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2022 Migration Patterns: The Ripple Effect

Dive into the report to see how recent migration trends are impacting everything from office occupancy rates to regional business opportunities to local consumer demographics.

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The United States boasts a remarkable diversity of climate, culture, food, manufacturing, and commerce – much of it regionally rooted. But what happens when newcomers move in, or when populations move out? And how do domestic migration patterns impact the local retail landscape?

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Our previous migration white paper analyzed recent relocation trends across the country. We found that, with some exceptions, COVID mostly strengthened already-existing patterns. Regions that were seeing a gradual pre-pandemic increase in population saw their population rise even more, while areas that were remaining stagnant or losing residents before COVID often saw their populations further decrease. And while many of the population movements were relatively slight, even small shifts can have a significant impact on regional economies.

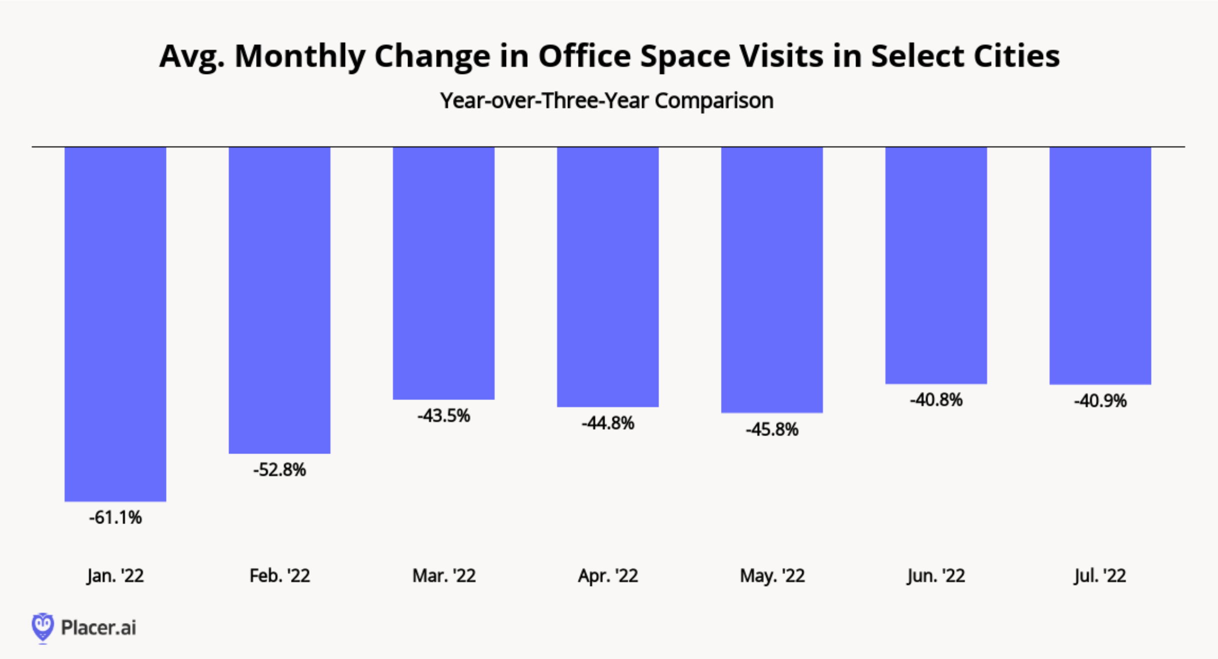
This white paper focuses on the ripple effect of these recent relocations. We used foot traffic data to show how a small influx of residents can impact a city's office occupancy rates and create commercial opportunities in both established and up-and-coming markets. We also looked beyond migration data to identify demographic changes that may impact how retailers serve their communities.

The Office Space Impact

More than almost any other area, COVID upended the traditional office landscape. And although office buildings nationwide have seen gradual recovery patterns, the persistence of hybrid work and "work from home" (WFH) is still keeping office occupancy far below pre-COVID levels.

Since March 2022, looking at more than 400 office buildings across eight major cities – New York City, Boston, Atlanta, San Francisco, Los Angeles, Denver, Chicago, and

Washington D.C – shows that the year-over-three-year (Yo3Y) office occupancy gap in select cities is hovering between 45.8% and 40.9%. This means that business centers in major cities are seeing significantly less foot traffic now than they were pre-COVID, which is having a major impact on local dining and retail.



> Areas with population increases are showing a faster return to the office.

Still, the average can mask significant regional differences. And, perhaps unsurprisingly, one factor that has a major impact on the local office recovery is the net population change of each city. Indeed, foot traffic data shows that areas with a population decrease are seeing a more challenging office recovery, while areas where the population has increased or returned to pre-pandemic levels are showing more strength.

Rocky Mountain Recovery

Many cities with positive Yo3Y net population changes, such as Denver, CO, have seen a better-than-average office recovery. In July 2022, Denver's population was 2.3% higher than it was in July 2019, and its Yo3Y office occupancy gap stood at just 32.6% – a significantly smaller Yo3Y office occupancy gap than the nationwide average for that same month.

New York City: The City that Never Retreats

New York City is also coming back to life. After having its demise thoroughly predicted several times over, the city is seeing an overall population increase, with July 2022's population up by 0.3% compared to July 2019. And, like Denver, New York City's office recovery is also outperforming the national average, with July 2022 office foot traffic down by just 33.7% Yo3Y.

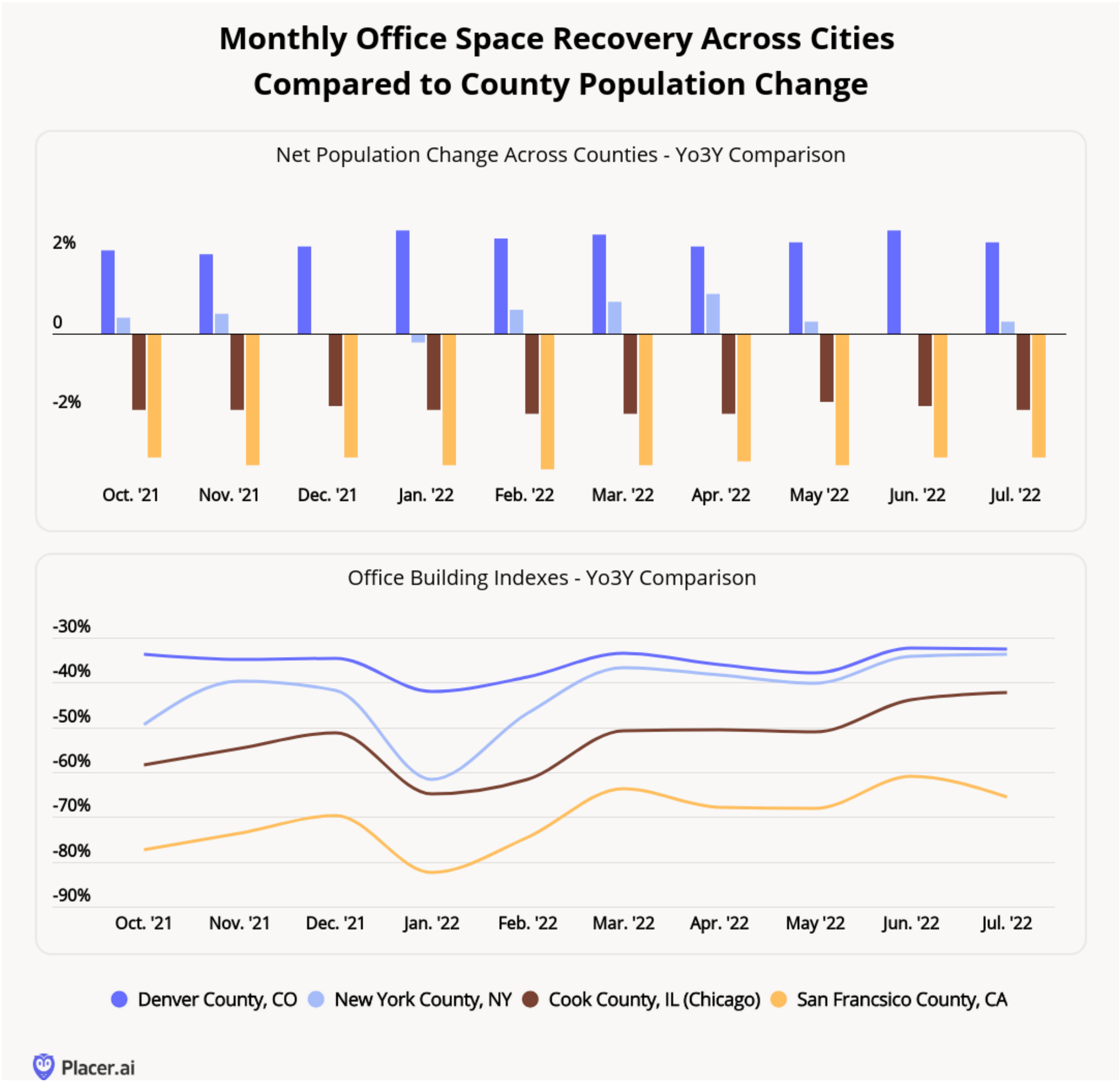
San Francisco's Office Visits Still Lagging

While smaller municipalities like Denver are growing, and certain major metropolises like New York City have recovered from their COVID induced population dips, other cities are still struggling to bring residents back. San Francisco, which was already losing residents before the pandemic hit, saw its population drop another 3.1% between July 2019 and July 2022. The drop in population appears to be hindering the city's office recovery – in July 2022, the city's office occupancy rate was 65.6% below 2019 levels. This may also be impacted by the emphasis on the tech sector - which has been especially open to hybrid work options.

The Windy City's Slow Return

Cook County, IL, which includes the city of Chicago, is also still seeing a Yo3Y population gap – but it seems that the city's office occupancy is catching up to the national average. In July 2022, Cook County's population was 1.9% lower than in July 2019, and Chicago's Yo3Y office foot traffic gap stood at just 42.3%, up from a 61.6%

Yo3Y office foot traffic gap in February 2022. The upward trend in Chicago's office foot traffic could be due to local civic and business leaders' efforts in incentivising Chicagoans to return to the office.



But, cities with a lingering Yo3Y population gap or a slower office recovery should not be written off just yet. After all, in 2021, Chicago and San Francisco still had the third and fourth largest economic outputs, respectively, for cities in the U.S. But the changes of the past two years do mean that retailers, restaurant operators, and local government officials in these cities may now be serving a slightly different audience than in 2019. Understanding these demographic shifts can help stakeholders in these regions focus on the needs of their current populations.

The Retail Impact

Identifying changes in local population numbers is one way for retailers to leverage migration data, but analyzing where people are moving from can also yield valuable insights. When people relocate, they often look for their favorite brick-and-mortar brands in their new home, creating opportunities for retailers and local business owners.

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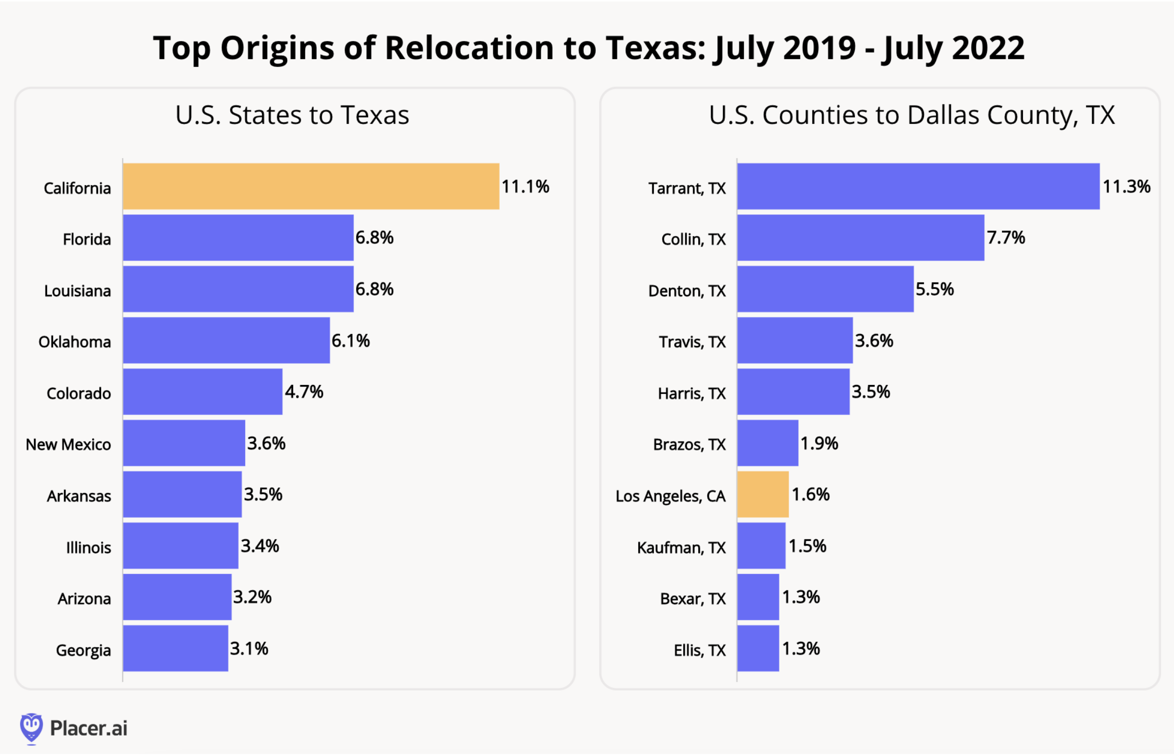
Californians Moving to Texas

In recent years, Texas has become a hugely popular state for relocating Californians, perhaps due to Texas's wide range of food, cultures, and languages. Foot traffic data reveals that between July 2019 and July 2022, 11.1% of new Texas residents relocating from within the United States moved from California – more than from any other state.

And the largest group of people from out-of-state taking up residence in Texas's largest metropolitan area, Dallas-Ft. Worth, came from California's largest city. Between July 2019 and July 2022, 1.6% of new Dallas County residents relocating from within the United States arrived from Los Angeles County.

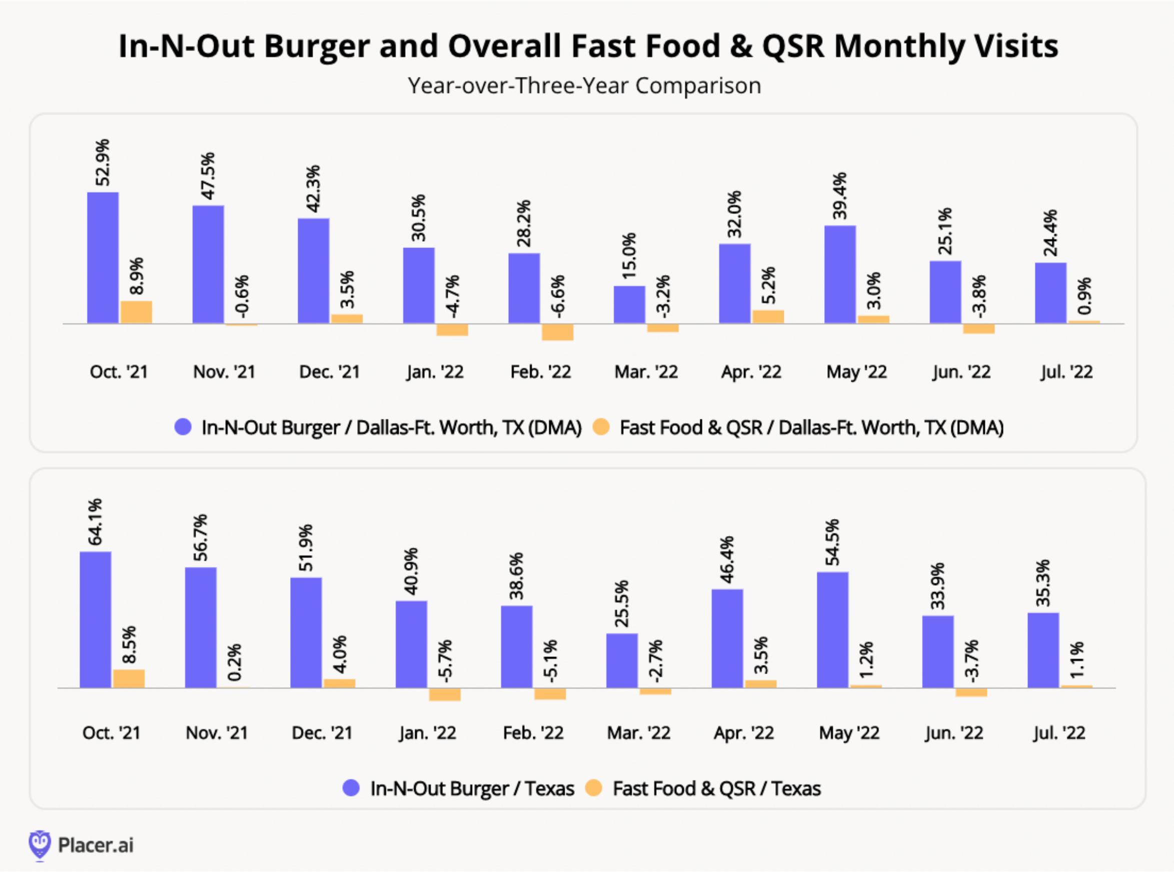


Migration's Impact on Regional Dining and Retail Trends

The relocation of former Californians to the Lone Star State is driving visit growth to popular California-based brands. In-N-Out Burger, which has a cult-like following in California, opened its first Texas location in 2011. Since then, the brand has been opening new venues in the Lone Star State and seeing visits in the state skyrocket. And while the statewide expansion has undoubtedly contributed to the chain's foot traffic success, the consistent influx of new Golden State residents has likely contributed significantly to the brand's growing Texas popularity.

In July 2022, Yo3Y visits to Texas In-N-Out branches were up by 35.3% compared to just a 1.1% increase in overall QSR visits statewide in the same period. And In-N-Out also outperformed the wider QSR category in the Dallas-Ft. Worth, TX DMA (designated market area). Yo3Y monthly visits to Dallas-Ft Worth In-N-Out branches were up 24.4% in July 2022, compared to just a 0.9% increase in overall QSR visits during the same period and in the same region.

Perhaps Texans are being encouraged to visit In-N-Outs by newcomers, or maybe visits are being driven by Californians looking for a taste of home. Either way, the Texas success of this California-based chain reveals the growth potential of regional brands.

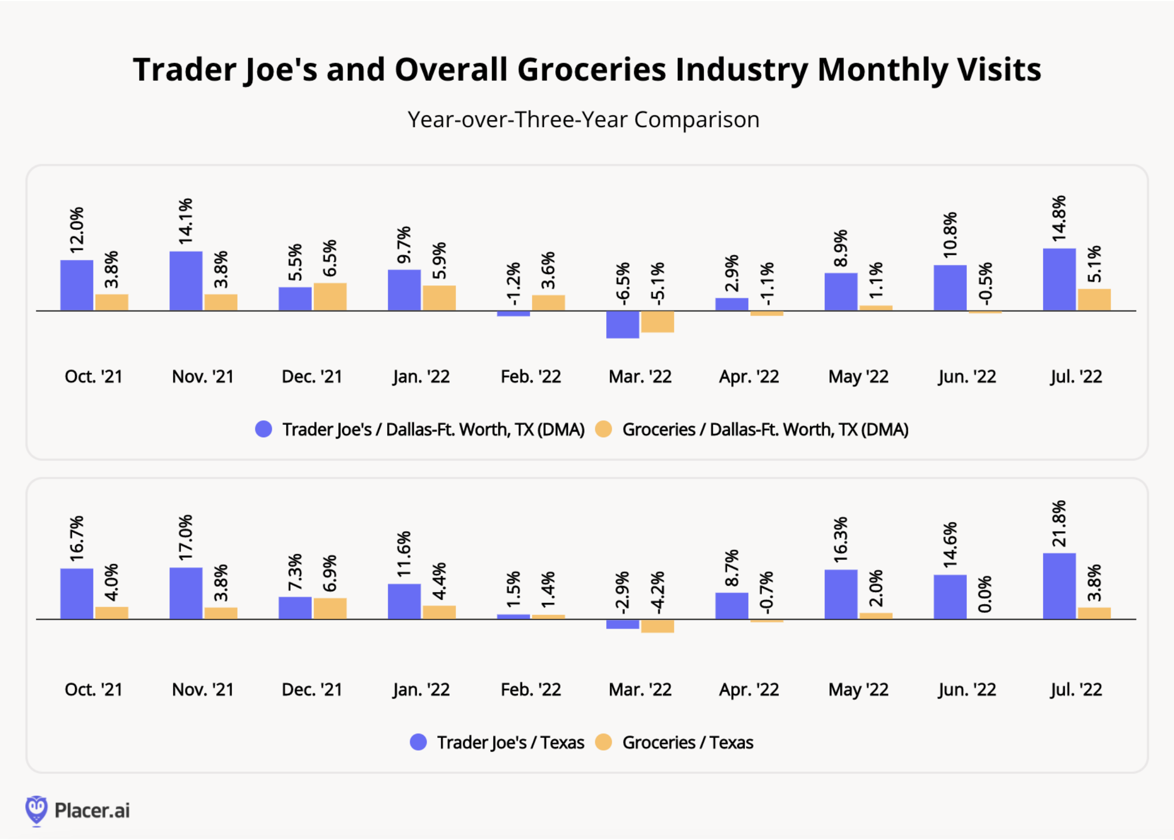


The California Cuisine Effect

Another native California favorite is Trader Joe's. The store's emergence and development took place concurrently with the California Cuisine revolution, and

Californians, familiar with the brand since the 1970s, may love the chain even more than the average American.

Like In-N-Out, Trader Joe's began its Texas expansion in 2011. And over the past couple of years, the chain has been outperforming foot traffic to the wider category, both on a state-wide and DMA level – driven by the chain's continued growth in the state and helped by the relocation of Californians loyal to the brand. In July 2022, Dallas-area Trader Joe's and the wider Dallas DMA grocery category saw a 5.1% and 14.8% increase in visits, respectively, when compared to the same month in 2019. And Texas-wide foot traffic to Trader Joe's saw 21.8% Yo3Y growth in July 2022, while overall grocery visits increased just 3.8% in the same period – a difference of 22%.



As more Californians head to the Lone Star state, chains that perform well in California may want to consider their own migration to Texas – and other regional brands may want to dive into recent migration trends to identify new opportunities.

The Consumer Demographics Impact

Identifying demographic shifts in the type of households populating an area can help both stores and suppliers improve merchandising decisions and anticipate local demand. And with supply chain concerns continuing for the foreseeable future, retailers that combine migration and demographic data to stay on top of consumer shifts can better anticipate local demand.

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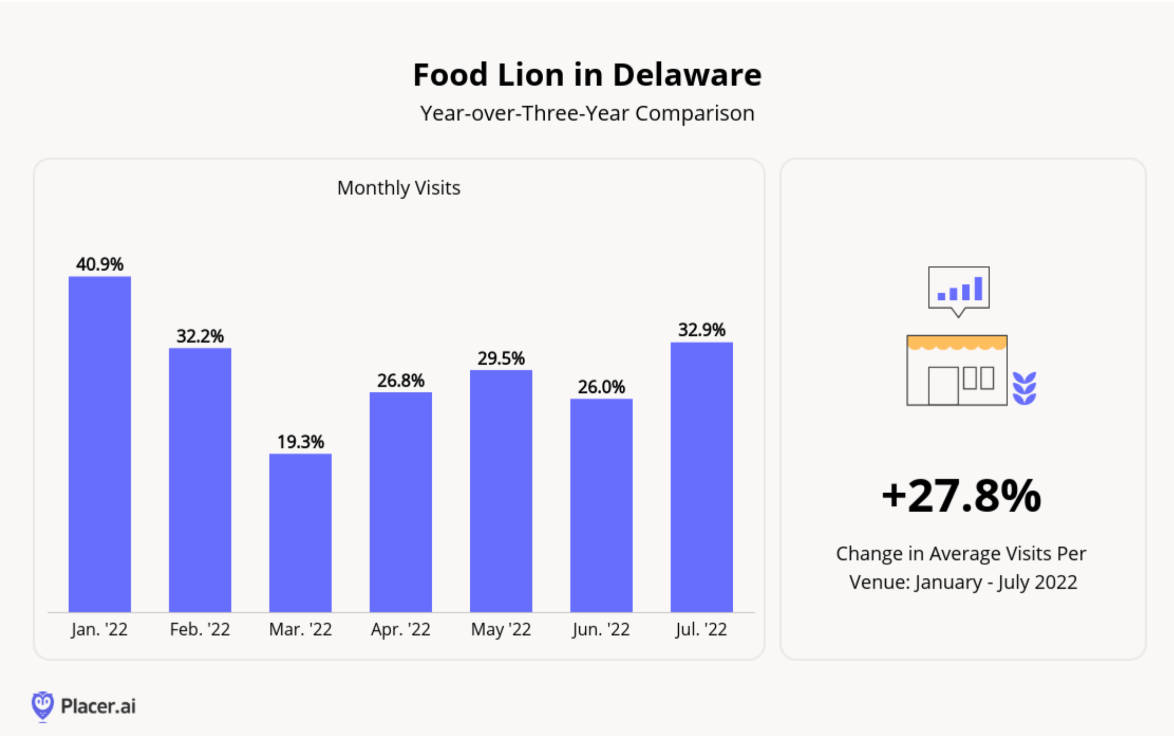
The Growing State of Delaware

Delaware, one of the most sparsely populated states in the country, has increased in population by nearly 10% over the past decade. These changes are boosting local businesses like Food Lion, a regional grocer with over 1,000 stores in 10 states located mostly in the mid-Atlantic region. The company operates 20 stores in Delaware, and these stores saw an average 32.9% Yo3Y increase in July 2022. And the average visit per Delaware Food Lion store has increased as well, with 27.8% more shoppers per location between January and July 2022 when compared to the same period in 2019.

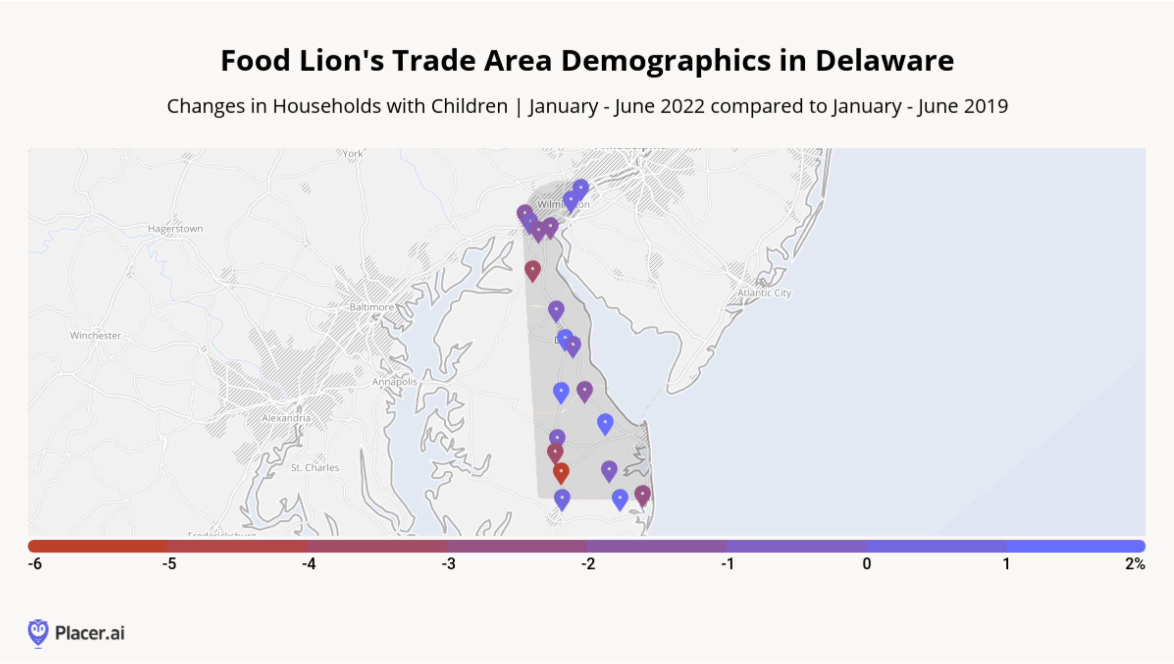


Digging Deeper into Local Population Shifts

To see how Food Lion's demographic landscape has evolved over the past three years, we used STI: Popstats data. This dataset employs a unique algorithm to combine data from the U.S. Postal Service ZIP, the U.S. Census, and field tests to build both historic and future population growth forecasts.

We compared the demographic makeup of the trade areas of two Food Lion locations – one on Sussex Highway, Laurel, and one located at North Dupont Highway, Selbyville in the first half (H1) of 2019 and H1 2022, focusing on the share of households with children in each trade area. Both stores saw changes in their shopper demographics, but the changes went in opposite directions. The Sussex Highway location had a 6.1% decrease in households with children in H1 2022 compared to the trade area of the same store in H1 2019. Meanwhile, the trade area of the North Dupont Highway location in H1 2022 had 2.9% more households with children than the store's trade area in H1 2019.

Understanding these shifts can help store managers stock their shelves appropriately while improving chain-level merchandising decisions – especially in times of supply chain challenges. For example, in the event of a possible chocolate shortage, Food Lion can prioritize chocolate shipments for stores with higher rates of households with children and even redirect products between different branches as needed.



Chains that understand the differences in demographics between its various stores' trade areas can align promotional strategies to the populations it serves and make sure its branches are stocked with the products local shoppers need and seek out.

The Growth of Small Markets

When a large city sees 5,000 people moving in, it doesn't affect the day-to-day flow of the city. However, when a small town sees an influx of newcomers, it can impact the way the city operates, the services it needs to provide, and the retail opportunities it presents.

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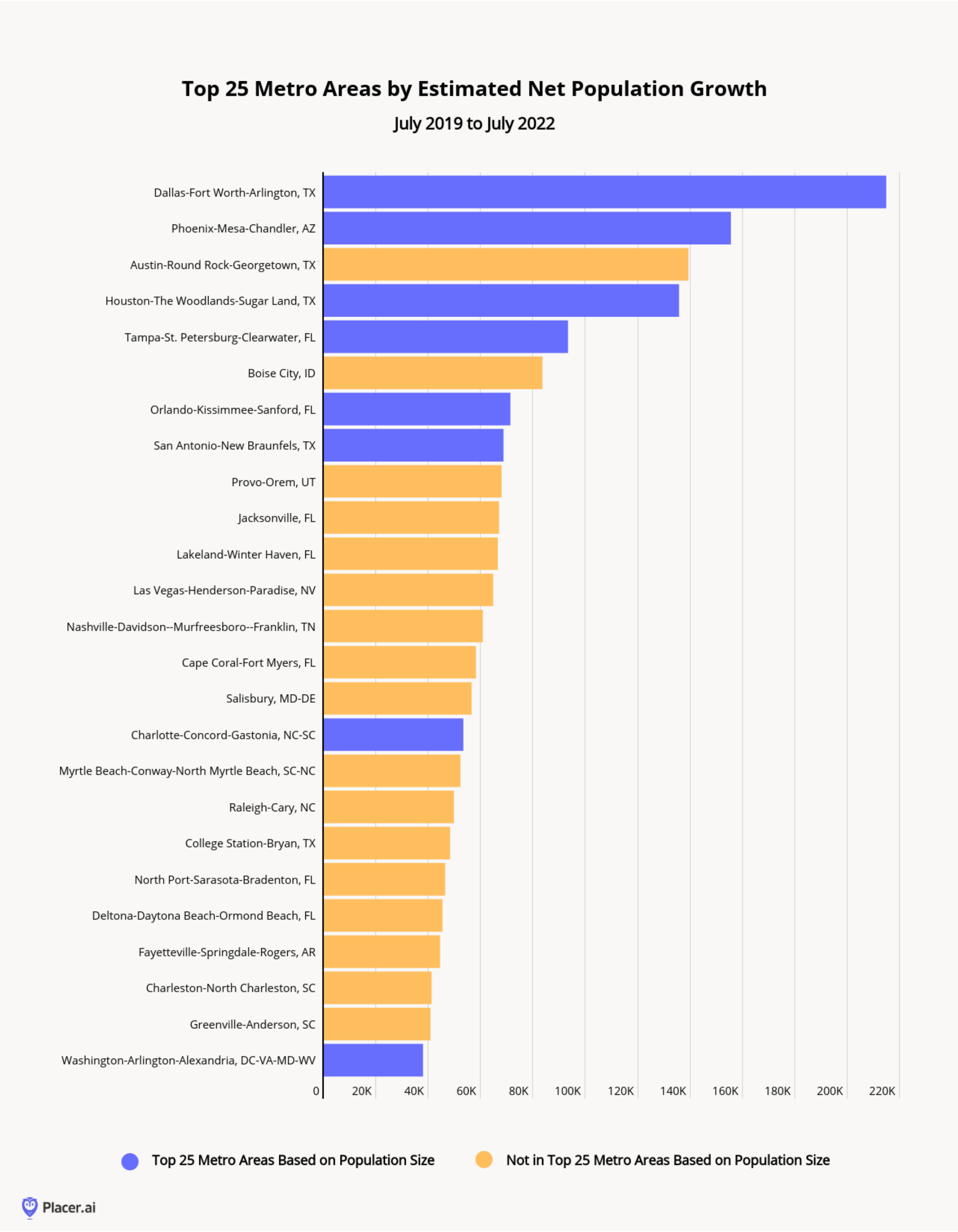
Moving to the Countryside

In recent years, a small but significant number of people chose to leave bigger cities for smaller towns, suburbs, or even rural areas. And because many of these areas had a relatively small pre-COVID population, even a small influx of new residents can have a dramatic influence on the local communities and businesses.

Migration data shows the outsized impact that minor shifts in populations can have on smaller locales. We define small markets as states or metropolitan areas that are not one of the top 10 largest states or top 25 largest CBSAs by population size. (According to the United States Office of Management and Budget, metropolitan areas are CBSAs with at least one urbanized area of 50,000 or more)

Over the past three years, the majority (17 out of 25) of metropolitan areas that saw the largest net population growth were small markets. Areas such as Salisbury, MD-DE; Jacksonville, FL; and Boise-City-Nampa, ID saw more people moving in than New York City, Chicago, and Los Angeles. And due to the small size of these fast-growing CBSAs, the impact of their population growth has been huge.



Top 25 Metro Areas by Estimated Net Population Growth
July 2019 to July 2022
Dallas-Fort Worth-Arlington, TX
Phoenix-Mesa-Chandler, AZ
Austin-Round Rock-Georgetown, TX
Houston-The Woodlands-Sugar Land, TX
Tampa-St. Petersburg-Clearwater, FL
Boise City, ID
Orlando-Kissimmee-Sanford, FL
San Antonio-New Braunfels, TX
Provo-Orem, UT
Jacksonville, FL
Lakeland-Winter Haven, FL
Las Vegas-Henderson-Paradise, NV
Nashville-Davidson--Murfreesboro--Franklin, TN
Cape Coral-Fort Myers, FL
Salisbury, MD-DE
Charlotte-Concord-Gastonia, NC-SC
Myrtle Beach-Conway-North Myrtle Beach, SC-NC
Raleigh-Cary, NC
College Station-Bryan, TX
North Port-Sarasota-Bradenton, FL
Deltona-Daytona Beach-Ormond Beach, FL
Fayetteville-Springdale-Rogers, AR
Charleston-North Charleston, SC
Greenville-Anderson, SC
Washington-Arlington-Alexandria, DC-VA-MD-WV
0
20K
40K
60K
80K
100K
120K
140K
160K
180K
200K
220K
Top 25 Metro Areas Based on Population Size
Not in Top 25 Metro Areas Based on Population Size
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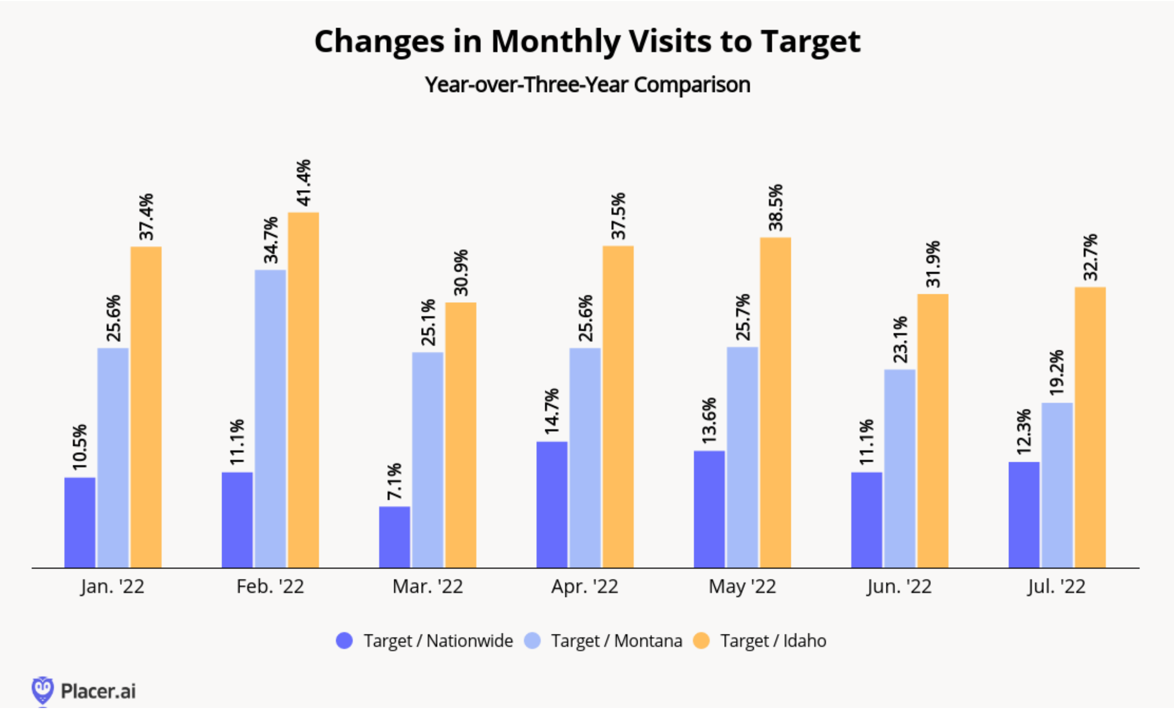
Targeting the Right Small Market

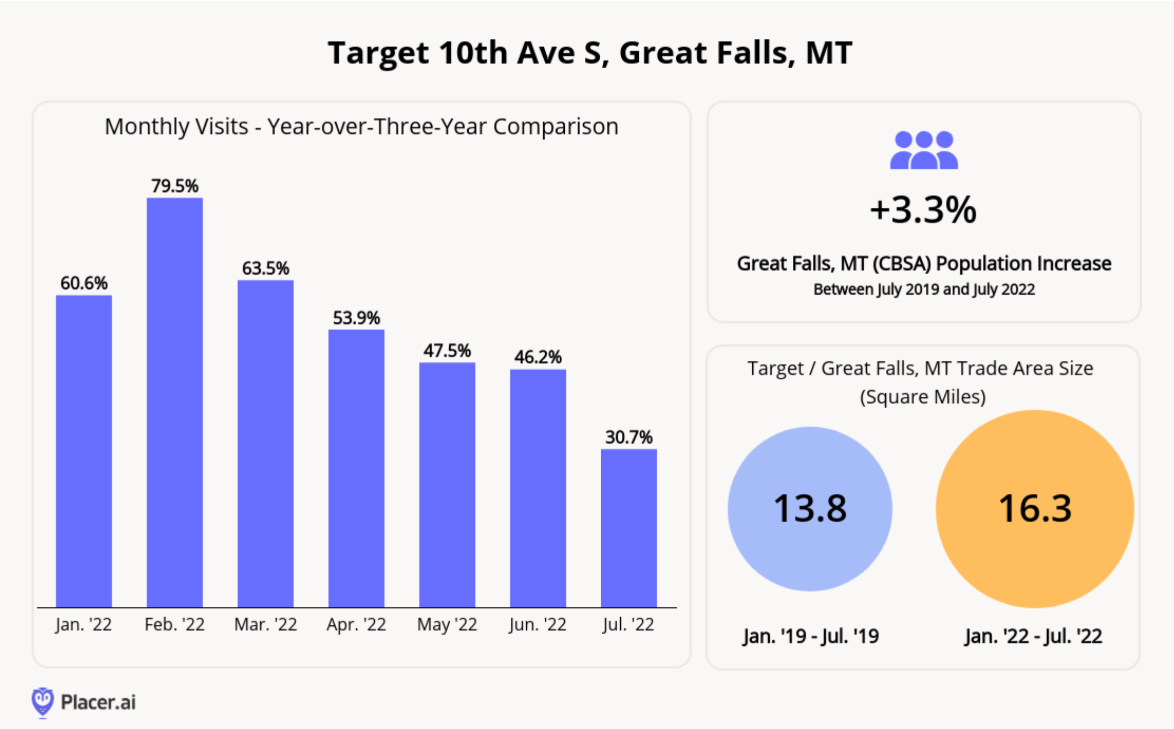
And it's not just smaller CBSAs that are seeing a boost from relocations to smaller markets – entire states are also feeling the impact. Target has performed remarkably well nationwide throughout the past few years, but foot traffic indicates that the retailer has seen particular success in smaller states with rising populations. Idaho and Montana saw the largest growth in the nation between July 2022 and July 2019, with population increases of 9.0% and 7.1%, respectively – and these states have also seen foot traffic to Target increase dramatically.

Target in both Montana and Idaho performed significantly above the brand's nationwide average. Yo3Y July 2022 visits to Target were up 12.3% nationwide, but up 32.7% and 19.2%, respectively, in Idaho and Montana. And these trends are not one-offs, as all seven months of 2022 showed similar trends.



Great Falls, Great Visits

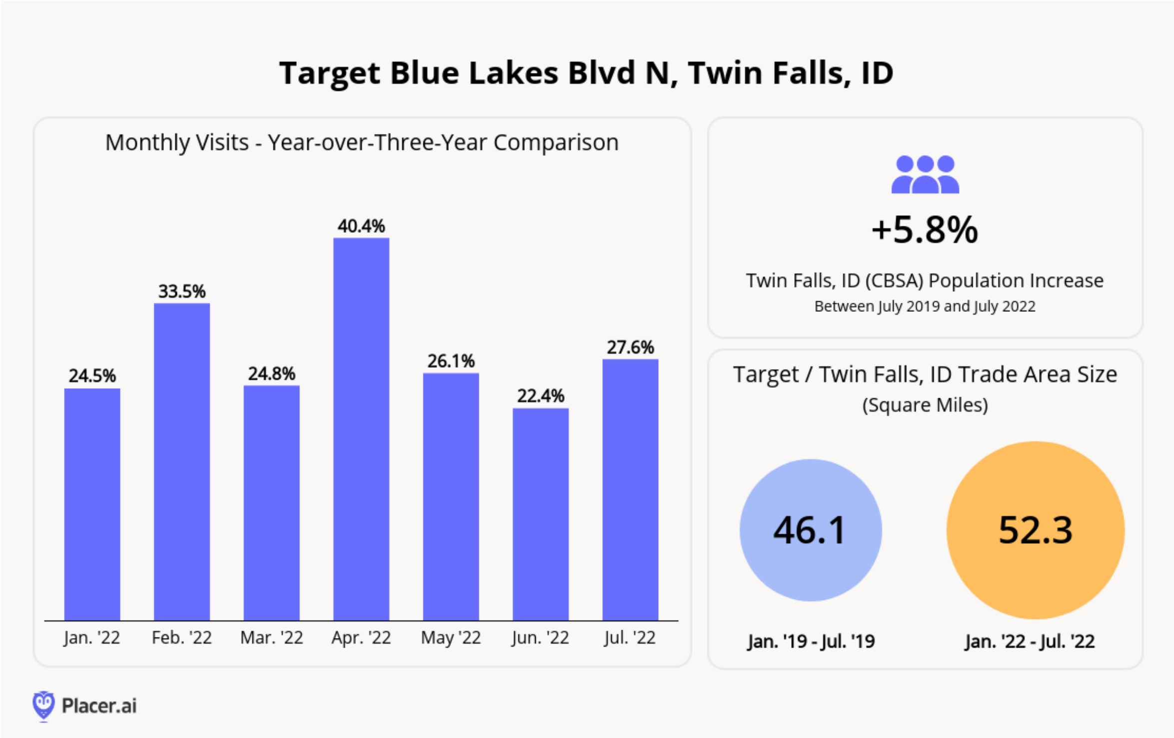
The Great Falls, Montana CBSA saw a Yo3Y population growth of 3.3% in July 2022 – and even this small shift has had a significant impact on visits to the only Target in that area. So far, 2022 has been a hugely successful year for the Great Falls Target, with July 2022 foot traffic up 30.7% Yo3Y. The store's trade area has also grown from 13.8 to 16.3 square miles.



Twin Falls' Development

Twin Falls, ID is another small market that has seen major growth in recent years. The net population grew 5.8% in a July 2022 Yo3Y comparison, and the CBSA recently became an officially small metropolitan area as its population reached just over 50,000 people. The population increase is driving many changes in the city's retail landscape.

Foot traffic to the only Target in the area has grown significantly, with July 2022 visits up 27.6% Yo3Y. The store's trade area size also increased from 46.1 square miles in H1 2019 to 52.3 square miles in H2 2022. So not only is this Target being visited far more frequently than previously, it's also seeing more customers coming from farther away.



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Target's success in smaller markets highlights the opportunities created by small migration shifts. Brands are likely to meet a receptive audience, since competition can be lower and the population may feel underserved and excited for new shops to come to their vicinity. Local governments may also offer incentivizing benefits to retailers, offices, and businesses, which can help mitigate some of the risks.

Migratory Ripple Effects

Migration can have significant impacts on many areas of commercial life, from office space to retail to dining. Recent shifts are seeing smaller cities grow in popularity, newcomers boosting visits to their favorite stores, and renewed interest and investment in more rural states.

By harnessing the power of location analytics, retailers can predict where the best areas to add new stores are, cities can consider incentives to boost their populations and office visits, and previously underserved markets can see renewed interest by retailers, restaurateurs, and businesses.

Key Takeaways

1. **Migration can be a critical indicator in understanding how a city's office sector will perform.** San Francisco saw its population drop significantly over the course of the last three years, with a 3.1% decrease in its city dwellers, and its office recovery underperforming the national average. Meanwhile, Denver, CO saw its population grow 2.3% in the same time period, and its office recovery is twice as strong as San Francisco's. These numbers show the impact of seemingly small shifts in population on the local workplace recovery rate.

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3. **Migration can enhance expansion opportunities for retailers in new markets.** When Californians started moving to Texas in large numbers, the popularity of several California brands began to soar in the Lone Star State. Trader Joe's and In-N-Out Burger, beloved in California, have seen their Yo3Y visits skyrocketing recently, outperforming the wider statewide grocery and QSR categories. These trends highlight the potential for regional retailers to use migration data to strategically expand into new markets.

4. **Migration can impact consumer demographics, changing retail market dynamics.** Domestic migration does not just show where populations are growing or contracting – foot traffic data combined with migration insights can help retailers better understand changes in local consumer demographics. Delaware, for example, has seen a significant increase in population – but the demographic changes have been varied across the state, with some areas seeing a growth of households with children, while other locales have seen a drop. Identifying the demographic shifts taking place on a local level can be critical – especially in times of supply chain challenges.

5. **Migration can be a boon for retailers entering smaller markets.** Small shifts in population have an outsized impact on smaller markets, and businesses that identify up-and-coming cities, counties, and states can see major growth while benefiting from less competition. Two states with significant population growth, Idaho and Montana, are seeing more than just renewed investment into their infrastructure – Target is seeing stronger growth in these two states compared to the overall country.