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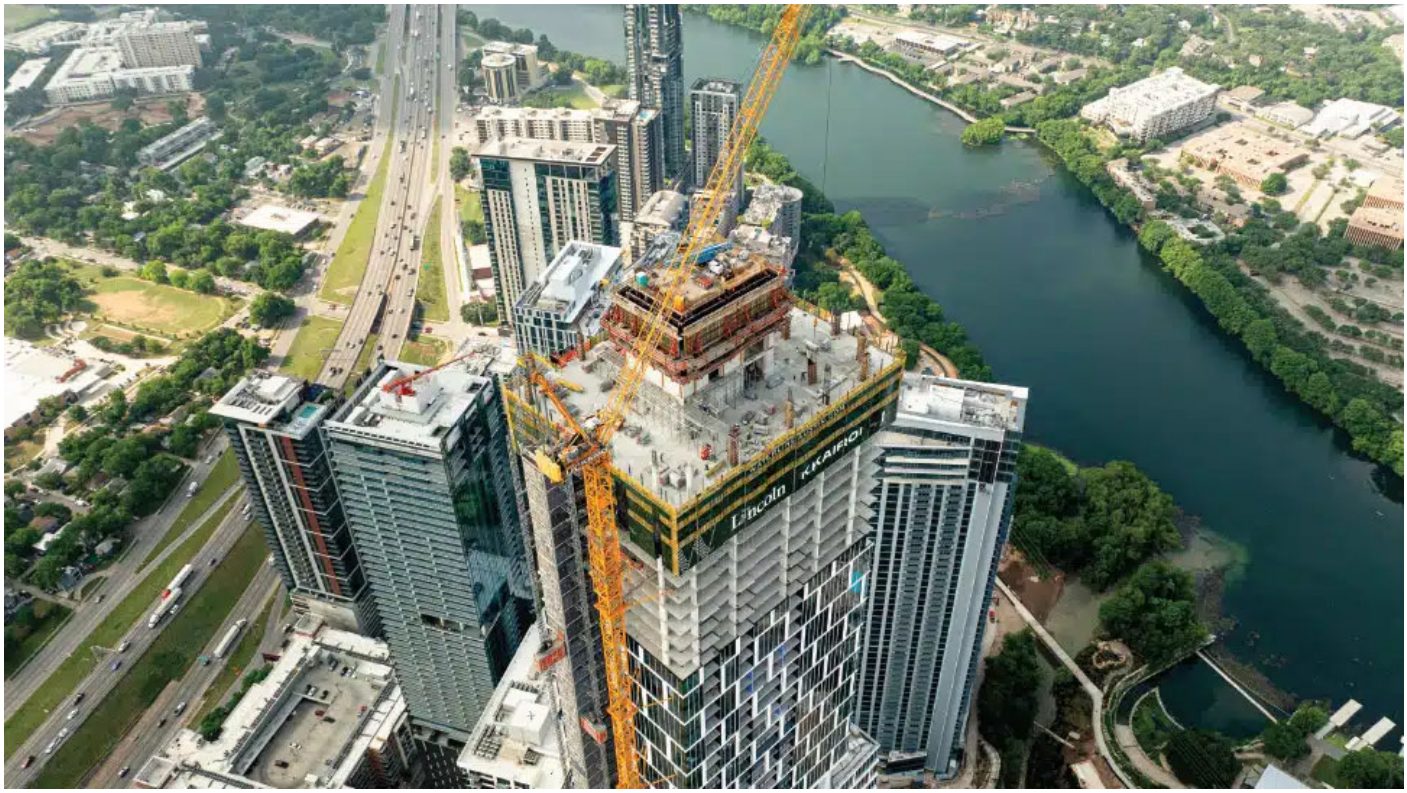

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# The economics and future of skyscrapers

BY JASON BARR

In January 2024, the developer Scot Matteson of Matteson Capital announced his intention to erect a 1,907-foot skyscraper in Oklahoma City. If completed, it would be the tallest building in North America, and among the top 10 tallest in the world. Its height was chosen for symbolic reasons — 1907 was the year that Oklahoma was admitted to the union. Whether the tower is completed at its announced height remains to be seen. However, the developer's success thus far suggests an interest in seeing it built, as it will serve as a beacon of OKC's growth.

Meanwhile, in Manhattan, JPMorgan Chase is completing its new global headquarters. At 1,388 feet, it will be the eighth-tallest building in the United States, easily surpassing the height of the Empire State Building at 1,250 feet. Designed by Foster + Partners, the skyscraper will broadcast the bank's continued success while accommodating 15,000 workers, clients, and guests.

## POST-PANDEMIC REALITY

More broadly, these two supertalls reflect a key fact: Tall buildings have retained their lure even in a post-pandemic world. Cities like New York, where fears of an "urban doom loop" became widespread, are generating green shoots of renewal. In the first quarter of 2025, New York recorded its highest employment ever. Though fewer people are coming into the office, more workers and economic growth mean that those formerly empty desks will be eventually occupied. In fact, the city's office vacancy rate appears to have peaked. Statistics from Kastle, the company that tracks fob and card swipes into offices, reveal that occupancy across the United States continues to creep up. Even San Francisco, which was hit hard by remote work, seems to be turning the corner.

Despite the rebound, tall buildings in the United States remain less popular than in Asia. Cities such as Dubai, Kuala Lumpur, and Shenzhen have built hundreds of new towers as part of their growth strategies. In 1930, North America held nearly 90 percent of the top 100 tallest skyscrapers; today, that figure is only 14 percent. Many of these supertall Asian towers are iconic in architectural design and are as much about advertising and branding their respective cities. In the United States, while iconicity and advertising are important, the tall building market is driven by the more practical orientation of developers who need to keep costs down.

"In this generation of tall buildings, in the United States and North America, it's less about creating iconicity and projecting the power of corporations and more about just trying to maximize the value of whatever holdings you have," says Daniel Safarik, director of research and thought leadership at the Council on Tall Buildings and Urban Habitat, who contributed to a recent report on current tall building trends.

**LATEST TRENDS**

In a post-COVID world, two trends have revealed themselves. First, in the office sector, there has been a continued flight to quality. As firms downsize their office footprints, they can get higher-quality space for relatively less money. Kastle records that the average U.S. occupancy rate for class A buildings is 75.8 percent, while the overall occupancy rate is 53.5 percent; occupancy is even higher in trophy buildings, which contain top-end amenities in monumental architecture at prime locations. But until there's a healthier supply/demand balance for office space, tall office building construction will remain muted.

More important is the residential side. In 2000, 15 U.S. cities had at least one residential tower of 150 feet (40 floors) or taller. But more than three-quarters of them were in New York and Chicago. By 2021, the United States had 30 cities with at least one 150-foot or taller residential tower, and New York and Chicago's share dropped to 58 percent. Miami has been the winner, adding more than 60 skyscrapers since 2000. But smaller cities — such as Charlotte, N.C.; Cleveland; and Nashville — have gotten into the game.

The demand for residential high-rises reflects several demographic and economic trends. There has been a surge in demand for rental housing in multifamily buildings from millennials, who comprise 72 million individuals. Newer buildings often feature appealing amenities, including social spaces, swimming pools, fitness centers and co-working rooms. Renting also provides people with more flexibility, especially in the early years of their careers, when it's easier to relocate if necessary. Just as importantly, the rise in single-family home prices means younger people need to work longer to accrue more savings before they can transition into this market. The current regime of higher interest rates has added extra costs to purchasing a house. But just as importantly, younger generations have developed a renewed appreciation for urban living, with better access to restaurants, parks and other urban amenities.

**SKYSCRAPERS AND CITIES**

However, the larger question remains: Despite all the ebbs and flows in the American economy, why has the

demand for tall buildings been increasing? The answer emerges from the importance of cities in our lives. Cities are where people find jobs and where they produce and consume. For example, the three most productive counties in the United Sates. Manhattan (New York County), Los Angeles County and Cook County (Chicago), together generate 9 percent of the United States GDP, yet they use 0.18 percent of its land mass.

A skyscraper is thus a geography-shrinking machine. It pinches the land to squeeze out new land – land in the sky – which allows hundreds, if not thousands, of people to be in the same place at the same time. And just as importantly, there's a positive feedback loop between economic and real estate growth. New construction creates more urban density, which generates a host of beneficial spillovers, including increased productivity, a greater variety of local goods and services, and a sense of urban vitality. These benefits then draw more people, and the cycle continues. And density boosts land values, incentivizing taller and taller towers.

Office work remains important because employers recognize the value of face-to-face communication. Formal and informal conversations help generate new ideas and products, and allow employees to develop a stronger sense of camaraderie and a shared mission. Though workers bemoan long commutes, they also have a renewed appreciation for seeing their colleagues regularly.

On the supply side, technological innovation is making it easier for developers to provide taller buildings at a relatively lower cost. Computerized elevator dispatch systems enable elevators to move more people in less time and reduce the number of cabs, resulting in lower operating costs. With fewer shafts, there is also more income-generating space. New methods for wind bracing, such as tuned mass dampers, allow skyscrapers to be more secure against the wind at a lower expense. High-strength concrete varieties make it relatively cheaper to erect taller – and stiffer – structures.

**AUSTIN**

Two cities illustrate the ongoing demand for tall buildings in North America: Austin and Toronto. Austin has experienced incredible growth. In 2000, its population was 656,562, and now it is approaching 1 million; at the same time, the metro area population increased 2.5 times. The city's success as a tech hub, hosting companies such as Dell, IBM, Facebook, Google and Tesla, has fueled its economic expansion.

Since 2000, Austin has completed 22 towers of 30 stories or more. And, these buildings have been getting taller, with several exceeding 50 stories. Austin's tallest building is the residential tower Sixth and Guadalupe, which rises to 875 feet (66 floors). But in the works is Waterline, which is expected to top out at more than 1,000 feet. With 72 floors, the project includes luxury rental apartments, 700,000 square feet of office space, a 251-room hotel, and retail shops.

Regarding the Waterline development in Austin, *Engineering News Record* writes, "Featuring advanced construction technologies, sustainable design and significant green spaces, the Waterline is projected to surpass JPMorgan Chase Tower in height, currently the tallest building in Houston and the state of Texas. The ambition to build taller embodies Austin's growing architectural and urban ambitions."

Another element of Austin's downtown success is its zoning regulations, which promotes mixed-use development and encourages pedestrian engagement on the ground floors. Zoning rules mandate that buildings have wide sidewalks, along with retail or public spaces. As a result, downtown has life throughout most of the day, unlike other CBDs, which empty out at the end of the workday.

"People are missing human connection," says Erin Roberts, director of real estate intelligence at Ryan Companies US in Austin. "Depending on where you live, it's easier to get downtown or live downtown and not

have to worry about the commute. It is a lot easier in Austin than in a lot of other areas to do that because the pricing is lower. Right now, there's a lot of availability and a lot of concessions drawing people downtown."

And just as important, the skyline reflects Austin's success.

"When I look at the skyline and see the Google Sail Building, the Waterline or the Frost Bank Tower, I see a lot of hope for the future," says Alina Carnahan, vice president of advocacy at the Real Estate Council of Austin. "There's so much risk in constructing these buildings. They are a symbol that Austin has a future."

**TORONTO**

Toronto is another city that has embraced skyscrapers. It regularly leads the Crane Index, a measure of tall building construction published by RLB. As Canada's largest city, it is a draw for immigrants and students, and serves as a hub for finance, high technology, media and entertainment. The city accounts for a whopping 20 percent of Canada's GDP. Its downtown has been gaining more than 10,000 new residents per year and is expected to reach nearly 500,000 people in the next few decades. Since 2000, Toronto has completed nearly 90 buildings standing 500 feet or taller, and about 90 percent of them are residential.

Toronto's planning has aimed to promote a dual strategy: to allow the market to build skyscrapers based on the demand while also preserving the city's high quality of life. When a developer submits a proposal to planning officials, there's an understanding the developer will also provide a public benefit, such as a plaza, community facility or infrastructure.

James Parakh, urban design manager for Toronto & East York District of the City of Toronto's planning division, had this to say: "One of the things the last mayor used to challenge us with is 'How can we make sure 25 years from now we remain ranking high in terms of quality of life and livability? So, what can we do today?' So a lot of what we can do is creating public realm and open space, so that downtown remains a fairly livable place, and another thing is complete communities. Making sure we have new schools, definitely new community centers, daycares. All of those things."

By global standards, Toronto is not very tall. It does not have a building that ranks in the 100 tallest. However, that is going to change. Under construction is the residential SkyTower, likely to be completed next year. It will be the first building in Canada to exceed 100 floors. At 1,153 feet (106 floors), SkyTower is part of the larger Pinnacle One Yonge development, located in Toronto's Central Waterfront neighborhood, which will include three new residential towers and two office buildings.

I asked the architect, David Pontarini, a founding partner of Hariri Pontarini Architects based in Toronto, who helped design SkyTower, what the building means to Toronto. He says the tower reflects the matching of supply and demand.

"The developer has got an amazing team that can actually execute on a project like this," says Pontarini. "There was an increasing demand; we started that project in 2012. There is definitely demand for housing downtown and condo sales downtown. And that was considered to be a strategic site right on the waterfront, at the foot of Yonge Street, close to downtown, close to all the waterfront amenities; close to walking to work if you're working downtown; strategically located from a planning and design perspective, it fits nicely within the skyline of Toronto."

With respect to his feelings about the Toronto skyline, Pontarini adds: "I've watched it grow since the 1970s. I have seen it change and evolve, and I like that it has gone from being a commercially focused central business

district with office centered tall towers to one that is now a mixture. It's a true mixed-use skyline. … I think it competes and sits well with Chicago and New York."

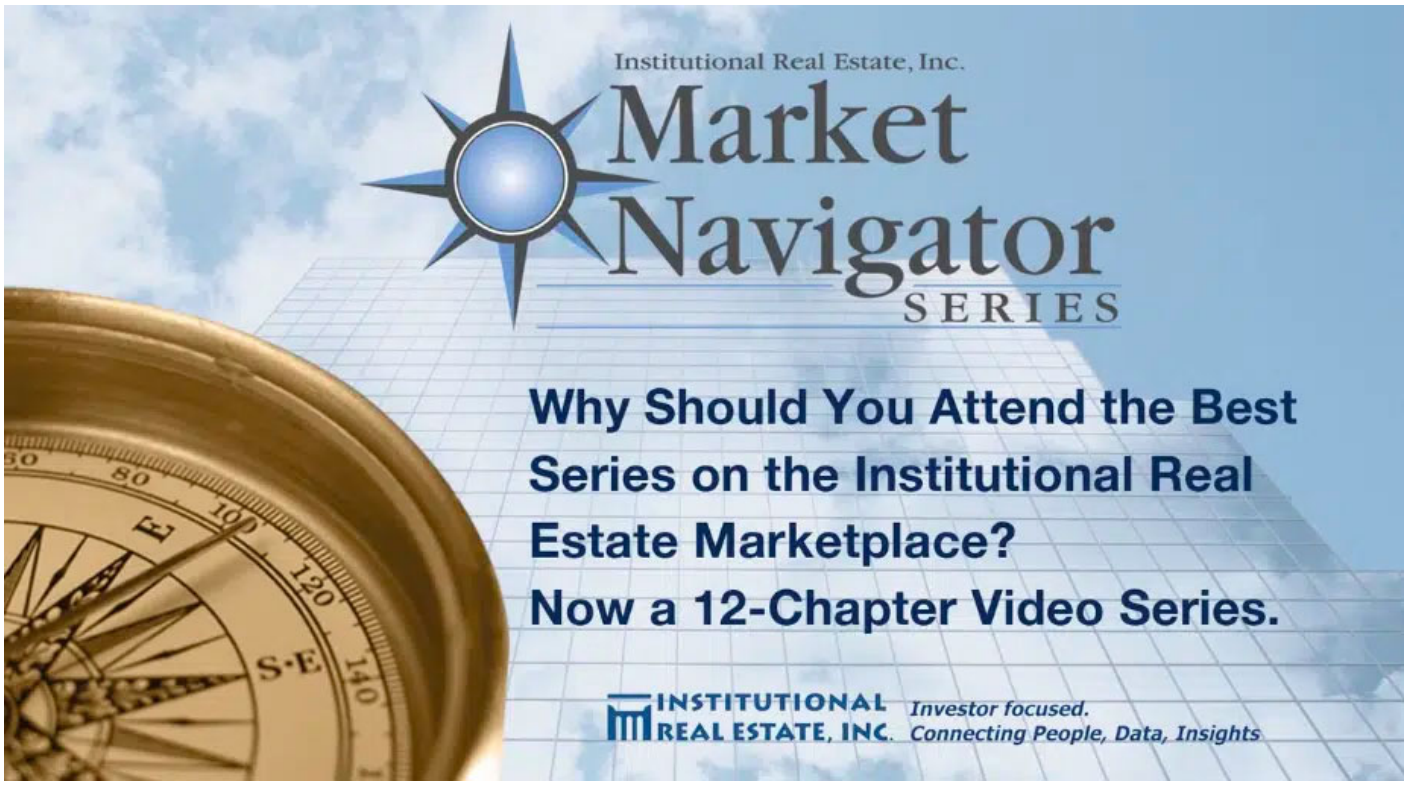
However, as many North American cities are finally gaining momentum after COVID, a new environment of uncertainty is emerging. The Trump administration's erratic tariff policy, the massive layoffs of government workers, restrictions on immigration, and the huge cuts in science research funding are crimping the American economy. As a result, developers are holding off on their projects since there is little clarity on costs and near-term demand. While the longer-run prospects for urban economic growth and American skylines remain strong, in the meantime, it's going to be a bumpy elevator ride.

**Jason Barr** is a professor of economics at **Rutgers University-Newark.** He is the author of *Cities in the Sky: The Quest to Build the World's Tallest Skyscrapers.*







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