

CRE Terms: Talking Transit



In recent years there has been a shift among consumers and tenants towards more easily accessible, amenity-rich and connected urban environments.

A neighborhood's "walkability" and the accessibility of public transport are key considerations driving property prices and rental premiums alike. In addition, walkability and transit options are now recognized as a vital part of ensuring social equity.

Given this growing interest, and how these factors boost the appeal of a property, let's take a deep dive into ways to classify and grade a specific location based on its walk and transit scores.

From 0-100 ... On Foot

According to NAIOP "Walk Score" is defined as: "a number between 0 and 100 that measures the number of amenities such as retail, businesses, parks, theaters and schools that can be accessed by foot inside a 1-mile radius from a particular address."

Broken down further, anything between 90-100 is classified as a "Walker's Paradise" (i.e., you don't need a car to get around), while anything lower than 49 falls firmly into "car-dependent" territory.

Though the exact method for calculating the score is proprietary ("Walk Score" is owned by RedFin), in an interview with Loopnet, Walk Score's Aleisha Jacobson noted that amenities covered by the score include "groceries, dining and drinking, shopping, errands, parks, schools, and culture and entertainment."

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Interestingly, additional factors like the number of intersections and the length of a city block are also important to the calculation. As Aleisha points out, more intersections mean a greater number of potential routes for walkers to follow. Intersections can also serve as a proxy for speed limit and street width – both of which contribute to an area being a “pedestrian-friendly” place to live or work.

Going for a Ride

On the transportation side, there are two additional scores to take into consideration.

A location’s “Transit Score” measures ease of access to public transport options like buses, trams, cable cars and trains – essentially any public method for getting from A to B.

“Transit Score” also falls on a scale from 0-100, with anything below 50 considered as “minimal or some transit”, while a score from 50-69 indicates “good transit.” Higher than that, the score is labeled as “Excellent” (70-89) or above 90 points as a “Rider’s Paradise” with world-class transport.

There’s also a separate “Bike Score” that measures the suitability of a location for cyclists, taking into account road connectivity, hill slopes and bike lanes.

“Bike Score” also considers “bike commuting mode share,” which is a measure of the number of cyclists in a city, a factor that can have important ramifications when it comes to safety. The “Walk Score” website notes: “The “safety in numbers” research indicates that more bikers on the road make drivers more aware of bikers—and more drivers have had the experience of biking.”

Leveraging “Walkability”

A highly walkable neighborhood can be leveraged as a strong selling point for potential tenants. Businesses are often willing to pay a rent premium for more “walkable spaces,” especially as those companies look for new incentives to attract top talent and get their workers to return to the office.

On the retail side, a more walkable location translates into higher sales potential, and walkable neighborhoods are naturally more appealing to buyers of multifamily properties.

For these reasons, high walkability and transit scores can also add to the attractiveness of a prospect for investors, particularly as the trend gains steam and becomes a more central part of commercial real estate valuations.

