



Post-Covid Reality Reshaping Urban Areas

Four years ago, COVID was in the initial phase of impacting life in the United States. And in 2024, the post-covid reality is continuing to reshape many aspects of our lives, including real estate in urban centers. Cities throughout the U.S. are trying to figure out how to redefine their downtowns because of the “donut effect,” where people and businesses are abandoning city centers and flocking to suburban areas and beyond. Unfortunately, cities that had thought of their downtowns as only central business districts are and will continue to be, in a whole lot of pain.

Specifically, long-haul COVID effects and mandates changed where people worked. It also changed where they lived – with many moving not just down the road but across the country. Third, it changed where individuals shopped, as online shopping skyrocketed. Those three behavioral changes dramatically impacted three classes of real estate—office, residential, and retail.

While no one has a crystal ball to accurately predict when urban areas will become popular again, if ever, it seems this shift is here to stay. According to Zip Recruiter, hybrid is the “new normal,” which naturally shifts the dynamics of urban centers. According to real estate and investment firm CBRE, the U.S. office vacancy rate hit a 30-year high of 18.2% in 2023. In fact, more office space is currently sitting empty in the United States than at any point since 1979.

Furthermore, the largest U.S. cities, with more than 1.5 million workers, experienced a drop of 80% in trips to the central business district during the pandemic but now have stabilized at 60% of pre-pandemic levels. New York, for example, saw more than 80% of trips to the central business district reduced, although commuting trips have stabilized at about 40% of the pre-pandemic level.

But so many vacant offices have a wide-reaching ripple effect, such as loss of tax base for cities and available parking sitting empty. To put in perspective, a vacancy rate of 5%-8% would be normal for a typical proforma but 18% is a nightmare of enormous proportions.

As of January 2024, several major technology companies, including Google, Amazon, Meta, and Apple, have implemented return-to-office mandates requiring employees to be in the office three days per week. Mandates such as this one further reinforce city centers will continue to see less activity than before COVID hit. In terms of ripple effects, imagine a restaurant owner in Philadelphia who now has 40% fewer breakfast and lunch patrons. The current policy for federal employees is that they must show up one day a week in the office or work remote eight out of 10 days in a pay period.

Impact on Parking

When discussing how remote work has shifted urban landscapes, most of the emphasis is on real estate, specifically offices. One other area feeling the effects of changing metropolitan areas are parking lots and garages.

The entire parking industry is projected to pull in about \$144 billion in 2023, yet many in the industry worry about demand declines.

E-commerce has dealt a blow to brick-and-mortar retail, the rise of ride-hailing has eliminated the need to park in many cases, and post-pandemic work trends have meant fewer people drive into urban areas five days a week, if at all.

The U.S. federal policy requiring staff to work one day per week is clear when reviewing aerial photographs of major federal campus parking lots, which are mainly sitting vacant.

There are many reports indicating that no matter how you measure it, the U.S. is awash in parking. According to some estimates, there are as many as six parking spaces for every car. Put it another way—America devotes more square footage to storing cars than housing people. It takes up as much land as Connecticut and Vermont combined. Devoting this much land to parking makes housing more expensive and hurts the environment.

To stop creating so much unused parking, the City Council in Austin, Texas, recently proposed something that could seem like political Kryptonite: *eliminating parking minimums*. From Austin to Anchorage, U.S. cities are opting to ditch their off-street parking minimums. The amendment sailed through the Council making Austin the biggest city in the country to eliminate its parking mandates citywide.

Some experts think the U.S. has used its land wastefully like a drunk lottery winner that squandered his newfound wealth. The country has literally paved paradise and put up a parking lot.

Paving paradise has created major consequences: parking creates sprawl and makes neighborhoods less walkable. It is also no secret that asphalt traps heat and creates runoff. Parking minimums can add major costs to building new housing. A single space in a parking structure can cost \$35,000 - \$50,000. One 2017 study found that including garage parking increased the cost of housing units by 17%. According to Tony Jordan, President of the Parking Reform Network, the real problem is what does not get built. The housing that could have gone in that space or the housing that was not built because a developer could not put in enough parking means fewer homes for people.

Another point of view is from Jonathan Levine, a professor at the University of Michigan, who says that cities' parking minimums can make good transit nearly impossible to develop. In fact, a survey by the Pugh Charitable Trust found that 62% of Americans support property owners and builders to make decisions about the number of off-street parking spaces instead of local governments.

Levine also indicates that having tons of parking encourages driving.

Is Housing the Solution?

So, what should happen to the abundance of empty lots throughout the U.S.? On top of the glut of parking, there is an affordable housing crisis taking place in both countries as well. Utilizing spare parking for housing is one way officials are looking to solve two problems at once.

Furthermore, the move away from the need for parking spaces could open more options for affordable housing and make cities more walkable. California's new regulations no longer require parking for new construction near public transit. That means there's room for more apartments, and rents can be lower.

Sedona City Council approved a program in March that temporarily converts an empty parking lot into a place where families or workers or students can live while trying to find a permanent home.

In West Los Angeles, an underused parking lot owned by the city's Department of Transportation was converted into apartments for low-income or homeless seniors. In Honolulu's Kaka'ako neighborhood, a tiny, underutilized parking lot is now a 16-story high-rise with 111 studio apartments. It was designed to provide affordable housing in an area that's quickly gentrifying.

The changes to urban centers don't stop there. Offices are being converted to apartments at record rates. The 55,339 office-to-apartment makeovers scheduled for this year mark a record high, according to a report by [RentCafe](#). Interestingly, office buildings make up the largest share of buildings being converted, at 38%.

The number of units under conversion to apartments in former office spaces has steadily increased over the past four years, coming in at 23,100 units in 2022 and 45,200 in 2023. Washington, D.C. has the largest number of units under conversion from offices this year, at 5,820. This is an 88% increase from the year prior. New York City is next in line, with 5,215 apartments under conversion from offices, followed by Dallas at 3,163, Chicago at 2,822 and Los Angeles at 2,442.

In Conclusion

While we are likely to see the hybrid work model continue for years to come, we can expect cities to reinvent themselves, as they have many times before. Quite frankly, turning excess parking lots back into "paradise" doesn't sound like a bad way to do it, particularly if the industry is able to solve a piece of the housing crisis at the same time.

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