

Measuring the Impact of Accessibility Change on Commercial Property Values: The Case of New Jersey Transit's Midtown Direct

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Transportation improvements generate various benefits for users and non-users. These benefits in turn have been shown to be capitalized in fairly predictable ways into real estate values. A fairly extensive literature has demonstrated convincing evidence of this capitalization effect with respect to residential real estate values (Gibbons and Machin (2005)). Less well understood are the impacts of accessibility change on commercial real estate. While theory would suggest that increased desirability, higher density in production, reduced logistics costs and labor markets benefits should all play a role in increasing commercial property values. In part, the less conclusive results for commercial real estate impacts are arguably due to self-selection and measurement bias that characterize many previous studies. In the current analysis, we assess how New Jersey Transit's Midtown Direct Service affected selected commercial property values in the vicinity of its terminus at Penn Station. Midtown Direct led to 20 to 40 minute time savings for commuters and has been estimated to have led to significant impacts on selected residential values. We assess the impacts on commercial real estate values, and in so doing we incorporate analysis techniques that "randomize" the sample of affected locations in such a way that the "treated" locations near the station do not vary in their characteristics from control locations unaffected by the accessibility change, thereby mitigating the bias from self-selection. The process of randomization then forms the basis for an evaluation of capitalization benefits. Our analysis relies on longitudinal real estate values for a sample of 150 properties around Penn Station, a similar comparison group around Grand Central Station and a much larger total sample for the entirety of the New York City office market. The properties contain various characteristics of the properties that form the basis for the matching process.