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# **The real key to downtown's comeback may not be office space after all**




Charlotte, North Carolina; Jacksonville, Florida and Houston, Texas all showed after-hours recovery that far superseded pre-pandemic levels while office activity consistently lagged.

JPLDESIGNS



By Joanne Drilling – National Data Reporter, The Business Journals  
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As the Covid-19 comeback continues for downtowns, much of the attention has been focused on the return to the office – or the lack thereof in many cities.

But new data suggests the key to a strong downtown recovery may lie beyond the office.

That's according to the latest research by University of Toronto's School of Cities, which has tracked cell phone activity across 62 downtown metropolitan areas in the U.S. and Canada since January 2020 to gauge how activity compares to before the pandemic.

The data found economic diversity – including entertainment, restaurants, retail and tourism – is playing a huge role in the post-pandemic urban recovery.

## **How nightlife is powering the recovery**

Led by Professor Karen Chapple, School of Cities researchers found most metros are on an upward trajectory, albeit at a slower rate than before.

That's happening even though office vacancy rates are ticking up, Chapple said.

“What’s driving this slow (recovery) is not office work,” she said. “Rather, we’re seeing more shopper and visitor activity that’s compensating for the loss of worker activity that we know is happening from increased office vacancy rates.”

Tucson, Arizona may be a textbook example of this trend. Analyzing historic cell phone activity during the work week, recovery hovered around 75% of pre-pandemic rates while after-hours activity showed a recovery rate of almost 140%.

Conversely, Chapple notes Minneapolis appears to be No. 1 in upward trajectory on her team’s most recent research, but it’s at the bottom for working hours activity.

“It’s improving because it’s weeknights and weekends that are picking up.”

Charlotte, North Carolina (110%), Jacksonville, Florida (108%) and Houston, Texas (105%) all showed after-hours recovery that far superseded pre-pandemic levels while daytime figures consistently languish below 80%.

“These cities have a ton of after-hours activity, which is helping make it look like they’re recovering. But the working hours are still struggling,” Chapple said.

### **Flight to (suburban) quality**

Fellow urbanist Richard Florida often points to Nashville as prime example of economic diversity driving recovery.

“I think this entertainment factor, this buzz factor, has become so important,” Florida explained in an interview with *The Business Journals* last month. “The U.S. downtown that has recovered the best (is) Nashville, Tennessee. It’s still an affordable place to live; it’s a really nice place to work. It is a fun place for people.”

But Nashville’s suburban growth is also off the charts, part of a post-pandemic, doughnut migration trend. Not everyone is happy. Some liken the growth to “...an invisible locomotive.”

Similarly, in Columbus, Ohio, suburban commercial real estate absorption is now positive, despite overall negative market absorption.

According to Collin Wheeler, a Columbus vice-president at CBRE, their market proves the theory that tenants are looking for newer, nicer buildings.

“Tenants are seeking out areas that have done a good job of ‘placemaking,’” Wheeler told *Columbus Business First*.

But he also cautioned that nearly two-thirds of local leases signed this past quarter in Columbus were new leases, suggesting tenants continue to downsize offices.

Chapple and her team are also closely watching commercial lease rates.

“We’ve only seen something like 40% of commercial leases come up for renewal since the beginning of the pandemic. There’s still plenty of – average 10-year leases – coming up every year,” she said. “That plays out slowly and doesn’t get resolved until 2030.”

But Chapple has never subscribed to the urban doom loop theory that has perpetuated since the pandemic.

“That doesn’t mean we’re going to have a bunch of completely empty offices in 2023,” she said. “It depends on how quickly the commercial office building owners drop rents and other users come in. And that will depend on how lively downtowns are. And how much people want to be there.”