



Massachusetts
Taxpayers Foundation

The Future of Downtown Boston & Commercial Real Estate: Post-Covid Changes in Work-Life Patterns

February 2025

by **EBP**  for the Massachusetts Taxpayers Foundation



Economic Vibrancy in Downtown Boston



Post-pandemic changes in where work is done have far-ranging implications for the vibrancy of Downtown Boston

- The confluence of the COVID-19 pandemic and the emergence of technology enabling effective remote work has caused a dramatic drop in demand for office space and a shift in what employers need from their physical spaces.
- These changes have far-ranging implications for the social and economic vibrancy of Downtown Boston.

Prior to the pandemic, a **shortage of housing/affordable housing and transportation** were two of Boston's most pressing challenges to continued economic vibrancy.

These slides illustrate how post-pandemic trends in remote work, the concentration of office space downtown, the outlook for office utilization, and factors driving the level of remote vs. in-person work make these vulnerabilities even more acute.

Economic Vibrancy in Downtown Boston

This series of slides illustrates:

- Current conditions in Downtown Boston's commercial real estate market;
- Current trends in remote work and the stunning contrast with pre-2020 levels of remote work;
- Factors associated with higher levels of remote vs. in-person work; and
- Changes in office utilization patterns that help us anticipate future trends.

The accompanying technical appendix provides additional discussion and data sources.

Key Takeaways for Policy Action

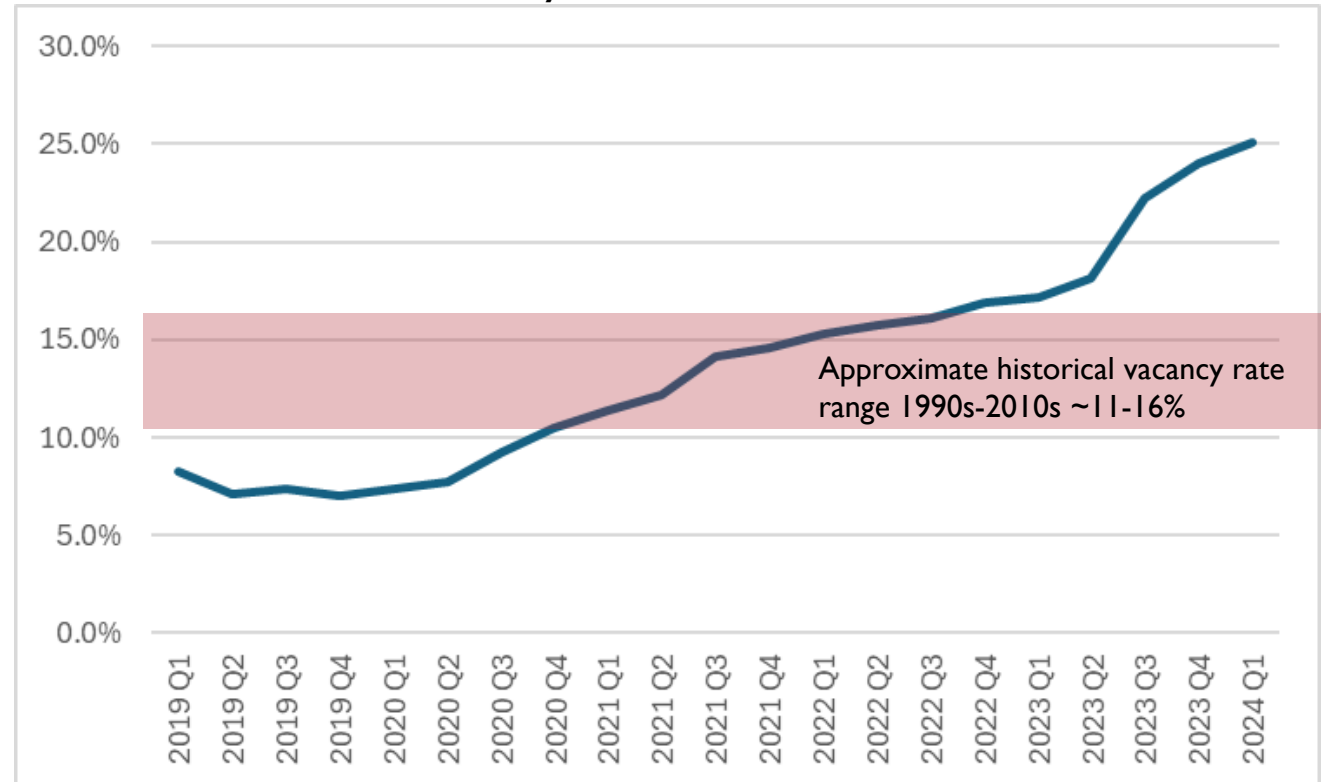
- The dramatic and enduring shift to remote work results in an estimated 80,000-125,000 fewer employee-visits to Downtown Boston each day.
- Longer commutes result in fewer in-office days: Each additional 12 minutes of commute time in the Boston Region is correlated with one less in-office workday.
- Nearly half of workers in the Boston region have a one-way commute longer than 30 minutes.



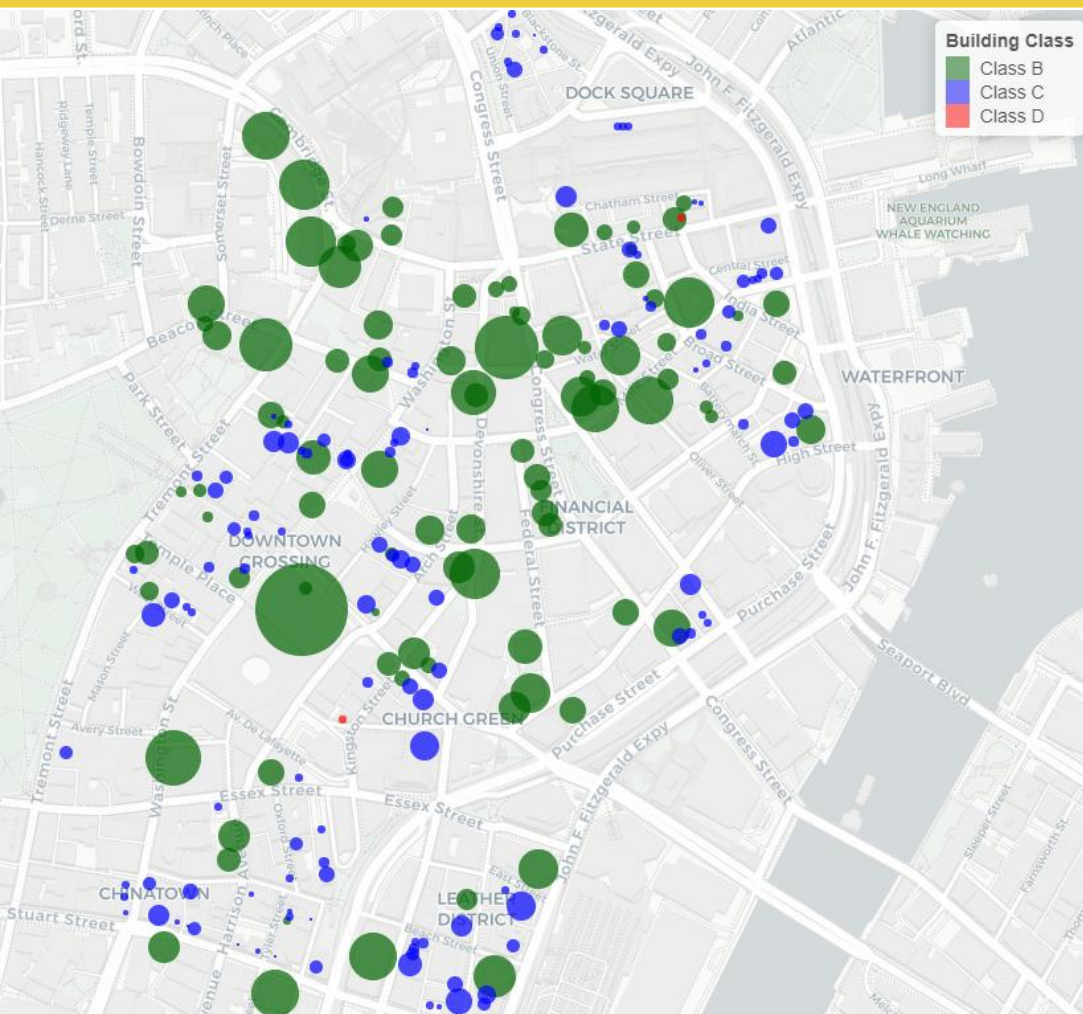
High Office Vacancy is Enduring

- Downtown office vacancy has continued to increase since the second quarter of 2020.
- Vacancy has exceeded rates experienced post-9/11 and 2007/08 financial crisis economic downturns.
- The pace of increase began to accelerate in 2023 as leases expired and office users downsized footprints.

Downtown Boston Submarket
Office Vacancy Rate, Q1 2019-Q1 2024



Office Vacancy is Even Higher for Class B/C/D Buildings



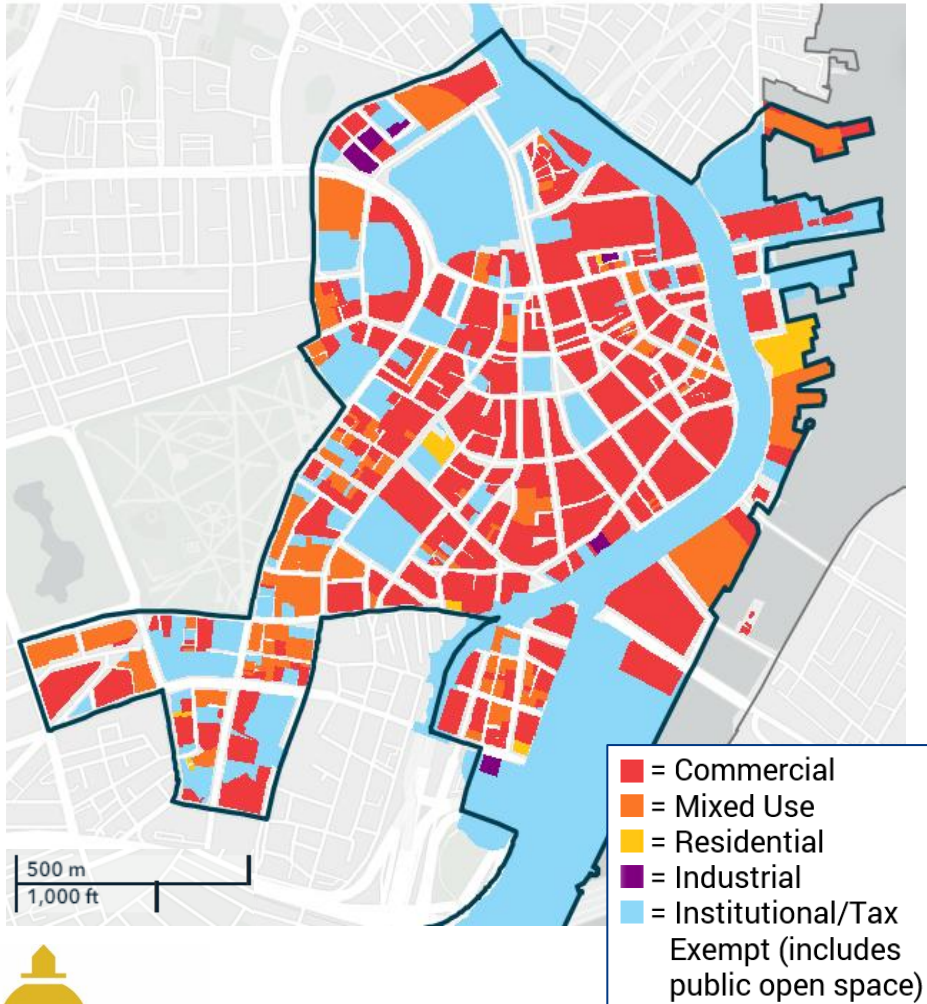
- Office users in Downtown Boston – and across the country – have consolidated in the highest quality buildings as companies try to lure workers back to the office with a high-quality work environment/experience employees can't match at home.
- Though vacancy is above “normal” levels for all classes of office space, it is particularly high in Class B/C/D buildings.
- High vacancy due to the evaporation of demand for second- and third-tier quality buildings makes them especially vulnerable to decline in value.
- Lower property values create risk for building owners/investors and the City tax base
- Areas of particularly high vacancy are especially vulnerable to a lack of “eyes on the street” that can lead to the perception of (or eventually, the reality of) decreased personal safety.



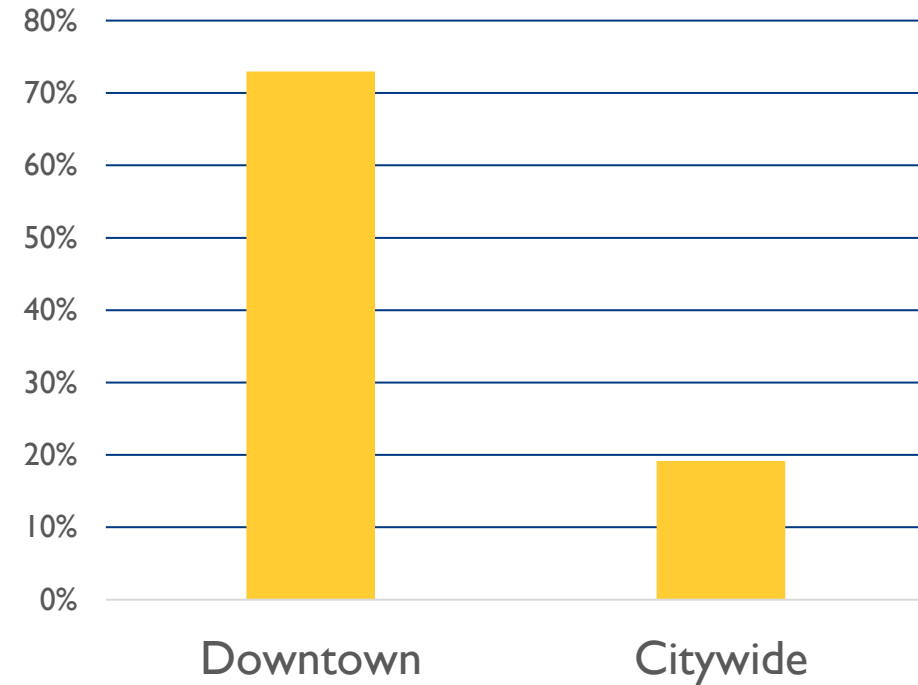
Location of Class B, C, and D Office Space in Downtown Boston

Downtown Boston is Almost Entirely Commercial Space

Land Use Map, FY 2023



Land Use Comparison:
Percent Commercial
(Office & Retail)

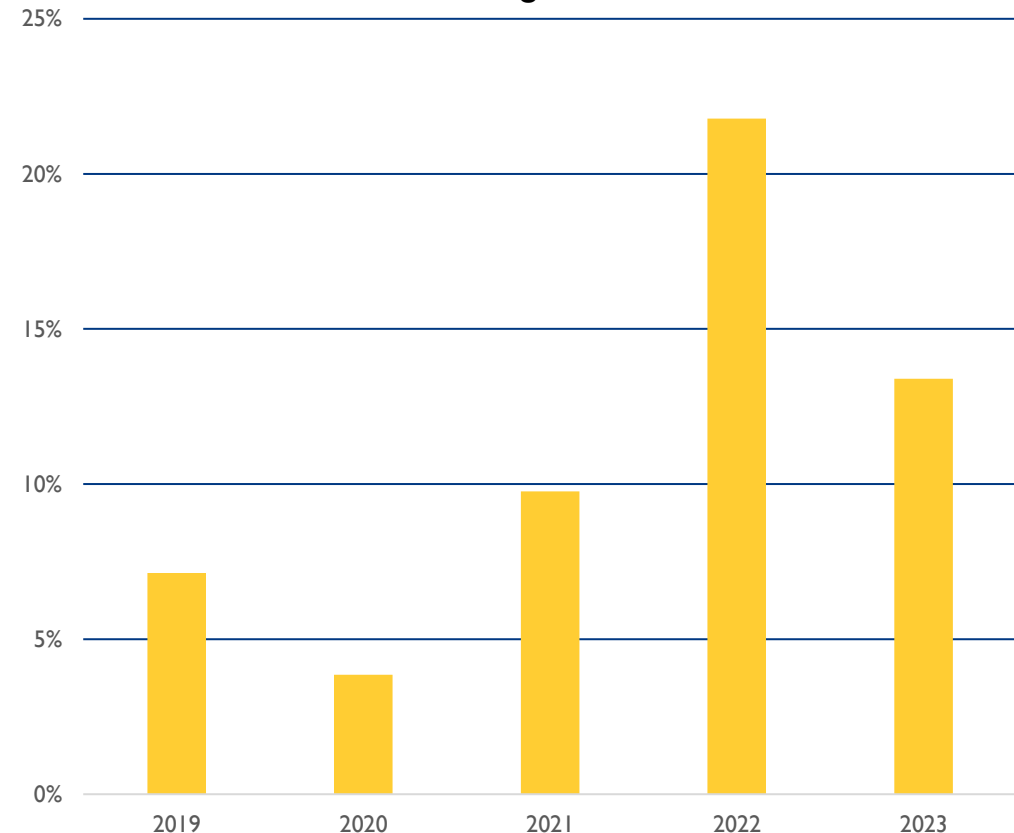


Demand for High Quality Space Has Increased Costs

High-quality office space helps promote in-person work which in turn helps support downtown vibrancy – but it comes at a cost to building owners/managers:

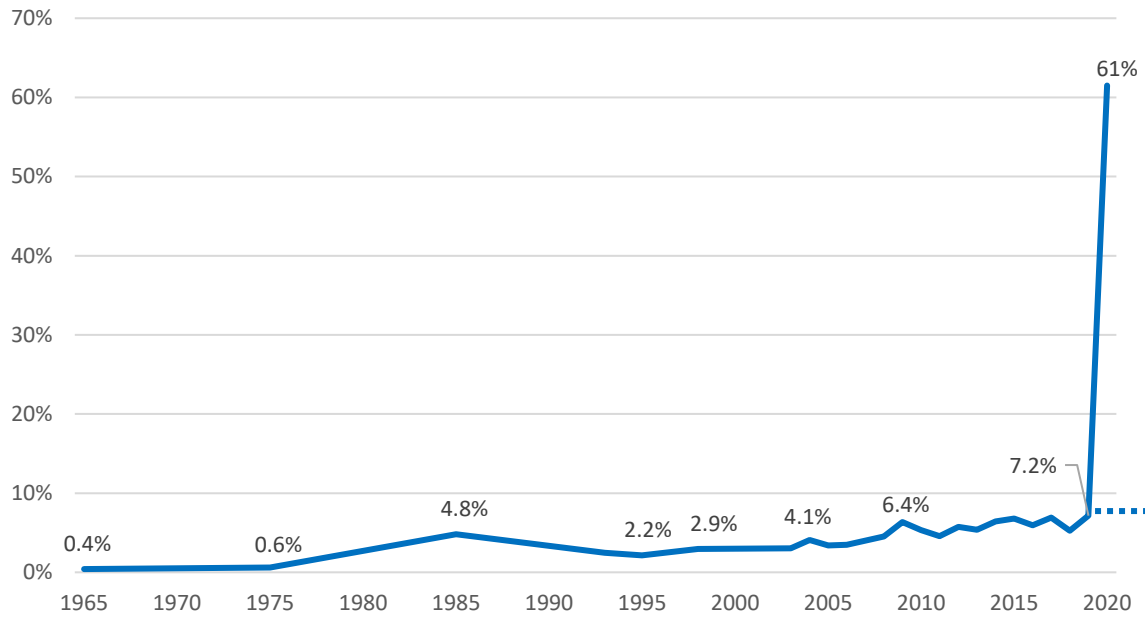
- To entice workers back to the office, businesses have shown strong preference for high-quality space in newer and newly updated, amenity-rich, high-rise trophy class and Class A buildings.
- To retain and attract tenants who seek this high-quality space, building owners are offering lease agreements with increasingly valuable concessions such as tenant improvement allowances and flexible lease terms.
- This represents a significant increased cost borne by building owners and property managers that is not offset by rents collected from tenants.

Increasing Cost of Lease Concessions
as a Percentage of Rent 2019-2023



The Increase in Remote Work is Dramatic

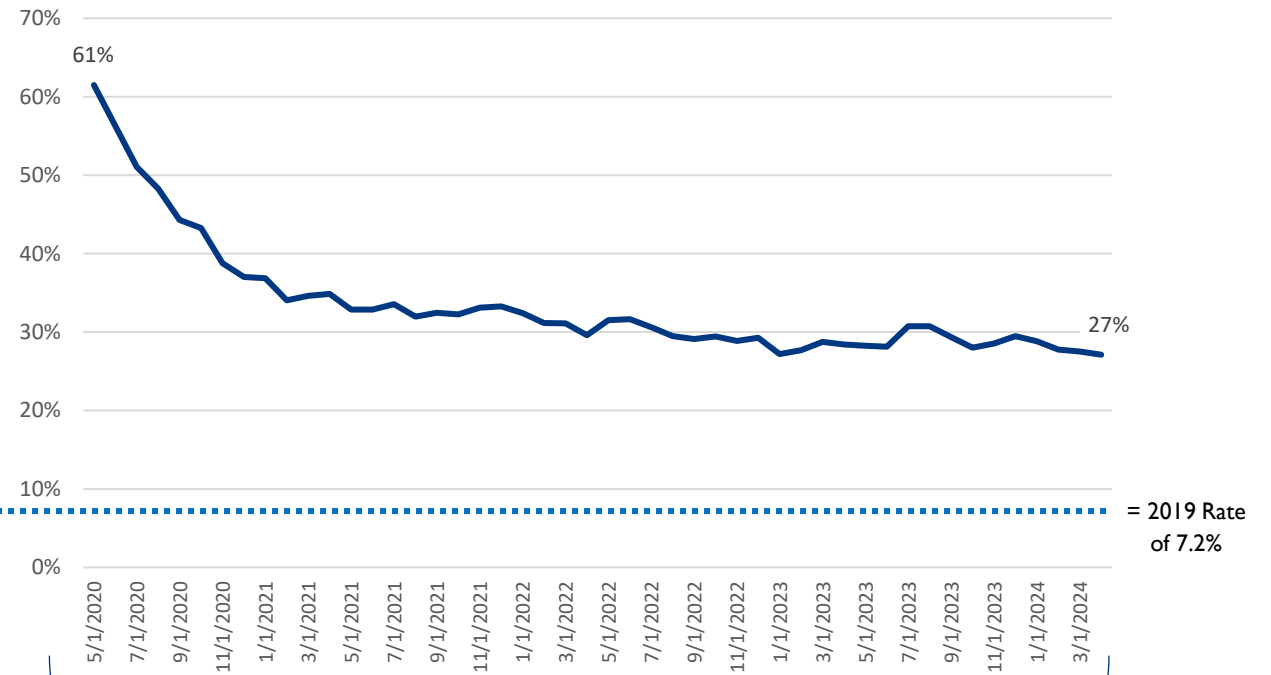
% of Full, Paid Workdays Worked from Home, U.S., 1956-2020 (Annual)



55 Years of Change

- According to the 2018 American Time Use Survey, less than a quarter of U.S. full-time workers ever worked, even partially, from home.
- In 2019, the national average rate of full days worked from home was just 7.2%.

% of Full, Paid Workdays Worked from Home, U.S., 2020-2024 (Monthly)



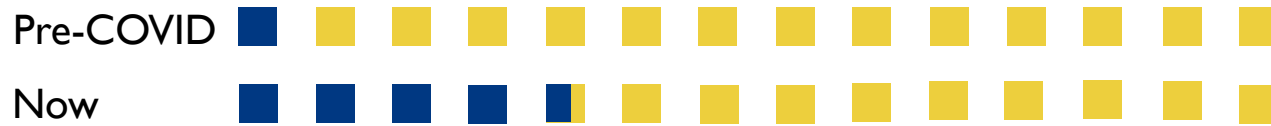
<5 Years of Change

- As of April, 2024, the national average WFH rate was approximately 27%
- Same month comparisons between 2022 and 2023 and 2023 to 2024 show very little change, suggesting that the current rate represents the “new normal”.





Days Worked from Home (All Occupations)

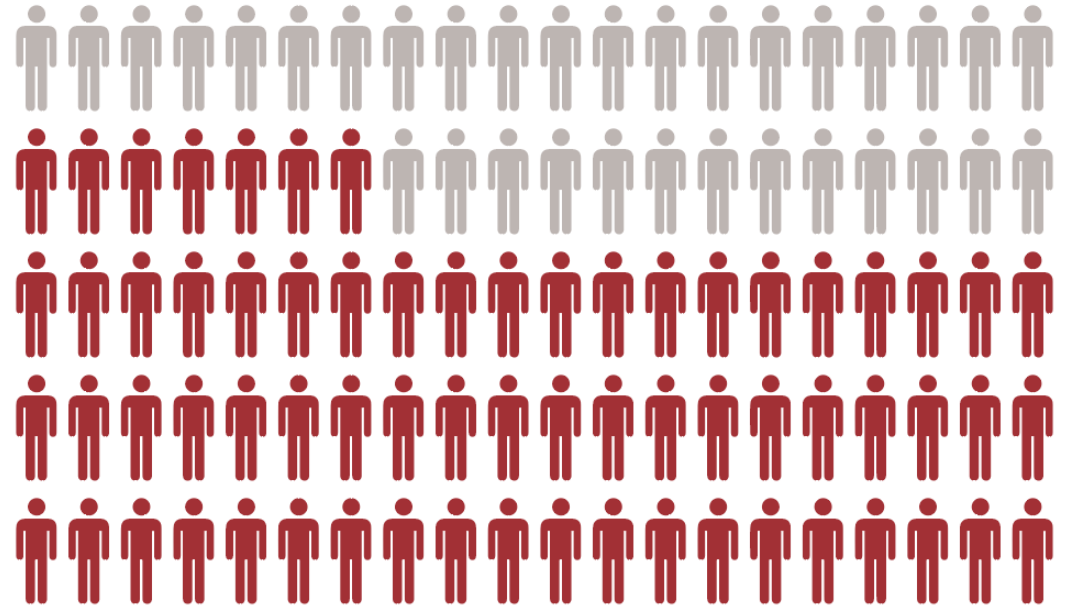
One way to conceptualize this new normal is that while in 2019, one in every 14 working days was worked from home, now it is more like one in every three working days.



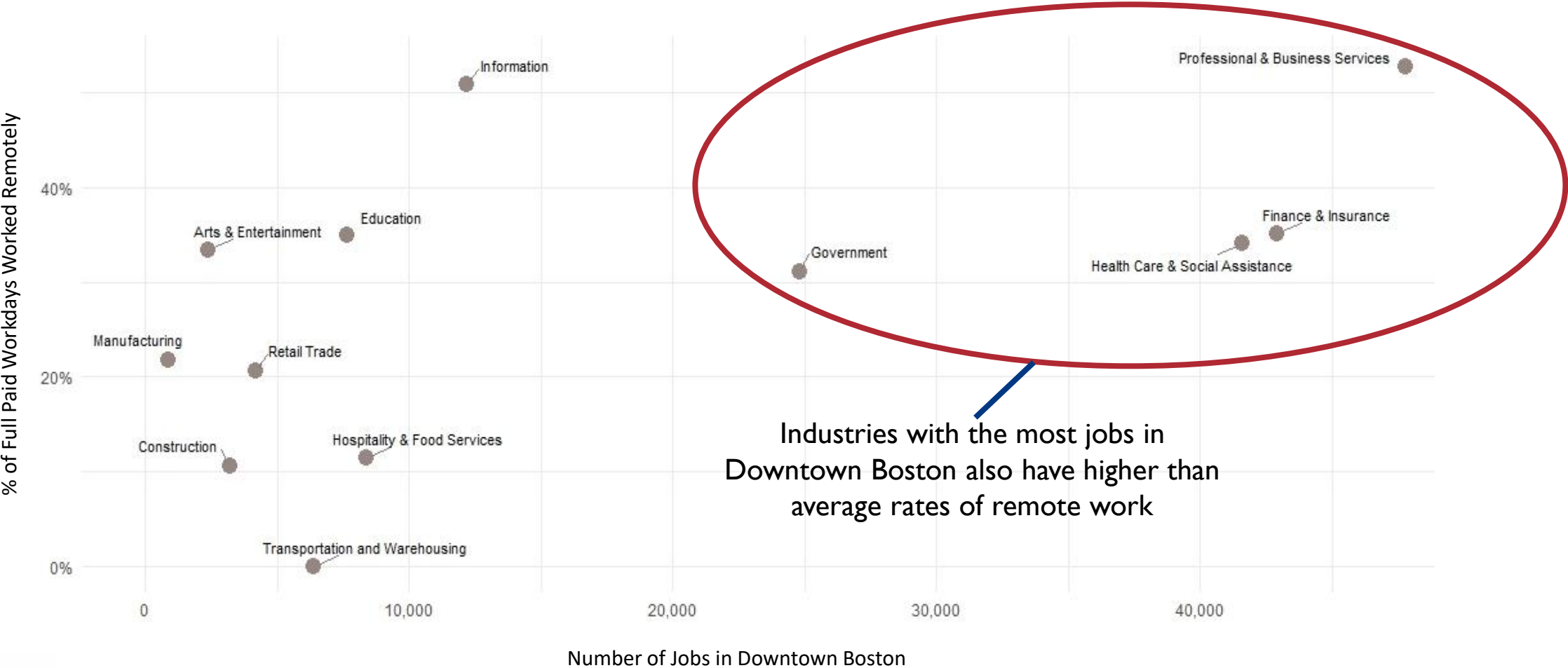
Key

-  = Working remotely
-  = Working in Downtown Boston

Another way to conceptualize the contrast is that for each 100 new employees hired by Downtown Boston firms, only 67 of them will be in Boston on an average workday.



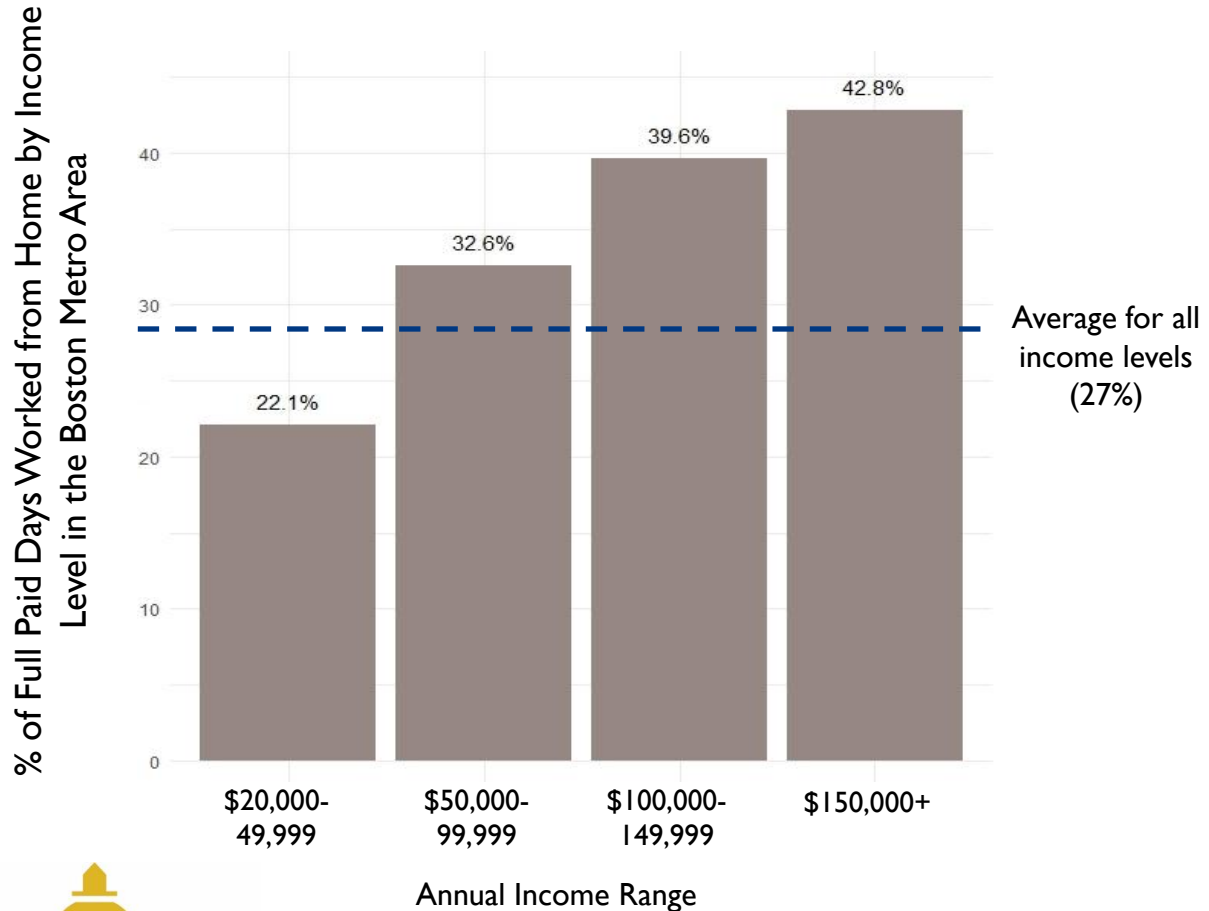
Remote Work by Industry



Industries with the most jobs in Downtown Boston also have higher than average rates of remote work

Remote Work by Income Level

Higher incomes are associated
with higher levels of remote work



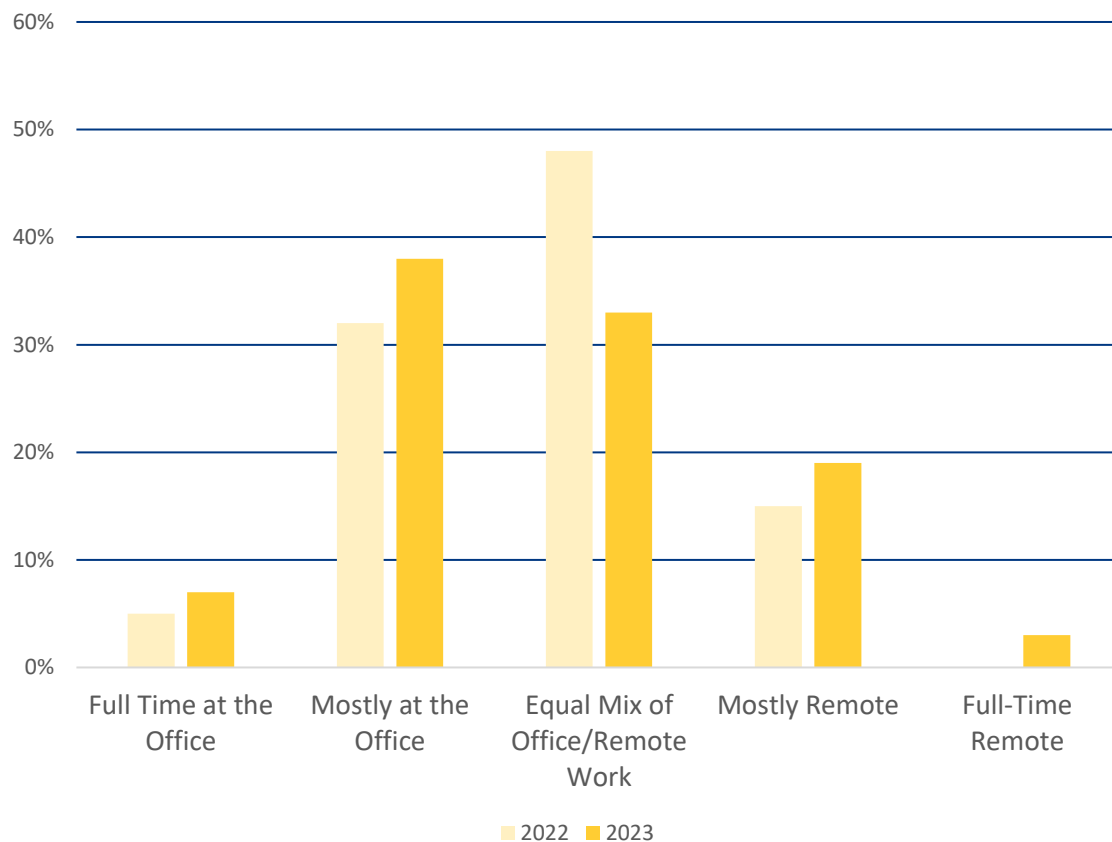
.... and Boston's Top Employers
are High-Wage Industries

Downtown Boston's two largest industries:

- Professional, Scientific & Tech. Services –
20% of downtown jobs
Wages 72% above average
- Finance & Insurance –
18% of downtown jobs
Wages nearly 2x higher than average

The Change is Even More Acute for Office Workers

Company Goals for In-Office Presence,
2022 vs. 2023



A 2023 survey of companies that use office space found that company goals for in-office presence are:

- Shifting *away* from equal mix of office/remote
- Shifting *toward* both greater and lesser in-office presence

This indicates goals for in-office work patterns that support sharing workspaces, but only nominally increase goals for in-person work

The Change is Even More Acute for Office Workers

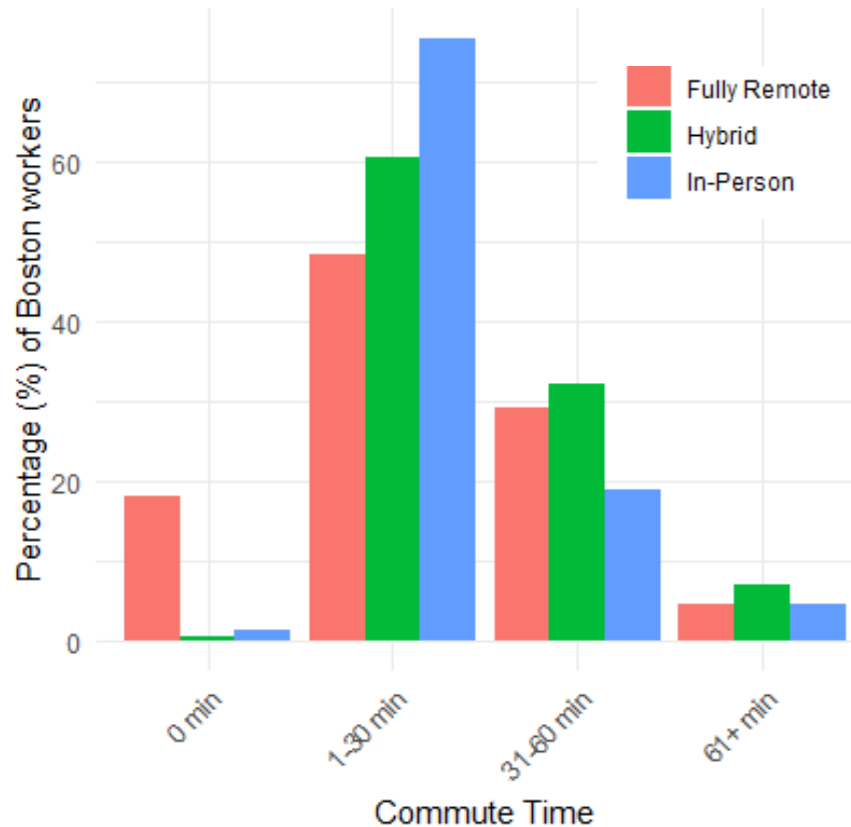
- The remote work patterns for workers in all occupations imply the **absence of nearly 80,000** employee-visits to Downtown Boston each day.

This loss is comparable to the entire population of a city the size of Cambridge

- The remote work goals that companies have for their **office workers** – the type of workers that dominate Downtown employment - implies the **absence of more than 125,000 employee-visits to Downtown Boston each day.**

Commute Time is Critical

Commute Times in the Boston Region by Fully Remote/Hybrid/In-Person Work Status



- Data from the U.S. Survey of Working Arrangements and Attitudes (SWAA) indicates that each additional 12 minutes of commute time in the Boston Region is correlated with one less in-office workday.
- Whether remote workers choose to live farther from their workplace or whether people who live farther from their workplaces choose to work remotely, the result is the same: Longer commutes result in fewer in-office days.

The fact that remote workers live farther from their jobs and more people than ever are working remotely has significant implications for downtown vibrancy.

Many Workers in the Boston Region Have Long Commutes

36% of workers in the Boston MSA have a one-way commute of **30-59 minutes**



12% have a one-way commute of **60 minutes or more.**



Nearly **HALF** of Boston area workers **commute 30 minutes or more** each way

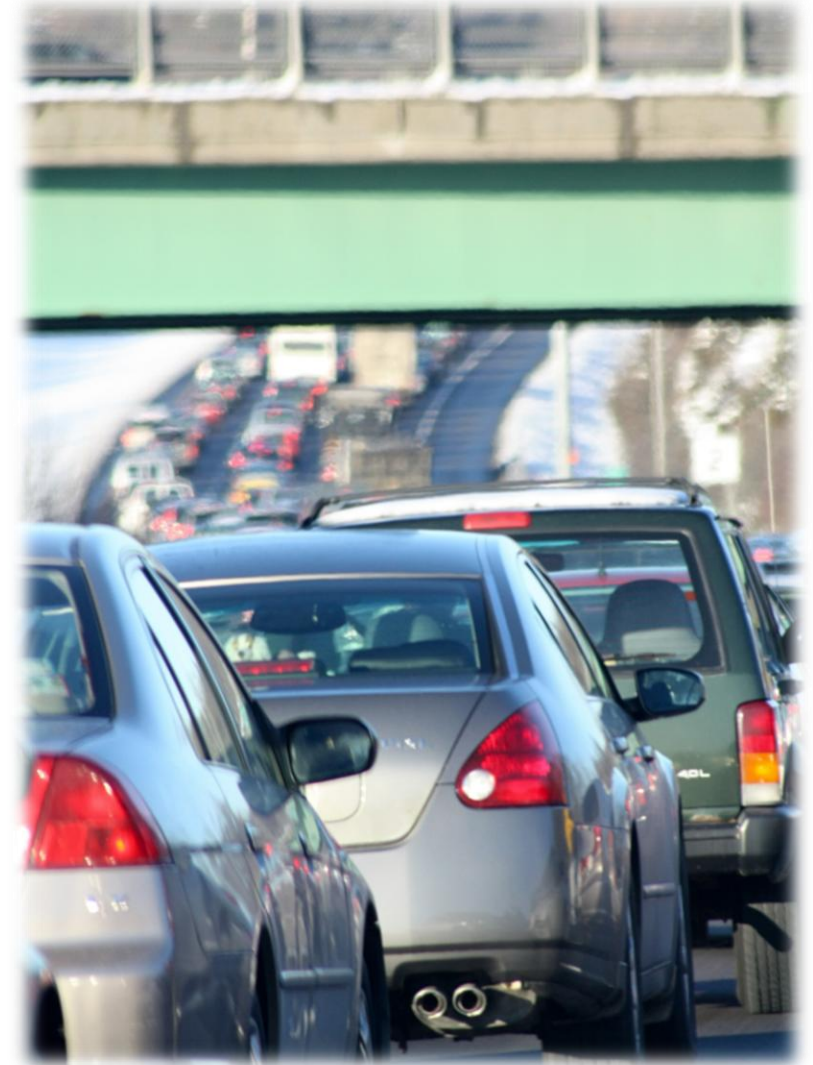


The inter-related issues of housing and transportation are the main contributors to lengthy commutes.

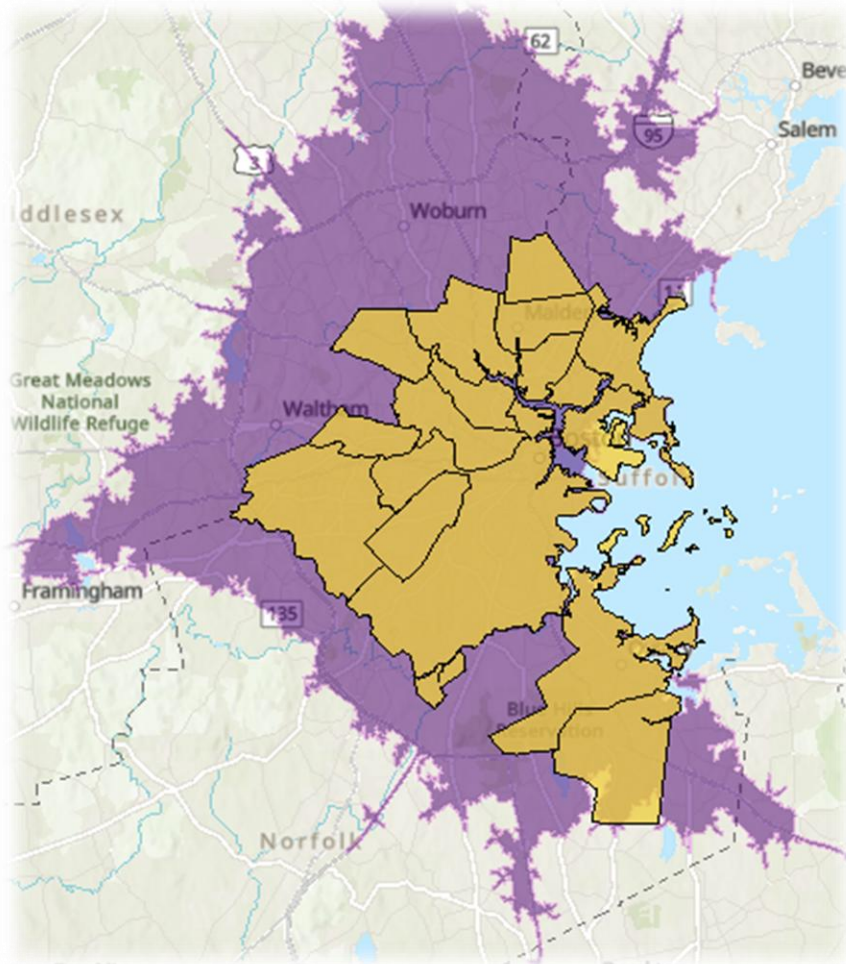
Many Workers in the Boston Region Have Long Commutes

The Impact of Congestion Delay for Road Commuters

- The INRIX 2024 Global Traffic Scorecard ranks Boston 12th out of nearly 950 urban areas analyzed worldwide for hours of congestion delay, and 4th among U.S. cities.
- In 2024, Boston drivers lost an average of 79 hours per driver per year to congestion delay, a decrease of 10% over the region's 2023 delay of 88 hours.
- Seventy-nine hours is a little over 20 minutes per working day, which implies **about 1.6 days per week worked from home due to congestion** that otherwise would be worked in person.



Housing Shortage



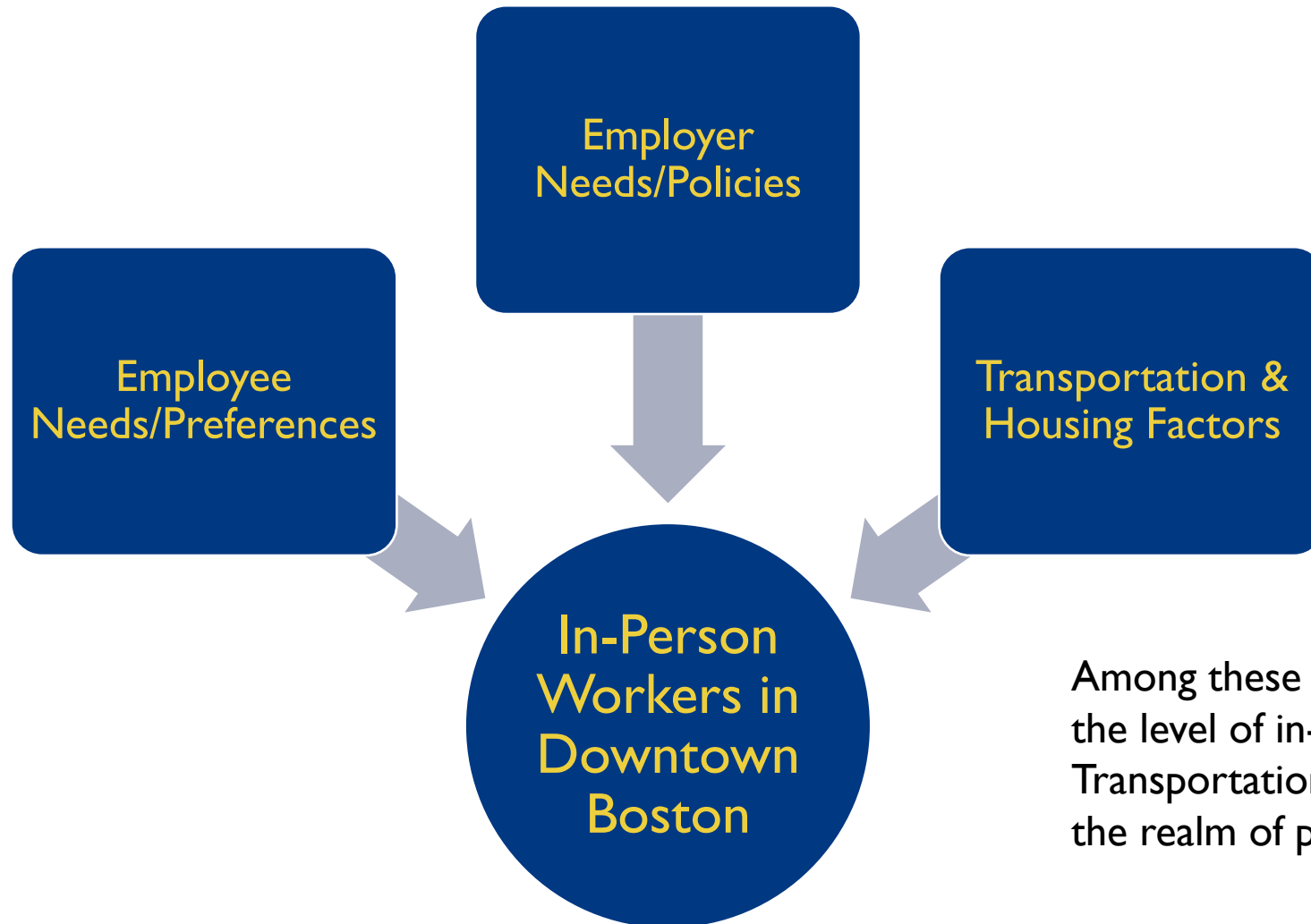
■ Metropolitan Mayors Coalition Jurisdictions
■ 30-minute 1-way drive time from Downtown Boston

“Housing remains one of, if not the most critical issue facing Greater Boston”

-- MAPC’s Metro Mayors Coalition Housing Task Force, April 2023

- From 2010 to 2018, the 15 cities that comprise the Metro Mayors Coalition’s Boston Region:
 - Added 110,000 new residents
 - Added 148,000 new jobs
 - Permitted ***only 32,500*** new housing units
- The Coalition established a goal of adding ***185,000 housing units between 2015 and 2030*** to meet current and future demand
 - Permitting/production has fallen well short of this target every year since the goal was established.
 - By the end of 2021, only 50,400 units had been permitted – ***less than 60% of the units needed*** to remain on target to meet the 2030 goal.

Primary Drivers of In-Person vs. Remote Work



Among these three key elements driving the level of in-person work, only Transportation & Housing are squarely in the realm of public policy

How to Protect the Vibrancy of Downtown Boston?

These slides have underscored that:

- Transportation is even more critical to the vibrancy of Downtown Boston than it was pre-pandemic;

and

- Diversifying Downtown land use with housing to bring workers closer to work and promote 24/7 activity is even more critical to Downtown vibrancy than it was pre-pandemic.

These are two of Boston's most persistent challenges and represent long-term solutions.

- High levels of office vacancy and the dramatic drop in the number of people drawn to Downtown Boston have created challenges that require immediate- and medium-term interventions.
- These challenges include:
 - Reduced commercial building values;
 - The potential for commercial building foreclosures;
 - Lack of new construction downtown to attract workers and residents;
 - Decrease in property tax revenues to support needed municipal services;
 - Public safety issues (real or perceived).