

“Walkability” a Key Factor in CRE Value, Says CommercialCafe



According to a new report released in March 2023, the premium on commercial real estate (CRE) in more “walkable” areas can be as high as 100% in some metros.

The report, titled “Foot Traffic Ahead 2023” was commissioned by non-profit group Smart Growth America in partnership with Places Platform, LLC, and uses data from Yardi Matrix in its analysis.

Paying a Premium

The report shows that “amenity-rich, dense, mixed-use communities,” which can easily be reached with public transport and crossed on foot, tend to attract a significant markup in property rental and sale prices.

CommercialCafe (which is owned by Yardi) highlights the effect this has on specific CRE asset types, saying: “[A]s far as real estate assets, the price of office space was most likely to be influenced by its location within a walkable urban location. For instance, the office premium was as high as 105% in New York City; 83% in Boston; 56% in Chicago; and 36% in San Francisco.”

They add that retail premiums also shot up in walkable areas, but that the markup varied by metro, as with office.

“For example, the markup for retail spaces in San Francisco’s walkable areas was 41%. Conversely, in Washington, D.C. it was 107%, while the premium was roughly 27% in Chicago.”

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Sector-Specific Challenges

The “Foot Traffic” report also pointed out that the distribution of CRE assets in “walkable” spaces varies widely by sector, saying: “Office has the highest concentration in walkable urban places by far (42.1% of all office in the largest 35 metro areas is in walkable urban places), followed by multi-family rental (30.4%), [and] retail (18.5%).”

They note that the relatively low walkability of retail space is partly the result of “the difficulty of building big box retail in walkable urban places” adding that some big companies are trying to adapt to the challenge and enlarge their footprint in these areas.

Long-Term Benefits

The report further emphasizes the vital role that walkable spaces are likely to play in future economic development, especially as carbon control and Environmental, Social and Governance (ESG) issues become ever more prominent.

Importantly, they add that many more of these spaces need to be developed in an accessible and inclusive way to reap long-term social and economic benefits.

A CRE Perspective

While it’s not news to anyone working in CRE how important ‘footfall’ is in determining value, having it laid out and ranked by metro certainly provides a fresh perspective.

