July 2023

The New York City Office Recovery

Dive into the data to explore the emerging work week in Manhattan's big skyscrapers and throughout the Big Apple's very different neighborhoods.

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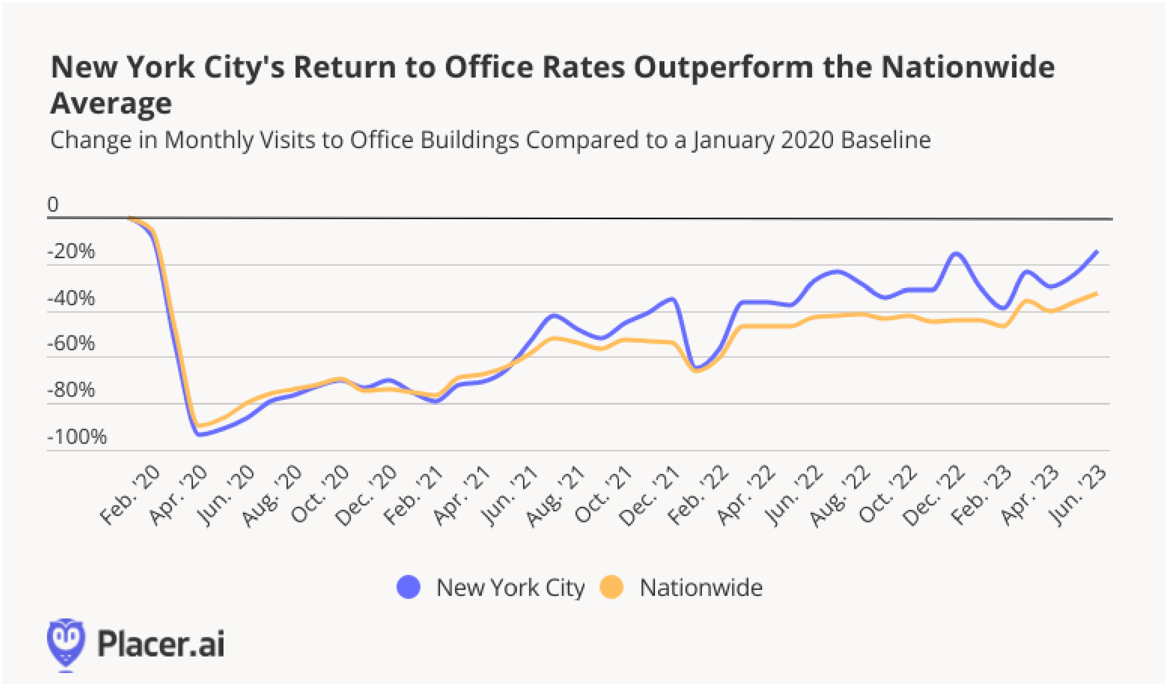
As the debate about remote work rages on, companies are wielding ever more creative blends of carrots and sticks to lure workers back to the office. But is the return-to-office push driving change on the ground?

We dove into the data to explore office recovery trends in Manhattan, the beating heart of the nation's financial and business worlds. How does New York City's office recovery stack up against the nationwide baseline? What does the Manhattan work week really look like? And what trends can be observed in the city's very different neighborhoods?

Manhattan Office Visits: A Bird's Eye View

Remote work has clearly taken its toll on Manhattan, with emptier office buildings and streets costing the city a reported $12.4 billion a year. Businesses across industries – from real estate firms to hotels and restaurants – are feeling the ripple effects of the decline in worker foot traffic.

Still, the city known for its exceptional resilience has experienced greater office recovery than many other urban centers nationwide. Over the past four months, visits to Manhattan office buildings in our New York City Office Index increased significantly in comparison to a January 2020 baseline. And while Big Apple office foot traffic remains well below pre-pandemic levels, New York City's office recovery has outpaced the national average since June 2021. (The Placer.ai New York City Office Index analyzes foot traffic data from 72 major office buildings concentrated in Midtown and Lower Manhattan. Placer.ai's Nationwide Office Building Index analyzes visits to 800 office buildings nationwide).



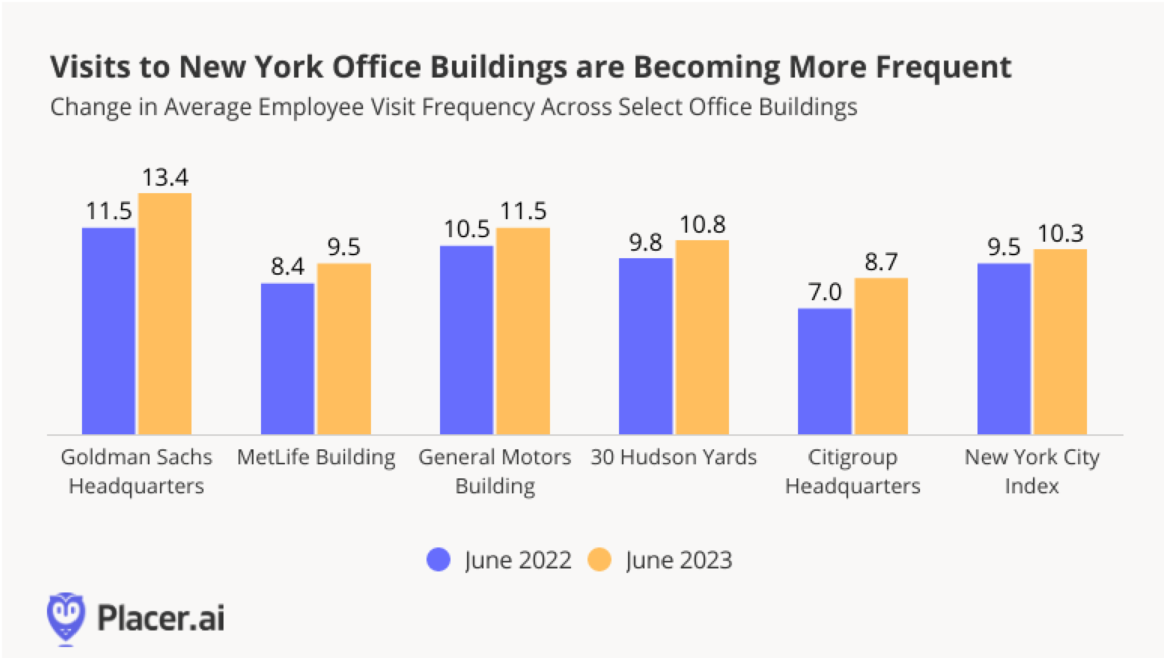
Increased Visit Frequency

Drilling down into the data for leading Manhattan office buildings shows that the impact of accumulating return-to-office mandates is beginning to be felt on a local level.

In October 2022, Goldman Sachs' CEO David Solomon – known for his firm opposition to remote work – announced that about two thirds of the company's workforce had returned to the office. And indeed, a look at employee foot traffic to the company's headquarters in Lower Manhattan reveals a 16.5% increase in the average frequency of employee visits between June 2022 and June 2023.

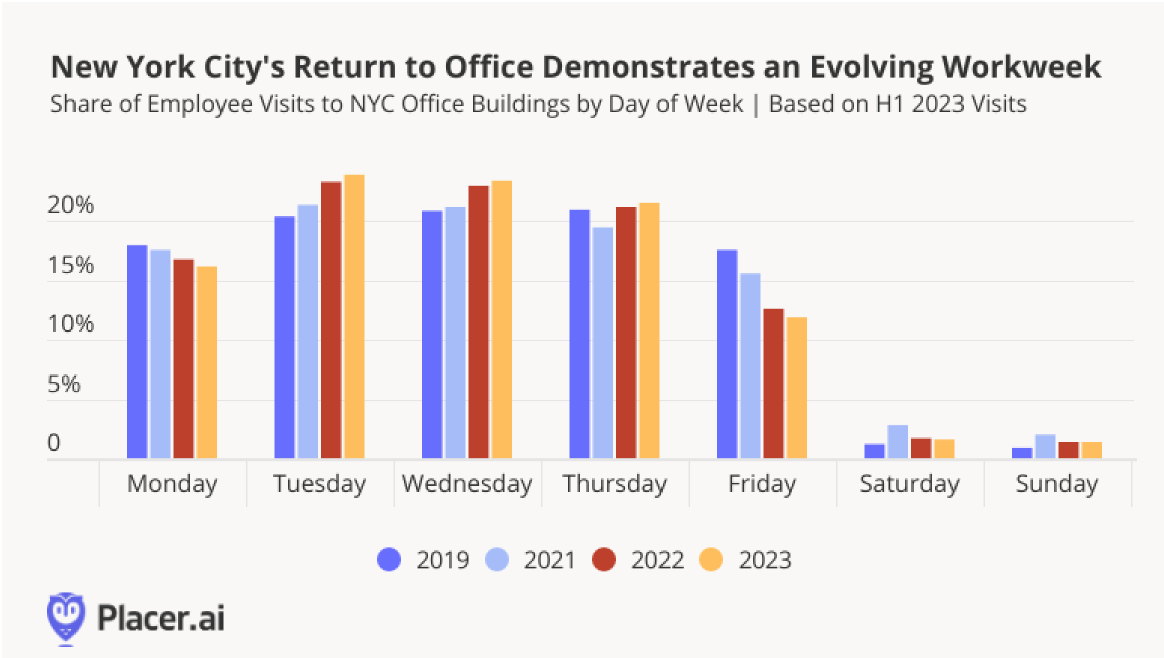
Goldman Sachs Headquarters in Lower Manhattan.

Citigroup, which famously embraced flexible and hybrid work, has also begun to more strictly enforce its partial in-office policy, cracking down on employees that don't come into the office at least three days a week. And in June 2023, the company's Lower Manhattan headquarters saw a 24.3% increase in the average frequency of employee visits compared to last year. This trend can be observed in major office buildings across the city: Our New York City Office Index shows a 8.4% increase in the average frequency of employee visits between June 2022 and 2023.



Tuesday: The New Monday

Still, this increase in visit frequency, while significant, has yet to seriously challenge the new hybrid normal which has taken root in Manhattan and other major cities nationwide. Data from our Office Indexes shows that increasingly, remote-capable employees are concentrating in-office visits midweek and working from home on Mondays – and especially Fridays. Tuesdays have emerged as the new start of the week, when employees have to kick themselves out of bed, ditch their soft pants, and show up at work in person. And on Fridays, many offices see much lower attendance.



A Neighborhood Perspective

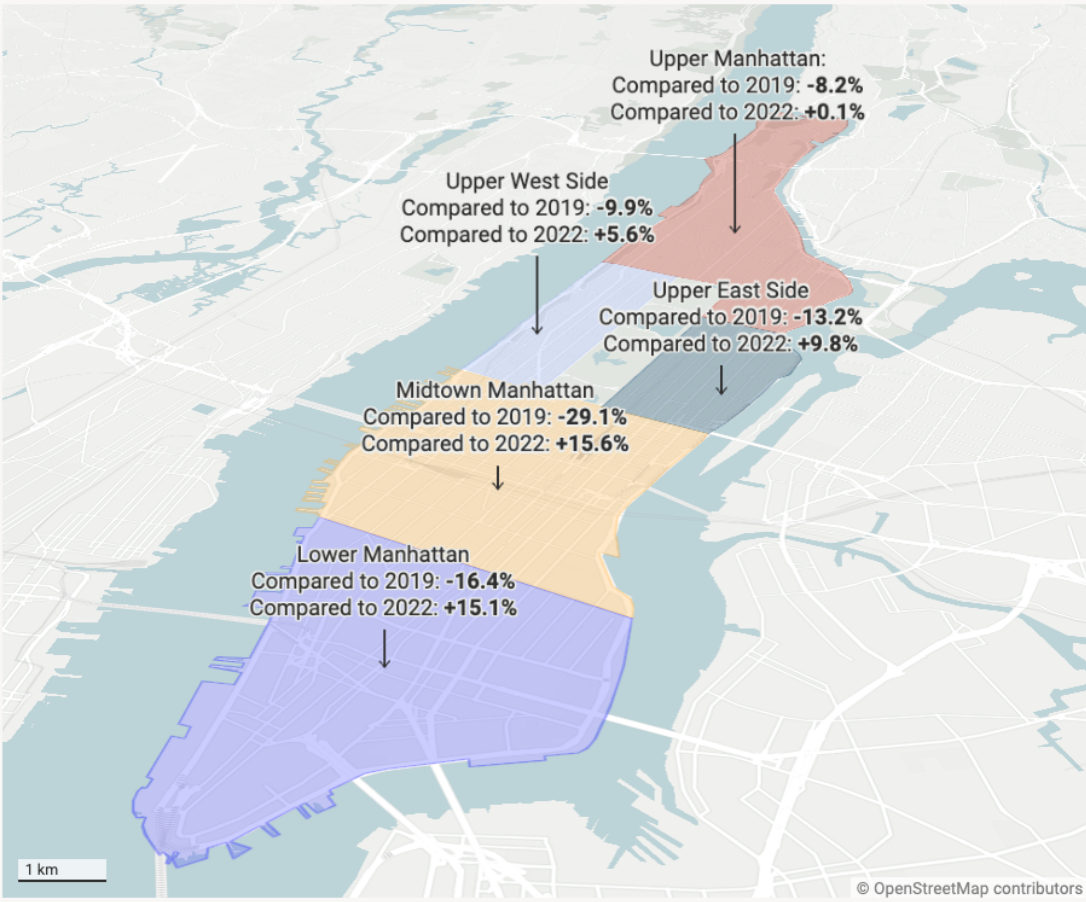
Hyperlocal Variations

But Midtown and Lower Manhattan skyscrapers only tell part of the story. New York City, with its rich tapestry of interwoven neighborhoods and subcultures, has been called the “biggest collection of villages in the world.” And perhaps unsurprisingly, each Manhattan neighborhood has followed a distinct recovery trajectory.

To gain a more holistic understanding of employee behavior outside major office buildings, we defined each Manhattan neighborhood as a point of interest, or POI, and analyzed visits by local workers to the neighborhood as a whole. The five POIs analyzed – Lower Manhattan, Midtown Manhattan, The Upper East Side, The Upper West Side, and Upper Manhattan – are shown on the map below.

Weekday Visits by Workers to Manhattan Neighborhoods

Q2 2023 Compared to Q2 2019 and Q2 2022



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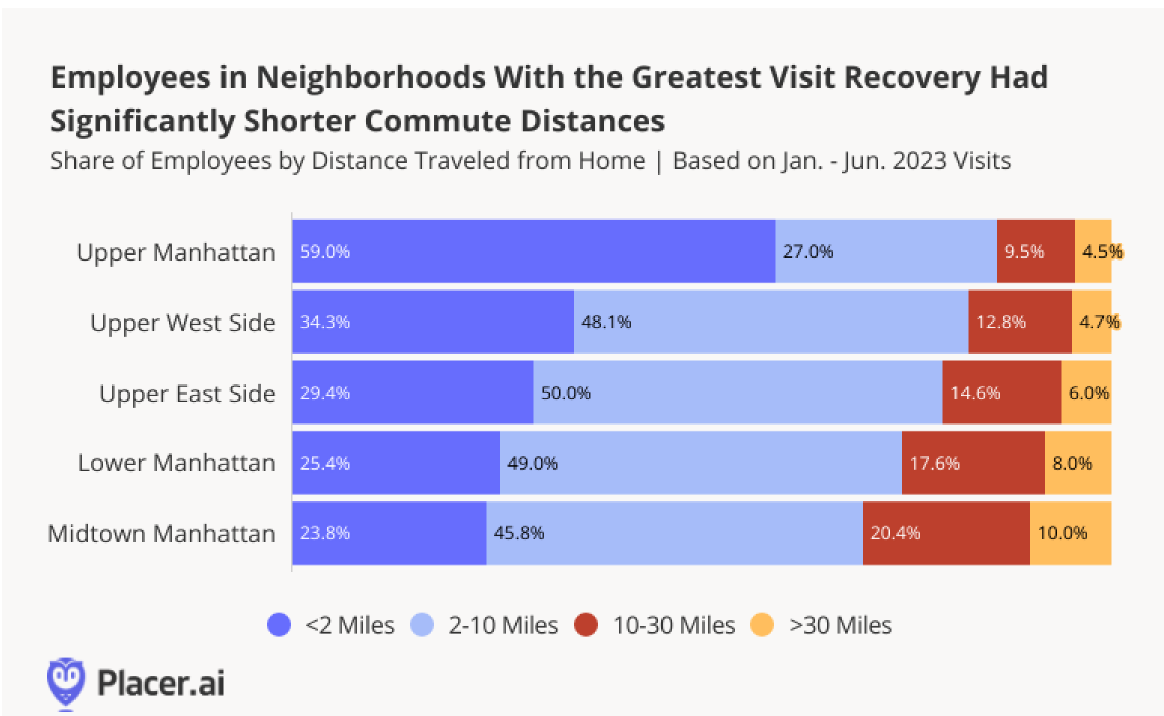
Midtown and Lower Manhattan, the city's main business and financial districts, saw the slowest recovery, with the Yo4Y weekday worker visit gap throughout the neighborhoods standing at 29.1% and 16.4%, respectively. At the same time, the two districts saw the greatest year-over-year (YoY) increase in worker foot traffic, perhaps driven by the increase in visit frequency discussed above.

At the other end of the spectrum lay Upper Manhattan, where weekday foot traffic by local office workers was only 8.2% lower than it was in 2019. With fewer big office buildings and a plethora of hospitals, Upper Manhattan appears to boast a higher concentration of jobs that have to be done in person.

Commuting Distances Aligned With Recovery Patterns

The variance in worker visit recovery rates across Manhattan neighborhoods is likely driven by a myriad of factors, including the industries that dominate each region. But one factor that also appears to be at play is the distance employees have to travel to get to work.

Once again, Midtown and Upper Manhattan represent the extremes. In Midtown, some 10.0% of employees live more than 30 miles away – compared to just 4.5% of employees in Upper Manhattan. On the flip side, nearly 60.0% of Upper Manhattan workers live within two miles of the neighborhood they work in, compared to just 23.8% of employees in Midtown. In other neighborhoods too, commuting distances appear closely aligned with Yo4Y visit recovery trajectories.



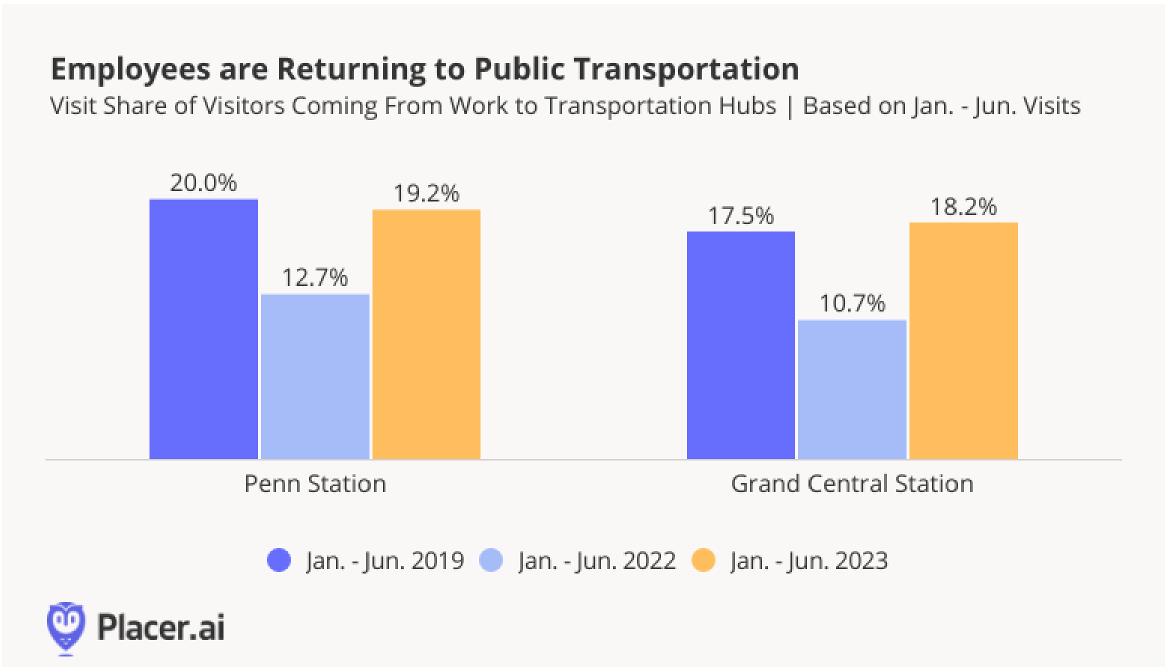
Back to Braving the Crowds

During COVID, people who could afford to do so stayed away from crowded public transportation hubs. New York City subway usage dropped precipitously, particularly among higher-income residents that could telecommute or drive to work on their own. And although turnstile data indicates that a subway recovery is underway, usage has yet to bounce back to pre-pandemic levels.

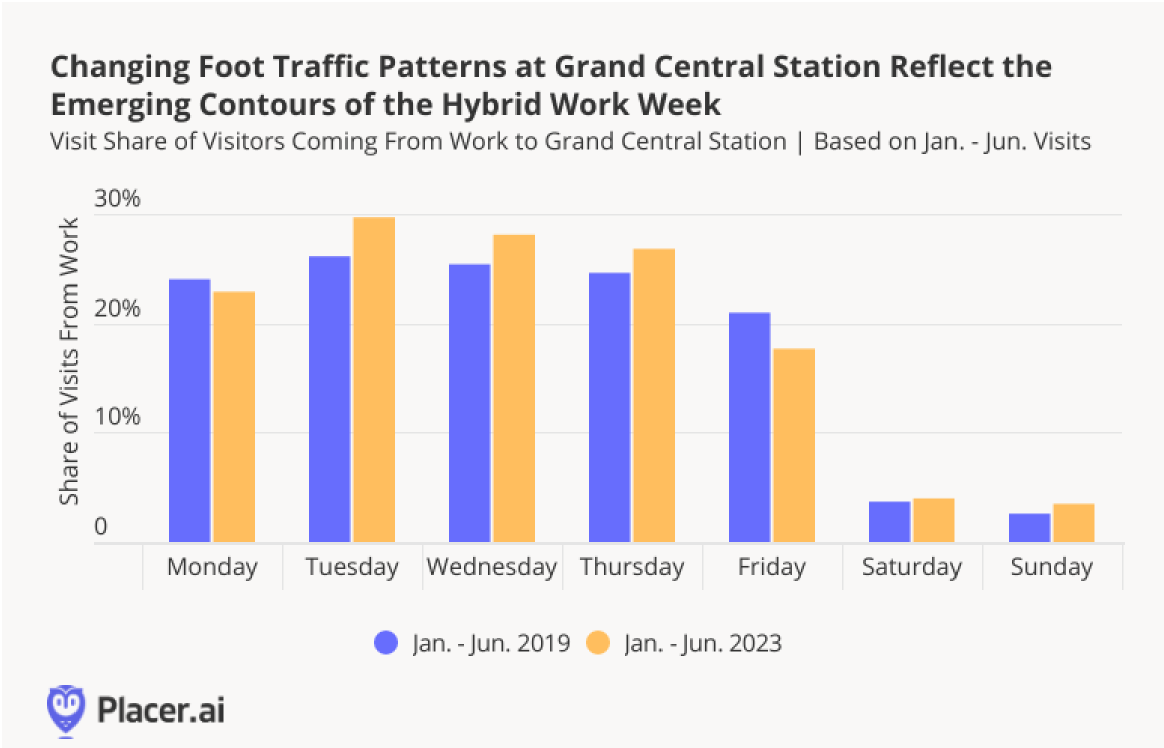
The overall drop in worker visits to the city since 2019 is likely a key driver of the continued decline in public transit use. But an analysis of cross-visitation patterns between workplaces and two of Manhattan's largest public transportation hubs shows that many of those commuters that are coming into the city are back to taking the train.

Pennsylvania Station, New York City

During the first half of 2019, 20.0% of visits to Penn Station were by people coming from work – a share that dropped to 12.7% in H1 2022. But by H1 2023, the share of visits to Penn station originating from workplaces rebounded to 19.2%. Grand Central Station showed a similar pattern.



And delving further into the data for Grand Central Station shows how commuting patterns have come to mirror the contours of the new hybrid work week discussed above. While overall, the 2023 share of visits to Grand Central from workplaces slightly exceeded 2019 levels, there emerged remarkable differences between days of the week. On Wednesdays and Thursdays – and even more so on Tuesdays – people coming from workplaces accounted for significantly greater proportions of visits to Grand Central Station in 2023 than in 2019. And on Mondays and Fridays there were noteworthy dips in the share of visitors coming to the terminal from work.



What Happens at the Office Doesn't Stay in the Office

When it comes to office recovery, employers and workers aren't the only ones with skin in the game. The impacts of employee work patterns reverberate throughout communities nationwide, affecting everything from domestic migration trends to the health of local municipalities, real estate markets, and businesses.

As New York City continues to navigate to the new hybrid normal, it will be increasingly important for all relevant stakeholders to understand employee work patterns on both a micro and macro level.

Key Takeaways

1. **The Manhattan office recovery continues to outpace the nationwide average.** While foot traffic to New York City office buildings remains

significantly below 2019 levels, the recent uptick in visits may indicate the start of a more accelerated recovery.

2. **Employees are making more frequent visits to New York City office buildings than they did last year**. Downtown and Midtown employees appear to be responding to return-to-office mandates by coming into the office more often.

3. **The new hybrid work week has taken root in the Big Apple.** In Manhattan, like in other major cities nationwide, remote-capable employees are increasingly concentrating visits midweek, and working from home on Mondays and especially Fridays.

4. **There are significant differences between Manhattan neighborhoods**. Employee visits to Upper Manhattan have rebounded to just over 90.0% of pre-pandemic levels. Visits to Midtown, on the other hand, are just about 70.0% of what they were four years ago.

5. **Trains are back**. People coming from workplaces account for a greater share of visits to Penn Station and Grand Central Station than they did in 2022. Visit share from workplaces at both public transportation hubs is either nearly at or slightly above 2019 levels.