US Migration Trends Deep Dive

While it may be self-evident that American migration patterns would change during COVID, the shift was not as dramatic as many expected. Yet, even small shifts in migration patterns can have major implications on strategic business decisions. It impacts how retailers reach their audiences, which office space strategies top employers must utilize and how cities and regions drive key tax revenue.

The result is a uniquely adjusted picture of the wider landscape and how these changes might upend existing commercial real estate and retail strategies. But as important as the changes themselves are the opportunities they present for brands, employers, and the broader real estate ecosystem. Change creates opportunity, and in retail and office real estate, many opportunities have been created.

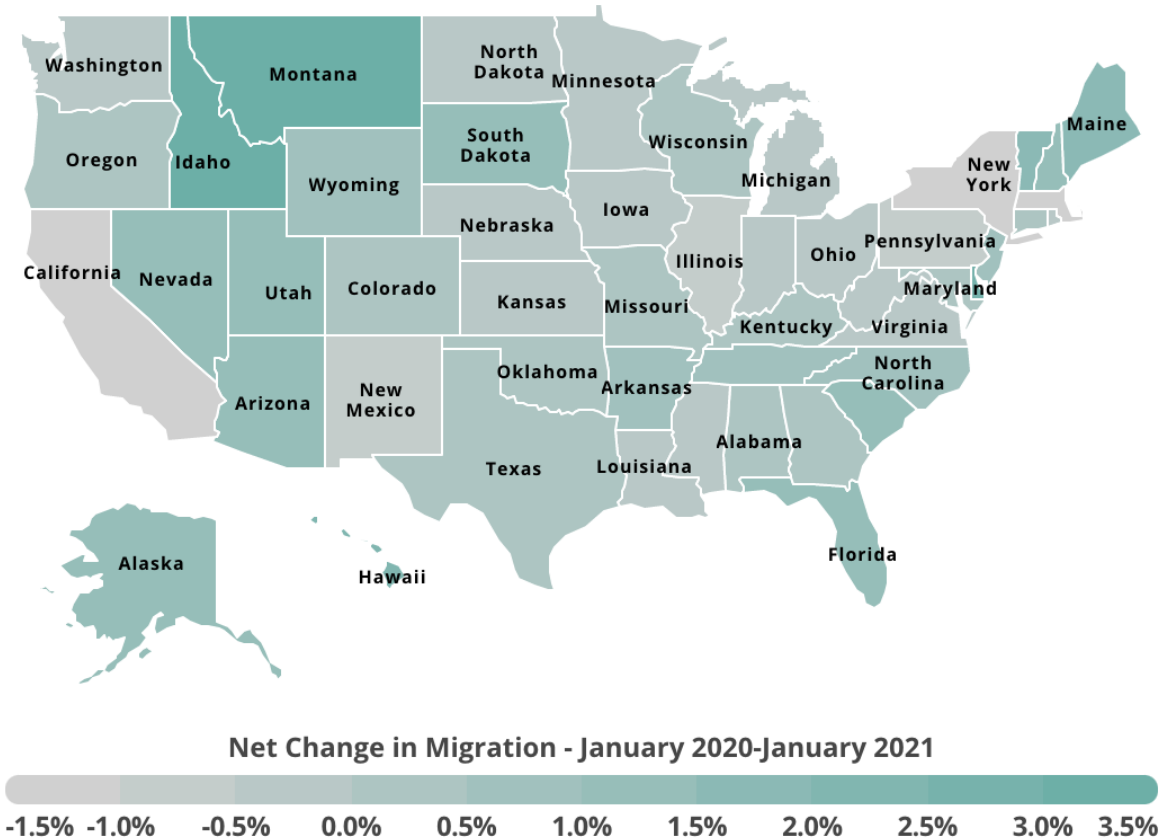
This report breaks down the state, market, and county-level findings from Placer.ai's new Migration Analysis tool. In doing so, we will reveal key trends to monitor and outline their potential impact on the office and retail spaces.

Cross-State Migration

A comparison of state-level migration data between January 2021 and the previous January shows that the population change that most states experienced during this period did not exceed 1%. But while overall population changes were not dramatic, some states saw exceptional migration rates throughout the pandemic. Low-populated states like Montana and Idaho experienced year-over-year population growth of 3.7% and 3.9%, respectively. Hawaii and Alaska also experienced a noticeable positive migration pattern, seeing population increases of 2.0% and 1.4%, respectively.

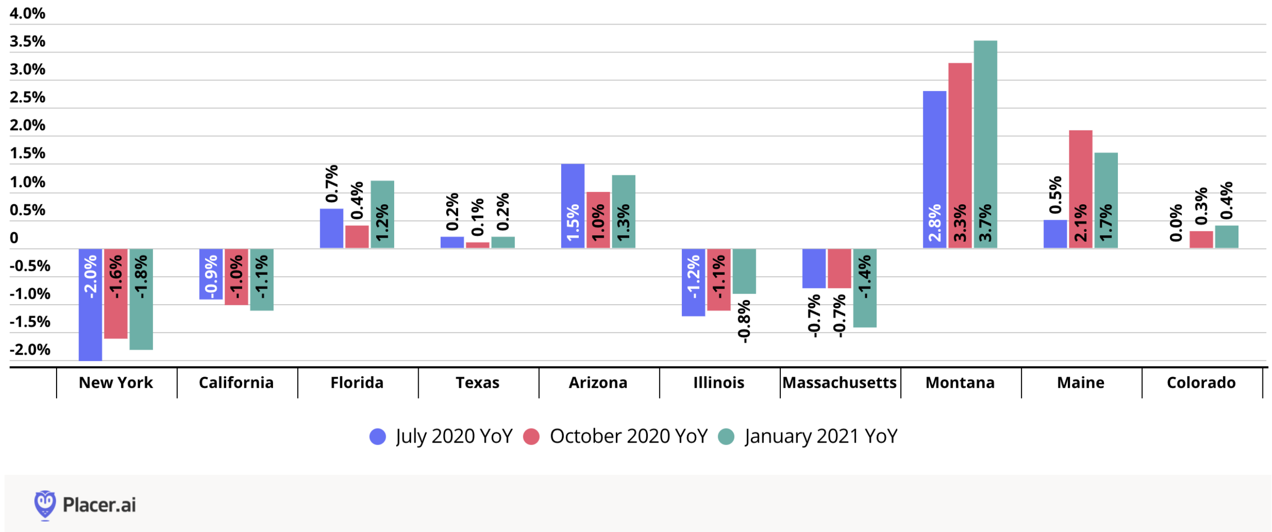
In contrast, a general push toward the suburbs during the pandemic has led to a significant negative migration pattern in states centered around high-density urban areas. States like New York, Massachusetts, and California experienced negative migration rates of -1.8%, -1.4%, and -1.1%, respectively.

However, no matter how the shifts are understood, it is clear that there was no 'mass net exodus' from any state - with population rates staying fairly steady in most. Something that shows both the 'stickiness' of a home base and the related costs of leaving to a new area.



Data has also shown that the migration changes that most states experienced could not be traced to seasonality-related circumstances. Comparing year-over-year changes in migration for the months July 2020, October 2020, and January 2021 revealed the difference between those months and seasons was minor for most states. This monthly comparison also showed that certain states had experienced a continuing albeit gradual pattern of positive or negative migration. Each quarter, Montana's year-over-year net migration change grew by another 0.4%-0.5%, and California's net migration change decreased by another 0.1%. The takeaway is that while there was certainly a percentage of those leaving that were doing so temporarily, there is a very high likelihood that many were taking a more extended leave.

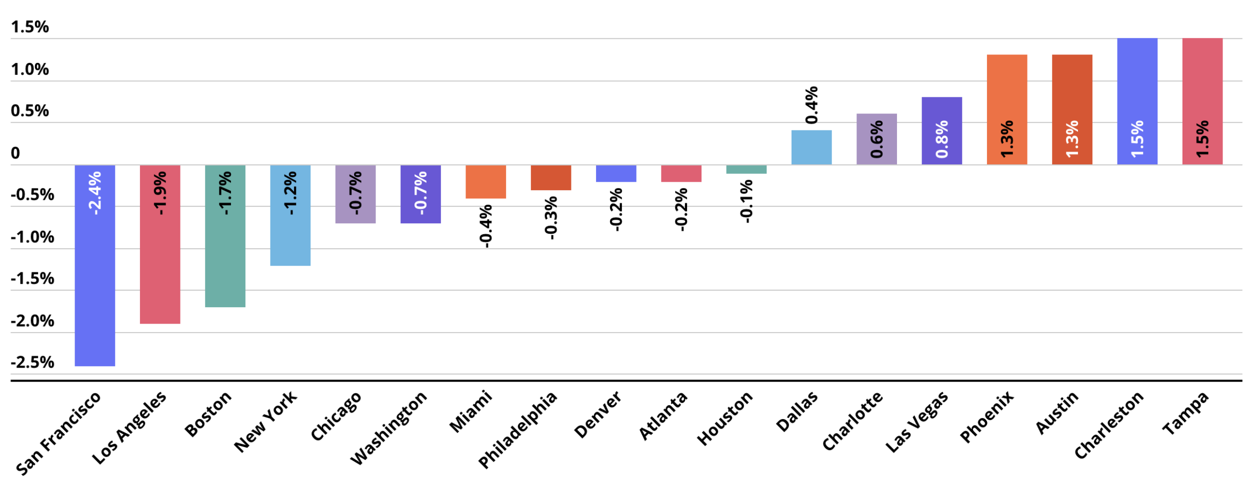
State-Level Year Over Year Net Changes in Migration



CBSA-Level Migration

While state-level shifts in migration were not especially dramatic, the CBSA impact was far more noticeable. CBSA-level migration data reveals which areas experienced extensive migration patterns and shows a clear distinction between northern and southern cities. While southern cities like Phoenix, Austin, Tampa, and Charleston drew in many Americans during 2020, major northern and city-oriented metropolitans - including several less known for their ideal weather - experienced a negative migration pattern. San Francisco, Los Angeles, Boston, and New York all saw significant dips.

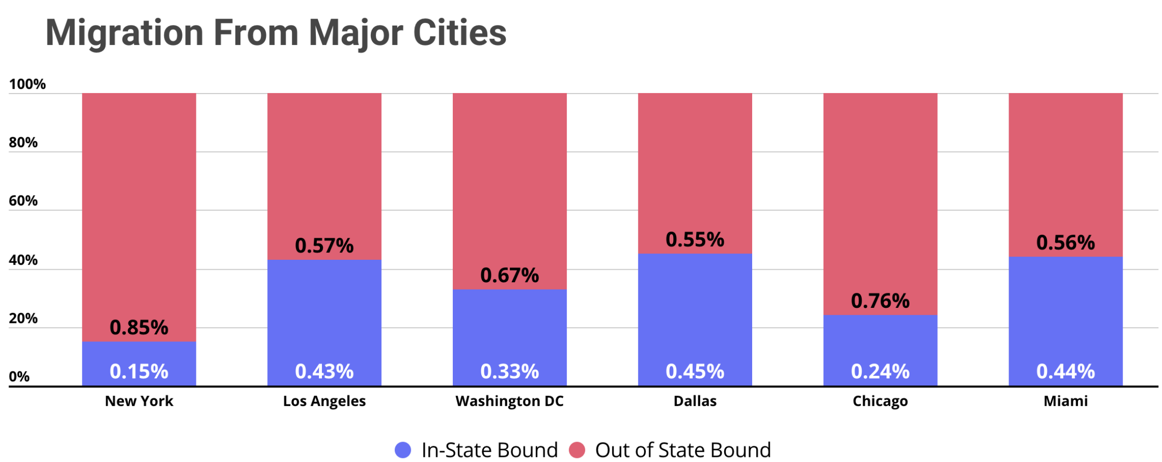
CBSA Net Changes in Migration - January 2021 Year over Year

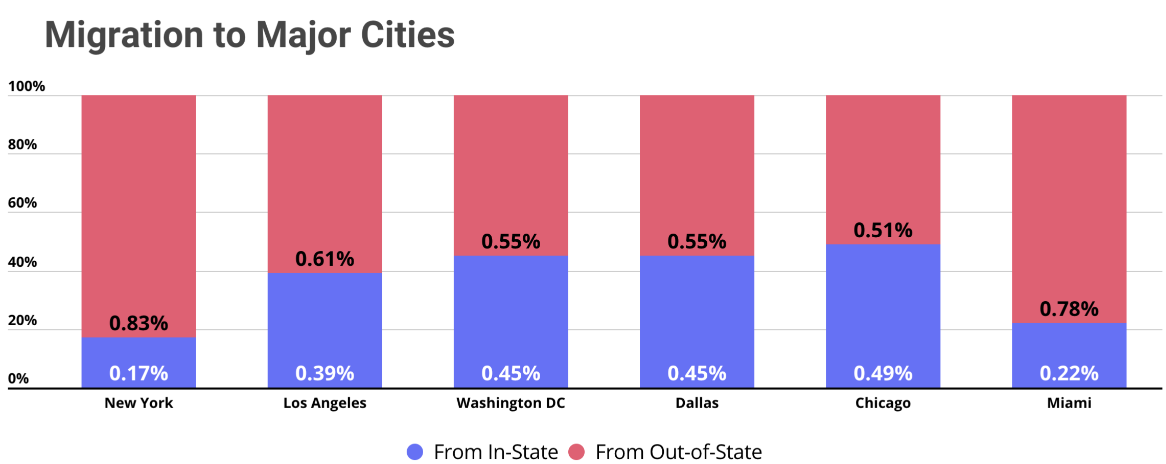


How Far Are They Going?

CBSA level analysis also creates an ability to better understand the magnitude of the move that most are taking. This is significant as it helps indicate shifts in the balance of power between major cities throughout the country.

Apart from New York, where around 85% of all migration was to and from out-of-state, other analyzed CBSAs containing major cities saw out-of-state migration ranging from approximately 55% to 75%. This fact has significant implications for cross-state workforce planning, office and retail distribution, and other strategic decisions for national or regional businesses. Considering the limited nature of the 'moves' many CBSAs were likely being influenced far more by a suburban shift than a total change in where people wanted to be. The data also underscores the unique pull and reach of New York and similar cities, providing a critical indication of what their own recoveries may look like.



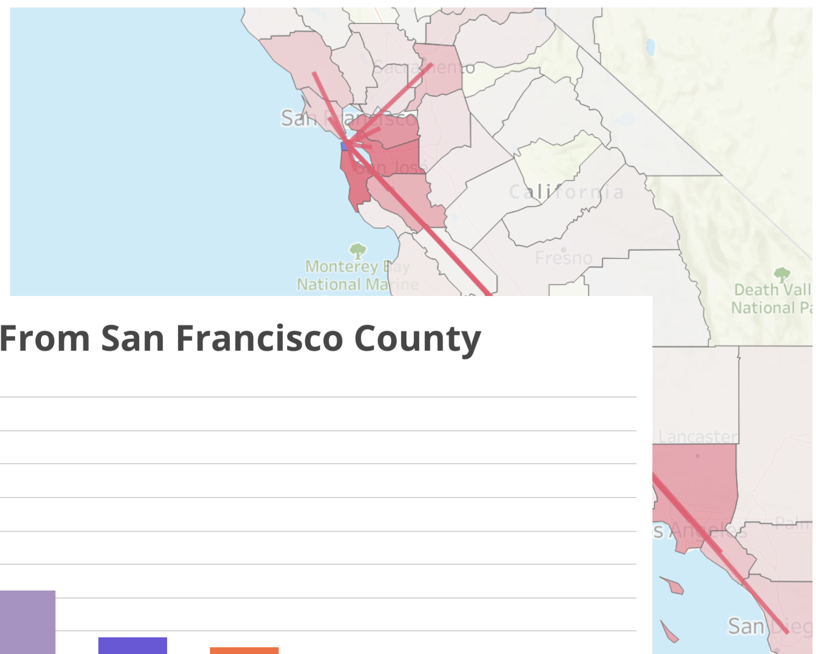


Out of those who migrated within the state - where exactly did they go? And how can national or regional businesses and retailers use migration data to make strategic decisions regarding workforce and store distribution on a local level?

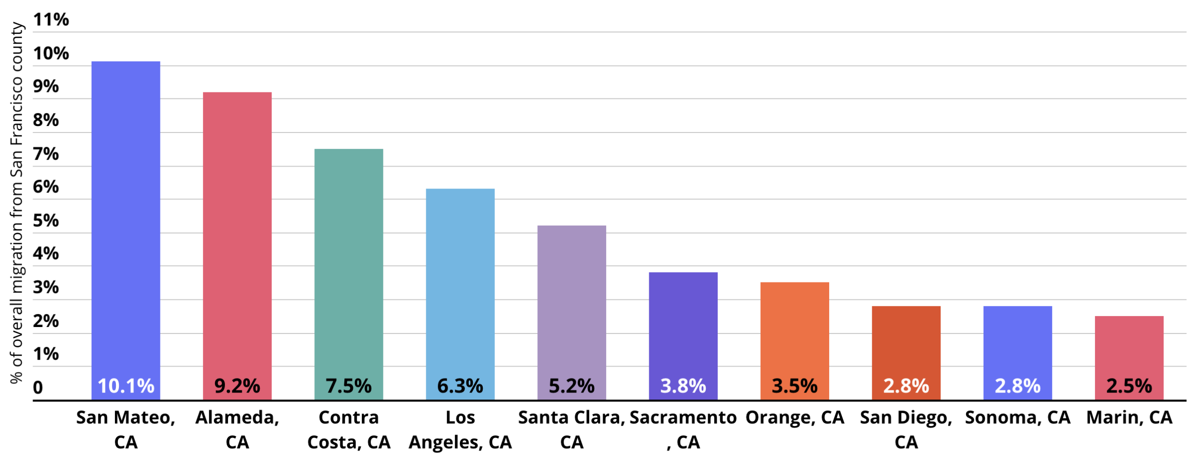
County-Level Migration

Drilling down even deeper into county-level migration data gives an even clearer picture of local migration patterns.

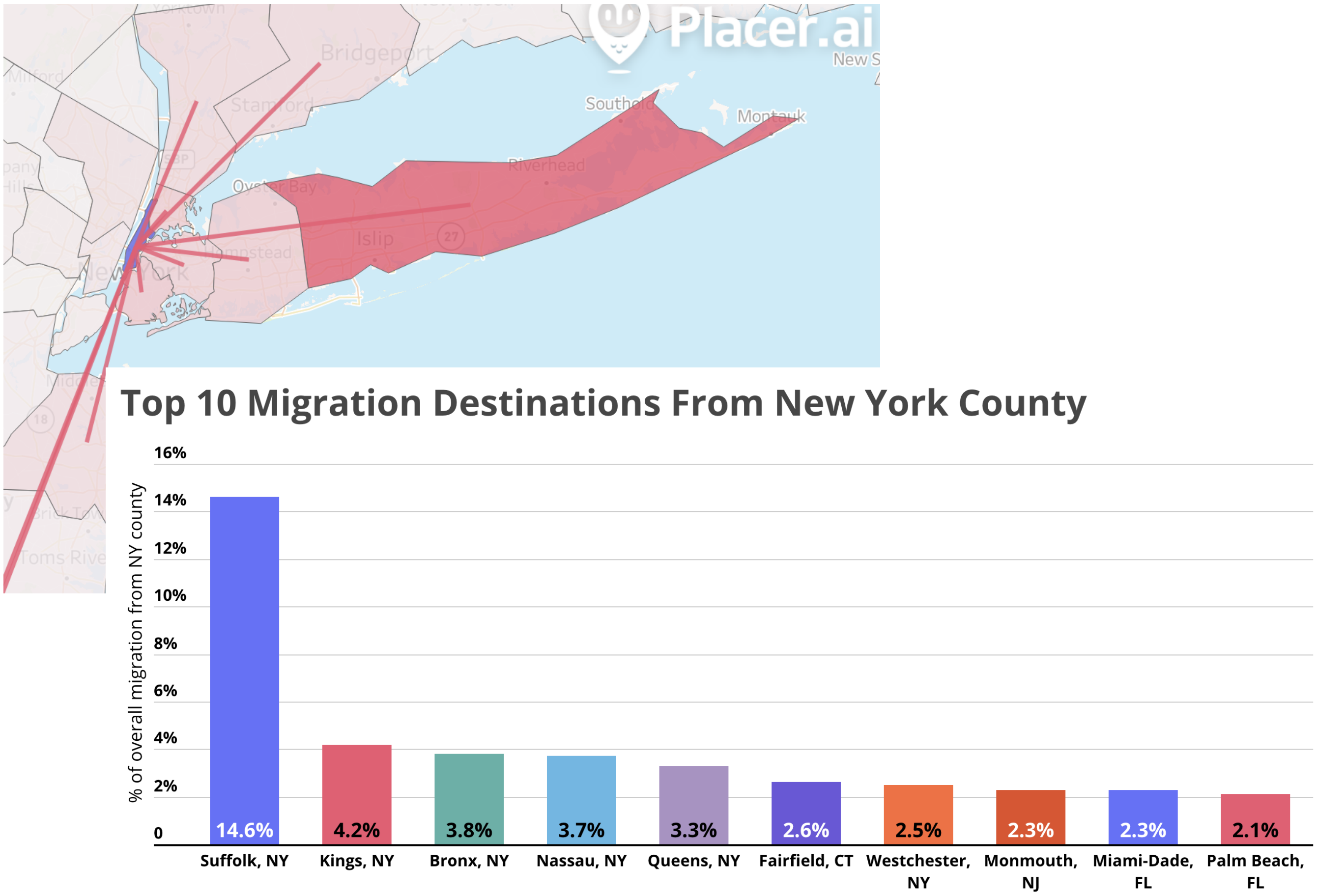
San Francisco County was one of the California counties with the largest population decrease, seeing a net migration change of -6.3%. Interestingly though, the top ten counties that San Francisco residents moved to were all within California, and 16 out of the top 20 counties they migrated to were also in-state.



Top 10 Migration Destinations From San Francisco County



A similar pattern could be seen on the East Coast as well. Although New York County had far higher out-of-state migration rates than San Francisco did, New York county residents' top five migration destinations were also within the state. And out of the top 20 migration destinations from New York county, ten counties were within New York State, four were in adjacent New Jersey, two were in Connecticut, three were in Florida, and one was in California.



The clear takeaway is that even large municipalities with higher than average out-of-state migration rates were losing a large percentage of their residents to nearby in-state and adjacent out-of-state counties. So while cities may be losing residents in the short term, they aren't necessarily losing their center of gravity.

Although New York County saw a significant negative year-over-year migration change of -12.8%, 42% of its negative migration was to other counties within New York, and another 25% was to counties in neighboring states like New Jersey, Connecticut, Pennsylvania, Vermont, and Massachusetts. This information can have a considerable impact on local office and retail distribution decisions. If nearly 70% of all New York's migrating population are moving to a location that is still a train-ride away from the city, that can significantly affect a decision to relocate an office or store.

Key Takeaways

While the pandemic did not trigger a dramatic change in migration rates across the country, there were some noticeable patterns in how Americans moved around during this period. We analyzed location-based migration data from Placer.ai's new Migration Analysis tool to better understand these patterns on a state, market, and county level and found significant patterns.

So what could this mean moving forward?

- **People Are Largely Rooted** - Migration trends show that most people are staying put and that even in areas where there have been losses, gains have compensated for much of the decline. This is especially true when looking at larger areas like the State or CBSA. The limited net change shows the 'stickiness' of a home area, something that is heavily influenced by work, family, schools, the cost of living, and more. The lack of major net change also indicates that major urban areas still have a pull that could bring in audiences who had been previously priced out of living in these cities.

- **The Why -** There is no hard and fast rule about why people left dense urban areas. Some popular conjectures have centered around young families moving out, while others have pointed to professionals leaving because of an ability to 'work anywhere'. However, it is clear that in most cases of those leaving cities, they are moving from somewhere more expensive to somewhere much less costly from a residential perspective.

  So not only are people coming to certain areas, but they could be coming with more disposable income. This means that while there may not be certainty about why they are leaving, the fact that they are doing so brings great opportunity.

- **New Regional Opportunities -** Though regional changes in migration were small from a net perspective, they presented certain areas with powerful opportunities. Warmer climate states and sparsely populated regions saw net population increases that could significantly boost those areas. Should these states prove capable of retaining these new populations, retail and office real estate opportunities could quickly follow. This is especially true when considering that many of those migrating from expensive cities are likely to have greater means at their disposal moving forward.

Expect employers, retailers, and real estate professionals to put a greater focus on these rising areas as they represent powerful long-term opportunities.

- **Office Implications -** Considering the number of people leaving white-collar hubs like New York City and San Francisco, it is fair to assume that many of these individuals had been working in the highly sought-after professions that drive key industries in those areas. As a result, expect there to be a push by employers to either retain or pursue this group - with significant implications for office real estate. Whether it be new companies looking to find high-level talent, or large companies looking for office space to accommodate the wider spread of current employees, movement will take place. This investment in office - whether it be leveraging co-working spaces or new mini-hubs - will present these regions with an opportunity that has major long term potential.

  And to face a changing work environment and suburban migration trend, office players in cities will also be required not only to invest in their spaces but to evolve. Offices that can create an environment that attracts employees to spend more time there will have an edge now that greater work from home flexibility is almost a given. But it isn't just the employer that will need to upgrade their office setting, but the buildings themselves that will need to reimagine the experience and the corresponding food and retail surroundings. Expect more office buildings to focus on creating an experience that augments employers' efforts to make office visits as attractive as possible. The space that delivers the greatest pull will become the most desirable, whether it comes in the form of in-building gyms, a better restaurant mix, or shared spaces within the building itself. These shifts in both cities and suburban environments should drive a change in office and retail real estate. .

- **Retail Implications -** Audience shifts could create new gaps and force retailers to evaluate what role they continue to play in a given market. City-oriented retailers that had targeted a more established demographic may feel a weakened pull to stay within the city. Instead, many retailers and restaurant brands could evaluate a greater suburban focus as an attempt to move with their audience while diversifying their regional portfolio. Those already in those areas will have a chance to fill voids created by the move. None may be better positioned than regional malls and local downtown areas in this regard. The ability to provide an 'urban' experience in the suburban environment will be highly valued, whether it be new retailers, pop-up retail, new restaurant concepts, concerts, or art installations.

  The corresponding new openings and audiences in cities should have a significant effect the other way as well. Cities could see a significant retail shift considering the value younger audiences place on brand authenticity and the attention retailers are placing on a true omnichannel approach. Concepts like flagships will likely grow as more brands look to take on retail space to maximize the full value of an offline presence. More brands will be able to find value in urban locations, from an owned brand experience that drives loyalty to reduced logistics costs and the eyeballs 'acquired' from a marketing perspective.

- **Unknowns** - For all of the speculation, there are still many unknowns. Analyzing retail trends on a local, regional and national level will be increasingly critical to understanding how different trends impact different environments. Recognizing the pace of change and type of opportunity by locale will enable those in key offline sectors to move faster and more decisively. And considering the size of the opportunity created by the upheaval, the speed and magnitude of movement could define success for decades to come.

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