

Catalyzing Development at Metro Stations:

*The Future of Real Estate
Development*



The Center for Real Estate
and Urban Analysis



Metropolitan Washington
Council of Governments

THE GEORGE
WASHINGTON
UNIVERSITY
WASHINGTON, DC

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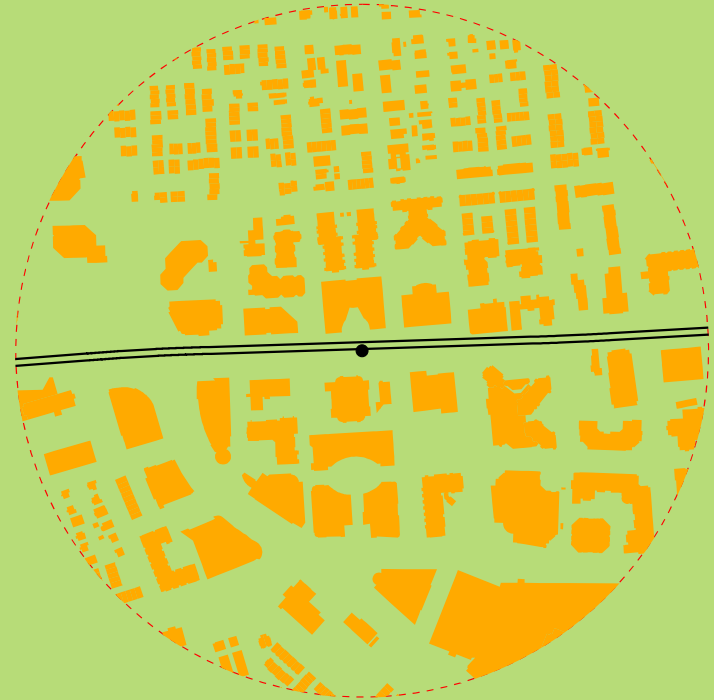
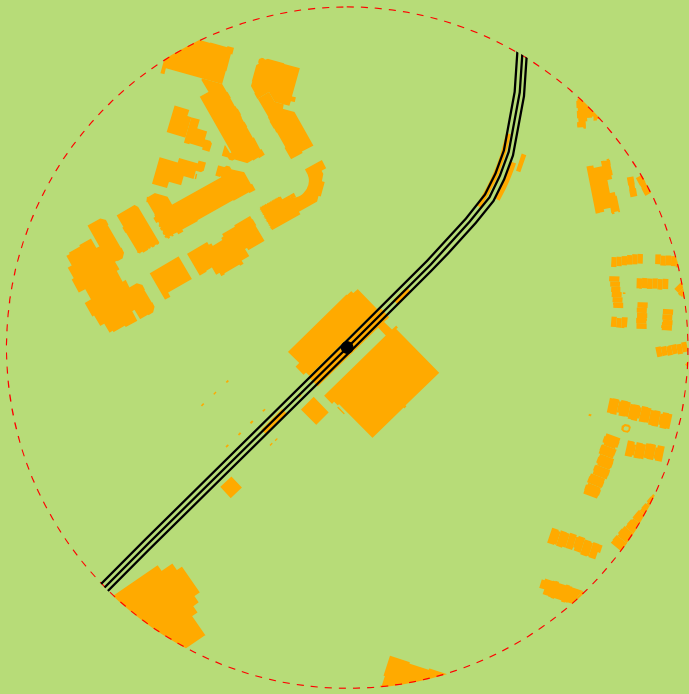
2131 G Street, NW
Washington, DC 20052

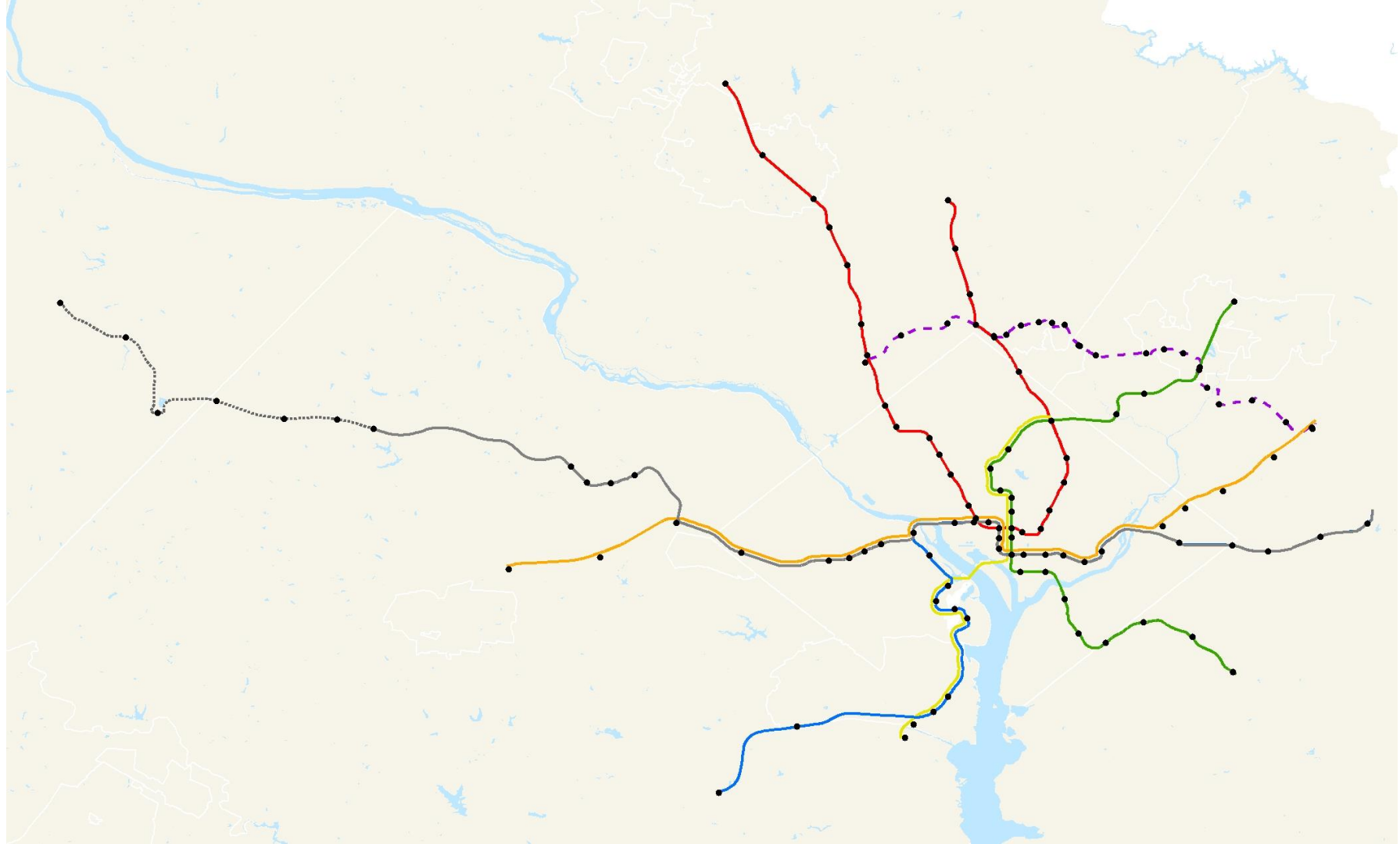
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30% PCW

November 2, 2017

What is TOD?





Form & Function of Metropolitan America

METROPOLITAN LAND USE OPTIONS:

REGIONALLY SIGNIFICANT

LOCAL SERVING



**WALKABLE
URBAN**



WALKUP:
Metro Area Acreage: 1%



NEIGHBORHOOD
Metro Area Acreage: 2-6%



**DRIVABLE
SUB-URBAN**



EDGE CITY
Metro Area Acreage: 3-4%

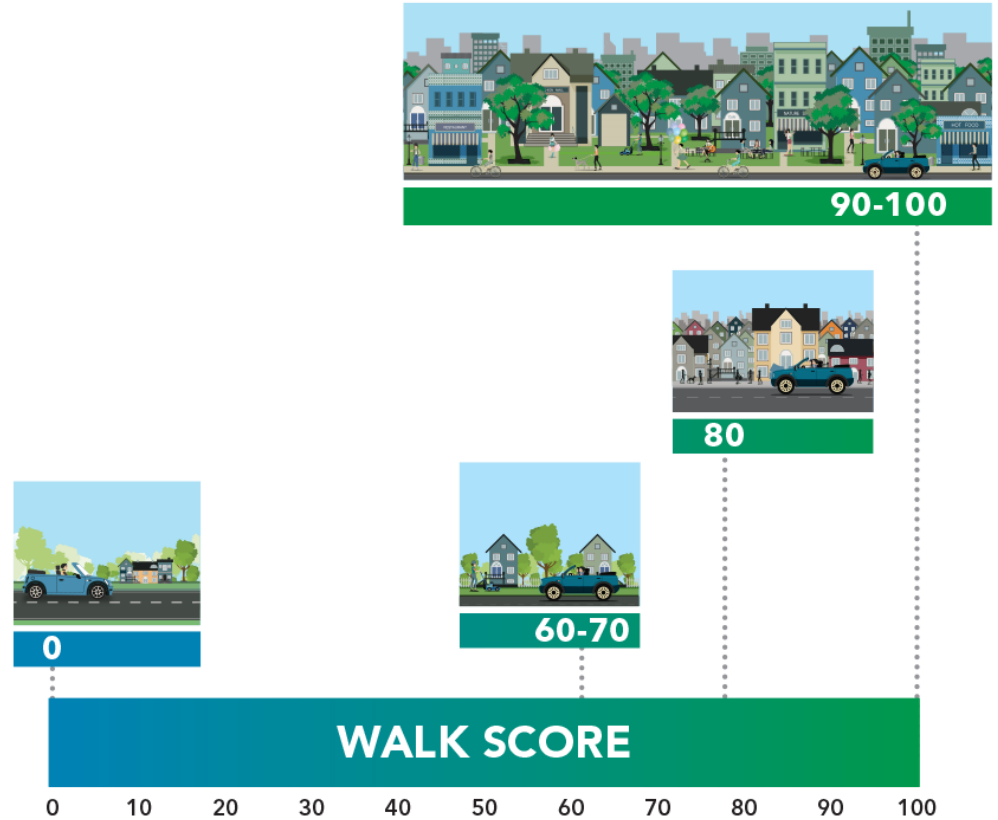


BEDROOM COMMUNITY
Metro Area Acreage: 90-94 %

WalkUPs Defined

WALK SCORE:

- Walk Score ≥ 70



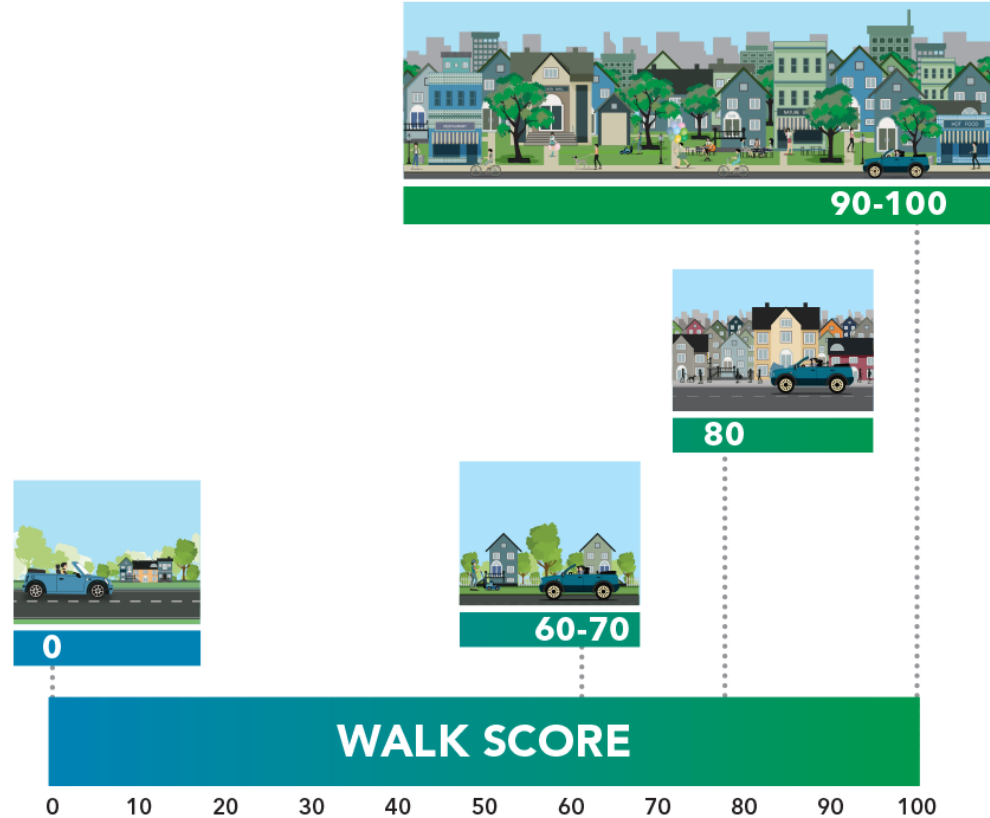
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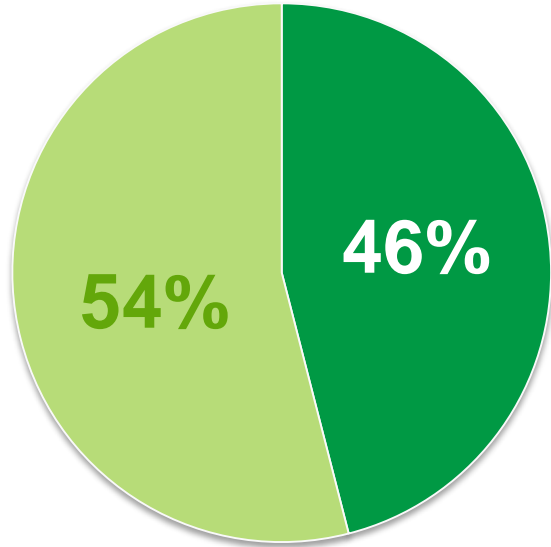
OFFICE & RETAIL SPACE:

- Office ≥ 1.4 million sq. ft.
and/or
- Retail $\geq 340,000$ sq. ft.

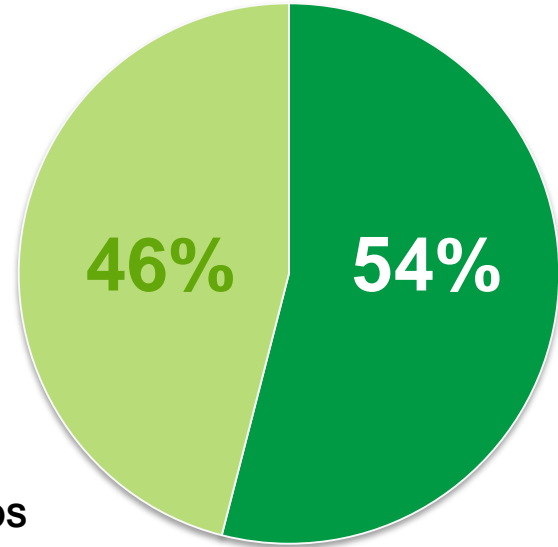


The Largest 30 Metros in the United States

SHARE OF
U.S. POPULATION



SHARE OF
U.S. GDP



Key Findings

- **72% rent-per-square-foot premium** over rents in drivable sub-urban areas.
 - **Office Space: 90%**
 - **Retail Space: 71%**
 - **Multi-Family Rental: 66%**



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- All 30 metros have a walkable urban rent premium, ranking from 4-191%
- And, these premiums have grown between **2010-2015**
- All 30 metros for walkable urbanism gaining market share: 28 metros growing 1.5X to 4X faster over 6 yrs.



Key Findings

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- Six Highest-Ranked Metros:
 1. New York City
 2. Washington, DC
 3. Boston
 4. Chicago
 5. San Francisco Bay
 6. Seattle



Walkable Urbanism Ranking

Highest		Upper-Middle		Lower-Middle		Lowest	
1	New York City	7	Portland	14	Cleveland	24	San Diego
2	Washington, DC	8	Pittsburgh	15	St. Louis	25	Dallas
3	Boston	9	Denver	16	Kansas City	26	Las Vegas
4	Chicago	10	Philadelphia	17	Los Angeles	27	Tampa
5	San Francisco Bay	11	Atlanta	18	Cincinnati	28	San Antonio
6	Seattle	12	Charlotte	19	Baltimore	29	Phoenix
		13	Minneapolis-St. Paul	20	Houston	30	Orlando
				21	Detroit		
				22	Miami		
				23	Sacramento		

Key Findings

- **Walkable urban development** is not limited to the revitalization of center cities; it is also the **urbanization of select suburbs**.
- For example, 41% of Boston's and 46% of Miami's WalkUPs are located in suburbs.



Correlation:

WALKUPS & GDP per
Capita

\$72,110

GDP per capita of Top 6

VS

\$48,314

GDP per capita of Bottom 7

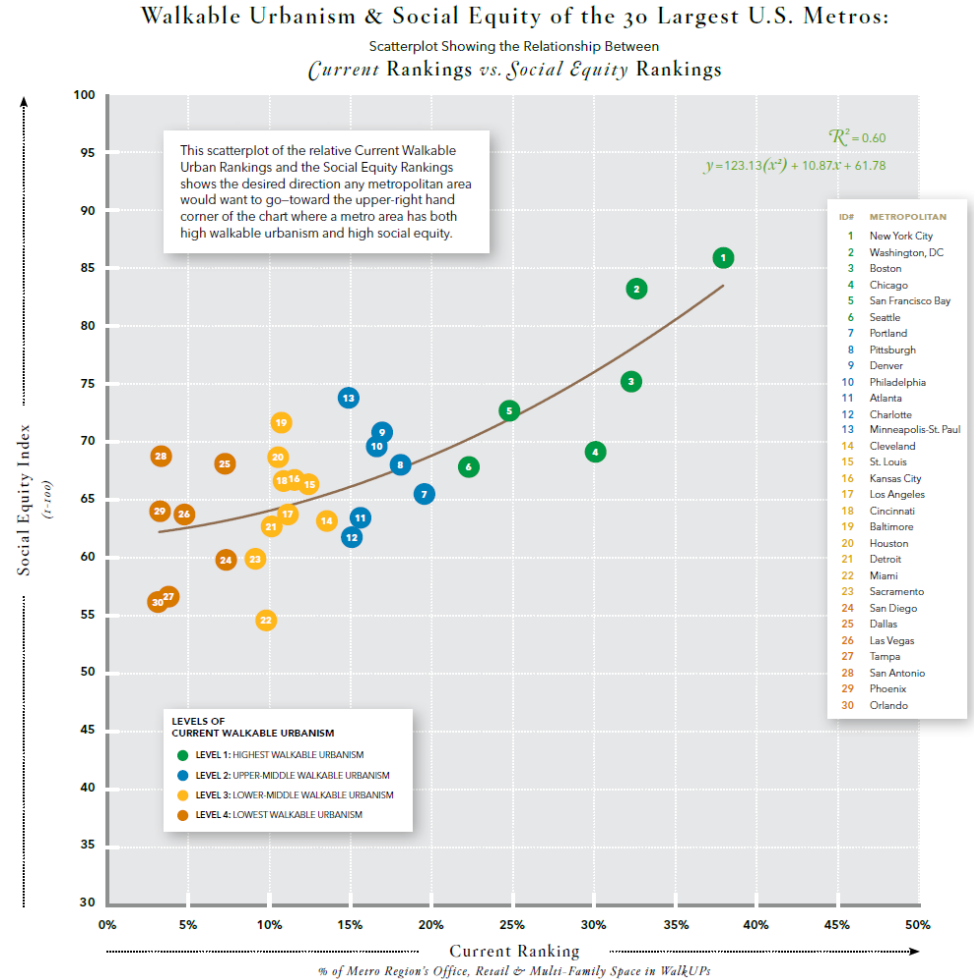
Comparable to difference
between Germany VS Russia,
Latvia or Croatia

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



Counter-Intuitive Social Equity Outcomes

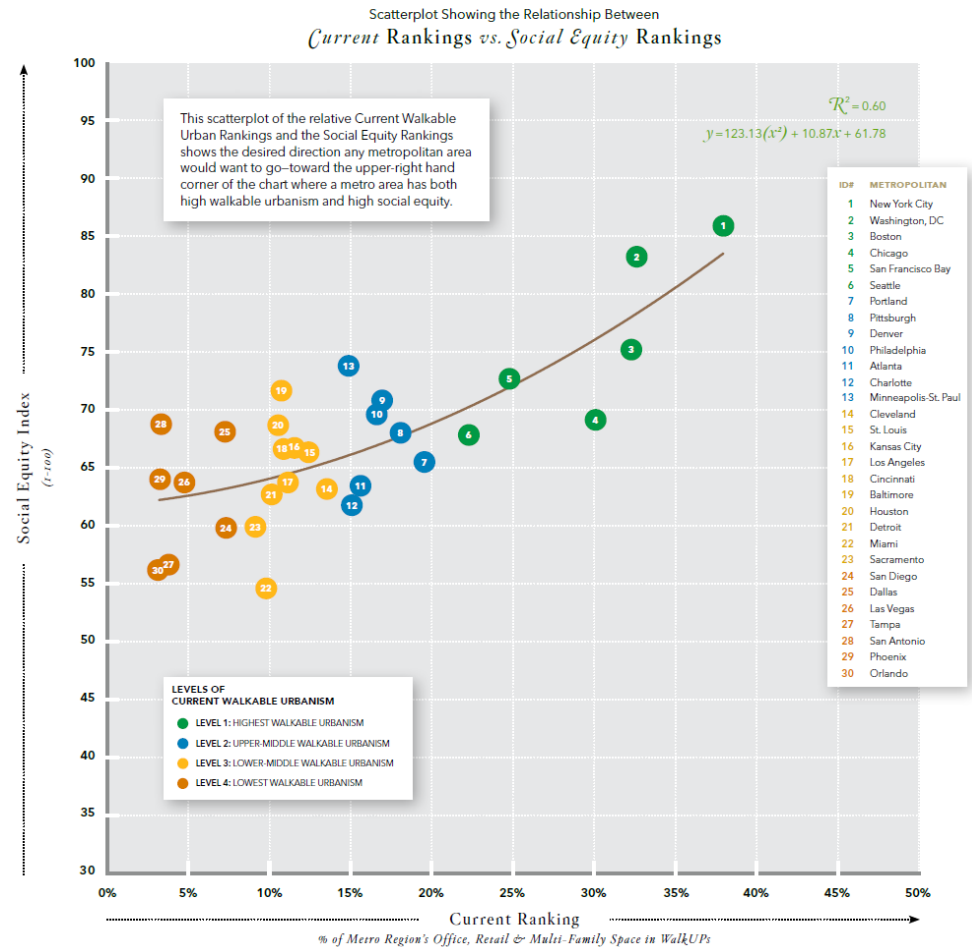
- More walkable urbanism -> more social equity



Counter-Intuitive Social Equity Outcomes

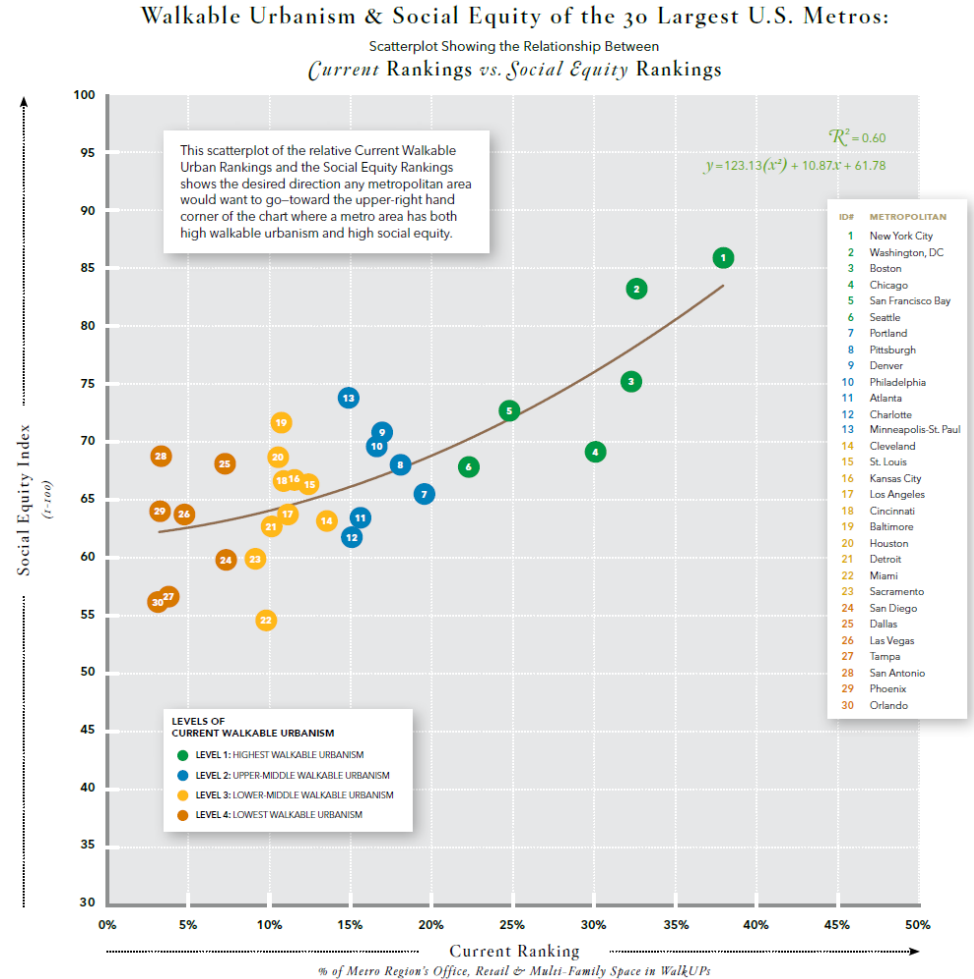
- More walkable urbanism -> more social equity
- **Planning attainable housing** to combat the natural effects of WalkUP development price effects

Walkable Urbanism & Social Equity of the 30 Largest U.S. Metros



Counter-Intuitive Social Equity Outcomes

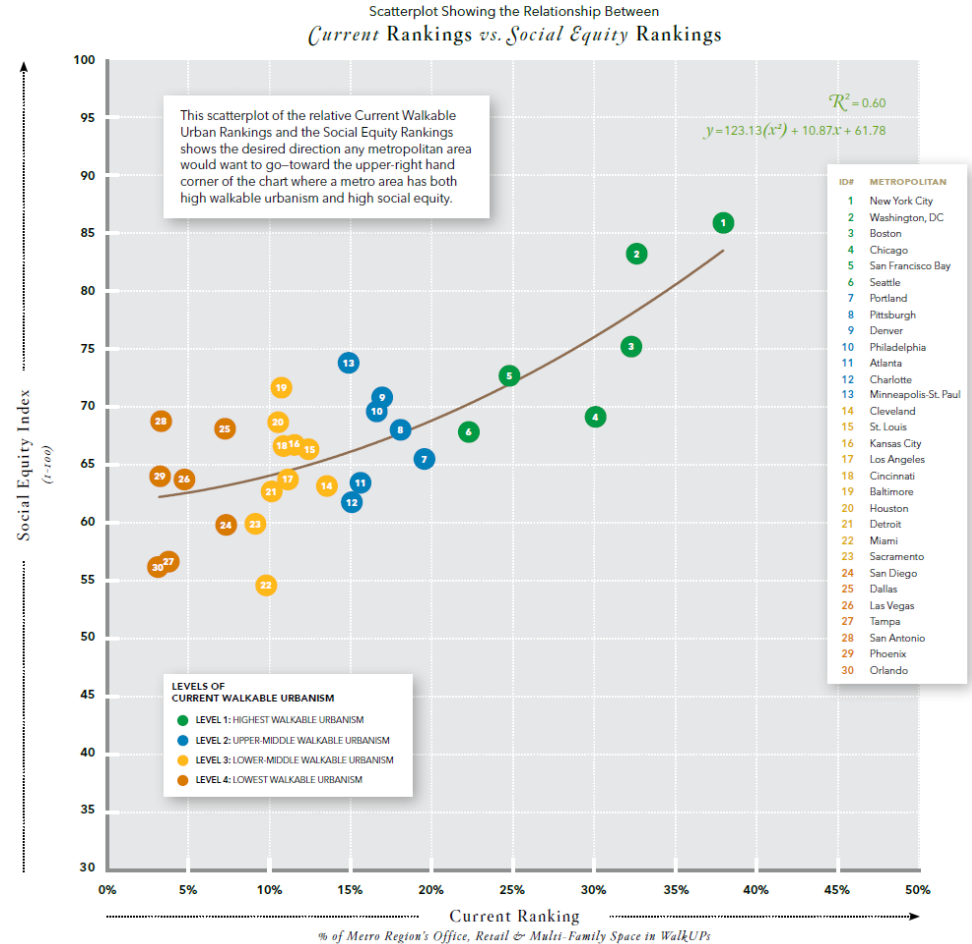
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- **Planning attainable housing** to combat the natural effects of WalkUP development price effects
- 70% of premium is land costs
- BUT, highly walkable urban metros have 14 lower percentage point for moderate household transportation costs

Walkable Urbanism & Social Equity of the 30 Largest U.S. Metros



Counter-Intuitive Social Equity Outcomes

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- **Planning attainable housing** to combat the natural effects of WalkUP development price effects
- 70% of premium is land costs
- BUT, **highly walkable urban metros have 14 lower percentage point for moderate household transportation costs**
- **Increased access to jobs: 2-3 X more jobs accessible by moderate income HHs**

Walkable Urbanism & Social Equity of the 30 Largest U.S. Metros

Scatterplot Showing the Relationship Between
Current Rankings vs. Social Equity Rankings



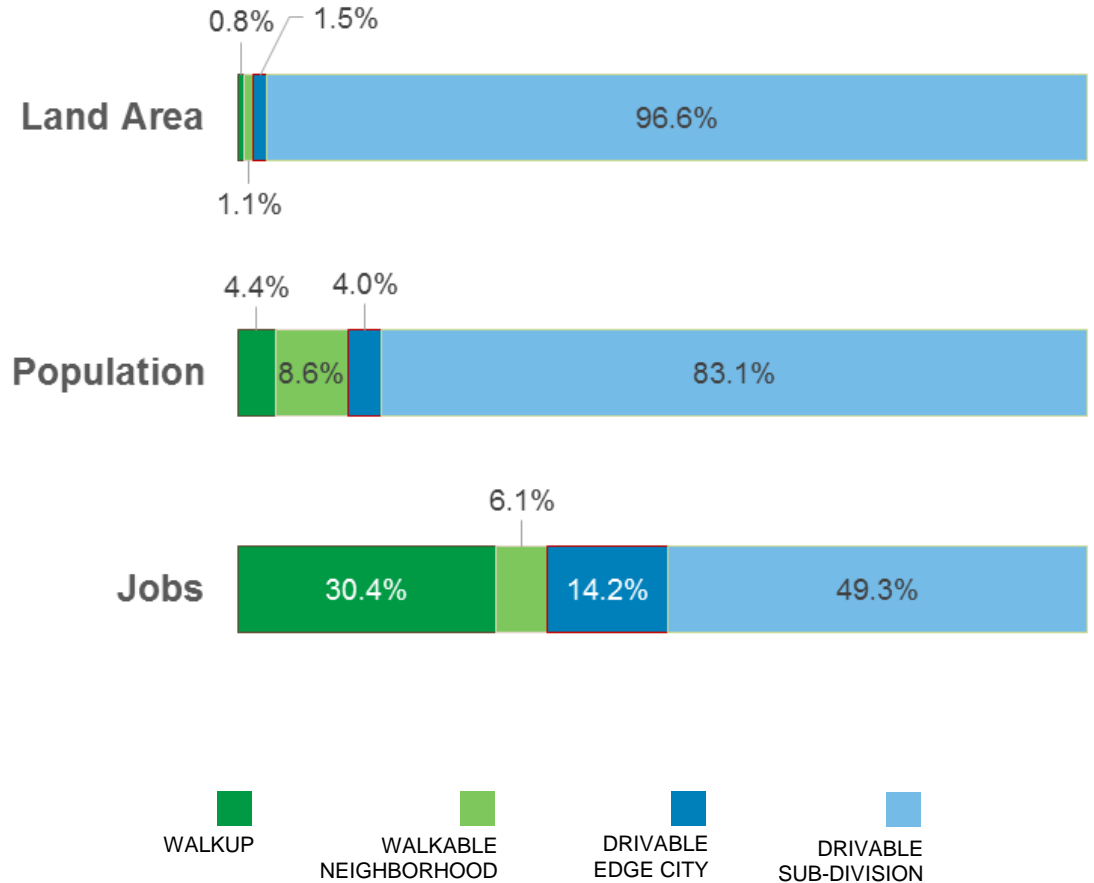
Key Social Equity Findings: Moderate Income HHs (80% AMI)

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



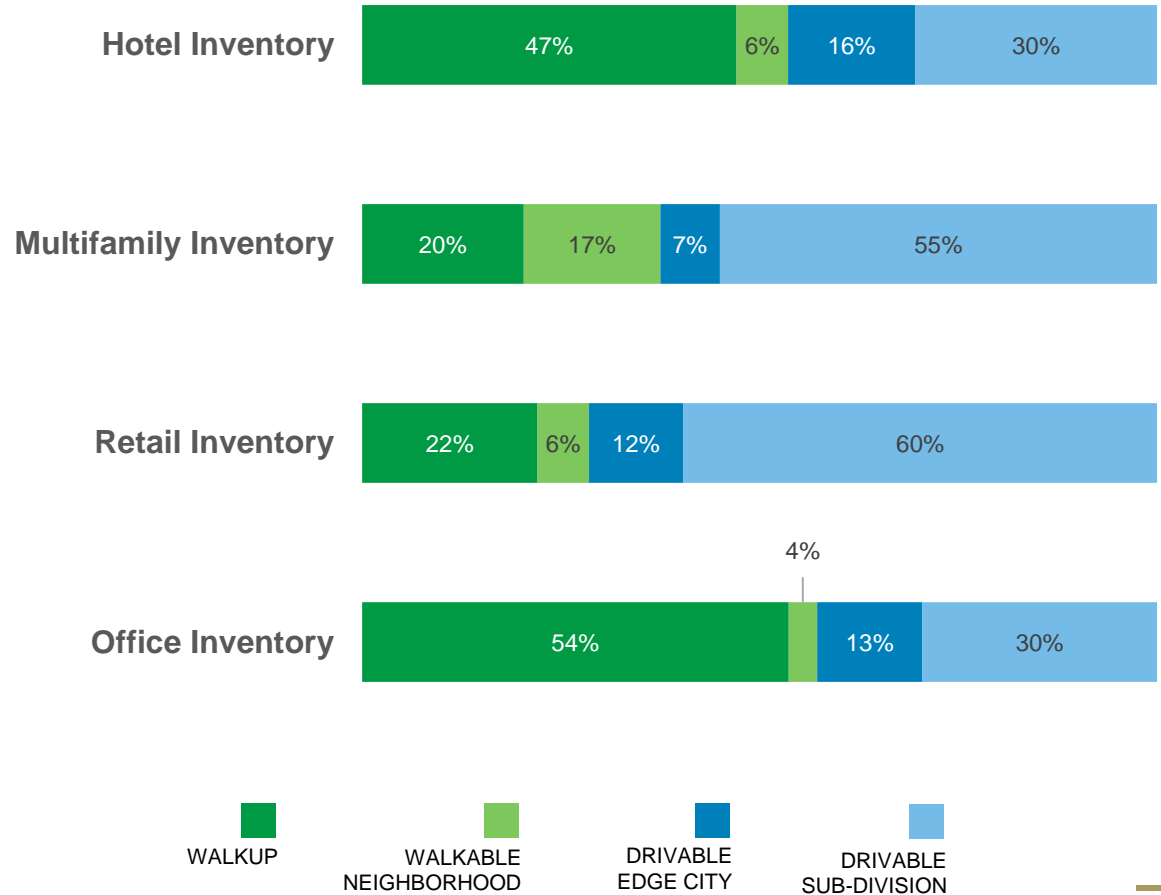
Key Land Use Metrics in Metropolitan DC:

2015



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2015



MAP KEY:

ESTABLISHED WALKUPS:

- DOWNTOWN
- DOWNTOWN ADJACENT
- URBAN COMMERCIAL
- URBAN UNIVERSITY
- SUBURBAN TOWN CENTER
- REDEVELOPED DRIVABLE SUB-URBAN
- GREENFIELD / BROWNFIELD

OTHER:

- EMERGING WALKUP

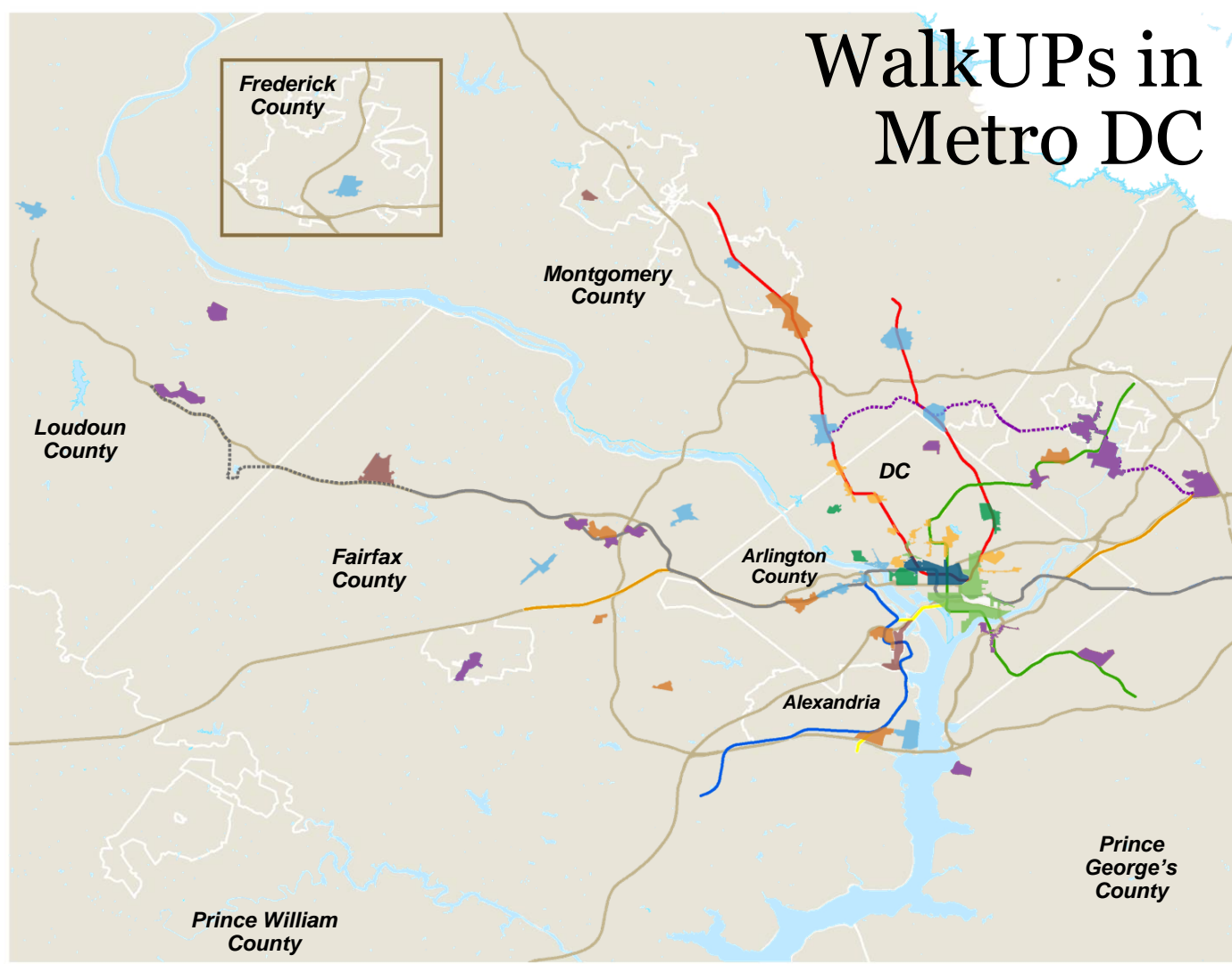
 MAJOR HIGHWAYS



METRORAIL

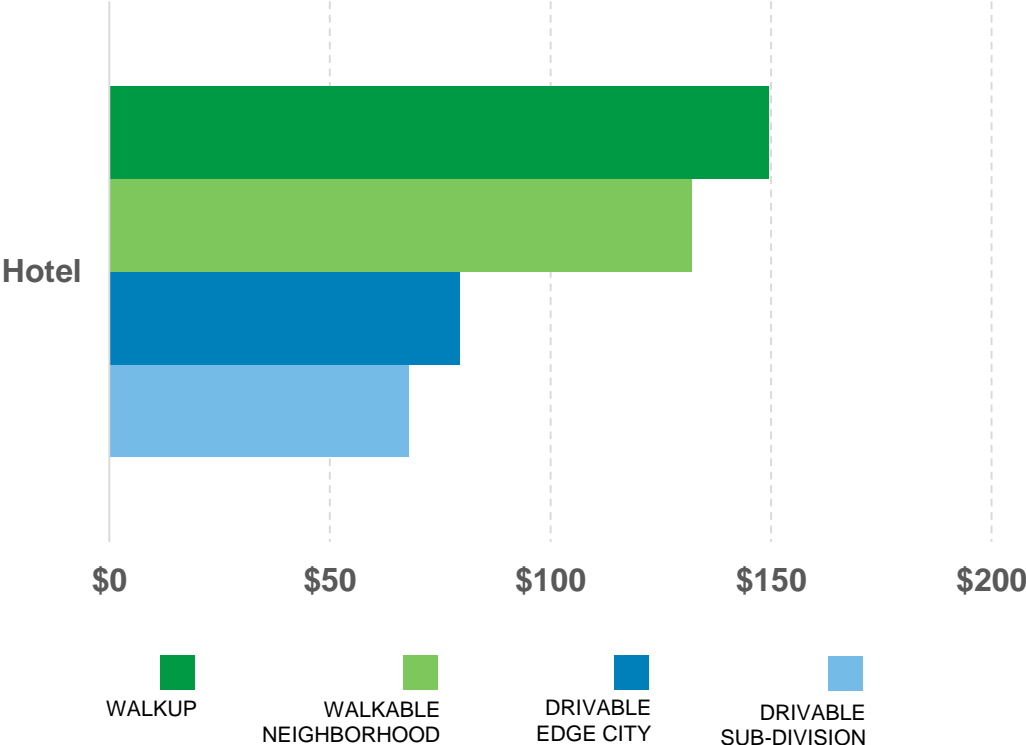
 RAIL

WalkUPs in Metro DC



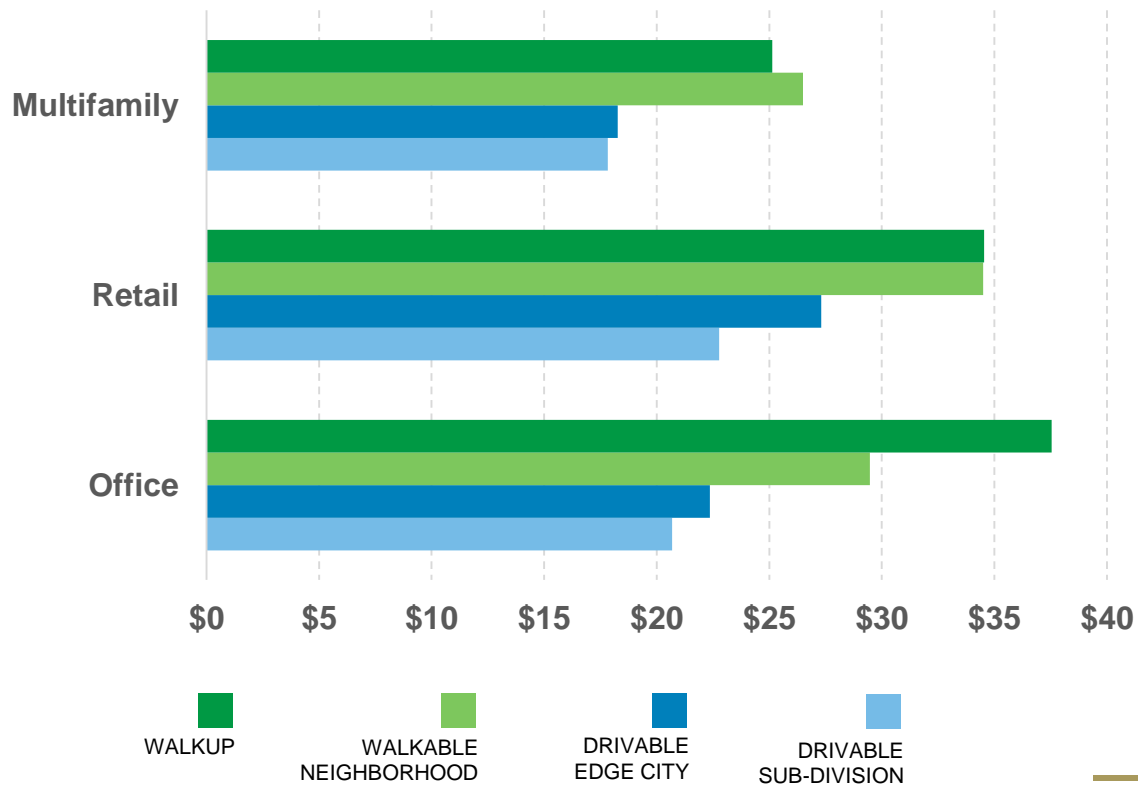
Walkable Urban Rent Premiums

Product Type Rents:
REVPAR



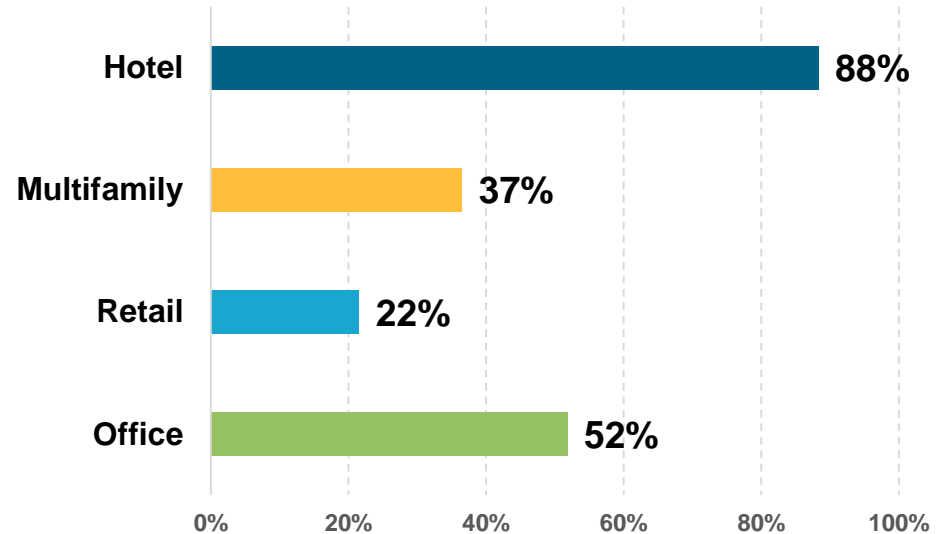
Walkable Urban Rent Premiums

Product Type Rents: *Adjusted for Occupancy*



Walkable Urban Rent Premiums

Product Type Rent Premiums: *Walkable Urban vs. Drivable Sub-urban*



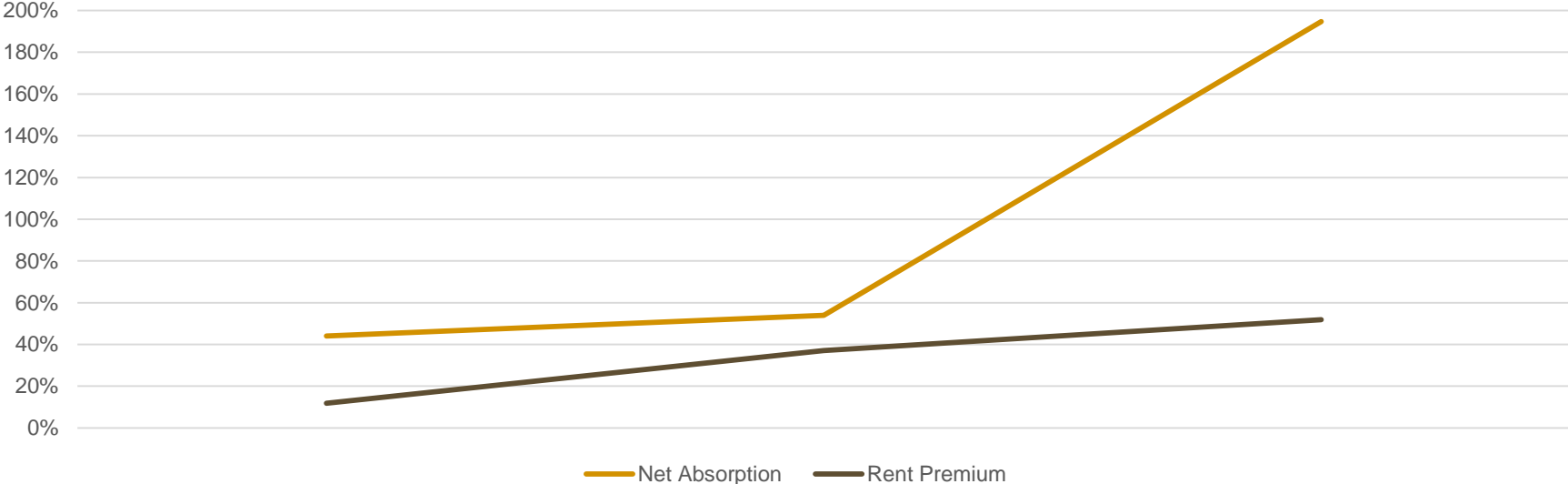
Shifting Office Market Share to Walkable Urban

(Absorption per Real Estate Cycle)

1992-2000

2001-2008

2009-Present



Social Equity Rankings

PLATINUM
WALKUPS



Silver
Spring

Social Equity Rankings

PLATINUM
WALKUPS



Silver
Spring



10%

309,444 people

Social Equity Rankings

PLATINUM
WALKUPS



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10% + 15%

309,444 people

36.7 d.u./acre

Social Equity Rankings

PLATINUM
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Silver
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10% + 15% + 40%

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36.7 d.u./acre

32% income on housing

Social Equity Rankings

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10% + 15% + 40% + 20%

309,444 people

36.7 d.u./acre

32% income on housing

10% income on transportation

Social Equity Rankings

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WALKUPS



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10% + 15% + 40% + 20% + 15%

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36.7 d.u./acre

32% income on housing

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0.94 park acres/capita (normalized)

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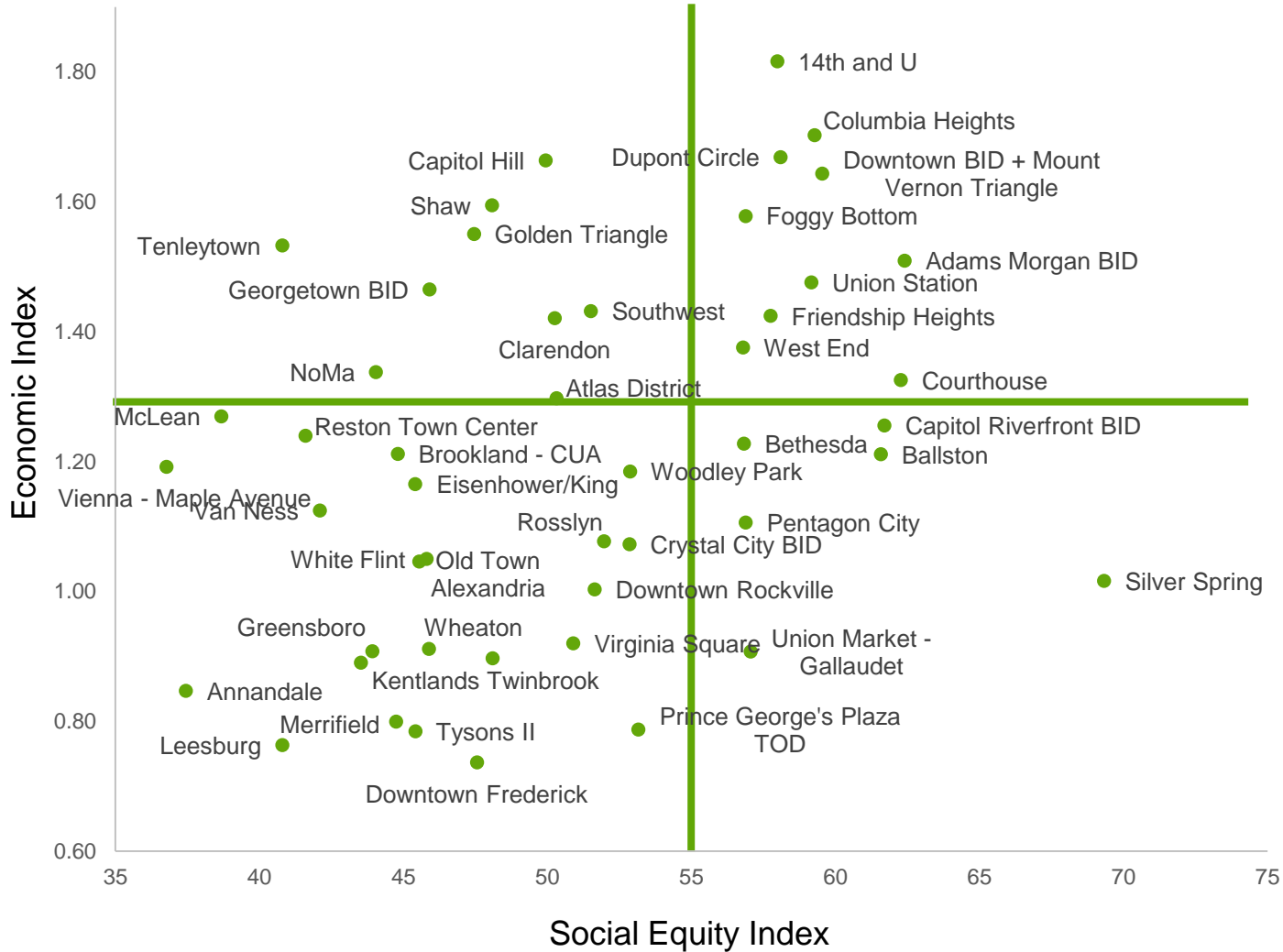
36.7 d.u./acre

32% income on housing

10% income on transportation

0.94 park acres/capita (normalized)

69 out of a possible 100



Key Trends

Job Growth, 2010 - 2014



- WALKUP
- WALKABLE NEIGHBORHOOD
- DRIVABLE EDGE CITY
- DRIVABLE SUB-DIVISION



Conclusions

- Transit-oriented development (TOD) is the economic future of metro DC



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- **Recent trends in job growth and office absorption** are canaries in a coal mine for WalkUPs and our region about **diversifying product types and expanding WalkUP supply**



Conclusions

- Transit-oriented development (TOD) is the economic future of metro DC
- Rising market share and **high valuation premiums** are indicators of this shift
- **Recent trends in job growth and office absorption** are canaries in a coal mine for WalkUPs and our region about **diversifying product types and expanding WalkUP supply**
- **Maintenance & expansion of transit system** is critical for the economic success of region





Thank You