

CityReport

Youth Movement:

Accelerating America's Urban Renaissance

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June 2020

Executive Summary

What is the future of the nation's cities? The latest census data, presented in this report, shows that far from reversing, the movement of talented young adults to urban centers is not only continuing, but is accelerating. The number of 25- to 34-year-olds with a college degree or higher living in close-in urban neighborhoods has increased in every one of the nation's large metro areas since 2010.

In the midst of a pandemic, there are panicked predictions that America's urbanism is over. But the latest data on home search activity gathered by Zillow in April, 2020 show that the market share of urban searches is increasing, and market share of suburban searches is decreasing. Independently, data gathered by ApartmentList.com show an increase in search activity in New York City, leading their analysts to conclude: "The pandemic is not scaring renters away from New York."

The "young and restless" — 25- to 34-year-olds with at least a four-year degree — are concentrating in the close-in neighborhoods of large metropolitan areas.

- Their numbers have increased by 32 percent since 2010, to 1.3 million
- A widespread trend: increasing in every large US metro area
- Driving city growth: accounting for 50 percent of the increase in population in close-in neighborhoods
- Well-educated young adults are 2.5 times as likely to live in close-in neighborhoods as other Americans

This is yet another premature and exaggerated obituary for America's urban revival. We were told technology would obviate the need to be in urban locations, because the Internet would "flatten" the world. We were told that the fear

of terrorism after 9/11 would prompt people to move out of the city.

The best predictor of what's likely to happen in the years ahead are the powerful trends we've observed recently. The record of the past decade shows that there's a strong and sustained demand for urban living, and the movement and concentration of talented workers to the heart of the nation's cities. This report shows that since 2010, the movement of well-educated young adults to close-in urban neighborhoods is universal and accelerating.

All of the 52 most populous US metro areas recorded an increase in the number of 25- to 34-year-old residents with at least a four-year college degree living in close-in neighborhoods.

Well-educated young adults are nearly two and a half times more likely to live in close-in urban neighborhoods than other residents of large US metro areas. That relative preference for central neighborhoods has increased steadily to an all time high.

More than 1.3 million 25- to 34-year-olds with a four-year degree or higher level of education lived in these close-in neighborhoods according to the latest Census data, an increase of more than 32 percent since 2010.

Contrary to press accounts that young adults are somehow growing disenchanted with urban living, this report shows that well-educated adults are disproportionately concentrated in the most central urban neighborhoods, and that the growth of this demographic in those neighborhoods has actually accelerated through 2018, compared to earlier periods. The rate of growth of well-educated young adults in close-in neighborhoods accelerated in the past six years compared to the previous decade in 40 of the 52 largest metropolitan areas.

The movement of young adults to close-in neighborhoods has fueled overall population growth in these areas. After recording stagnant population growth in the decade between 2000 and 2010, close-in neighborhood population grew 7.5 percent, from 9.4 million to 10.1 million. The increase in college-educated 25- to 34-year-olds accounted for a majority of the net increase in population in close-in neighborhoods since 2010.

This report defines close-in urban neighborhoods as Census Tracts within three miles of the center of a region's principal business district, places that generally have the densest housing, and accessibility to jobs, stores and services. The three-mile radius provides a consistent measure, comparable across metropolitan areas, and serves as an indicator of the relative health of dense urban neighborhoods in the nation's largest cities.

The concentration of talent in cities, and within cities, in close-in urban neighborhoods is a key characteristic of the increasingly knowledge-based, urban economy that primarily drives US economic growth. Two-thirds of the nation's 25- to 34-year-olds with a four-year degree live in one of the nation's 52 largest metro areas.

The ability of cities to attract and retain talented young workers is essential to their economic success. There's growing evidence that the most productive and high-paying employers are tending to locate and expand in urban locations to take advantage of the concentration of talent.

Because highly innovative and productive firms are the foundation of any successful regional or national economy, having an urban environment that both attracts and retains these talented workers is an essential part of any local economic development strategy.

The movement of talented workers to cities also provides an opportunity to promote

greater socioeconomic and racial-ethnic diversity in cities. In earlier decades, well-educated and disproportionately white households decamped to suburbs, leaving cities that were often segregated and economically isolated. As the work of Raj Chetty and others has shown, the prevalence of economically segregated neighborhoods in US metropolitan areas has been devastating to the upward economic mobility of poor kids in many cities.

This report is based on data from the Census Bureau, and compares the latest data from the five-year 2014-18 tabulation of the American Community Survey with comparable data from 2010 and from the Decennial Census of 2000, as presented in our 2014 report “The Young and Restless and the Nation’s Cities.”

Introduction

This report looks at the growing and widespread tendency of well-educated young adults in the United States to increasingly choose to live in dense and central urban neighborhoods in large metro areas in the US. In this report, we update the data and analyses spelled out in our 2014 report, “The Young and Restless and the Nation’s Cities.” This report finds that the key trends we identified then have not only continued, but accelerated, with the number of college-educated young adults growing in the urban centers of every one of the nation’s large metro areas, and that rate of growth actually accelerating since our earlier report in four-fifths of them.

That 2014 analysis was City Observatory’s inaugural report, but we’ve been exploring the role played by well-educated young adults in driving urban revitalization for more than a decade before that. Along with long-time collaborator Carol Coletta, we worked with an alliance of six cities around the nation in 2003 and 2004 to closely study what, at the time, was a nascent and largely unrecognized trend of well-educated young adults living in dense urban neighborhoods. We gathered an array of demographic data on the nation’s largest metro areas, and did detailed interviews and focus groups around the country. We commissioned

a survey on attitudes about place and moving. The result was “The Young and Restless,” which presented our initial findings (Cortright & Coletta, 2004).

We concluded that the economic futures of cities and smart young people were closely intertwined. We found that 25- to 34-year-old college graduates were among the most likely to move of any demographic group, and that they were systematically moving toward some places and away from others. And, to an apparently unprecedented degree, those moves seemed to be motivated by a desire for urban living.

To set the context for this report, it’s helpful to start with the answers to a few basic questions:

Why cities? There are many practical reasons to focus on cities. A majority of Americans live in one of the nation’s fifty-or-so largest metro areas, each of which is anchored by a central city. During this past economic expansion, these metro economies have been the principal engine of US economic growth (Lehner, 2017). City economies have also long been places of opportunity, enabling people to acquire skills, find jobs and start businesses (Glaeser, 2011).

Who are “the young and restless?” By young and restless, we specifically mean persons aged 25 to 34 who have completed at least a four-year college degree. Because age and educational attainment are asked by the American Community Survey, we can develop a geographically detailed, time series analysis of where this group lives. In this report, we use the terms “well-educated young adults,” “25- to 34-year-olds with a four-year degree” and “young and restless” interchangeably.

It’s important to note that our research focuses on a particular age group, rather than a birth cohort. The terms “Millennial,” “GenX” and “GenY” are often used to describe different birth cohorts, and to track the movement of a generation as it ages. Our approach is different, instead comparing people who are young adults in one year to people who were the same age in previous years. The generational method looks at the same people at different ages; our approach looks at different groups of people at the same age.

Why do they matter economically? As we’ve increasingly become a knowledge driven economy, educational attainment has become a stronger determinant of both personal and regional economic success. There’s an extremely strong correlation between the educational attainment of an area’s population and the fraction of its adult population that has completed a college degree.

Young college graduates are especially important to determining the educational attainment of a metropolitan area. A 24-year-old graduate is more likely than any other person to move across state lines, and upwards of a million graduates move each year. And today’s 25- to 34-year-olds are more likely to have completed a four-year degree than previous generations; moreover, because their education is more recent, it’s likely that employers view them as both more flexible and

more affordable—as well as more mobile—than older workers.

What’s a “close-in” urban neighborhood? For this report we use a single, fixed geographic measure to identify “close-in” neighborhoods. We start from the center of the central business district of each large metropolitan area, and then draw a circle with a radius of three miles around that spot, and count the number of persons living in that circle by age and educational attainment. We’ve chosen this uniform, distance-based measure over compiling data for individual municipalities or counties chiefly because the wide variation in boundaries among cities and counties makes accurate cross-sectional comparisons difficult and potentially misleading. The three-mile radius serves an indicator of the relative health of dense urban neighborhoods. More details on data, definitions and methodology are provided in the appendix.

A growing body of research

Since we released our reports in 2004 and 2014, there has been a wealth of academic studies that confirm the broad outlines of our findings

Three Columbia University economists looked at decades of data on population change in 27 large metro areas and concluded that the growing demand for accessible urban locations was driven by the time pressure faced by younger, dual-earner households. City locations helped minimize commute distances and provide convenient access to a range of consumer services (Edlund et al., 2015).

Nathaniel Baum-Snow of the University of Toronto, and Daniel Hartley of the Cleveland Federal Reserve Bank looked at migration trends to and from neighborhoods within 2

kilometers of central business districts, between 1980 and 2010, and found outmigration in earlier periods reversed, as highly educated workers moved closer to city centers (Baum-Snow & Hartley, 2019).

Victor Couture of the University of California Berkeley and Jessie Handbury of the University of Pennsylvania report that the number of well educated young professionals increased in the central business districts of nearly every large US city between 2000 and 2010. Their research emphasizes the decidedly different consumption preferences of young adults and the importance of local urban amenities, and concluded that these location patterns are not driven by temporary trends (Handbury & Couture, 2015).

Like Edlund, et al, Stanford University's Yichen Su explores the importance of central urban locations providing greater convenience and accessibility to higher earning, but time-pressed households. Demanding work schedules coupled with the need to frequently work long hours raises the cost of leisure time for many professionals. These high skilled workers find even expensive central locations worthwhile because of the savings they provide in time, both in commuting, and in leisure and consumption (Su, 2018). Similarly, Lee, Lee and Shubho find that young adults are particularly drawn to close-in, mixed-use neighborhoods with concentrations of shopping, food services, entertainment, and that the demand for this kind of neighborhood increased notably in the decade after 2000 (Lee et al., 2019).

While most young adults in city centers rent their homes, leading some to question the durability of this trend, an analysis of homebuying patterns looked at the propensity of different age groups to purchase homes within one mile of the center of the central business district. It found that that Millennial homebuyers consistently chose locations closer

to central cities when compared to older generations when they were at the same age, suggesting that these young adults are making a longer term commitment that is likely to shape cities for some time (Raymond et al., 2018). It appears that a preference for urban work, living and leisure is a deeply seated generational shift; the Urban Institute reports that its surveys show that 55 percent of young adults spend time in the principal city of their metro area on a daily basis, rates considerably higher than for older generations (Scott et al., 2020).

The remainder of this report proceeds in three parts. First, we look at the “young and restless” as a group, counting the number of people aged 25 to 34, and measuring their educational attainment. We show how this group has grown nationally, and in large metropolitan areas, since 2000. Second, we focus in on the close-in urban neighborhoods of large metropolitan areas, drawing a three-mile circle around the center of each downtown, and counting its population, and the number of young and restless. We trace the growth of these neighborhoods, and the role played by well-educated young adults. Third, we conclude by reflecting on the broader implications of this research for thinking about urban change, for understanding whether cities are still rising, or have peaked, and how concerns about the current pandemic are likely to affect the future.

About City Observatory

City Observatory is a virtual think tank, contributing original, data-driven research and regular commentary on what matters to city success, focused on how building great places to live can attract, develop and harness talent to create widely shared opportunity. Learn more at www.CityObservatory.org.

The Young & Restless

The United States has 15.6 million young adults who have completed at least a four-year college degree. We focus on this particular demographic group because we think it plays an important role nationally and locally.

They have the human capital that powers the nation's economic growth. Fast growing technology and service companies depend on the availability of these talented young workers for their continued growth and success. In an increasingly knowledge-driven economy, talent plays a decisive role in shaping city success. The cities that do well are the ones that have lots of smart young people, and to which it is relatively easy to attract more. The places that are struggling economically are those that have few well-educated young adults, and who don't have the amenities and critical mass to attract and anchor young talent in place.

Despite the growing costs of a college education, and the considerable burden of student loans, this generation is better

educated than any of its predecessors. Today, 35.0 percent of 25- to 34-year-olds have completed at least a four-year degree. That's higher than the rate for all adult Americans (about 31.5 percent). It's also noticeably higher than it was for previous generations of young adults. The fraction of 25- to 34-year-olds who have completed at BA or higher degree has increased from 27.5 percent in 2000 to 35.1 percent in 2016. By any objective measure, today's young adults are extremely well-educated.

Like all Americans, young college graduates have lots of choices about where to live. But by virtue of their youth, education and high demand for their skills, 25- to 34-year-olds with a college degree turn out to be the most mobile Americans, which is an increasingly rare commodity as the tendency of Americans to move long distances has steadily declined for decades. Therefore, the talent pool that's "up for grabs" in today's world, is these young and restless adults.

Table 1: Population in Large Metro Areas and US, 2016, by age and education

	<u>Nation</u>	<u>Large Metros</u>	<u>Rest of US</u>
Population	322,903,030	178,855,171	144,047,859
Adults (Aged 25 and older)	218,446,071	121,472,353	96,973,718
Adults with a 4-year degree	68,867,051	44,298,363	24,568,688
Percent college attainment	32%	36%	25%
25- to 34-year-olds	44,567,976	26,198,513	18,369,463
25- to 34-year-olds with a 4-year degree	15,629,182	10,677,049	4,952,133
Percent college attainment	35%	41%	27%

Over time, the US is becoming better educated, and well-educated Americans are increasingly concentrated in large metropolitan areas. Table 1 shows the total population, the number of adults, and the number of 25- to 34-year-olds living in the nation as a whole, and in one of the 52 largest metropolitan areas, according to the five-year 2014-18 American Community Survey. It also shows the number and fraction of adults and 25- to 34-year-olds who have completed at least a four-year degree.

Even more than previous generations, today's well-educated 25- to 34-year-olds are increasingly gravitating to the nation's largest metropolitan areas. Table 1 shows the total number of adults and according to the latest Census data, there are about 15.6 million 25- to 34-year-olds who have completed a four-year degree. Roughly 10.7 million of them, or more than two-thirds, live in one of the nation's largest metropolitan areas, compared to just 55 percent of all Americans.

On average, adult Americans living in one of the nation's largest metro areas are considerably better educated than those living outside these large metros. The four-year college attainment rate for all adults living in large metros is 36 percent, compared to 25 percent for those living outside large metros.

For young adults, the educational attainment gap is even wider. Some 41 percent of 25- to 34-year-olds living in large metro areas have completed at least a four-year degree compared to 27 percent of those not living in a large metro area.

So in the aggregate, these talented young adults are already disproportionately concentrated in the nation's largest metropolitan areas. City Observatory's inaugural report in 2014 was entitled "The Young and Restless and the Nation's Cities," but we've explored the role played by well-educated young adults in driving urban revitalization for more than a decade before that. The twenty-first century has been marked by a steady increase in the number and share of well-educated people in the nation's large metropolitan areas. Table 2 shows the overall population, adult population, and population aged 25- to 34-in the nation's 52 largest metro areas as reported in the 2000 Decennial Census, and in the American Community Survey for the two five-year periods centered on 2010 and 2016 respectively.

Table 2: Population in Large Metro Areas, 2000, 2010 and 2016, by age and education

<u>Top 52 Metropolitan Areas</u>	<u>2000</u>	<u>2010</u>	<u>2016</u>	<u>Change 2010-16</u>
Total Population	151,462,220	168,029,888	178,855,171	6.4%
Adults (Aged 25 and older)	98,333,623	111,119,930	121,472,353	9.3%
Adults with a 4-year degree	27,944,982	36,766,409	44,298,363	20.5%
Percent college attainment	28.4%	33.1%	36.5%	
25- to 34-year-olds	22,869,664	23,758,216	26,198,513	10.3%
25- to 34-year-olds with a 4-year degree	7,351,293	8,744,415	10,677,049	22.1%
Percent college attainment	32.1%	36.8%	40.8%	

The total population living in large metro areas has increase by about 6.4 percent over this 16 year period. The number of adults and young adults living in large metro areas has increased even faster (reflecting the combined effects of the aging of the US population and the growing preference of young adults for large metro areas). Since 2010, the number of adults with college degrees has been increasing substantially faster than the rate of population increase. For all adults, aged 25 and over, college attainment has risen about 20.5 percent—more than three times faster than the overall rate of increase in population in large metropolitan areas. That has been led by the increased educational attainment of young adults, who have increased 22 percent over that same time period.

Close-in Neighborhoods

At the heart of the nation's largest metro areas are the central business districts and immediately surrounding neighborhoods. More than 10 million Americans live in these close-in neighborhoods.

To allow direct comparisons among different metropolitan areas, we apply a consistent yardstick for defining "close-in" urban neighborhoods. Following a technique developed by Ed Glaeser (E. L. Glaeser et al., 2001), and applied by researchers at the Brookings Institution (Kneebone, 2009), we identify the center of a metro area's principal central business district, and then use geographic information system software (GIS) to draw a three-mile radius around that spot, counting the number of people living inside that circle.

These close-in neighborhoods tend to have higher levels of density than other parts of metropolitan areas, and offer close access to the concentration of jobs, cultural and recreational opportunities found in city

centers. Central locations also typically have the highest level of accessibility to all jobs in a metro area, an especially important characteristic for two-earner households.

Table 3 summarizes the population and educational attainment of the nation's close-in urban neighborhoods since 2000.

The overall population level of these areas was, in the aggregate, essentially stagnant between 2000 and 2010, with increases in some cities more than offset by declines in others. Total population in close-in neighborhoods was basically unchanged at about 9.4 million. But since 2010, these close-in neighborhoods have, collectively, grown rapidly, with their aggregate population increasing 7.5 percent in six years, to a total of 10.1 million.

Census data show that more than 10 million Americans reside in the close-in urban neighborhoods of the nation's metro areas with a million or more population.

Table 3: Population in Close-in urban neighborhoods of Large Metro Areas, 2000, 2010 and 2016, by age and education

<u>Top 51 Metropolitan Areas</u>	<u>2000</u>	<u>2010</u>	<u>2016</u>	<u>Change 2010-16</u>
Total Population	9,420,805	9,405,328	10,107,970	7.5%
Adults (Aged 25 and older)	6,178,499	6,370,807	7,125,714	11.8%
Adults with a 4-year degree	2,001,782	2,665,490	3,389,021	27.1%
Percent college attainment	32.4%	41.8%	47.6%	
25- to 34-year-olds	1,870,726	2,003,395	2,380,503	18.8%
25- to 34-year-olds with a 4-year degree	807,544	1,108,598	1,472,522	32.8%
Percent college attainment	43.2%	55.3%	61.9%	

Table 4 provides a detailed listing of the number of well-educated young adults in close-in neighborhoods in each of the nation’s 52 largest metro areas in 2000, 2010, and 2016. It also shows the change in the number of well-educated young adults between 2010 and 2016, and computes the average annual growth rate of well-educated young adults between 2000 and 2010, and between 2010 and 2016.

As noted above, in the aggregate, the close-in neighborhoods of these 52 metropolitan areas added about 363,000 25- to 34-year-olds with a four-year degree between 2010 and 2016.

Perhaps the most striking finding from this table is that every single one of these metropolitan areas recorded an increase in the number of well-educated young adults in city center neighborhoods between 2010 and 2016.

Five cities each recorded an increase of 20,000 more well-educated young adults in close-in neighborhoods after 2010: Boston, Philadelphia, San Francisco, Seattle and Washington.

Three cities recorded double-digit annual growth rates in the number of well-educated young adults in these neighborhoods—Detroit, Nashville and Phoenix. Detroit’s numbers represent a big turnaround after decades of population decline in its close-in urban neighborhoods. Both Detroit and Phoenix are exhibiting large growth rates from a very small base (each had about than 3,000 well-educated young adults in close-in neighborhoods in 2010).

Table 4: Population in Close-in Urban Neighborhoods of Large Metro Areas, 2000, 2010 and 2016,

Metro Area	2000	2010	2016	Change	Average Annual Growth	
				20010-16	2000-10	2010-16
Atlanta-Sandy Springs-Marietta, GA	16,098	22,326	29,441	7,115	3.3%	4.6%
Austin-Round Rock, TX	15,638	19,537	30,919	11,382	2.2%	7.7%
Baltimore-Towson, MD	13,170	25,223	33,637	8,414	6.5%	4.8%
Birmingham-Hoover, AL	5,392	4,537	6,015	1,478	-1.7%	4.7%
Boston-Cambridge-Quincy, MA-NH	51,367	70,090	90,889	20,799	3.1%	4.3%
Buffalo-Niagara Falls, NY	4,162	5,752	7,362	1,610	3.2%	4.1%
Charlotte-Gastonia-Concord, NC-SC	6,463	10,992	16,925	5,933	5.3%	7.2%
Chicago-Naperville-Joliet, IL-IN-WI	48,889	75,738	93,179	17,441	4.4%	3.5%
Cincinnati-Middletown, OH-KY-IN	7,106	8,179	11,923	3,744	1.4%	6.3%
Cleveland-Elyria-Mentor, OH	2,645	4,805	6,736	1,931	6.0%	5.6%
Columbus, OH	8,895	12,594	20,163	7,569	3.5%	7.8%
Dallas-Fort Worth-Arlington, TX	9,150	17,256	28,389	11,133	6.3%	8.3%
Denver-Aurora, CO	20,985	31,678	46,662	14,984	4.1%	6.5%
Detroit-Warren-Livonia, MI	3,350	3,153	8,239	5,086	-0.6%	16.0%
Grand Rapids-Wyoming, MI	5,708	7,656	12,229	4,573	2.9%	7.8%
Hartford-West Hartford-East Hartford, CT	5,417	6,816	8,661	1,845	2.3%	4.0%
Houston-Sugar Land-Baytown, TX	10,639	18,845	28,293	9,448	5.7%	6.8%
Indianapolis-Carmel, IN	3,235	5,386	10,612	5,226	5.1%	11.3%
Jacksonville, FL	1,512	2,220	3,259	1,039	3.8%	6.4%
Kansas City, MO-KS	2,640	4,294	7,574	3,280	4.9%	9.5%
Las Vegas-Paradise, NV	1,655	1,894	2,393	499	1.3%	3.9%
Los Angeles-Long Beach-Santa Ana, CA	10,380	20,161	33,408	13,247	6.6%	8.4%
Louisville-Jefferson County, KY-IN	4,418	5,683	6,612	929	2.5%	2.5%
Memphis, TN-MS-AR	3,746	4,886	6,049	1,163	2.7%	3.6%
Miami-Fort Lauderdale-Pompano Beach, FL	6,428	14,001	19,940	5,939	7.8%	5.9%
Milwaukee-Waukesha-West Allis, WI	9,557	12,614	17,001	4,387	2.8%	5.0%
Minneapolis-St. Paul-Bloomington, MN-WI	18,433	25,156	33,420	8,264	3.1%	4.7%
Nashville-Davidson-Murfreesboro-Franklin, TN	4,794	7,720	14,404	6,684	4.8%	10.4%
New Orleans-Metairie-Kenner, LA	9,418	12,278	18,580	6,302	2.7%	6.9%
New York-Northern New Jersey-L.I., NY-NJ-PA	198,447	228,505	242,380	13,875	1.4%	1.0%
Oklahoma City, OK	2,173	3,048	4,916	1,868	3.4%	8.0%
Orlando-Kissimmee, FL	6,070	7,351	10,633	3,282	1.9%	6.2%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	28,317	50,273	71,668	21,395	5.7%	5.9%
Phoenix-Mesa-Scottsdale, AZ	2,230	2,784	6,023	3,239	2.2%	12.9%
Pittsburgh, PA	7,949	11,796	17,387	5,591	3.9%	6.5%
Portland-Vancouver-Beaverton, OR-WA	18,297	24,860	32,054	7,194	3.1%	4.2%
Providence-New Bedford-Fall River, RI-MA	9,168	11,576	13,596	2,020	2.3%	2.7%
Raleigh-Cary, NC	5,914	7,813	11,193	3,380	2.8%	6.0%
Richmond, VA	6,731	9,488	15,430	5,942	3.4%	8.1%
Riverside-San Bernardino-Ontario, CA	2,196	3,373	4,787	1,414	4.3%	5.8%
Rochester, NY	9,668	11,552	11,831	279	1.8%	0.4%
Sacramento-Arden-Arcade-Roseville, CA	7,424	10,482	14,693	4,211	3.4%	5.6%
St. Louis, MO-IL	3,094	7,371	9,559	2,188	8.7%	4.3%
Salt Lake City, UT	9,111	11,543	15,113	3,570	2.4%	4.5%
San Antonio, TX	2,125	2,995	4,779	1,784	3.4%	7.8%
San Diego-Carlsbad-San Marcos, CA	10,437	19,918	25,551	5,633	6.5%	4.2%
San Francisco-Oakland-Fremont, CA	84,425	91,035	116,248	25,213	0.8%	4.1%
San Jose-Sunnyvale-Santa Clara, CA	11,821	16,015	22,848	6,833	3.0%	5.9%
Seattle-Tacoma-Bellevue, WA	23,446	31,655	53,775	22,120	3.0%	8.8%
Tampa-St. Petersburg-Clearwater, FL	4,673	7,794	9,032	1,238	5.1%	2.5%
Virginia Beach-Norfolk-Newport News, VA-NC	3,841	5,906	7,065	1,159	4.3%	3.0%
Washington-Arlington-Alexandria, DC-VA-MD-WV	44,405	77,651	99,051	21,400	5.6%	4.1%

Acceleration

There seems to be little question that, compared to 20 or 30 years ago, young adults are more likely to live in cities. But some have questioned whether this trend has run out of steam. To get a sense of whether the movement of well-educated young adults to close-in urban neighborhoods is accelerating or abating, it's useful to look at the final two columns of Table 4. These columns report the annualized growth rate in the number of 25- to 34-year-olds with a four-year degree or higher education in each of two periods, 2000 to 2010 and 2010 to 2016. We've annualized these figures to allow a direct comparison over these two time periods of different lengths.

The difference between these two growth rates indicates whether then growth of well-educated young adults is accelerating or slowing. If the growth rate for 2010-16 (the right-most column) is higher than for the 2000-10 period, that indicates that the rate of growth is accelerating. (To make this clear, we've **bolded** the growth rates for cities that have accelerating rates of growth). The data in Table 4 show that growth rates are higher in the latter period for 40 of the 52 metropolitan areas. This means that the movement of well-educated young adults to close-in neighborhoods—which is occurring in every large metro area—is actually accelerating in four-fifths of these metro areas. The remaining fifth of metro areas continue to add well-educated young adults in their core neighborhoods, but are doing so at a slower rate now than in the 2000-2010 decade. It's

worth noting that among those with a slowing growth rate are Chicago, New York, and Washington—all cities that already had substantial concentrations of young workers in their urban centers, and in the case of the latter two, facing notable challenges in expanding housing supply to meet demand.

Relative Preference

Another way to think about whether, and to what degree well-educated young adults prefer urban living is to look at the relative likelihood that they live in a close-in urban neighborhood compared to the average metropolitan resident. To do this, we compute an odds ratio: what fraction of 25- to 34-year-olds with a four-year degree who live in large metro areas live in close-in neighborhoods compared to the fraction of the total population of large metropolitan areas that live in these neighborhoods. In 2016, 13.8 percent of well-educated young adults living in large metros live in close-in neighborhoods, compared to about 4.0 percent of all residents of large metro areas. This means that the “young and restless” are about 3.5 times as likely (13.8 percent/4.0 percent) to live in close-in neighborhoods as the typical large-metro resident.

If we're interested in judging whether the taste for urban living among young adults has changed over time, we can compare the relative preference for living in close-in neighborhoods today with the same figure from previous years—as shown in Table 5.

Table 5: Share of Population and Young and Restless in Close-in Neighborhoods

	2000	2010	2016
Total Population	4.1%	3.8%	4.0%
25- to 34-year-olds with a 4-year degree	11.0%	12.7%	13.8%
Odds-Ratio	2.7	3.3	3.5

Policy Implications

The accelerating movement of well-educated young adults into the close-in neighborhoods of the nation's largest cities has a number of important implications. The increase in city-centered human capital is an essential asset for powering metropolitan areas, promoting urban revitalization, and if harnessed correctly assuring more widespread economic opportunity.

The information presented in this report challenges claims made—based largely on coarser, count-level data—that the urban revival has slowed due to some generational disenchantment with cities; if anything, our data show the ardor for urban living is accelerating, restrained mostly by the limited supply of great urban neighborhoods and the difficulty of building new housing in them.

Finally, in light of the Covid-19 pandemic, there are many concerns that density and urban living will somehow no longer be attractive in the decades ahead. The data actually show tenuous connections between urban density and the virus's spread; and the latest data on Internet real estate searches

shows that search activity is actually shifting to cities, not away from them.

Talent and opportunity: Reviving city centers

Vibrant and productive city-centered urban economies are central to the nation's economic well-being. Many of the nation's most important knowledge-based industries thrive on the agglomeration economies that come from the kind of dense and varied interactions that are possible in cities.

Cities provide opportunity. One of the key ways that cities promote efficiency is through deep labor markets that allow for optimal matching of workers to the jobs that make best use of their skills and abilities. Cities are places where workers pursue employment opportunities,

acquire skills, and build personal and professional networks.

The growing presence of well-educated young adults in large metro areas and their preference for urban living is prompting companies to expand and locate in city centers. The competition for talent has reshaped the process of economic development: location decisions are typically dictated by the HR department, and places that have lots of talented young workers, or which can readily attract more are preferred. One study found more than 500 companies had located or expanded in city centers, primarily to have better access to talent (Smart Growth America et al., 2016). This fact was underscored by Amazon's decision to select New York and Washington as the winners of its much ballyhooed "HQ2" competition, based on their strong concentrations of talent (Badger, 2018).

There are signs that this movement of employers back to cities is blunting, if not reversing, the long-term pattern of employment decentralization in the US (Cortright, 2015). Recent work by the Brookings Institution has pointed to a strong increase in employment density, driven largely by cities like Seattle and San Francisco (which have been extremely successful in attracting well-educated young adults (Shearer et al., 2019).

The movement of talented young workers to close-in urban neighborhoods is helping to power revitalization. As we've noted, college-educated 25- to 34-year-olds account for a majority of the net new residents to close-in neighborhoods since 2010.

To some, well-educated new residents are a sign of gentrification and possible displacement. But recent research shows that an influx of newcomers seldom produces displacement, and long-time residents are generally made better off (Brummet & Reed,

2019). In addition, whether new residents displace previous residents depends substantially on whether we allow housing supply to expand in close-in urban neighborhoods. Since 2010, we've managed to add about 7 percent more residents in these neighborhoods, and some of this increase could be accommodated by making fuller use of the existing housing stock. But it's likely that further growth in these neighborhoods—and avoiding displacement of long-time residents who wish to stay—will increasingly hinge on expanding the housing stock. Contrary to many popular conceptions, building new market rate housing in cities is associated with lower rents and less displacement (Asquith et al., 2019).

For urban neighborhoods that have suffered from decades of disinvestment and population decline, attracting new, well-educated residents can provide an economic stimulus. Increased local spending on groceries, at restaurants and bars and at neighborhood retailers and service businesses can support the creation of additional local jobs, most of which are likely to be at skill-levels that are accessible to a wide range of neighborhood residents. Writing for the Brookings Institution, Jonathan Rothwell estimates that over the course of an adult lifetime, a college graduate spends roughly a quarter of a million dollars more on local goods and services than residents with just a high school education (Rothwell, 2015). This additional spending translates directly into more jobs and opportunities in local neighborhoods.

Economic integration that leads to better life prospects, especially for kids from low income families. The work of Raj Chetty and his colleagues at the Equality of Opportunity Project has shown that segregation, including economic segregation, has deleterious effects on the lifetime earnings of kids from low income families, and that this is reflected in generally poorer rates of economic mobility in the central counties of metro areas (Chetty et

al., 2014). Promoting greater integration can potentially ameliorate these negative effects.

For too long, the problems of city neighborhoods have been fueled by a powerful and self-reinforcing combination of disinvestment and out-migration. The growth in property values (and the tax base) in revitalizing neighborhoods provides a possible source of funding to help subsidize the retention and construction of affordable housing. Some cities, like Portland, have dedicated a significant fraction of the tax increment associated with rising property values in redeveloping areas to subsidize housing, leading to the construction of thousands of units of affordable housing in those close-in neighborhoods that are also gaining talented workers (Cortright, 2019).

Has the tide turned against cities?

In the past year or so, there have been several stories in the popular press pronouncing an end to, or at least a dramatic slowdown in the nation's urban revival. Analyses of county-level data by Brookings Institution demographer Bill Frey (Frey, 2020) and Indeed economist Jed Kolko show that aggregate population growth in the counties that they each classify as the nation's most "urban" have slowed since the early part of the last decade (Kolko, 2017).

Both of these studies use county boundaries, rather than urban neighborhoods to measure whether urban population is increasing or not. County lines don't match up well with the contours of city neighborhoods, with most central counties in large metropolitan areas being an amalgam of both denser urban neighborhoods and lower density suburban ones. There is a certain arbitrariness to these

classification systems; a county classification system developed by Bill Bishop at the *Daily Yonder* reports that the nation's most urban counties added 6.6 million population between 2000 and 2019 (Bishop & Gallardo, 2020). If you look closely at the densest urban neighborhoods, growth is robust. A new analysis from the Brookings Institution that uses customized census-tract level definitions of the downtowns, finds that these central areas have been growing robustly in large metropolitan areas since 2000 (Tomer & Fishbane, 2020).

The data presented here show that, especially compared with the decade 2000 to 2010, the movement of well-educated young adults to urban neighborhoods has accelerated through the period covered by the latest Census data (2014-2018), and that these close-in neighborhoods, which had collectively stagnated in the earlier decade grew robustly after 2010. These data can't directly show—one way or another—whether that trend has continued in the past year or two.

Even if growth has slowed, there's little reason to believe that this signals any kind of disenchantment with city living. In addition to the simple demographics of body-counts, we can also look at other market data which clearly signal the enduring and increasing premium that people place on urban living. Careful analyses of intra-urban real estate values have shown significant and sustained increases in value in central and walkable neighborhoods. Economists have traced a decades-long increase in the relative value of homes in the center of cities relative to those on the periphery (Edlund et al., 2015). Between 2012 and 2019, average property values in walkable neighborhoods have increased faster than those in car-dependent neighborhoods in 44 of the 51 largest US metropolitan areas, according to data provided by Redfin (Anderson, 2019).

High and rising property values for central and walkable locations signal both the high value that consumers attach to these attributes, and their relative short supply. One of the principal reasons for rising rents in these neighborhoods is that it has been essentially illegal to build places with these characteristics (high levels of density, a mix of shops and restaurants, a range of housing types, and high levels of walkability) in much of the United States. In addition, because of strict local zoning limits, it's been difficult to build new housing in some of the most in-demand neighborhoods (Murray & Schuetz, 2019). To the extent we are seeing a slowing of population growth in close-in neighborhoods, it appears to be chiefly a problem of limited housing supply, rather than waning demand to live in America's most urban places.

What about the Pandemic?

Claims about a reversal of the urban rebound have drawn added attention as a result of widespread speculation about the role of density in the spread of the Covid-19 pandemic, and ruminations about the future of cities. For example, in April, 2020, *The New York Times* headlined an article speculating on the likely long-term effects of the Covid-19 pandemic on cities, "America's Biggest Cities Were Already Losing Their Allure. What Happens Next?" (Tavernise & Mervosh, 2020), and *The Wall Street Journal* chimed in with "People were leaving New York City before the Coronavirus, Now what?" (King, 2020).

While there's definitely some panicky pandemic punditry predicting people will abandon cities, the best evidence suggests that's not even close to happening. Real estate analytics firm Zillow tracks the location of homes that people are searching for on a day to day basis. In April 2020, in the midst of the

pandemic, Zillow reports that the market share of searches for urban locations increased nationally, and also rose in 29 of 35 large metro areas (Tucker, 2020). The share of searches for suburban locations declined in every one of these 35 markets—exactly opposite of what you'd expect if the market were turning against cities. Interest in cities is not just weathering the pandemic, it's increasing, relative to suburbs. Zillow's Jeff Tucker concludes:

Will a new fear of density cause people to flee urban cores for more spread-out suburbs or rural areas? So far, Zillow data suggest the answer is "No."

Independently, another source of real estate market activity confirms the continued interest in cities. ApartmentList.Com is a major consumer-focused website for finding apartments. Like Zillow, they track search activity by location. In April, 2020, at the height of the pandemic, they found an increased interest in moving to New York. In a section headlined "The pandemic is not scaring renters away from New York," they wrote:

In recent weeks, the New York City metro has emerged as a global epicenter of the pandemic, to the extent that the state of New York now accounts for more COVID-19 cases than any single country outside the U.S. It might reasonably be expected that the severity of the situation would make the prospect of moving to New York appear far less attractive, but this intuition is not borne out in our data. We observe that prior to the pandemic, 20.3 percent of users searching for apartments in the New York metro were searching from a different part of the country. In more recent data, however, that share has *increased* to 26.4 percent (Salviati, 2020).

There's little reason to believe pandemic concerns will blunt the advantages and attractiveness of urban living. One of the most robust decades for central city growth in the United States, the 1920's, followed directly after the Spanish Flu pandemic of 1918-19. Cities have weathered and adapted in the face of outbreaks of contagious diseases for centuries, and will likely do so again.

Paul Romer, winner of the 2018 Nobel Prize in Economics puts this in perspective:

The fact is that the intense interaction that cities allow is immensely productive. I think what we're going to learn from this is that there are a variety of ways to continue to interact frequently while minimizing the risks of transmitting viruses. I doubt that this is

going to slow down the growth of cities. I think the underlying economic reality is that there is tremendous economic value in interacting with people and sharing ideas. There's still a lot to be gained from interaction in close physical proximity because such interaction is a large part of how we establish trust. So I think that, for the rest of my life, cities are going to continue to be where the action is (Romer, 2020)

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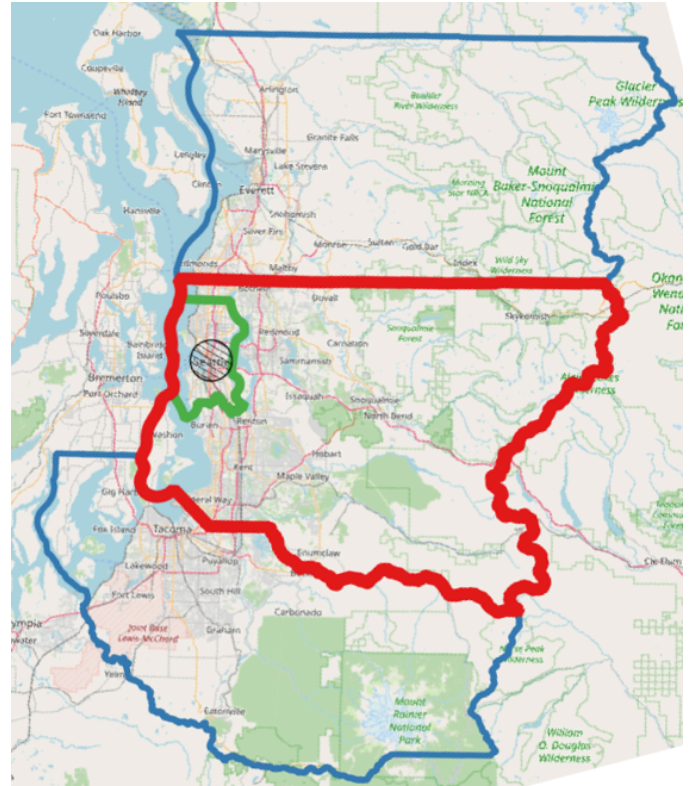
Methodology

Data for this report were obtained from the American Community Survey. The report is compiled from census tract level data for large US metropolitan areas—those with a population of one million or more. Tract level data is reported in the American Community Survey in rolling five-year groupings. The data for this report are drawn from the five-year 2014-2018 tabulation of the American Community Survey.

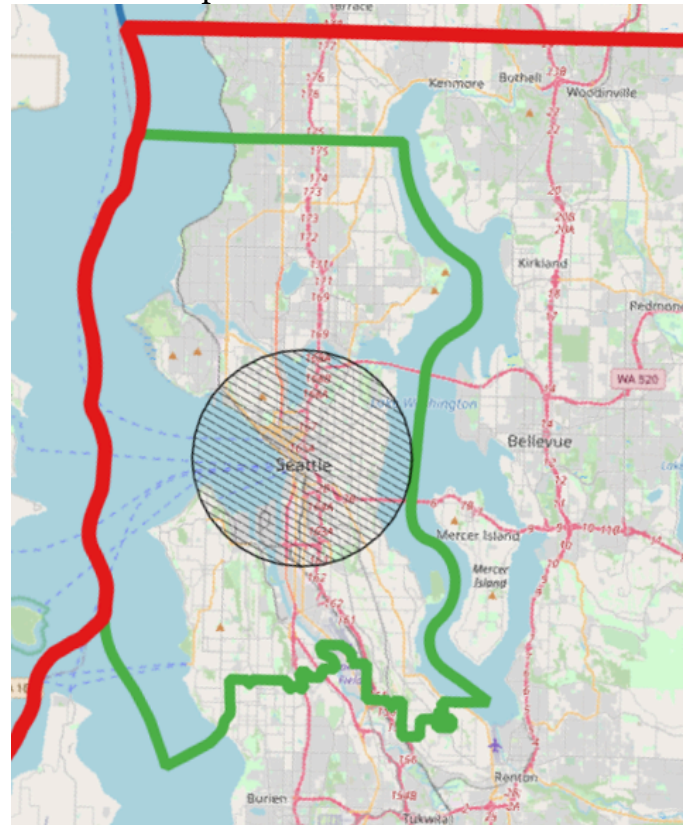
Data in this report are compared to tabulations prepared by City Observatory in its earlier report (Cortright, 2014), which compiled data for 2000 (from the decennial census and for 2010 (from the five-year 2008-2012 American Community Survey).

Data were tabulated using geographic information system (GIS) software that computed the number of persons living within three miles of the center of the region’s principal central business district. Locations of central business districts were determined from census bureau designations, following the same approach as (Glaeser et al., 2001), and (Kneebone, 2009).

The map opposite illustrates the various geographies discussed in this report for the Seattle metropolitan area. The blue-bordered area is the entire metro area, stretching from Tacoma on the South to Everett on the North. The red-bordered area is King County, the county containing the city of Seattle. Seattle’s municipal boundaries are shown as a green line, and our three-mile circle is shown as a shaded, black-bordered circle.



Seattle Metropolitan Area



City of Seattle and Close-in Neighborhoods

CityReport