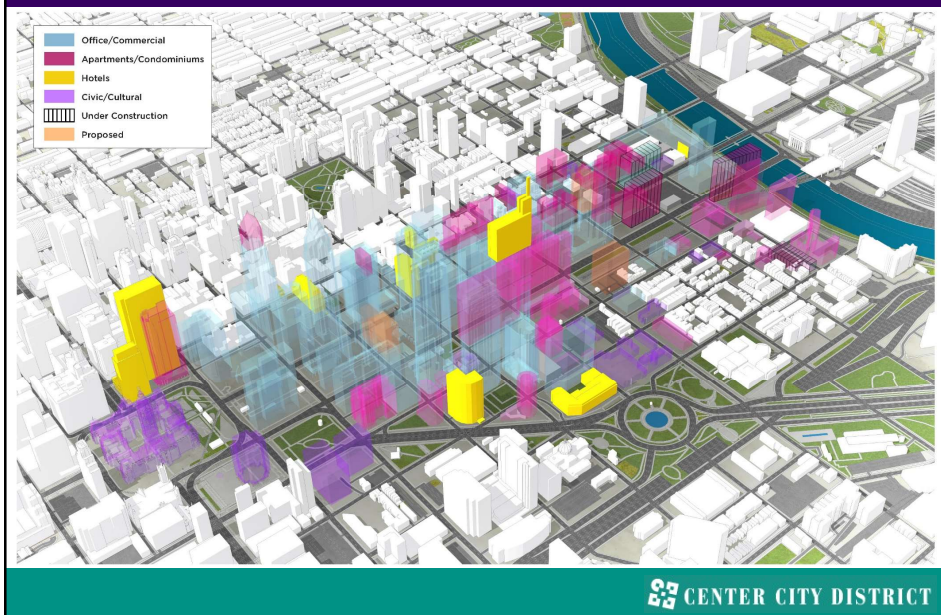


But we've added a significant inventory of **residential**



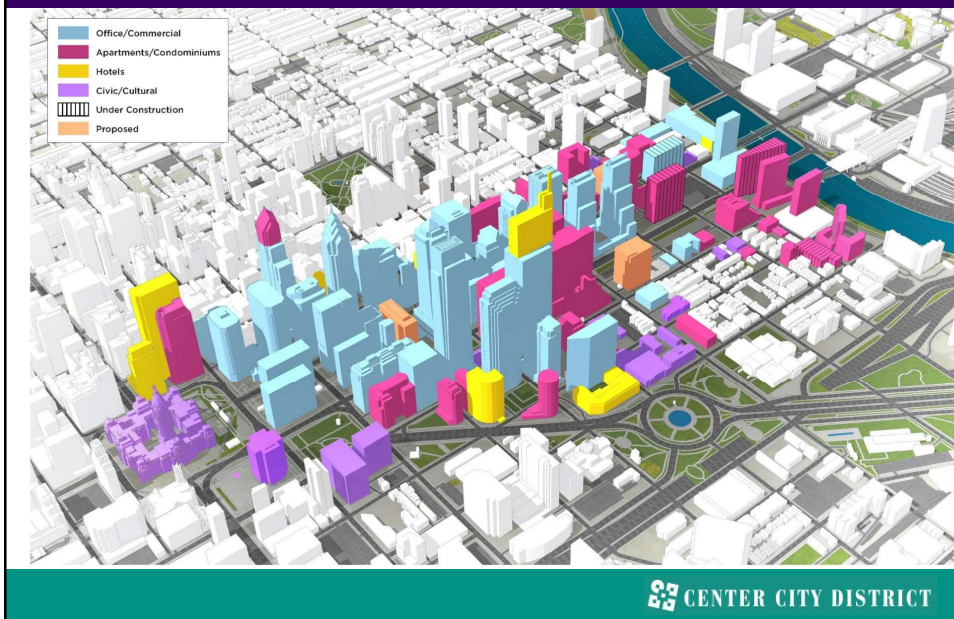
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We call it an office district,  
But we've added a significant number of **hotels**



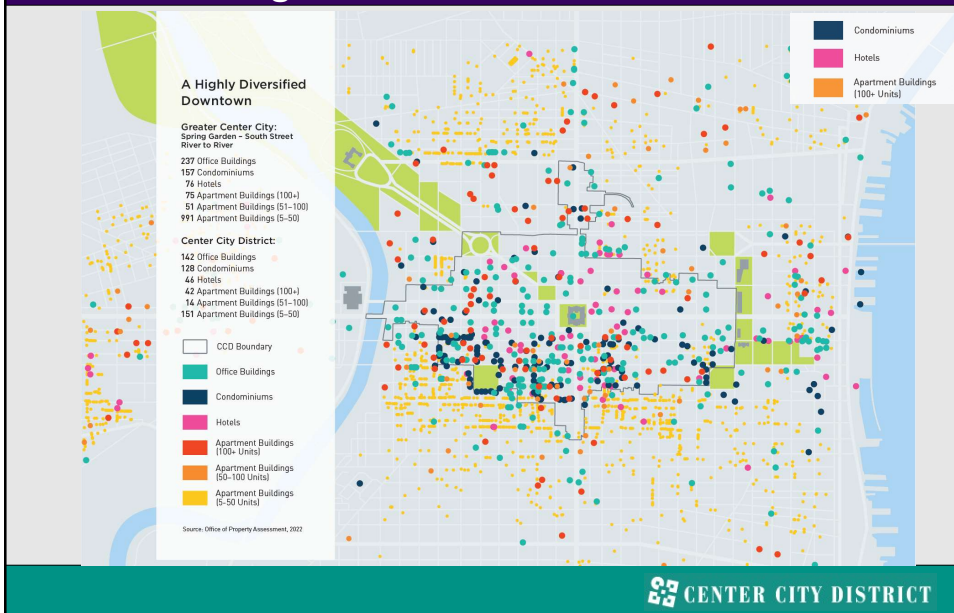
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## Dramatically diversified land-use downtown

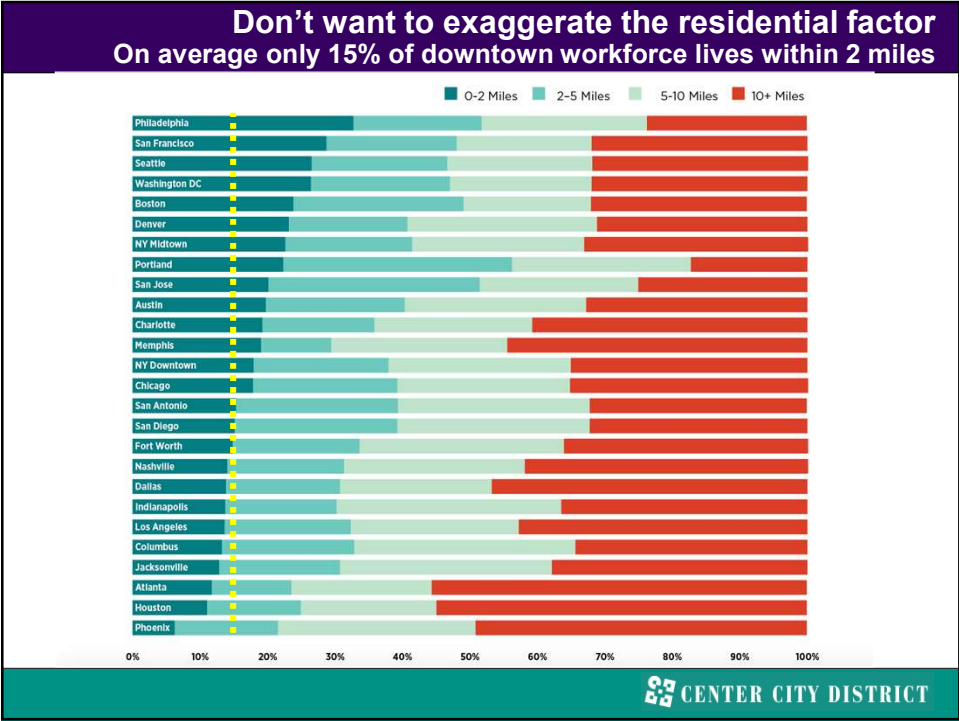


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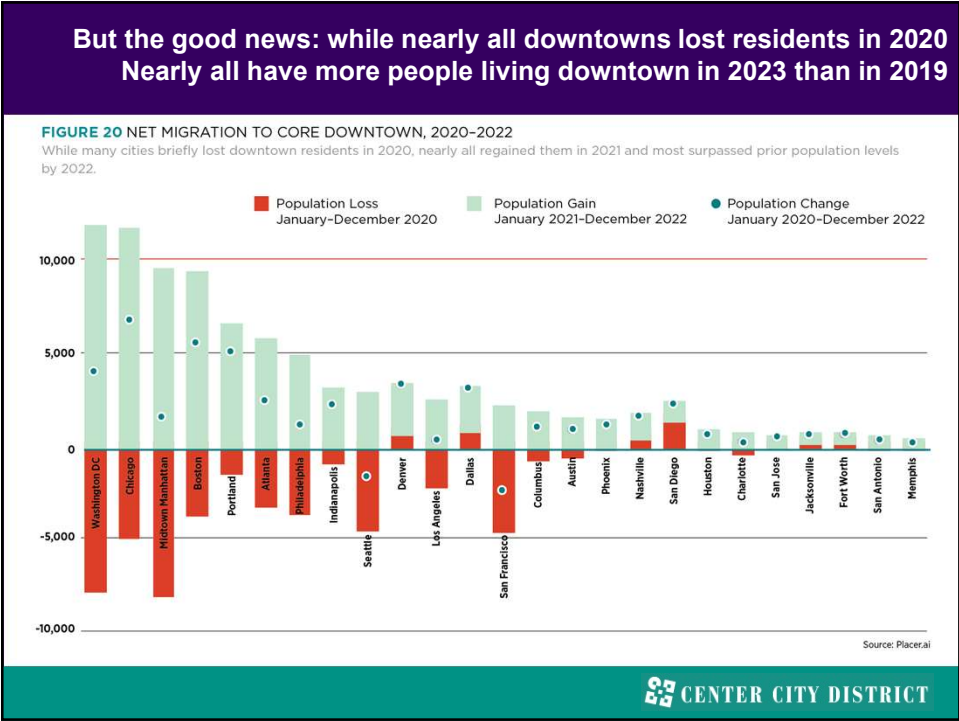
## Long-term success: create a mixed-use city center Single use blocks are a formula for failure



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**Comparing 2019 to 2023**  
**Visitors stayed constant a 60.6% share to 61.7% share**  
**Workers contracted from 32.2% to 27.1%**  
**Residents grew from 7.3% to 11.2%**

COMPOSITION OF POPULATION OF ALL 26 CORE DOWNTOWNS COMBINED

FIGURE 5 2019 Q2, DAILY AVERAGE

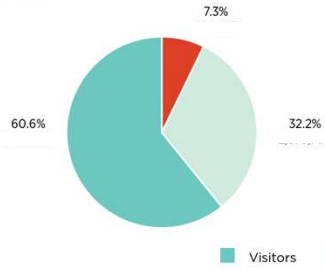
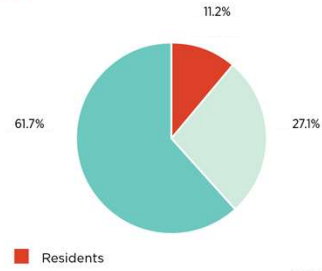


FIGURE 6 2023 Q2, DAILY AVERAGE



Source: Placer.ai

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**(3) Importance of leadership**  
**Office jobs are backbone of city tax bases & of our BID assessments**



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**Densest containers of the most diverse jobs:  
Hold high-wage, mid-level & entry-level jobs**



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**What other jobs are lost if office workers don't return?  
Those who don't have the option to work remotely**



Every 500,000 square feet of  
occupied office space:

- Provides 3,333 office jobs,  
5 building engineering, 18 cleaning  
and 12 security positions.
- Supports 11,000 hotel rooms  
filled with business travelers
- Generates \$2.8 million in  
retail demand
- Hair & nail salons, shoemakers  
dry-cleaners, delis & restaurants

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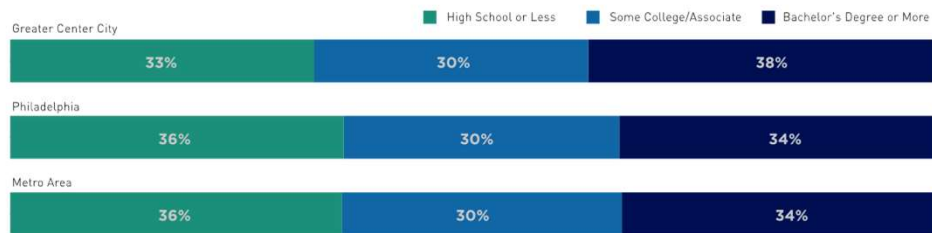
Many blue-collar urban jobs depend on the presence of office workers  
Put simply: *remote work* may not be consistent with *inclusive growth*



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63% downtown jobs require less than college degree  
33% require only a high school diploma

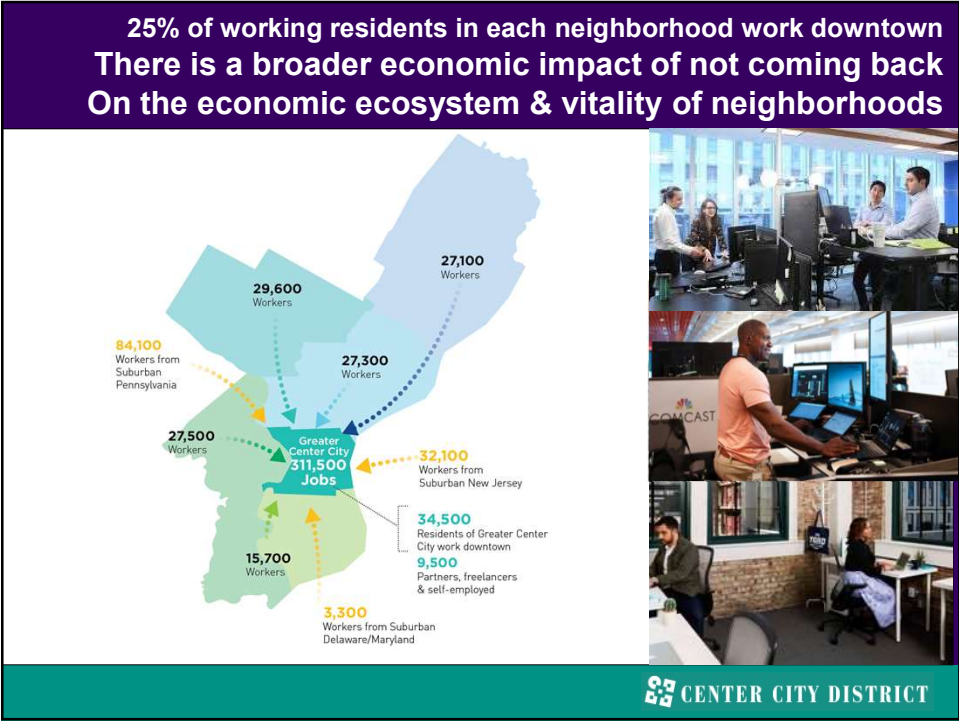
PERCENT OF JOBS BY LEVEL OF EDUCATION, WORKERS 29 AND OLDER



Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics, 2017

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**This is where local leadership matters**  
**If the choice is between this.....**

**WHAT TO WEAR WHEN YOU WORK FROM HOME**

MONDAY: Red sweatshirt, grey pants

TUESDAY: Red sweatshirt, grey pants

WEDNESDAY: Red sweatshirt, grey pants

THURSDAY: Red sweatshirt, grey pants

FRIDAY: Red sweatshirt, white underwear

SATURDAY: White underwear

SUNDAY: White t-shirt with 'WHAT TO WEAR WHEN YOU WORK FROM HOME' text and red flowers

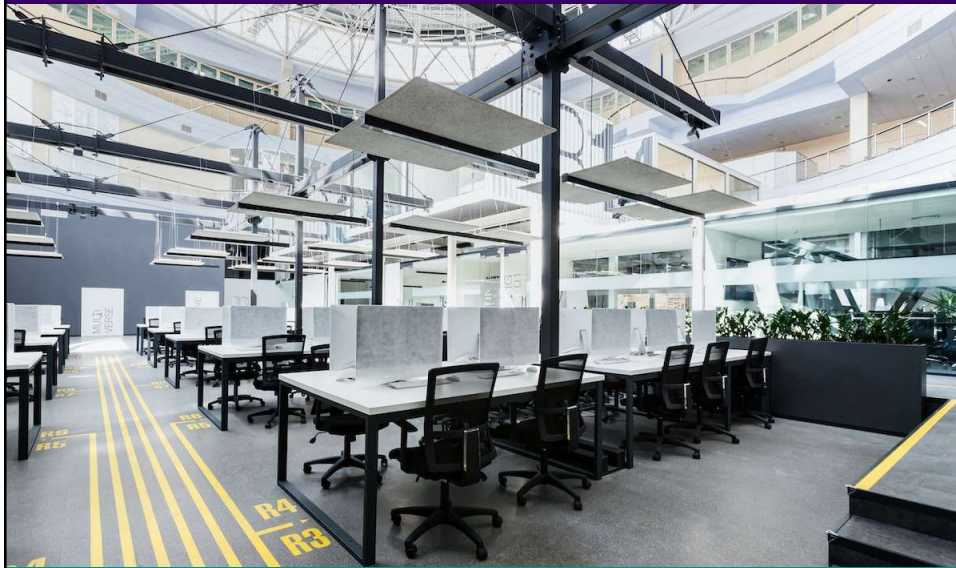
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... and this, the office probably loses



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But working from home comes with its own challenges



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**Employers need to focus more on quality space**  
**Gensler: “Office as destination, not obligation”**  
**A place for interaction; enriched with programming**



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**Increasing amenities within offices**



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Some providing lunch or breakfast  
Guest speakers



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If not, missed opportunities for mentoring younger staff

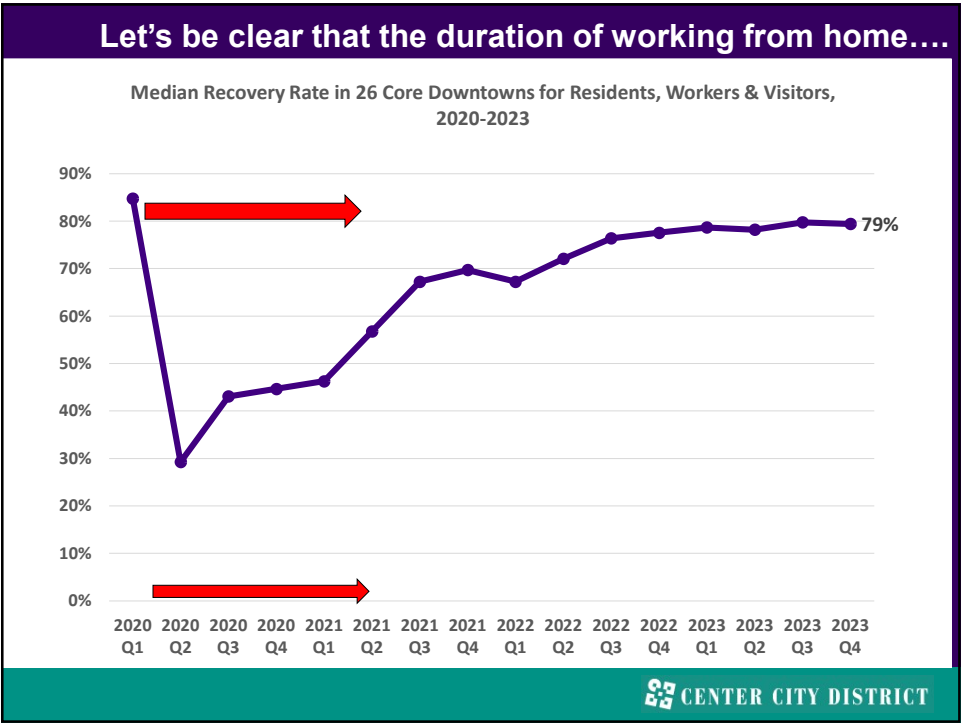


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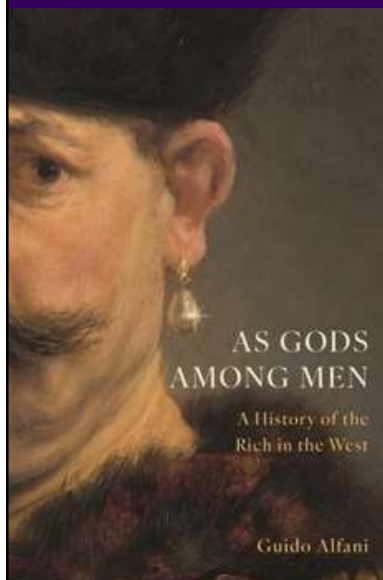
## Strengthened the hand of labor in workplace negotiations



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## What do we learn from previous pandemics?



### Chapter 11: *The Rich in Times of Crisis from the Black Death to COVID-19*

"There is little doubt that the Black Death (1347-1352) was the rare catastrophe in Western history which tended to be relatively advantageous for those among the survivors who had relatively humble origins..."

(about half of total workforce of Europe died)

Being forced to offer better economic conditions to laborers obligated the economic elite to share more of bounty of the post-pandemic years."

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Current conditions are nowhere near so extreme;  
But it is good to keep this historical reference in mind

Remote Workers Reluctant to  
Return to the Workplace



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“Office as destination, not obligation”

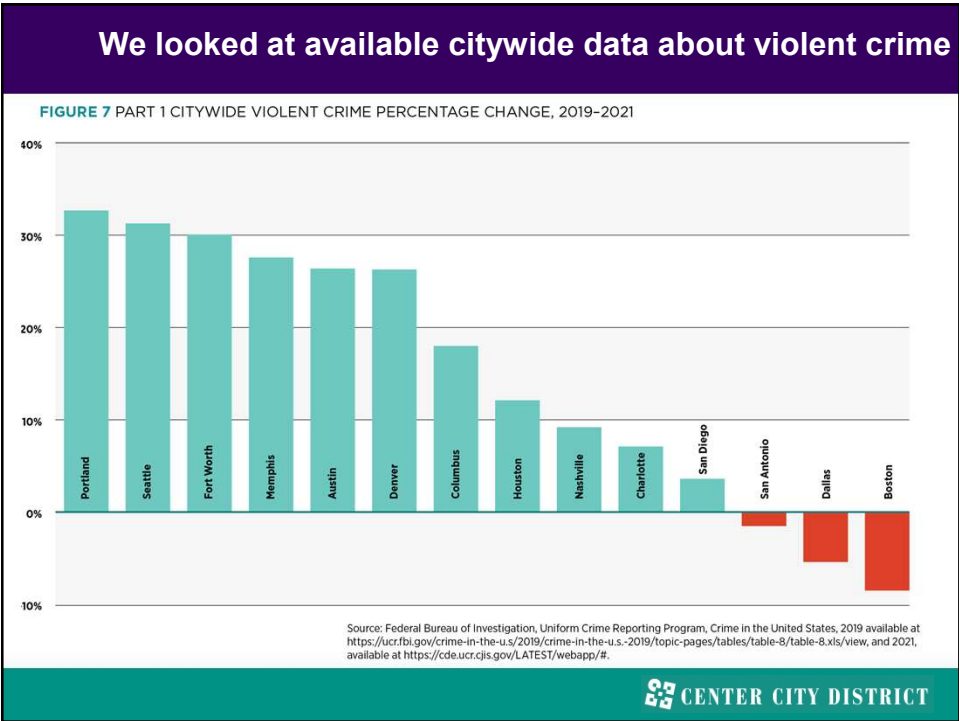


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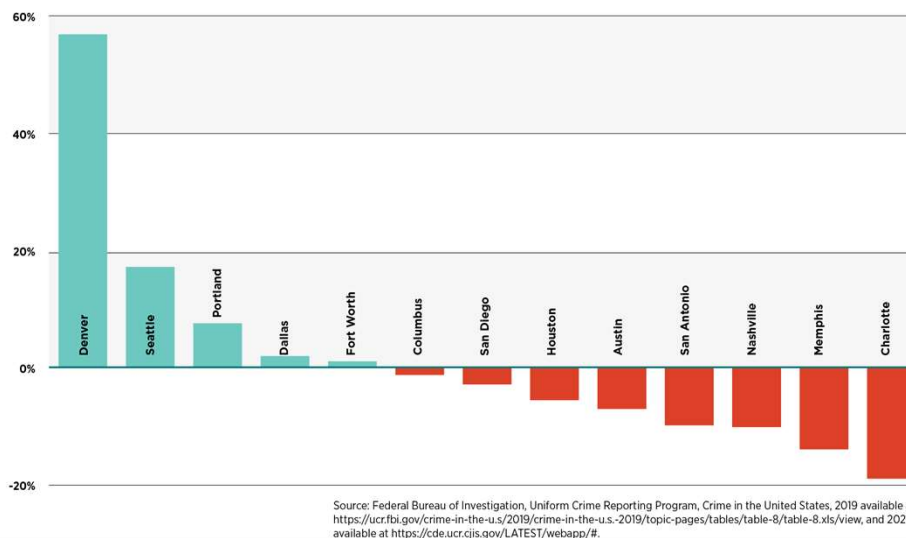


88



## And available citywide data about property crime

FIGURE 8 PART 1 CITYWIDE PROPERTY CRIME PERCENTAGE CHANGE, 2019-2021



**CCD** CENTER CITY DISTRICT

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## Limits of crime data

- Not available for all cities
- Not available for just the downtowns, though several studies found it dropped in many city centers; quality of life offenses & retail theft are usually the major challenges
- Crime outside the downtown is well-reported & so the line between actual crime rates & perceptions of crime are blurred
- Discussions about crime are highly sensationalized & politicized
- Our experience is while some forms of crime went up, this is more about perception than reality; but perception becomes reality

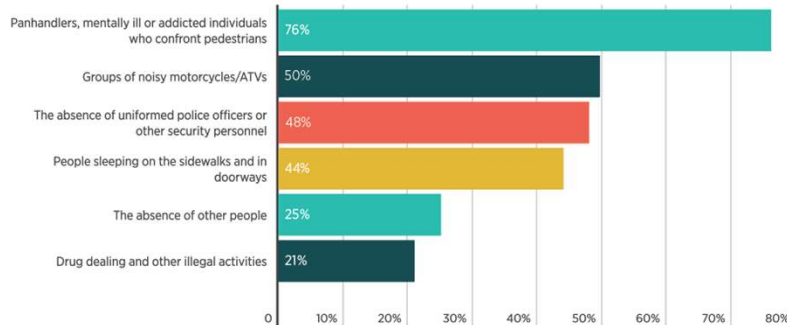
**CCD** CENTER CITY DISTRICT

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**CCD's own surveys:  
While actual crime numbers went down;  
Perception of safety also declined  
Quality of life challenges became paramount**

**Q2: What situations/conditions make you feel most unsafe in Center City?**

Figure 5



91

**BIDs (Business Improvement Districts) made for moments like this  
CCD = \$32 million annual budget**



92

**2020: Kept all manual & mechanical cleaning staff working  
Pressure washing & graffiti removal; 7 days/week**



93

**Continued to deploy uniformed, unarmed, safety ambassadors:  
Eyes & ears for the police; visibility was key to reassure public**



94



2021: Added a public safety bike patrol  
Seven days per week



95

Doubled our public safety deployment  
As police deployment has been constrained



96



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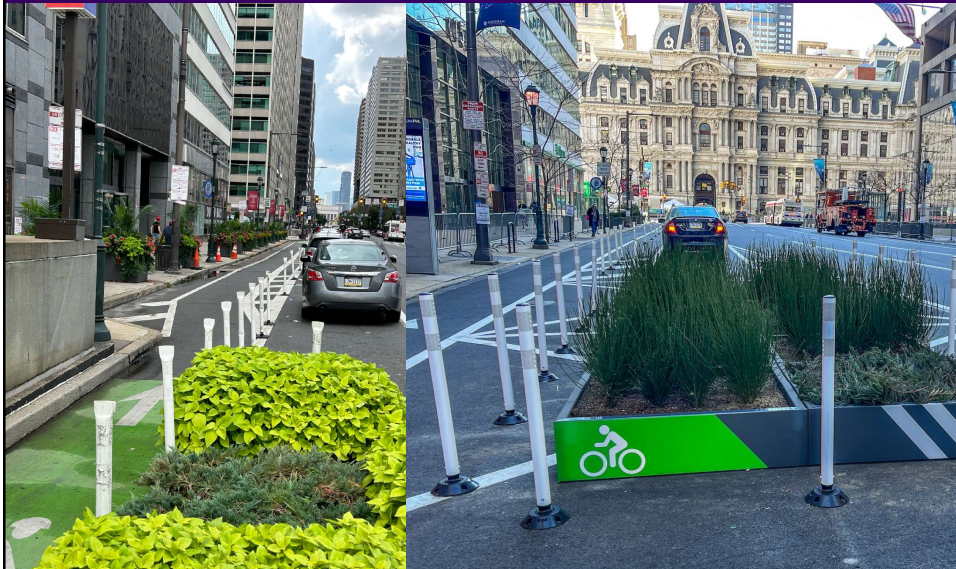
## 2022: Upgraded landscaping: enhance curb appeal



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## Greening bike lanes



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## Story telling & music



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## Dilworth Park in our center square Completed \$60 million renovation in 2014



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**Kept the fountain running in spring and summer**



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105

**Added roller skating**



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106



## Continued winter ice-skating



107

## Holiday markets: 9.3 million visitors in 2023



108

**To support return to work: extended programming  
with office plaza activations**



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109

**Working in cooperation with building managers  
This was about changing perception**



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110



Morning events to welcome back commuters:  
surprise & delight



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111

After work happy hours

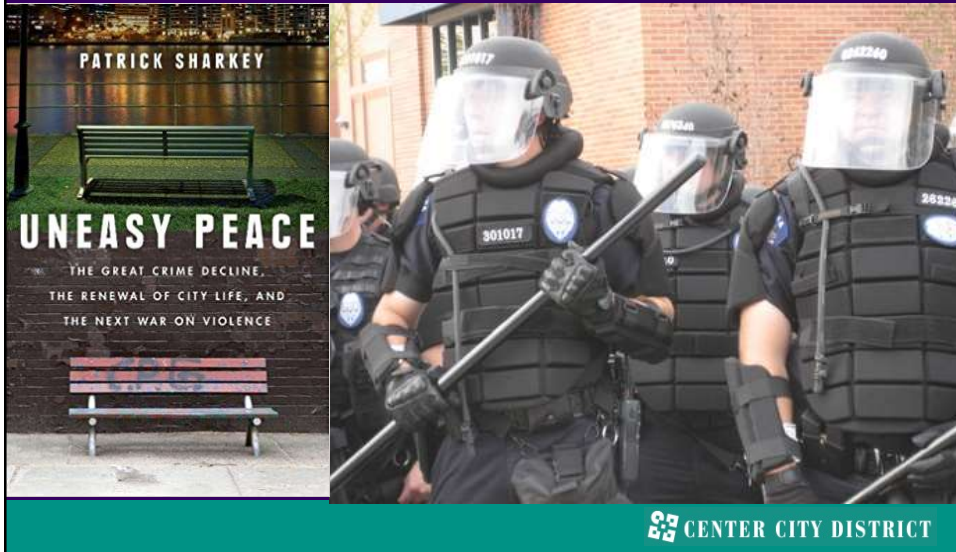


 CENTER CITY DISTRICT

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But public sector policing also needs to change  
Patrick Sharkey: police as warriors .....



113

Or police as *guardians* of community defined standards of public safety  
Partnerships between police & social services  
Restore community policing with a focus on quality of life



114

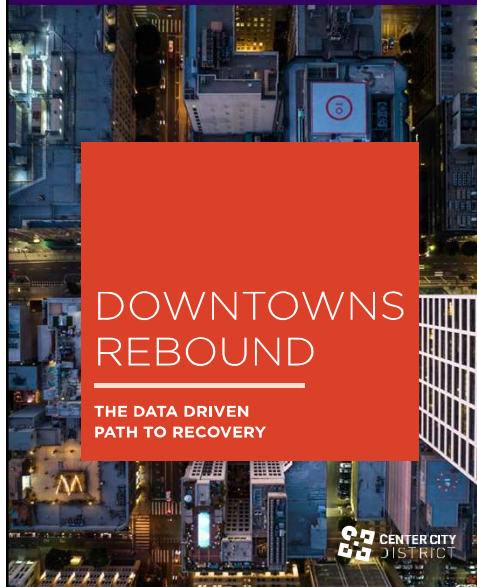
## Four key variables that impact recovery

- (1) the composition of downtown economy/employment
- (2) the length of commute for workers
- (3) leadership exercised by business, civic & political actors
- (4) perceptions of safety

*There is no one single cure for recovery, we need to move simultaneously on multiple fronts*

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## Downtowns Rebound



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