REBNY
Real Estate Board of New York

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MEASURING VISITATION RATES IN MANHATTAN OFFICE BUILDINGS -

ANALYSIS OF LOCATION DATA PROVIDES A MORE COMPLETE PICTURE

Placer.ai Location Data Demonstrates Significant Variation Between Buildings and Merits Closer Scrutiny

To date, much of the discussion of NYC's office visit and/or the rate of return to office has focused on estimating a single market average. Such headline rates have been helpful to gauge the direction of the overall market, and in fact show gains in workers being in the office from 2020 levels. However, a single rate does not capture significant differences between buildings. To get a fuller perspective, REBNY performed a preliminary analysis of Placer.ai location data. Results indicate that this location data provides a more nuanced and comprehensive picture of Manhattan's office building visitation rates.

Preliminary analysis of Placer.ai data in 2022 indicates*:

- Average building visitation rates in 2022 surpassed 60% of pre-pandemic baselines
- Visitation rates in nearly two-thirds of buildings exceeded 50% of pre-pandemic baselines
- Class A properties displayed stronger growth (66.3% average visitation rate) in comparison to Class B properties (53.6% average visitation rate)

Manhattan Office Building Visitation Rate

Compared to 2019 Baseline

All totals are based on Placer.ai location intelligence data for 250 office buildings from January to mid-December in 2021 and 2022, compared to the same period in 2019.

Click here to learn about our methodology.

Click here to go straight to the findings.

Introduction

New York City's office workforce, 1.62 million people as of Q3 2022, remains by far the largest office workforce in the U.S. This number is down only slightly from 1.67 million in 2019. Where those employees work, whether at home or at the office, is still in flux. This change in where office employees work has had a massive impact on New York City's economy and its office districts. Pre-pandemic more than one million workers commuted to Manhattan on a typical workday. These workers have been the core of the City's economic engine, its tax base, and its competitive edge in finance, media and information, real estate, technology, and other sectors. They are essential to cultural institutions and thousands of small retail businesses across Manhattan.

The pace of return to office by workers has been the topic of much debate during the last two years. Given the central role of the office sector in New York City's economy, this scrutiny is appropriate. Careful and precise analysis of the data is essential to informed policymaking.

For that reason, REBNY has begun monitoring data from Placer.ai, the largest provider of anonymized location intelligence data for the U.S. Based on this data, REBNY is in the early stages of conducting an in-depth analysis of the visitation rates of New York City office buildings. In this initial briefing, we explain why more comprehensive analysis of data is necessary, provide some initial findings, and suggest an approach to developing a better understanding of why building visitation rates vary widely.

More Granular Data Required to Reflecting Range in RTO Rates

Since the onset of the pandemic, Kastle's "Back to Work Barometer" and the Partnership for New York City's Return to Office Survey have both provided convenient gauges of market direction. Both metrics have shown gains in overall New York City office occupancy since the depths of the pandemic, with the most recent Kastle data for the New York City metro area around 50%. In addition, both Kastle and the Partnership for New York provide additional detail beyond their headline market average, with Kastle's data now providing daily averages showing significant increases in occupancy from Tuesday through Thursday.[1]

At the same time, the single high-level average has often been represented to be the definitive office building occupancy level in New York City. As this report finds, that is not necessarily the case, as a single market-wide rate does not capture the wide variance in visitations from one property to the next.

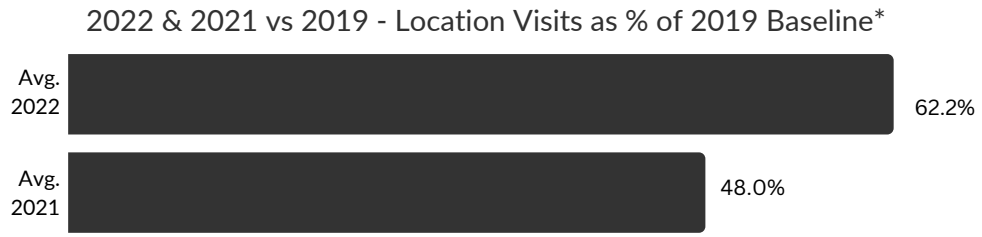
Using Placer.ai, REBNY is conducting a comprehensive analysis of building visitation and return to office rates. To be sure, REBNY's analysis of Placer.ai's location intelligence data is also not an occupancy rate. Instead, our recovery rates are based on building visitation rates in 2022 compared to the volume in 2019. Placer.ai's data enables REBNY to view location data for individual properties and to segment location data by days of the week, time of the day, and duration of the device visit. In this report, REBNY analyzes Placer.ai data in 250 office buildings that represent a diverse range of building types and tenant mixes.

In the coming months, REBNY will continue to closely monitor these trends to better understand office visitation and occupancy rates in 2023.

1 *As of February 8th, Kastle's Back to Work Barometer pegged New York's rate at 48.6%. This should not be interpreted as meaning that office occupancy in the Kastle buildings are 48.6% because pre-pandemic occupancy in buildings were almost always less than 100%. The pre-pandemic occupancy of office buildings was not consistently tracked but most owners and property managers anecdotally say occupancy was in the 70% range.*

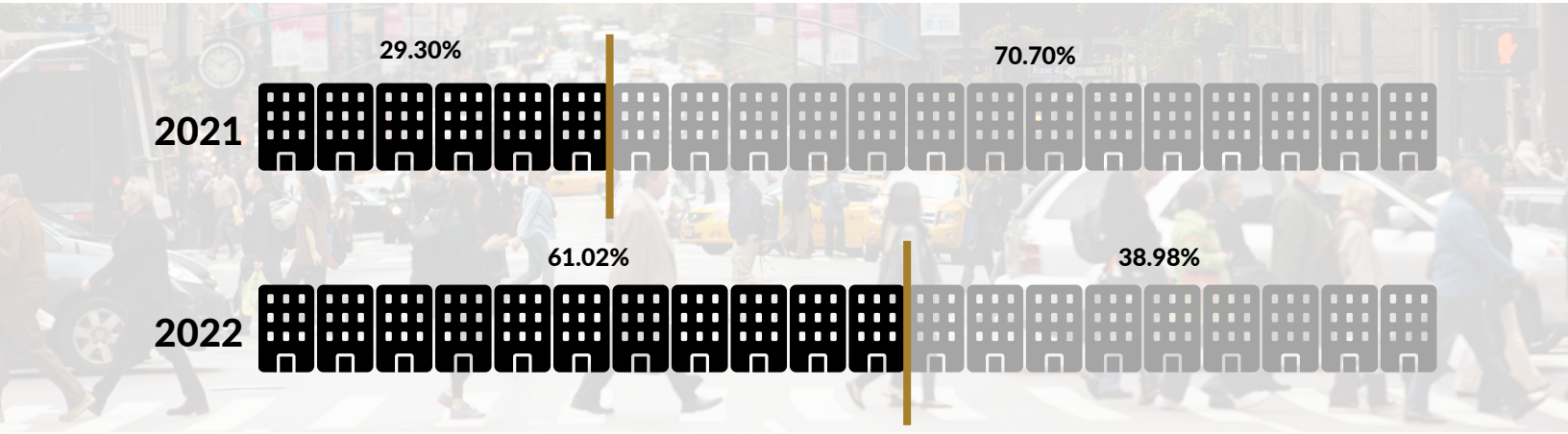
Preliminary Findings

Finding #1: Total location visit volume in 2022 averaged 62% of the volume during the same period in 2019. This is a significant improvement from the 2021 rate of 48%.



Once Omicron dissipated in the first quarter of 2022, office buildings registered material gains in building visitation over the course of the year. Buildings posted increases in visitation during late spring and following Labor Day, reaching over 60% of the 2019 totals in 2022.

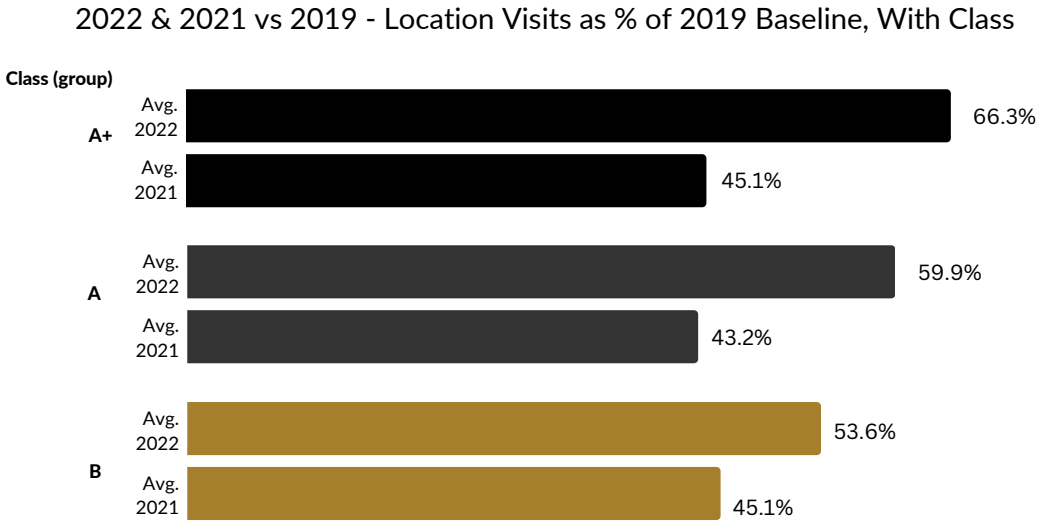
Finding #2: In 2022, 61% of buildings had visitation rates over 50% of 2019 levels.



REBNY's analysis shows that in 2022, most office buildings (about 60% of buildings sampled) had visits exceed 50% of 2019 levels. Moreover, 15% of buildings sampled saw visitation rates exceed 75% of 2019 levels. In comparison, in 2021, only 29% of these same buildings had recovery rates higher than 50%, underscoring the improvement in building visitation during 2022.

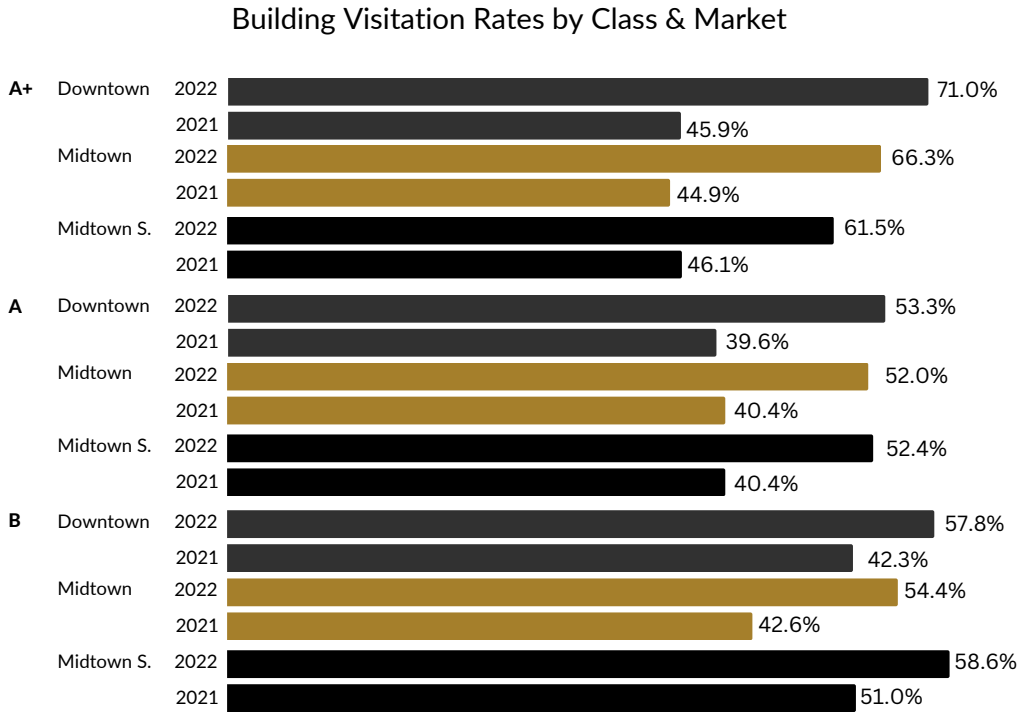
Finding #3: Higher quality buildings show consistently higher visitation rates: 2022 visit volume in Class A buildings is 60% of its 2019 levels, up from 43% in 2021; A+ properties surged even higher, rising from 45% to 66%.

Much has been made of the so-called "flight to quality" in office leasing during the pandemic. This trend is affirmed by the fact that visitation rates in A+ and A buildings are both well above the 54% rate in Class B buildings. Class A+ properties posted a larger increase from 45% to 66% from 2021 to 2022.



Finding #4: Prime Class A and A+ properties Downtown and in Midtown showed significant increases in visitation during 2022. In comparison, Class B properties in Midtown South posted less dramatic gains.

During 2021, visitation rates for A+ and A buildings in Downtown and Midtown were only slightly above Class B visitation rates. Over the course of 2022, visitation rates in Class A properties in Downtown and Midtown have surged well above rates for Class B properties. Visitation rates in Midtown's Class B sector posted a larger year-on-year gain than in Midtown South.

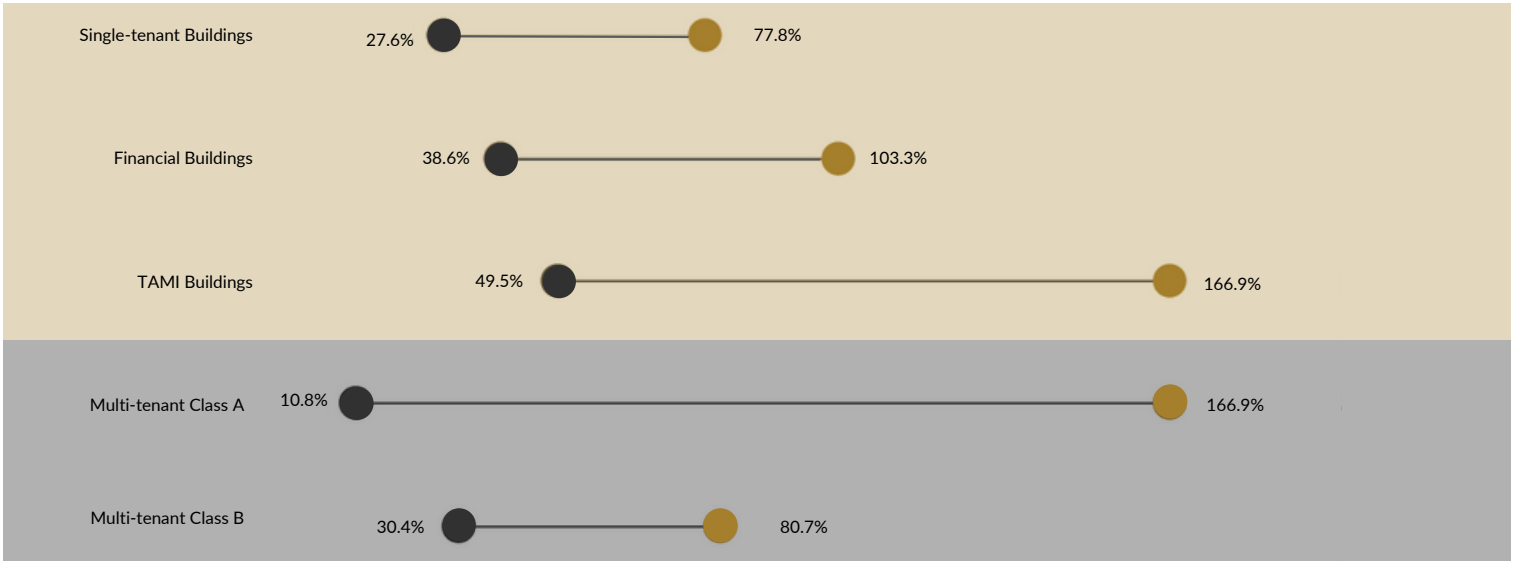


Finding #5: Based on Range of Visitation Rates Multi-Tenant Class A Properties Clearly Outperform Multi-Tenant Class B Properties

In addition to the variation in visitation rates due to building class and market location (Findings 1 through 4), visitation rates diverge based on tenant composition. For example, the range of visitation rates in buildings that are primarily leased to the financial sector or TAMI tenants is much wider than in single tenant buildings. This includes some buildings with rates exceeding their pre-pandemic baseline, largely due to significant tenant move-ins in the last two years.

The much tighter range in Class B visitation rates is also telling: the highest visitation rate was 81%, well below the top rate of 167% in Class A properties. In future reports, REBNY will explore how the movement of tenants to Class A properties is contributing to the divergence in visitation rate.

Range of Visitation Rates (Class & Tenant Composition) Compared to 2019*



**rates exceeding 100 percent are due to significant tenant move-ins since 2019.*

The variation in visitation rates can be tied to a long list of unique factors, including some explored in this report: submarket and tenant makeup, building class, year built, proximity to mass transit, or even building amenities. Explaining the variation in building visitation rates merits further analysis. A single building visitation or occupancy rate clearly does not capture the divergence in building performance and does not begin to explain the reasons underlying this divergence.

Conclusion

Beyond the implications for office property values and tax revenues, as well as quality of life, the number of people coming into the City's office districts has an important spillover effect on the rest of the economy. Indeed, the one million-plus office workers who commuted into the city (pre-pandemic) were essential to thousands of small store owners and the thousands of people they employed.

Given the number of office workers, a ten percent increase in office occupancy could represent a potential return of between 100,000 and 200,000 workers to the City's office districts. Some studies have suggested that office workers spend an average of over $6,000 per year on retail and services such as meals and dry cleaning.

In the coming months, REBNY will continue to monitor, analyze, and report on changes in return to office across the market.

Methodology

In this introductory report, REBNY focuses on location intelligence for 250 office buildings. Placer.ai leverages de-identified location data from a panel of 30 million mobile devices, upon which the company leverage industry-leading AI and machine-learning capabilities to make estimations about overall visits to any location.

Unless otherwise noted, total location visits for 2022 (January to early December) are compared to total device visits in the same period of 2019 and presented as a building visitation rate. REBNY also occasionally show the visitation rate for 2021 (also for January to December compared to 2019).

While Placer.ai data can be segmented by time of day, duration of device visit, and type of visitor (such as an employee), REBNY has not filtered total visits in this initial report but will in future analyses. Additionally, this analysis does not yet account for significant changes to particular buildings during 2019 to 2022, such as major move-ins or move-outs.

The 250 office buildings in the report represent a diverse sample of the various types of office buildings in New York City, including both Class A properties as well as Class B and C buildings in Midtown, Midtown South, and Downtown. They have a combined square footage of 180 MSF, representing roughly one-third of Manhattan's office stock. The building set also includes properties identified based on tenant occupancy, specifically those that are single-tenant, those primarily occupied by financial, and those leased to TAMI (tech, advertising, media, and information) businesses.

About Placer.ai: Placer.ai is a leading provider of accurate, reliable, accessible, and privacy-preserving compliant location analytics.

Building Class data gathered with the assistance of Newmark Research.