

**Downtown office sector: Post-pandemic landscape**  
Understanding the economics, mindset, pressures  
Key to sparking recovery & change in practices



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**We judge the vitality of cities: on-street activity**



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**But it is upper floor uses & density**  
that drives street level & transit activity



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**High-rise office buildings most dense development**  
within cities & most job intense  
Drive demand for adjacent housing



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**Two exceptions: San Antonio & Las Vegas**



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**But generally it is upper floor work uses & density**  
that drives at least 30% of street level activity  
& hold a very large share of jobs



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## Industry actors



**Developers**

**Owners:** Individual companies REITs/Pension funds:  
 seeking return on investment  
 not specifically tied to place

**Management:** day to day operations  
 operating maintenance contracts  
 tenant service & cost management

**Commercial tenants:** seeking access to talent;  
 Favorable cost, transportation connectivity; access to amenities

**Brokers:** representing ownership & tenants  
 Invest in research & trend analysis

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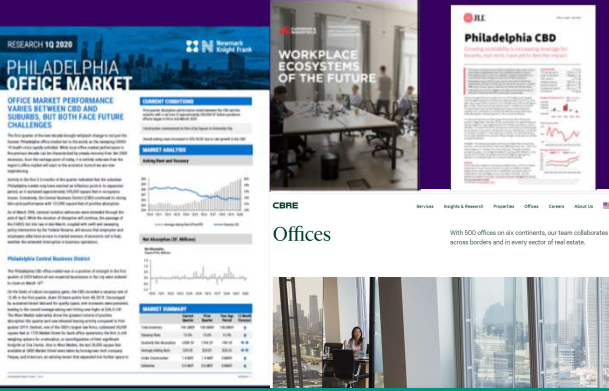
## What is their motivation to lease ground floor When 95% of income is coming from upstairs?




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## Brokers best source of data



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## Basic measures of industry performance

**Supply** – expressed as square footage; Different brokerage firms count different geography & inventory

**Rents** – expressed as dollars per square foot; includes tenant fit-up costs, cost of occupancy + pass through of operating & maintenance costs (O&M) & municipal taxes, including BID assessments

**Asking rent & effective rent (concessions)**  
 Investor looking for ROI; will improvements return higher ROI?

**Occupancy/Vacancy Rates**  
**Absorption** - Positive & negative

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## Midtown Manhattan most dense employment center in US With 902,306 jobs; 920 jobs per acre



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## Downtown Chicago: 294 jobs per acre



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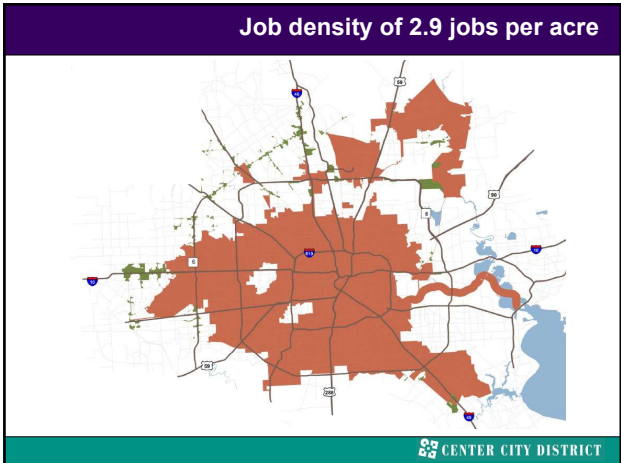
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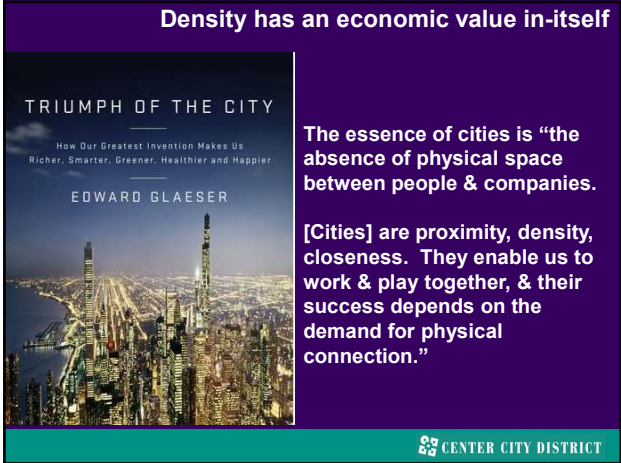
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**Typical private sector office sector tenants**  
NAICS = North American Industrial Classification System  
At the 2-digit level, the Office Sector is roughly the following:

- **51: Information & communications**
- **52: Finance & Insurance**
- **54: Professional, Scientific, & Technical Services**  
Law, accounting, engineering, architecture
- **53: Real Estate Rental & Leasing**
- **55: Management of Companies & Enterprises**
- Corporate headquarters: Energy in Houston, Technology in San Francisco, Amazon in Seattle, Comcast & Aramark in Philadelphia, Banks in Charlotte

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**Typical office occupant**

Tenant; most buildings multi-tenanted (some corporate headquarters are owned)

Signed a 10 or 15 year lease; locks in rent; fit up allowance; pass-thru

May have offices elsewhere in region (suburbs) Comparison shoppers

With digital technology the cost of moving is lower; leave furniture behind & upgrade

Footloose; retention & attraction are key  
Economic development activities

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**"Traded" professional & business services**  
Businesses that sell outside the region

**Firing on All Cylinders:**  
Growing Jobs and Small Business by Expanding the Traded Sector

**Where the Jobs Are in the Region**

**REPORT HIGHLIGHTS**

**FIGURE 17: Professional and Business Services: Traded Sector Jobs per 1,000 Population in 2016**

City	Suburbs
Baltimore	42
Boston	97
Denver	84
New York	45
Philadelphia	41
San Francisco	130

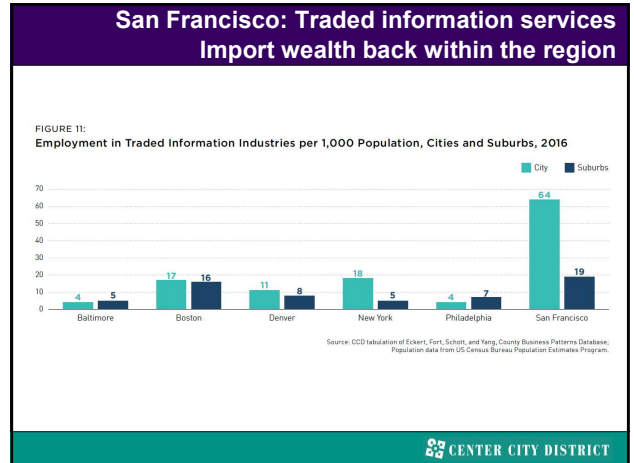
Source: CCD tabulation of Eckert, Fort, Schett, and Yang, County Business Patterns Database; Population data from US Census Bureau Population Estimates Program.

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### Office buildings dense containers of opportunity

Based on calculations by the Building Owners & Managers Association (BOMA) pre-pandemic

every 1 million sf of occupied office space provided 6,700 office jobs at all skill levels

500,000 sf + 500,000 sf = 1,000,000 sf of office

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### 2015: Office sector jobs not only high wage Both highest wage & most diverse Paying between \$20,000 & \$59,000

Administrators, Administrative Assistants, Architects, Accountants, Collections Business Analysts, Clerical/Secretarial/Receptionist, Customer Service Representatives, Computer Programmers & Technicians, Data Analysts, Facilities Managers, Financial Analysts, Law Clerks, Marketing professionals, Paralegals, Quality Advisors, Sales representatives, Security personnel, Telecommunications Analysts

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### Office jobs support scores of other jobs Each 1 million sf office space supports

36 janitors, 24 security guards & 10 building engineers.

Employees within buildings generated \$3.6 million in annual retail sales in surrounding shops & restaurants; drove demand for transit, taxi & ridesharing jobs.

Business travelers to firms occupying each million sf of office space created annual demand for 22,000 hotel rooms

500,000 sf + 500,000 sf = 1,000,000 sf of office

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### Many blue-collar jobs depend on presence of office workers

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**Constructing an office building & hotel of comparable size will both generate about 1,200 construction jobs**



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**Comparative employment density**



**PSFS bank building**  
600,000 sf=4,000 office jobs

**Loews Hotel**  
Average = 8 jobs for every 10 hotel rooms in banquet or convention hotel

600 rooms = 480 jobs

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**Local workforce participation**

51%                      60%                      80%



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**Sectors cross-fertilize: Diversification has Changed the value proposition**

Hotels, theaters & restaurants create an environment that attracts business and residents.

The hospitality industry & eds/meds creates work for accounting, architecture & law firms.

Office tenants attract both corporate meetings and business travelers that fill hotel rooms.

55% of business at convention center, eds, meds & pharma

Diversification is key to success



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**So not office buildings isolation**



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**Offices set in a thriving & mixed-use downtown**  
Conventions, hotels, restaurants, cultural institutions & housing

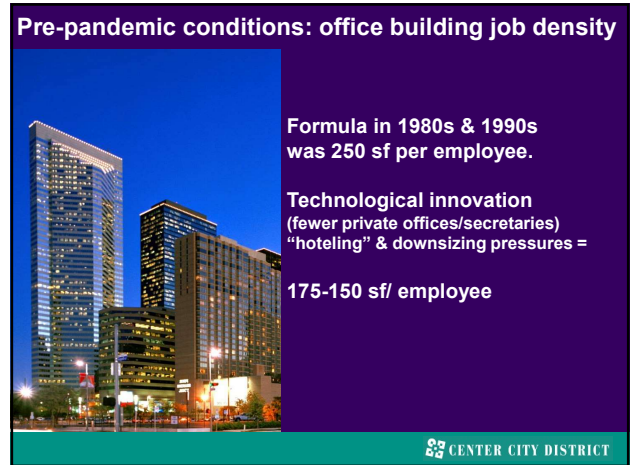


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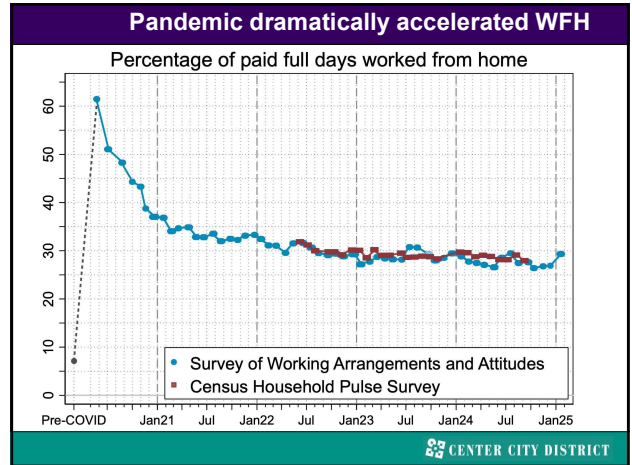
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**What is global: what is local & cultural?**

**SWAA February 2025 Updates\***

Jose Maria Barrero, Nicholas Bloom, Shelby Buckman, and Steven J. Davis

7 February 2025

ITAM | Stanford University | HOOPER INSTITUTION

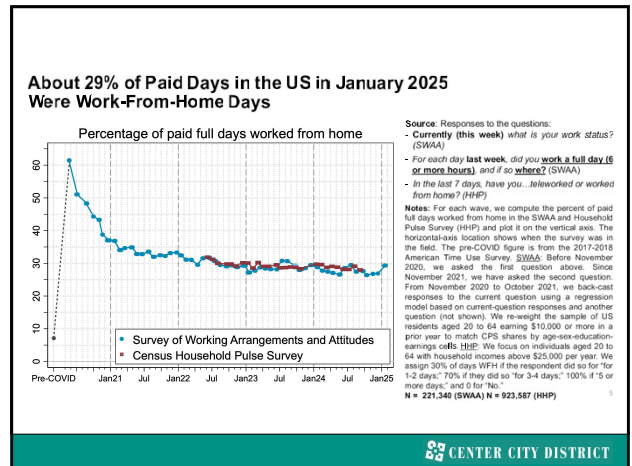
Latest survey wave included: January 2025

To sign up for regular results updates, please sign up [here](#).

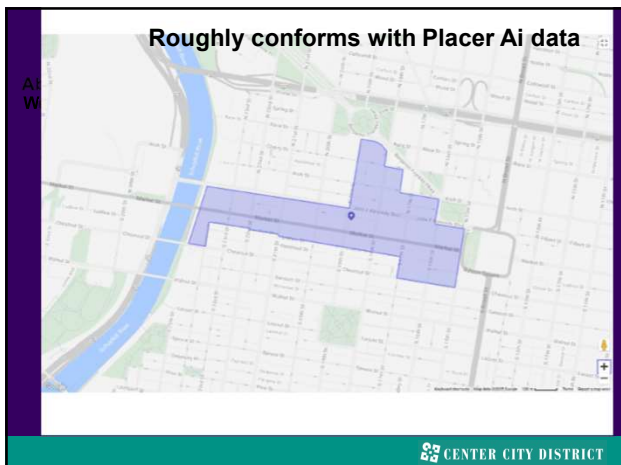
\* Many thanks to Mert Akan and Diego Alvarez for excellent research assistance.

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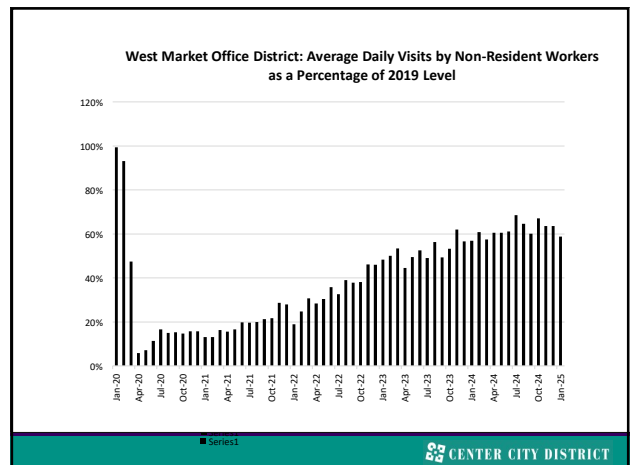
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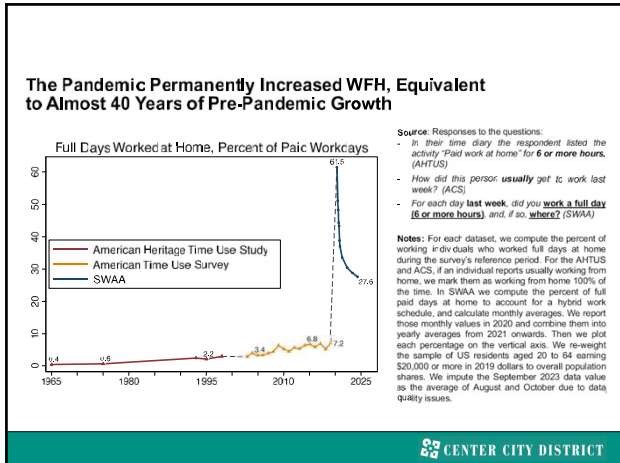
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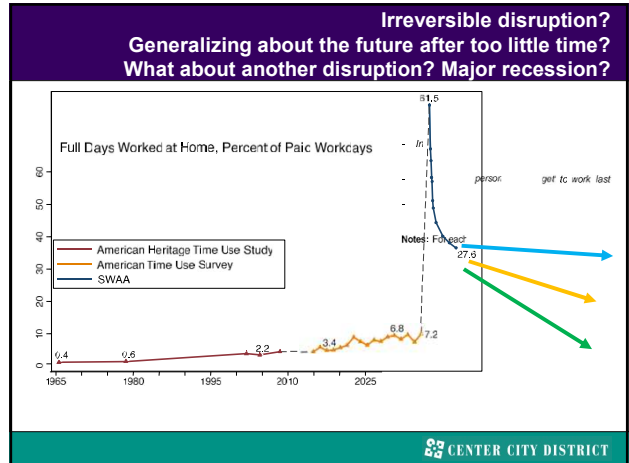
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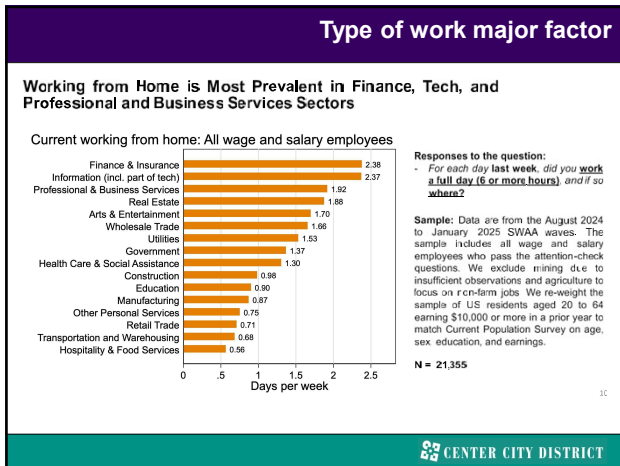
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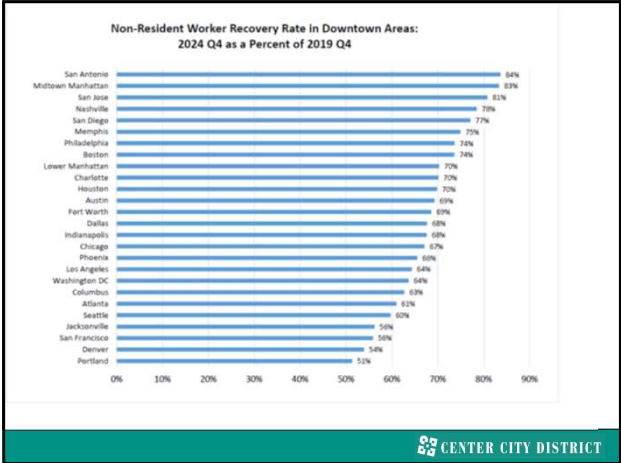
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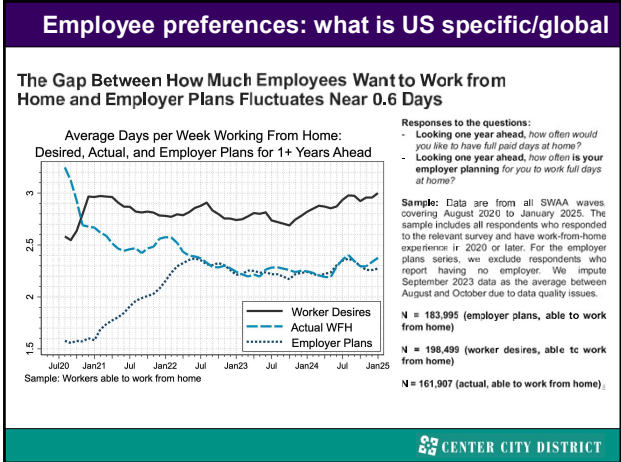
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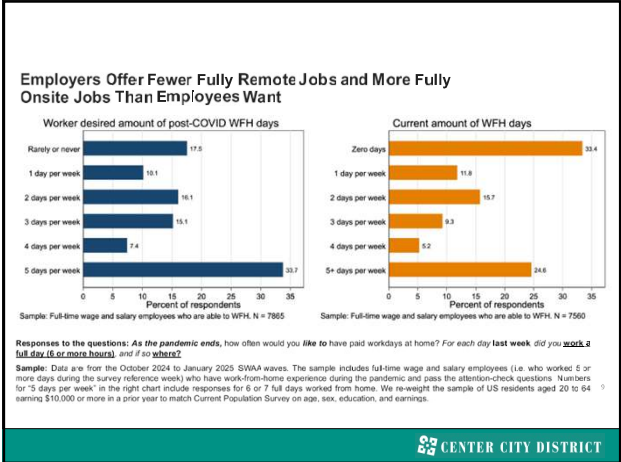
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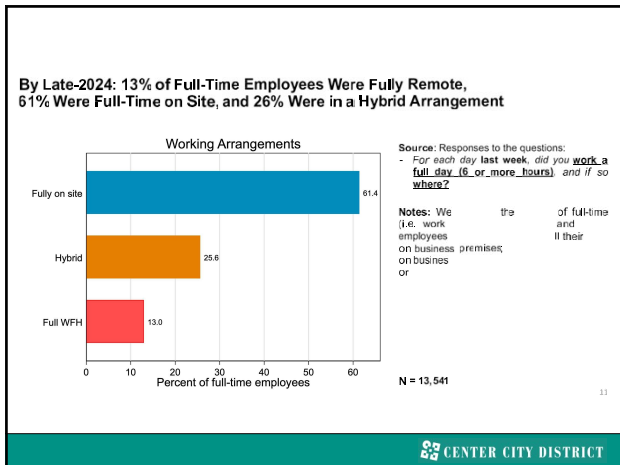
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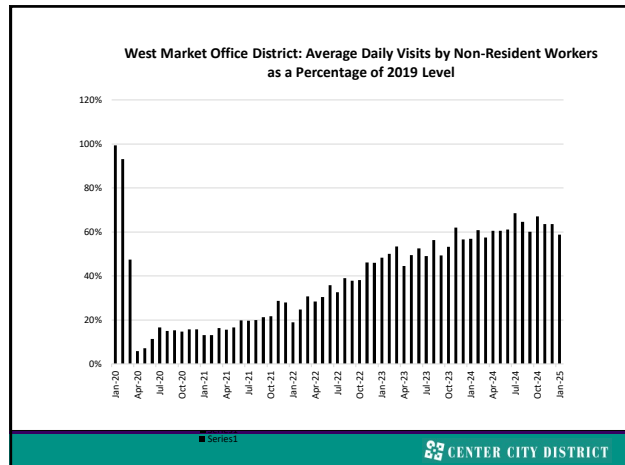
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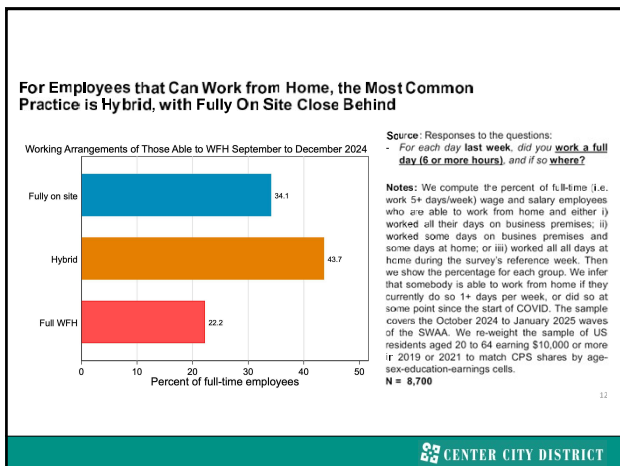
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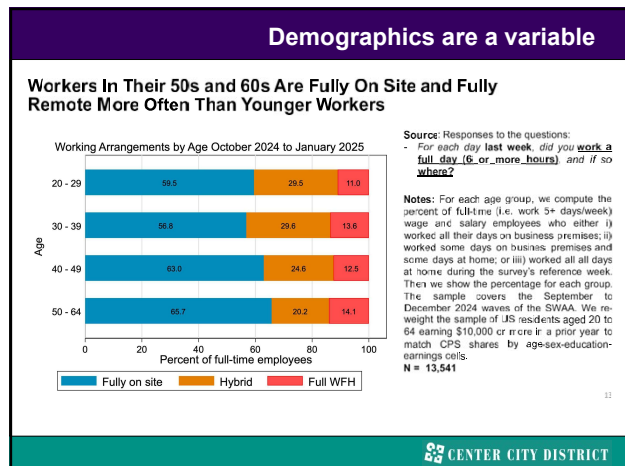
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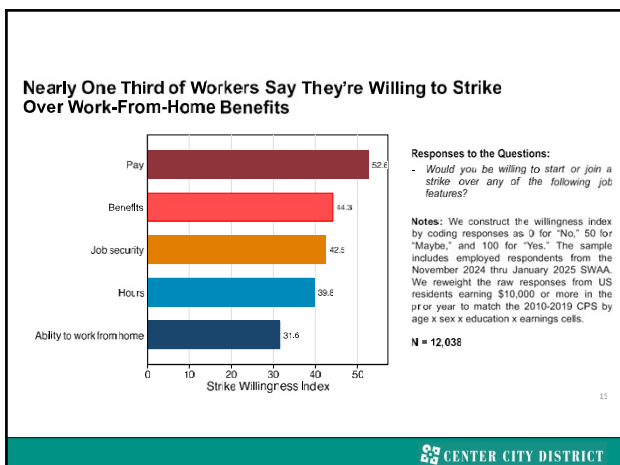
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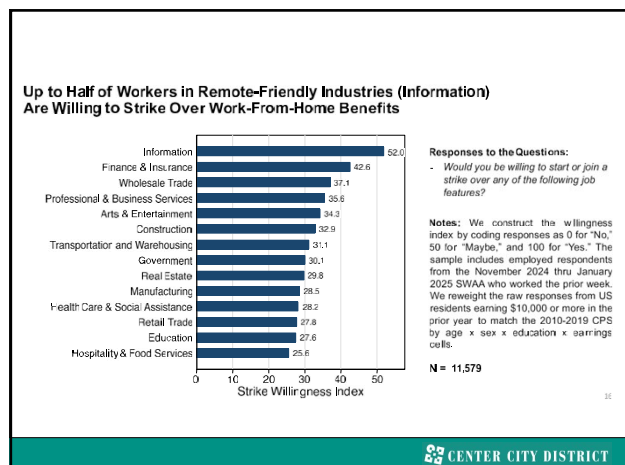
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## Amazon workers protest return to office mandate



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## Differences in China? CBRE report July 2023 Employer driven?

<https://www.cbre.com/press-releases/asia-companies-leading-the-return-to-office-with-plans-to-expand-office-portfolios-cbre-survey---text?Media%20Center%20ID%20=2587057%20July%2015%202023%201%20Direct%20Source%20by%20CBRE>

Asia Pacific Companies leading RTO with Plans to expand Office Portfolios:  
Hybrid Working continues to be prevalent in Asia Pacific Post-Pandemic

Asia Pacific – July 3, 2023 – Employees in Asia Pacific are leading the way in the return to the office, with office utilization rates in the region reaching 65%, compared to 50% in the U.S. and Europe, according to a new survey by CBRE.

Survey found nearly half (48%) of companies are prioritizing efforts to bring their employees back into the office amid economic uncertainty. Although hybrid working remains the new normal in Asia Pacific, 44% of companies plan to increase their office portfolios over next 3 years, indicating a strong improvement in expansionary appetite.

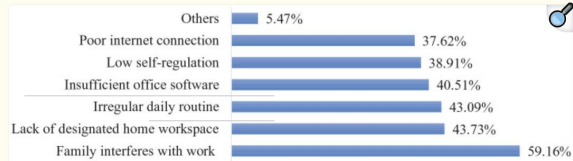
This is contrary to the belief that the pandemic and remote work adoption led to companies to reduce office space. In fact, 37% of Asia Pacific companies expanded their office portfolio over the past three years, while only 25% downsized.

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## Motivation for Return to Office (Employee housing?) Reasons causing decreased work productivity

Figure 1.



[Open in a new tab](#)

Reasons causing decreased work productivity (n=311).

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## Oxford Economics Report May 2024 High vacancy: Suggests developer driven over supply

Blog | 12 May 2024

### Chinese office markets look set for a lost decade

Nevada Wilson  
Associate Director, Real Estate Economics, Asia

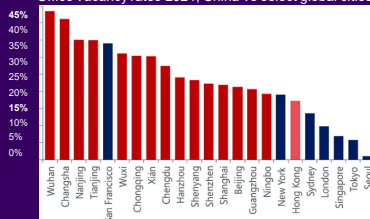


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Over past 6 years, China's office markets have experienced notable decline, marked by consecutive years of falling rentals, increasing vacancy rates & weakening investor confidence. Decline in market values, ranging from 15% -30% off peak levels, has been driven by decreases in net operating incomes & heightened risk premiums. Despite persistent downward trends & significant oversupply issue, developers continue to introduce new office projects to market, further exacerbating vacancy rate problems that have reached new record highs across many cities.

Office vacancy rates 2024, China vs select global cities

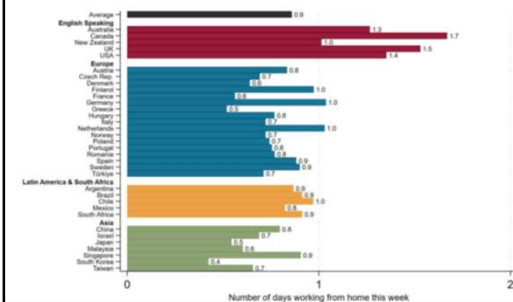


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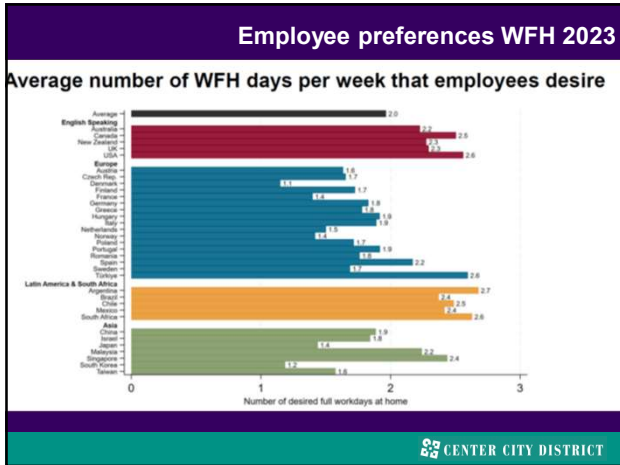
## Global survey of WFH

### Paid Full Days Worked from Home per week (April-May 2023)

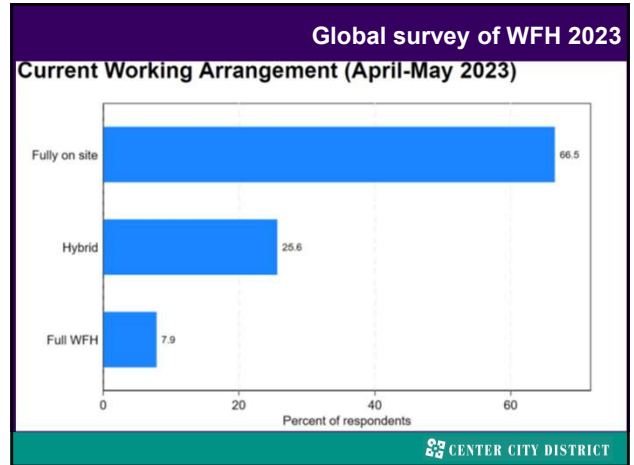


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Amsterdam: modern office outside the core



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Office park at Schiphol Airport, outside Amsterdam



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Rotterdam, Netherlands  
North American style CBD; historic city was blitzed in WW 2



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Rotterdam, Netherlands South side: across river



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La Defense in Paris



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Dimly visible in the distance



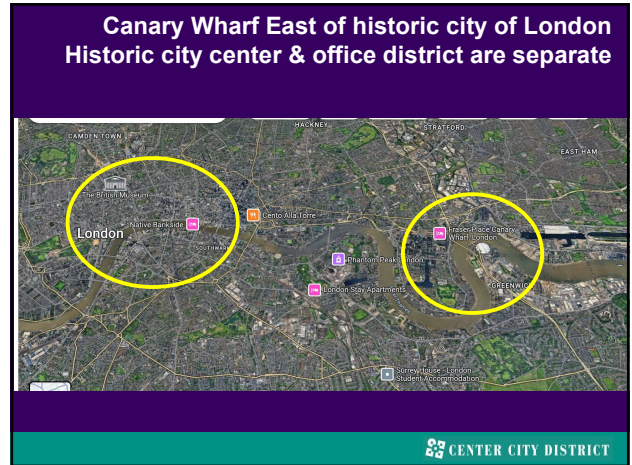
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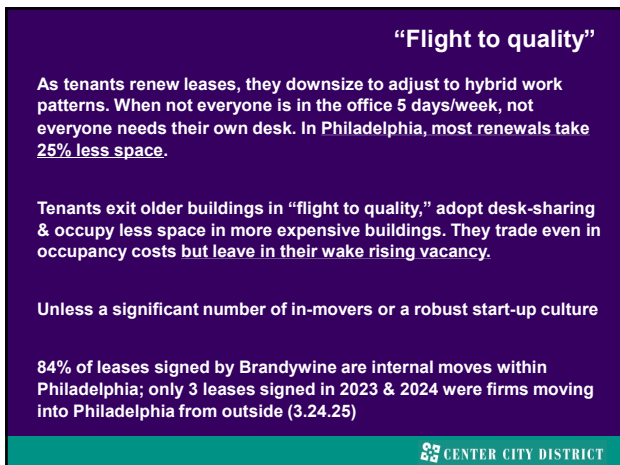
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### Everything below the red line is fully taxable

Buildings Converted to Residential Use, 1997-2024

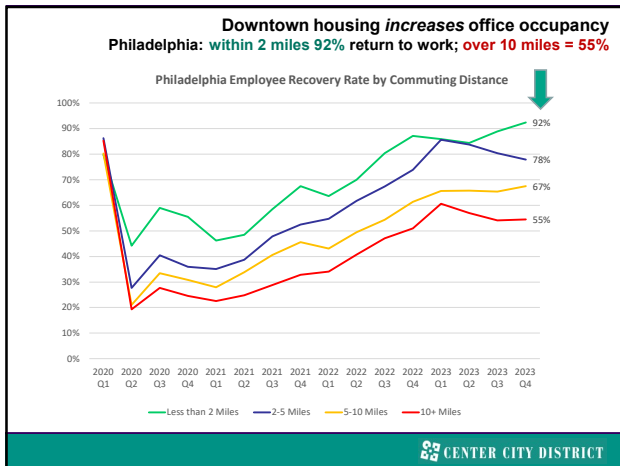
Year	Building Name	Address	Size Square Feet	Status	Conversion Type
2024	Nelson Building	222 Walnut St.	100,000	Proposed	Apartments
2024	1701 Market	1701 Market St.	304,037	Proposed	Apartments
2024	The Bellman	200 S. Broad St.	185,346	In Progress	Apartments + Hotel
2020	Public Ledger Building	490 S. 1st Mid West	479,770	Converted	Apartments
2020	One City Plaza	1401 Arch St.	229,300	Converted	Apartments
2020	Head Building	228 N. 19th St.	35,000	Converted	Apartments
2019	Franklin Tower	1601 Race St.	607,474	Converted	Apartments
2019	The Allison Building	1605-1609 Walnut St.	20,371	Converted	Apartments
2018	1607 Calverly	1607 Calverly St.	123,253	Converted	Apartments
2017	The Beacon	1627 Walnut St.	175,000	Converted	Apartments
2016	Fairmount at Brewerytown	1963 N. 2nd St.	275,000	Converted	Apartments
2016	The Curtis Center Phase II	121 S. 6th St.	300,000	Converted	Apartments
2012	The Atlantic Building	260 S. Broad St.	320,706	Converted	Apartments
2012	Former State of Pennsylvania Building	1400 Calverly St.	243,000	Converted	Apartments
2011	1816 Walnut St.	1816 Walnut St.	168,000	Converted	Apartments
2011	2040 Market St.	2040 Market St.	128,000	Converted	Apartments
2011	1501 Chestnut St.	1501 Chestnut St.	50,000	Converted	Apartment
2008	Robert Morris Building	1001 N. 7th St.	500,000	Converted	Apartments
2007	The Residence at Ten Liberty Place	1650 Chestnut St.	200,000	Converted	Condominiums
2007	Arts	1419 Locust St.	195,000	Converted	Condominiums
2007	Western Union Building	108 Locust St.	152,850	Converted	Condominiums
2007	Arts	210 W. Washington St.	114,450	Converted	Condominiums
2007	1401 Walnut St.	1401 Walnut St.	125,450	Converted	Apartments
2003	Grande	111 S. 7th St.	242,200	Converted	Condominiums
2003	Nelson Building	410 N. Broad St.	220,000	Converted	Apartments
2003	1930 Chestnut St.	1930 Chestnut St.	150,000	Converted	Apartments
2002	Society Hill Building	18 S. 7th St.	160,000	Converted	Apartments
2001	1838 Arch St.	1838 Arch St.	170,000	Converted	Apartments
2000	Phoenia	1600 Arch St.	450,000	Converted	Condominiums
1999	Pennsylvania House (New The Elmgrove)	1600 Chestnut St.	240,000	Converted	Condominiums
1998	Exchange Building	1419 Walnut St.	118,879	Converted	Apartments
1997	220 S. 19th St.	220 S. 19th St.	165,000	Converted	Apartments

Source: Nela Research

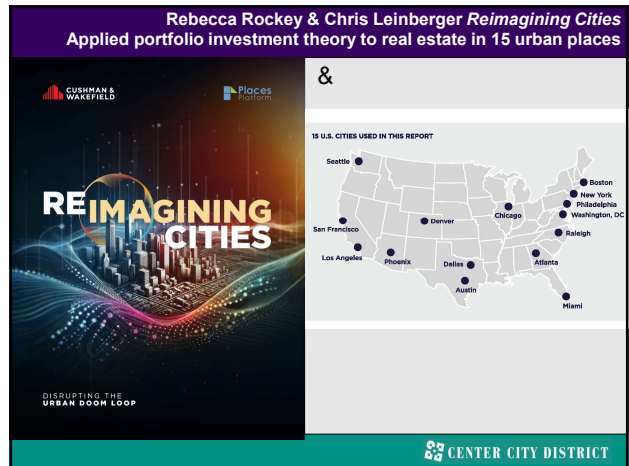
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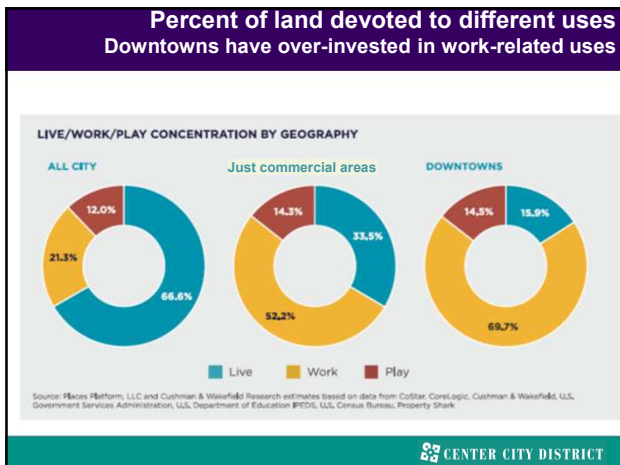
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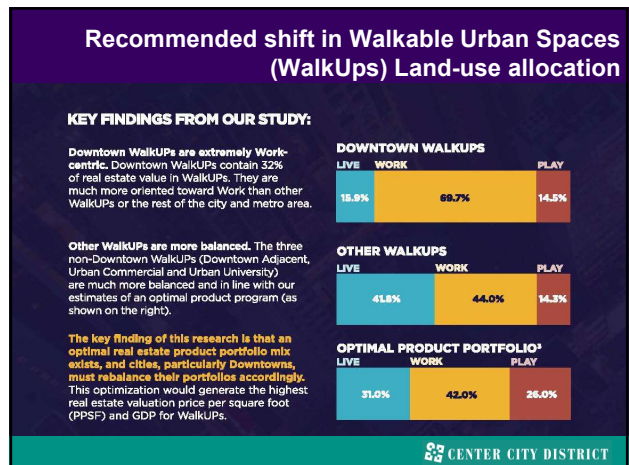
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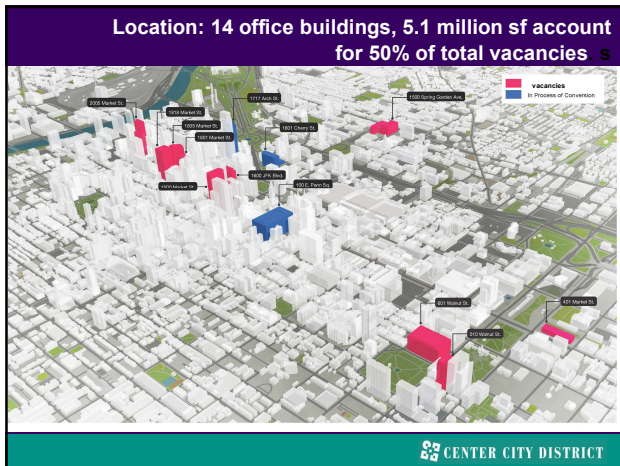
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**Develop strategy that recognizes substantial difference between vacant buildings**

(a) Some still actively adding tenants; (b) Some can be converted to residential  
 (c) Some may work as residential with larger incentives



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**(d) Some obsolete as office, shedding tenants (29% vacant)  
 In financial difficulty & won't convert efficiently to residential  
 Even with greater subsidies**



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**Options/strategies**

- More potent incentives to convert harder buildings  
 20-year abatement to convert more challenging structures to residential; other cities – state subsidies  
 rent subsidies for mixed income housing
- Help viable offices remain offices; low interest loan fund for tenant improvements to facilitate more office leasing; grants?
- encourage owners & tenants to focus on employee amenities
- Incentives to improve public environment & ground floor retail to make setting more appealing for office leasing?

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**Far more attention to quality space  
 Office as a place that people want to come to  
 A place for interaction; enriched with services**



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**Dining rooms with Chefs; adding daycare**



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**Employer response: Increasing amenities within offices  
 Anthropology at the Navy Yard: dogs allowed**

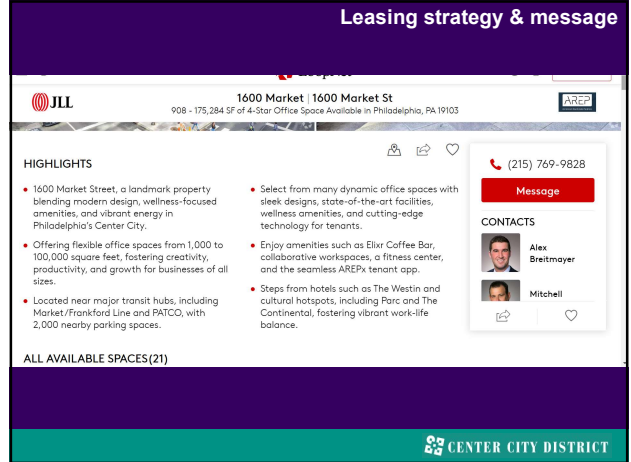


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**San Francisco: Vacant to Vibrant**  
<https://www.vibrantsf.org/>  
**The role of an intermediary organization**

**You bring the ideas,  
we handle the logistics.**

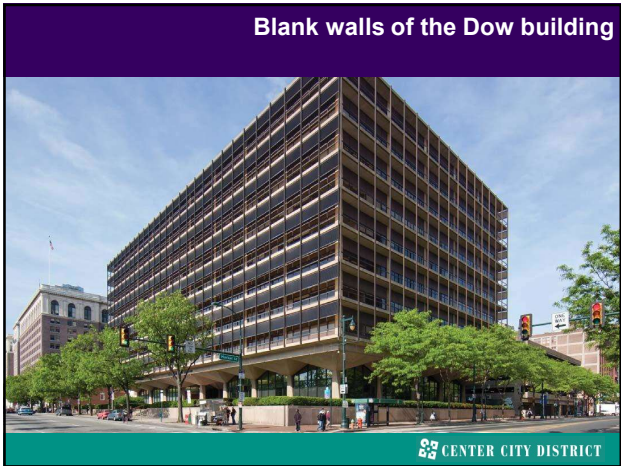
Vacant to Vibrant is a program by SF New Deal and the City of San Francisco. We help small businesses collaborate with local property owners to create engaging pop-up experiences and community spaces in downtown San Francisco.

Our team handles everything from managing pop-up permitting to securing city funding so it's easy for locals to participate in turning vacant storefronts into vibrant gathering places — and help re-energize the neighborhood.

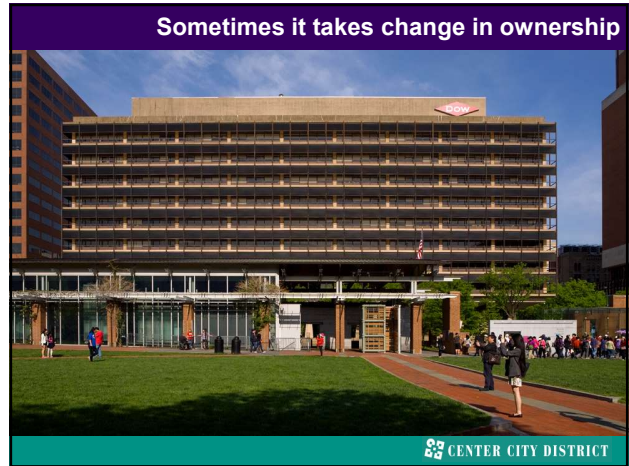
How We Work

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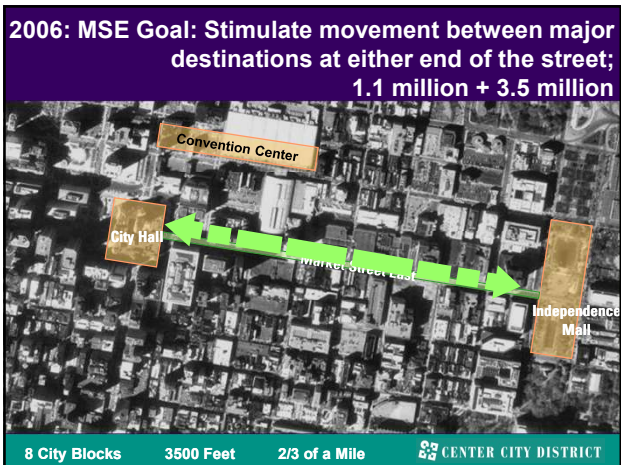
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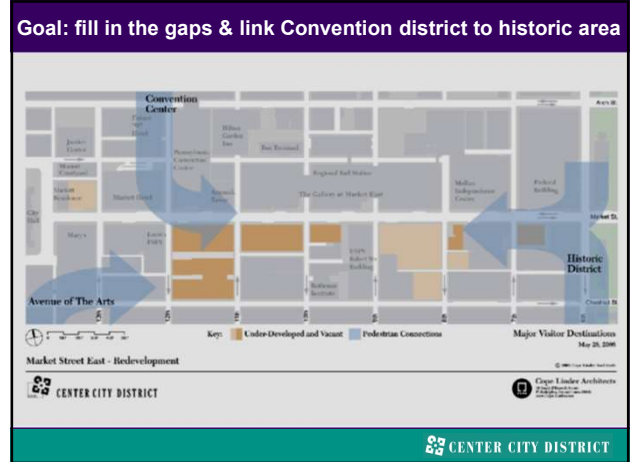
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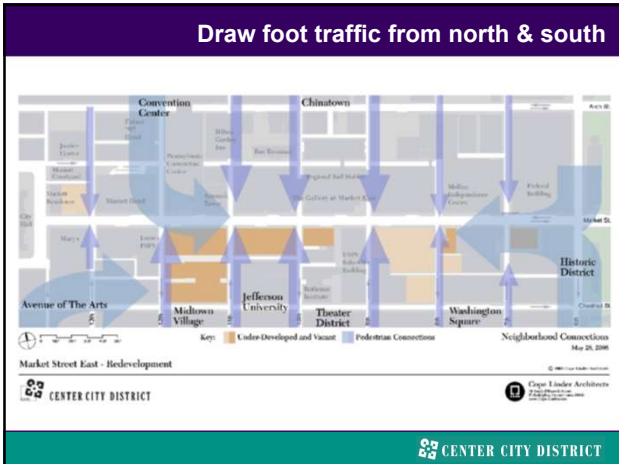
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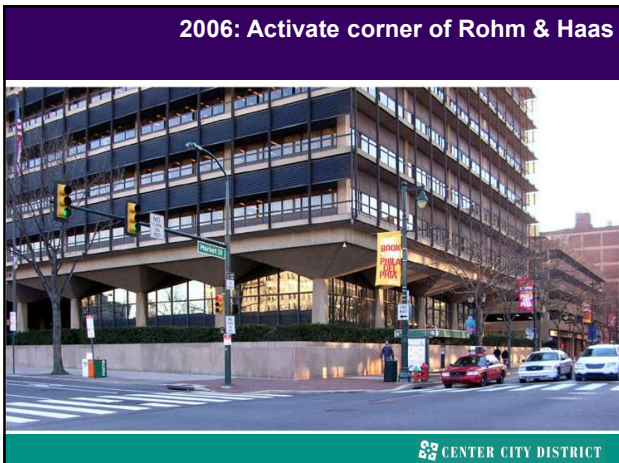
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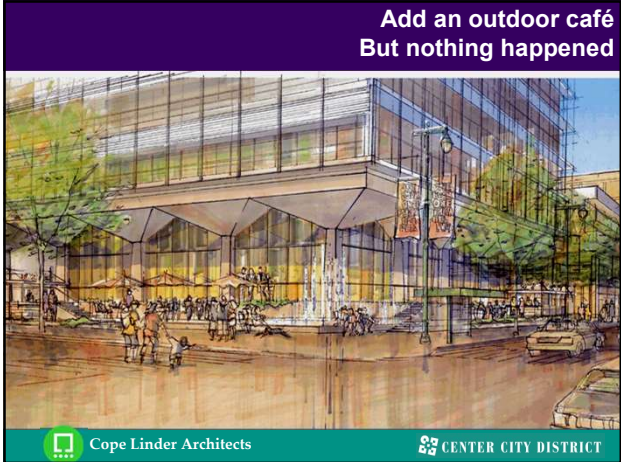
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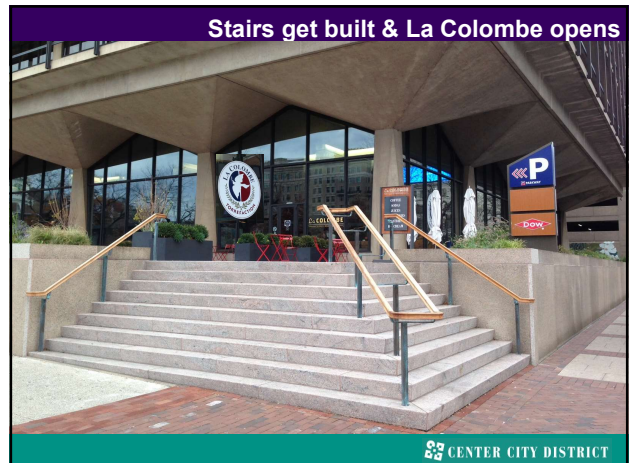
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Animates the interior; Upper floor leasing improves



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Still problematic as you proceed west



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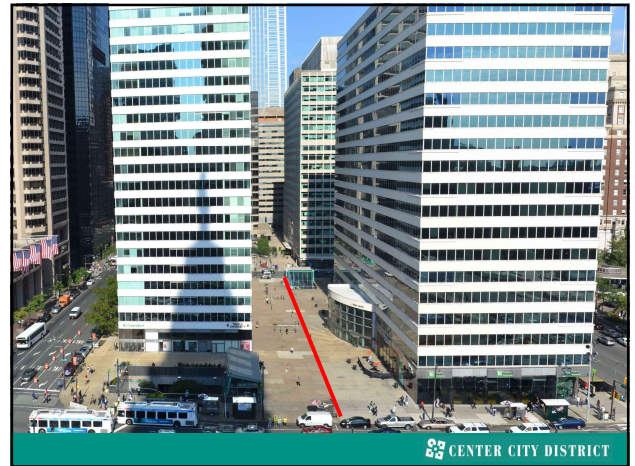
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Unsuccessful effort at Penn Center



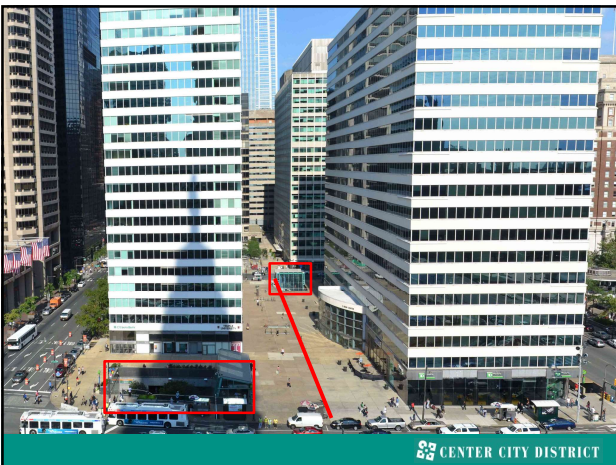
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Many class A owners have the resources to invest in public space amenities



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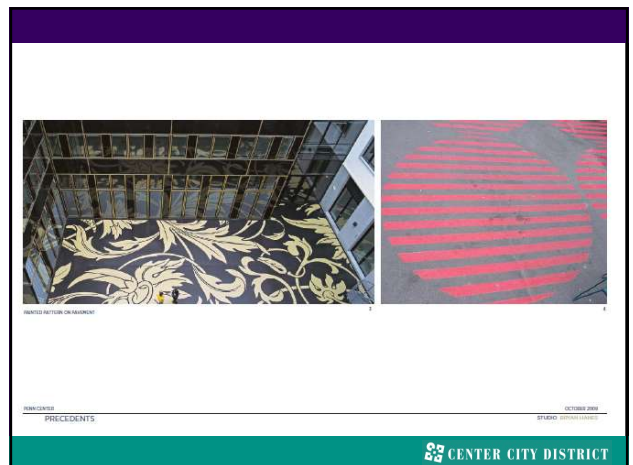
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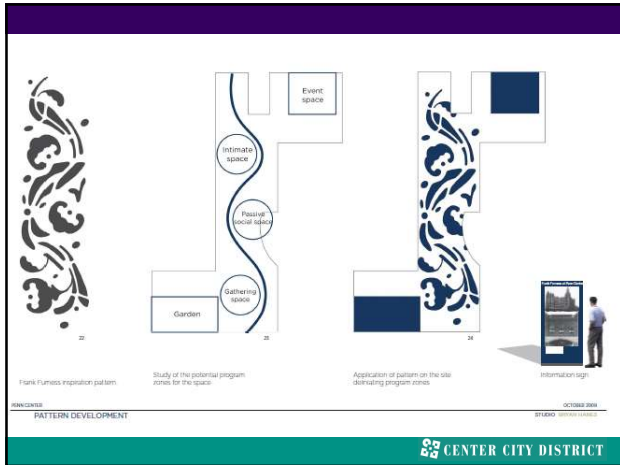
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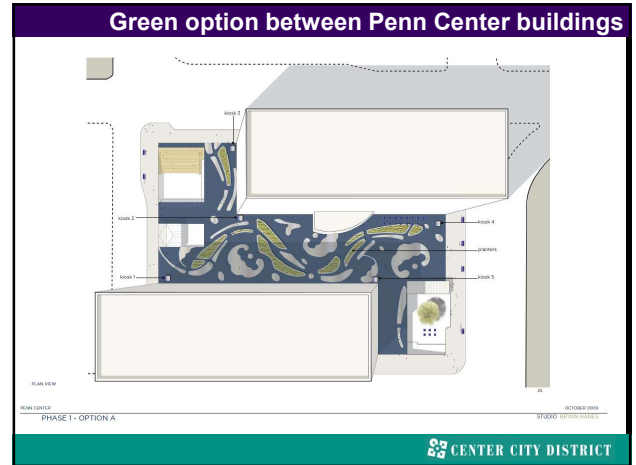
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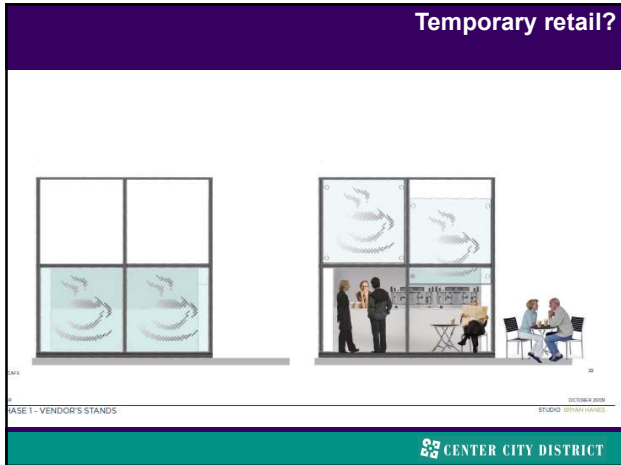
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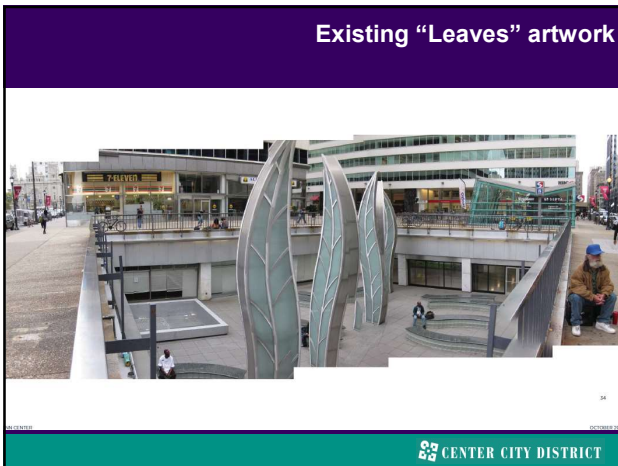
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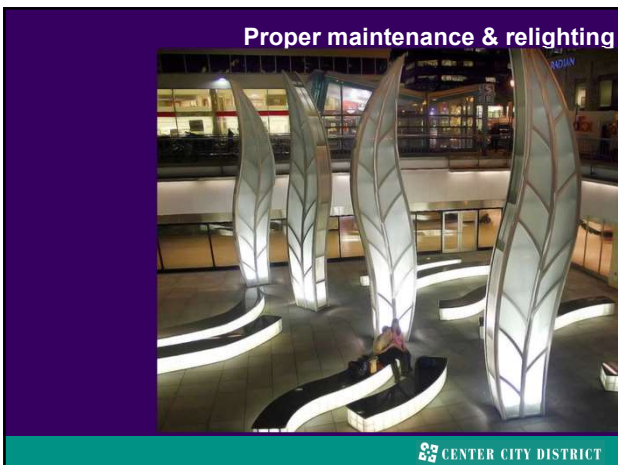
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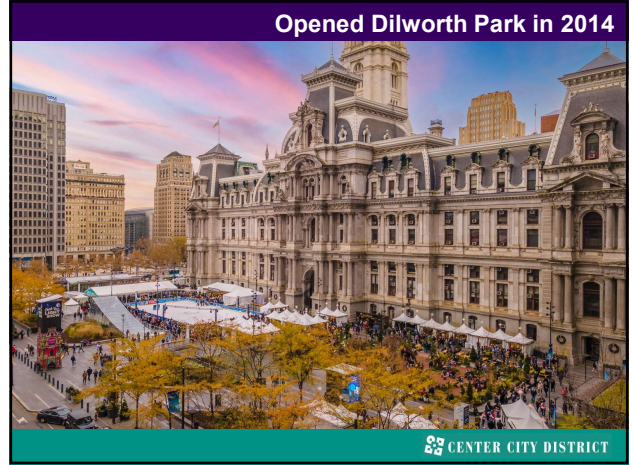
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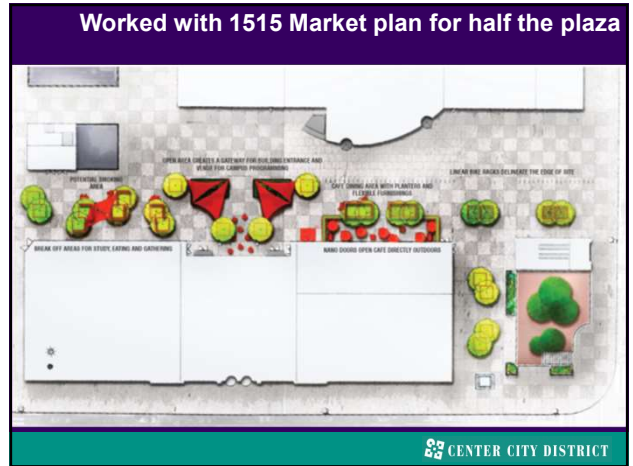
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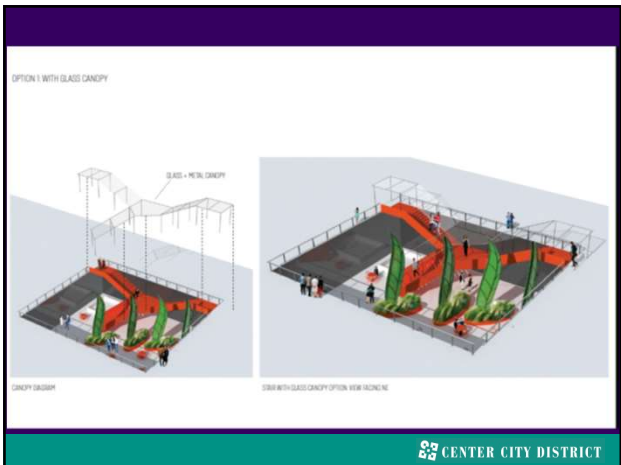
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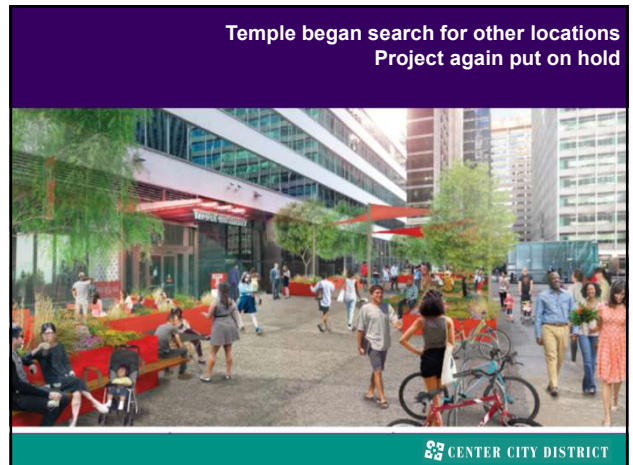
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**Office sector retention strategy**  
**Partnership of Commerce, PIDC & CCD**



- 2001-2008 visited over 100 decision makers whose leases were coming due
- **150 out of 155** major commercial leases renewed  
17 million square feet of space
- Paying attention
- Fixing little problems
- making firms aware of various public programs –training, low-interest loans
- tax and regulatory problems
- Public space & infrastructure


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**Tenant retention 2022**



- worked with commercial brokers
- **18 leases over 25,000sf** expire by end of 2022
- Commerce, PIDC, SEPTA & CCD

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**It will take more than business as usual**  
**To spark recovery & maximize re-leasing**



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