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URBAN ECONOMIES ON THE PRECIPICE: A TALE OF SIX CITIES

BOSTON, CHICAGO, NEW YORK, PHILADELPHIA, SAN FRANCISCO, AND D.C.

Boston isn't the only major city worried about post-pandemic recovery. Boston and the five other cities reviewed in this study face the same basic challenge – how to replace office worker-driven economies and manage the impacts of vacant office buildings in order to rejuvenate their downtowns. All six cities drive regional economies. They operate the nation's six largest public transit agencies by ridership. By seeing what's changed, the plans and experiences of these other cities could inform Massachusetts about which policies may work and on what schedule.

TAKEAWAYS:

THERE'S NO GOING BACK TO 2019

1. Office worker-driven economies in major cities are taking permanent hits as hybrid/remote work reduce downtown time and money spent. As office leases expire, more empty buildings will stress owners, local businesses, and city finances
2. Since March 2020 in these 6 cities, transit ridership is 20-40% lower, foot traffic is off by 50%, and WFH rates run between 25% and 45%, depending on industry composition
3. Office occupancy rates are half that of 2019. Even in cities with exceptionally high foot traffic such as Salt Lake City's [139%](#), a record-high vacancy rate of 21.8% in 2023 shows that hybrid work has decreased demand for office space virtually everywhere.¹
4. The problem will get worse: generative AI could disrupt 25% or more of U.S. jobs, further reducing foot traffic and the demand for office space

DURING COVID, THE U.S. ECONOMY'S CENTER OF GRAVITY SHIFTED SOUTH

1. Six southern states surpassed the 11 Northeast states (and D.C.) in gross state product in 2021, which was 3% lower in 2019 and now, just four years, runs 4.8% higher
2. Growth and total employment in IT and finance jobs in the 6 southern states now tops the Northeast
3. High housing costs, lengthy commutes, and tight labor markets drive relocation choices that favor smaller regions with cheaper housing choices and shorter drive times
4. Several federal programs target investments in underdeveloped places and regions² and major manufacturing initiatives, both of which skew economic growth towards the South and Midwest

¹ [Office market woes get worse – here's the latest](#), Luke Garrott, Building Salt Lake, April 17, 2023

² [Breaking down an \\$80 billion surge in place-based industrial policy](#), Mark Muro, Robert Maxim, Joseph Parilla, Xavier de Souza Briggs, Brookings, December 15, 2022



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GENERATIVE AI AND CLIMATE CHANGE – THE NEXT DISRUPTIVE WAVES – ARE HERE

1. COVID was just the first wave and the global impacts, while light years beyond anything imagined, are still unfolding
2. Generative AI is poised to disrupt work and the workforce. It could replace ~25% or more of U.S. jobs, further reducing the need for commercial office space
3. Heat domes, droughts, wildfires, air quality alerts, tornadoes, extreme precipitation events, floods, sea level rise, storm surge, with hurricane season about to start – climate change impacts are accelerating and enormously disruptive

IT'S A SPRINT, NOT A MARATHON – PRESERVE AND EXPAND INNOVATION IN MASSACHUSETTS

1. Three essential ingredients for success: Coordinate, Cooperate, & Promote
2. It worked before: the Life Sciences Initiative helped make Massachusetts the global leader. But unlike most other areas of emerging tech, the biotech sector is dependent on proximity to research institutions and lab space
3. The [SXSW](#) Approach– Selling Austin as a place to live, work, and invest. Considered one of the most important tech events on the global calendar, the 10-day conference and exhibition topped 300,000 attendees in 2023, 25% of whom were from outside the U.S.

THINK BIG, GO FAST, OR GET LEFT BEHIND

1. Build a comprehensive and collaborative system that helps people find public and private resources to expand entrepreneurship
2. Include elements of the Life Science Initiative, such as public matches of private investments, workforce training programs, and student participation
3. Create Events: a regularly scheduled platform that brings people together to share ideas, experiences, opportunities, and connections
4. Think big: scale to a state model that weaves food, music, art, and quality of life with innovation and entrepreneurship opportunities
5. Go fast: companies and people have plenty of choices; Massachusetts must promote and market its credentials to remain a global leader in talent and innovation