

# Why walkable urban areas are America's efficient economic engines

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Only 1.2% of the land mass of the largest 35 metropolitan areas in the US are walkable urban areas.

This fraction of land in the top 35 metropolitan areas generates 20% of US GDP.

Building more walkable urban areas will increase tax revenue for cities while easing the affordability crisis.

Rankings always generate headlines and controversy: the 100 greatest books of all time, the best living athletes, the most significant historical events, etc. So, it's no surprise that the recent report from Smart Growth America and Places Platform, a real estate information services company, ranked the most 'walkable urban' metropolitan areas in the US. But is any metropolitan area really walkable? Neighborhoods are walkable, but metropolitan areas are not. Case in point: Los Angeles ranks eighth on the list.

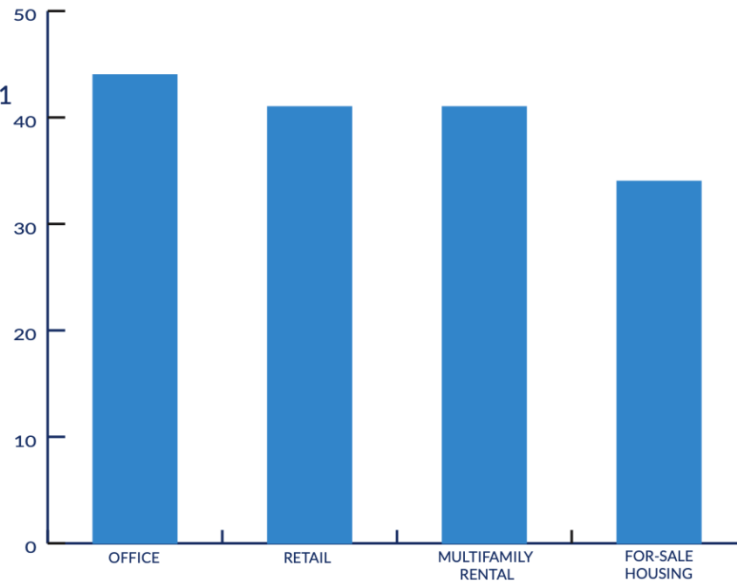
Once you get passed the headline-grabbing list of most walkable metropolitan areas, more useful information can be found in *Foot Traffic Ahead: Ranking Walkable Urbanism in America's Largest Metros 2023*; namely, the outsized (and underappreciated) economic benefits of walkable urban areas.

The report compares 'walkable urbanism' to 'drivable sub-urbanism' in the largest 35 US metropolitan areas by analysing commercial rents, multifamily rental rates and for-sale home prices. Four critical findings related to the economic vibrancy of walkable urban areas – and the pent-up demand for more of it – make an important case for mixed-use infill development in the suburbs and better placemaking in urban areas.

## Walkable urban areas have a price premium

First, the report establishes that walkable urban areas have a substantial price premium over drivable sub-urban areas as of the end of 2021, the depth of the pandemic. The rent or sales premiums in walkable urban areas are 35-45% for office, retail, rental and for-sale housing. In 2019, the price premiums were 40-50% due to the pandemic, but are still substantially higher. What's more, all 35 metropolitan areas saw their walkable urban areas gain market share at a weighted average of 2.8 times their 2017 market share. This also means that drivable sub-urban places dramatically lost market share. As the co-authors, Michael Rodriguez, AICP, and Christopher B. Leinberger, note, "Substantial price and market share premiums is the definition of pent-up demand."

PRICE PREMIUMS FOR  
WALKABLE URBANISM  
VS. DRIVABLE SUB-URBAN, 2021



Building more walkable urban areas will increase tax revenue for cities while easing the affordability crisis. Image: Smart Growth America; Yardi Matrix; REIS Moody's; Rocktop Partners, Foot Traffic Ahead 2023

Second, the report quantifies for the first time that only 1.2% of land mass in the largest 35 US metropolitan areas are walkable urban areas. The vast majority of the US is zoned and regulated in such a way that makes walkable urbanism illegal. The report's research shows that the affordable housing and homelessness crises are in large part due to extraordinarily high land costs created by the scarcity of in-demand walkable urban land, coupled with exclusionary drivable suburbs.

The third critical finding builds on the second. This tiny sliver of desirable land – 1.2% of the top 35 metropolitan areas – generates nearly 20% of US GDP. In the context of the entire US, it's only 0.07 of the total land mass, where 7% of the US population is privileged enough to live.

## Walkable urban areas have net fiscal impact

All of this makes the fourth finding very clear: research shows that walkable urban areas almost always generate a sizable positive net fiscal impact for local government. Indeed, most drivable sub-urban places depend on subsidies, even high-end subdivisions. Building more walkable urbanism is the best way to keep local government fiscally healthy while increasing the availability and affordability of desirable places.

The report points to Arlington, Virginia, as a national model. The city's walkable land mass is disproportionately high for the US. This has created financial support for its nationally ranked schools, in spite of the fact that Arlington has a large immigrant community with 80 languages spoken in its public schools. The city achieved this by converting 10% of the county's land mass to high-density walkable

urban places along the underground Metrorail that connects to downtown Washington, DC. This 10% of land generated 20% of tax revenues 30 years ago. Today, it generates more than 50% of tax revenues.

Another example is Carmel, Indiana, an historical drivable suburb on the outskirts of Indianapolis. The long-serving Republican Mayor Jim Brainard has, through a redevelopment authority, recreated its original downtown, a civic/performing arts center and mixed-use developments that are connected by a walking/biking trail lined on both sides by townhouses and mid-rise multi-family buildings. When asked about the city's ongoing redevelopment approach, the Mayor pointed directly to increased tax receipts.

## Walkable urban areas are operationally efficient

Co-author Christopher Leinberger – a real estate developer and consultant, and a former Brookings Institution fellow and researcher – points out that most local jurisdictions, including suburban towns, cities and counties, face grave financial futures due to unsustainable, sprawling infrastructure (in addition to unfunded pension plans). Walkable urban areas are 5-20 times denser than most drivable suburbs and consequently are more efficient and less costly to maintain.

As noted in the Arlington example, the revenues generated by walkable urban areas are many times that of drivable sub-urban places. More importantly, the cost to build, maintain and operate walkable urban places is a tenth to a twentieth on a dollar-per-square-foot basis of drivable sub-urban places. Be it public safety, water and sewer lines or cell phone networks, infrastructure in high-density walkable urban areas is far more economically viable.

To better assist cities and suburbs make financially-sound redevelopment decisions, firms such as Places Platform, are developing software to enable developers, real estate asset owners and local jurisdictions to make real-time decisions about their spending (both capital and operating). For real estate asset owners, these new platforms show the current price premiums for walkable urban assets and probable future price/rent trends. For local government, these tools allow for infrastructure spending and subsequent operating cost decisions to be made instantaneously, even during public hearings, to assess the fiscal impact of increased density, transportation improvements and social equity outcomes.