

Boomerang Migration:

Will People Leaving the City Come Back?



“Men come and go, cities rise and fall, whole civilizations appear and disappear—the earth remains, slightly modified.”

—Edward Abbey, *Desert Solitaire: A Season in the Wilderness*

Throughout the pandemic, business leaders across industries have made predictions around the future of the office and the recent ebbing of urban populations. Many of these forecasts are based on research showing that in most cities, people have not fully returned to the office, while others have moved from densely populated areas to secondary or suburban markets.

Although we are still dealing with a pandemic that fuels pessimistic predictions, taking a step back and looking at the decades of available data and research about cities and the office may lead to different conclusions. Cities have faced difficulties in the past, but they have bounced back. To quote real estate titan [Sam Zell](#):

“Well, I’m almost 80 years old, and so I only have the benefit of maybe five or six times dealing with the prediction that New York was done for. And I never believed any of those, and I don’t believe it now.”

Will major population centers experience a significant post-COVID recovery? Is boomerang migration to and from cities an inherent part of how they evolve over time?

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Sam Zell

Chairman
Equity International

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Urban Evolution

An aerial photograph of a city street intersection. The street is paved with white lane markings and crosswalks. Several cars are visible, including a yellow taxi and a white car. Buildings with grid-like window patterns line the street. A green horizontal line extends from the end of the title 'Urban Evolution' across the page.

From 1950 to 2019, Baltimore's population fell from 950,000 to 593,000. Detroit's fell from 1.85 million in 1950 to 670,000 in 2020. In contrast, Austin grew from 132,000 in 1950 to 914,000 by 2016; Charlotte's population went from 142,000 in 1950 to 2.1 million in 2021.

COVID-19 accelerated many existing trends, but one of the most significant is the movement of people from dense cities to suburbs and from older cities on both coasts to Sun Belt markets in the southeast, southwest and Texas. The pandemic also led to a rise in remote work, and many people have yet to return to the office completely.

While it's true that some cities and office buildings may never reach pre-pandemic absorption numbers, many will see resurgences and novel opportunities for revitalization.

What the Data Tells Us

CBRE analyzed data from the U.S. Postal Service and discovered a disproportionately high rate of migration from dense coastal cities, particularly San Francisco and New York, to cities like Dallas, Charlotte and Austin, accelerating trends that existed prior to the pandemic. One trend the data didn't show, however, was an enormous increase in demand for self-storage space.



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Since the middle of April 2020 through December 2020, our [self-storage] rents were actually up 18%... And despite having significant supply built over the last five years, the supply has not only been absorbed, but we're at our record high occupancies... People are buying and selling homes and moving, and the mobility has been also another user base.

Liz Schlesinger

Founder & CEO
Merit Hill Capital

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The USPS data also lacked a demographic breakdown of those who moved and are likely to move back. However, we have data pointing to the long-term resiliency of cities. Millennials: Myths and Realities (2016), asked millennials in 12 countries where they live and why. A key finding of this pre-Covid report was that most millennials preferred to work and live in major cities. Our study also found that as life stages changed—particularly adding a partner or children—preferences shifted toward less-dense locations.

Highly educated people (who drive office demand) move to big cities at disproportionate levels. To be sure, cities like Austin, Charlotte, Denver and Nashville also have substantial numbers of this educated cohort. However, big cities provide not only high-quality talent, but also quantity—New York City's metro area has over 20 million people while Austin's has just over two million.

In his book *The City: A Global History*, urbanist Joel Kotkin analyzes the agglomeration effect of major cities—that is, their ability to attract top talent and employers—and its subsequent impacts on long-term urban resiliency and growth. The attractive elements of urban centers that combine to reinforce this effect include high population density, great infrastructure, world-class restaurants and widespread access to art and culture. While this also occurs on a smaller scale in up-and-coming areas of mid-sized cities, the agglomeration effect is apparent throughout cities like San Francisco, Los Angeles, New York, Boston and Chicago, as they offer an expansive range of opportunities for residents and businesses alike.

Vital Amenities and Improvements

Concentrations of capital in cities make it easier to bring metro spaces up to the standards of the modern office than in less well-funded secondary or tertiary markets. But what type of capital expenditure will be required to meet post-Covid standards? Throughout the pandemic, CBRE interviewed employers multiple times on the key components of improving employee experience and satisfaction, including additional health and safety measures like fresh air, touchless technology and outdoor amenities.

Authors Joseph G. Allen and John D. Macomber were prescient in publishing their book *Healthy Buildings: How Indoor Spaces Drive Performance* immediately before the pandemic. The authors recommend changes that make a building healthier and quantify how these changes will directly improve employee productivity. Until recently, the inability to measure effects on productivity of these building upgrades caused most corporate real estate executives to focus instead on cost, which is easy to quantify when compared to productivity.

According to Lisa Picard, CEO of Equity Office Properties and owner of the Willis Tower in Chicago:

“This is definitely a pre-pandemic trend that definitely is coming in strong post-pandemic. And people call it the flight to quality. But what I believe we’re seeing is this desire for a differentiated product, and a differentiated product is partially this fascination and fixation for new.”

Going beyond innovations in property technology, “a differentiated product” also includes the increased importance of ESG (Environmental, Social and Governance) considerations for buildings, as well as the expansion of ESG outside the office sector and into industrial and retail. These changes are a necessary part of the evolution of cities to make them more resilient against unanticipated world events and the shifting priorities of investors, employers and their employees. Detroit provides a hopeful illustration of the ebb and flow of the major American city. Once a preeminent example of urban decline in the 20th century, Detroit is experiencing a renaissance of converted downtown hotels, along with the development of Ford’s innovation center in the old Michigan Central Station.

Despite growth in secondary markets, the density of leadership and talent in core markets is undeniable, and younger workers (especially new college graduates) are more likely to gravitate toward the professional and social possibilities offered by big cities. Although the definition of “workplace” is expanding beyond the office to include employee homes, flex spaces and digital platforms like Slack or Zoom, great cities still afford more opportunities than their smaller counterparts.



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Lisa Picard
CEO
Equity Office Properties

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The Bottom Line

Although some of the recent data around major cities can appear pessimistic, urban centers remain an economic driver and attract the best and brightest people, organizations and investments. Cities or submarkets with a heavy concentration of certain industries may take longer to recover than others post-pandemic, but large population centers still offer people the most meaningful opportunities to live, work and play.

According to the Harvard Business Review, “Great companies focus on productivity, not efficiency.” Hybrid work will no doubt change the nature of how often people are in offices, but the best employers and employees will continue to flock to the areas that make them more productive. And that is—and always will be—modern workplaces in dense cities.

Contacts

Spencer Levy

Global Chief Client Officer and Senior Economic Advisor

CBRE

+1 617 912 5236

spencer.levy@cbre.com

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