

# MetroStats



Steady growth and big changes ahead: The Regional Forecast to 2040

April 2015

## About forecasts

The Metropolitan Council forecasts employment, population and households—with a 30-year horizon—for the seven-county Twin Cities region. We assess the region’s economic competitiveness and project future growth using REMI PI, a regional economic model.

We distribute the regional forecast to cities and townships through additional analysis (local forecasts). Our land use model projects the likely geographic pattern of future growth given real estate and location preferences, regional policies and local land use controls.

The regional and local forecasts provide a shared foundation for coordinated, comprehensive planning by the Council and local governments. For the latest regional and local forecasts, please visit our website <http://metrocouncil.org/forecasts>.

## About us

Regional Policy and Research team at the Metropolitan Council wrote this *MetroStats*. We serve the Twin Cities region and your community by providing data, reports and technical assistance. We focus on demographic trends and development patterns, and exploring regional issues that matter.

For more information, please contact us at [research@metc.state.mn.us](mailto:research@metc.state.mn.us).

## Key findings

- According to the latest regional forecast, the Twin Cities region will gain 783,000 residents over the next 30 years, bringing the total population of the region to 3.6 million in 2040.
- By 2040, the Twin Cities region will experience three major demographic shifts. Our population will be 1) more racially and ethnically diverse, 2) older, and 3) more likely to live alone.
- Jobs and economic opportunity attract people to the Twin Cities region. The churn of people moving to and from the Twin Cities region is increasing the racial and ethnic diversity of our workforce and schools.
- The housing needs and preferences of older adults—residents over age 65—will significantly reshape the region’s housing market over the next 30 years.
- The Twin Cities region will add 468,000 jobs, bringing the total number of jobs to over 2 million by 2040.

## The Twin Cities region will gain residents and jobs

Our forecast shows the Twin Cities region will gain 783,000 people over the next three decades, bringing the total number of residents to 3,633,000 in 2040. Each decade the growth rate varies slightly—the highest rate (10%) occurs between 2010 and 2020, then drops slightly (to 8%) between 2020 and 2030, then again (to 7%) between 2030 and 2040.

The Twin Cities region will add 468,000 jobs between 2010 and 2040. Employment will grow rapidly in the short-term (16% growth in the 2010s) and at a slower pace in the 2020s and 2030s.

Figure 1. Metropolitan Council’s regional forecast to 2040

	2010	2020	2030	2040
Population	2,850,000	3,125,000	3,385,000	3,633,000
Households	1,118,000	1,258,000	1,377,000	1,485,000
Employment	1,548,000	1,797,000	1,923,000	2,016,000

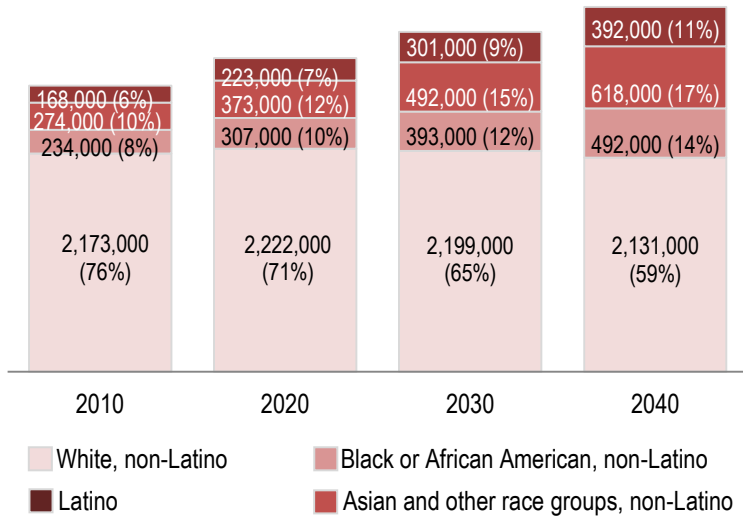
Source: Metropolitan Council Regional Forecast (March 2015).

As the Twin Cities region grows, it will do so in new ways. In fact, three major demographic shifts are underway that will change our region dramatically.

## By 2040, two in every five residents of the Twin Cities region will be a person of color

Over the next three decades, the Twin Cities region will become more racially and ethnically diverse. The population of color will more than double during the forecast period, going from 676,000 in 2010 to 1,502,000 in 2040 (Figure 2). Meanwhile, the number of white non-Latino residents living in the region in 2040 will be about the same as it is today.

Figure 2. Population by race and ethnicity, 2010 to 2040



Source: Metropolitan Council Regional Forecast (March 2015).

This shift means people of color will be a greater share of our region’s population, increasing from 24% in 2010 to 41% in 2040.

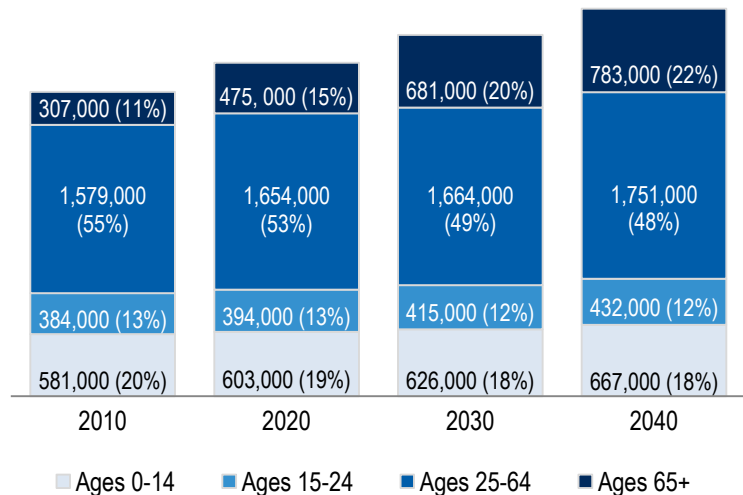
Aside from white non-Latino residents, other racial groups will double between 2010 and 2040:

- The Latino population will increase from 168,000 in 2010 to 392,000 in 2040. These gains mean Latinos will be 11% of the region’s population in 2040, compared to 6% in 2010.
- The region will add 258,000 black non-Latino residents between 2010 and 2040, bringing their share up to 14% from 8%.
- Asian and other race groups will also increase considerably, gaining 344,000 residents between 2010 and 2040. They will account for 17% of the region’s population in 2040, up from 10% in 2010.

## By 2040, one in every five residents of the Twin Cities region will be an older adult

While every age cohort will grow, none will grow as fast as the older adult population—that is, residents age 65 or older. The Twin Cities region’s older adult population will more than double between 2010 and 2040, going from 307,000 in 2010 to 783,000 in 2040 (Figure 3). The share of older adults within the region’s population will also double, going from 11% in 2010 to 22% in 2040.

Figure 3. Population by age, 2010 to 2040



Source: Metropolitan Council Regional Forecast (March 2015).

Meanwhile, the working-age population—residents age 25 to 64—will grow only 11% between 2010 and 2040. Overall, the region will likely have enough working-age adults to fully replace the older adults leaving the workforce. However, the balance varies each decade:

- Between 2010 and 2020, for every one working-age resident added to the region, there will be two older adults added.
- Between 2020 and 2030, this ratio increases sharply to one working-age resident added for every 21 older adults added.
- After 2030, the ratio returns to a balance of one-to-one.

Lastly, the population under age 25 will grow 14% over the next 30 years, going from 965,000 children and young adults in 2010 to 1,099,000 in 2040.

## By 2040, one in every three householders in the Twin Cities region will live alone

Our forecast shows 1,485,000 households in the region by 2040, up 33% from the 1,117,000 households counted by the U.S. Census Bureau in 2010.

In 2010, 1-person households (residents living alone) accounted for 29% of all households in the region. Of the 368,000 new households added by 2040, 45% will be 1-person households, bringing the share up to a third of all households by 2040. Worth noting is that the total share of the region’s population (not households) who will live alone will be 13% in 2040, up only slightly from the share in 2010 (11%).

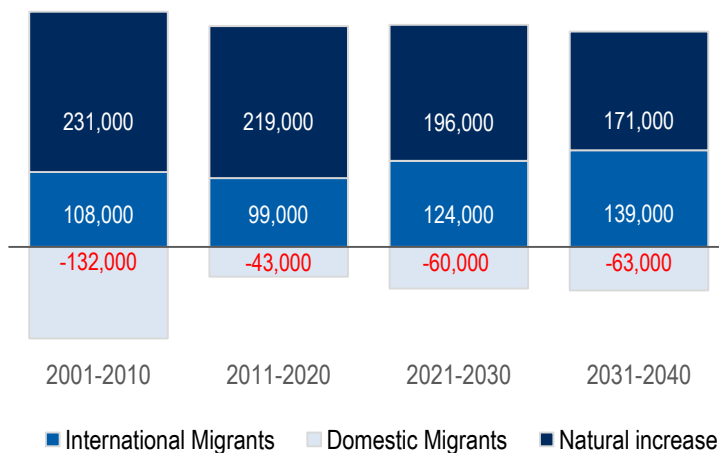
The growth rate of 1-person households will climb steadily over the next 30 years. By the 2030s, one in every two new households will be a person who lives alone.

The previous sections describe the most notable demographic shifts the Twin Cities region will experience over the next 30 years, namely, that residents of the region will be 1) more racially and ethnically diverse, 2) older, and 3) more likely to live alone. Next, we will describe why these shifts are likely to occur and how they will influence our regional economy and housing market.

## Natural increase and international immigration both drive future population growth

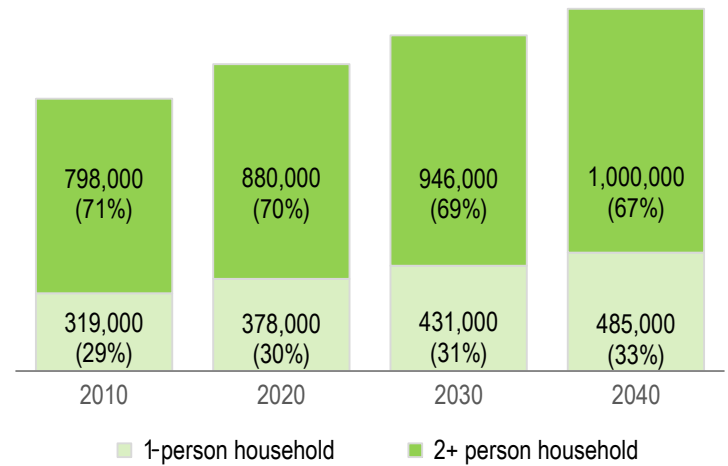
Regional population growth can result from natural increase—that is, the number of births outpacing deaths—as well as migration or immigration, as people move to the region from other parts of the U.S. or other parts of the world. Over the next 30 years, all three of these components of population growth are at play in our region.

Figure 5. New residents added each decade by component of growth



Source: Metropolitan Council Regional Forecast (March 2015).

Figure 4. Households by size, 2010 to 2040



Source: Metropolitan Council Regional Forecast (March 2015).

**Natural increase** will add 586,000 residents by 2040 (Figure 5). The natural increase of our region’s population will account for 75% of the total growth from 2010 to 2040.

The Twin Cities region will continue to be an immigration gateway, gaining 362,000 new residents through **international immigration**. This will add to the region’s racial and ethnic diversity: of the expected international immigrants, 83% will be people of color, from all continents. The remaining 17% will be white non-Latino—mainly from Europe and Canada.

International immigration will help maintain our region’s working-age population and workforce in the face of the overall aging of the population.

**Domestic migration** amounts to a net loss of 166,000 residents between 2011 and 2040. This trend is not new: U.S. Census data show that in a typical year, 90,000 to 100,000 people move to the Twin Cities region while another 95,000 to 105,000 leave the region, moving to Greater Minnesota or other U.S. states. Over time, this net loss adds up.

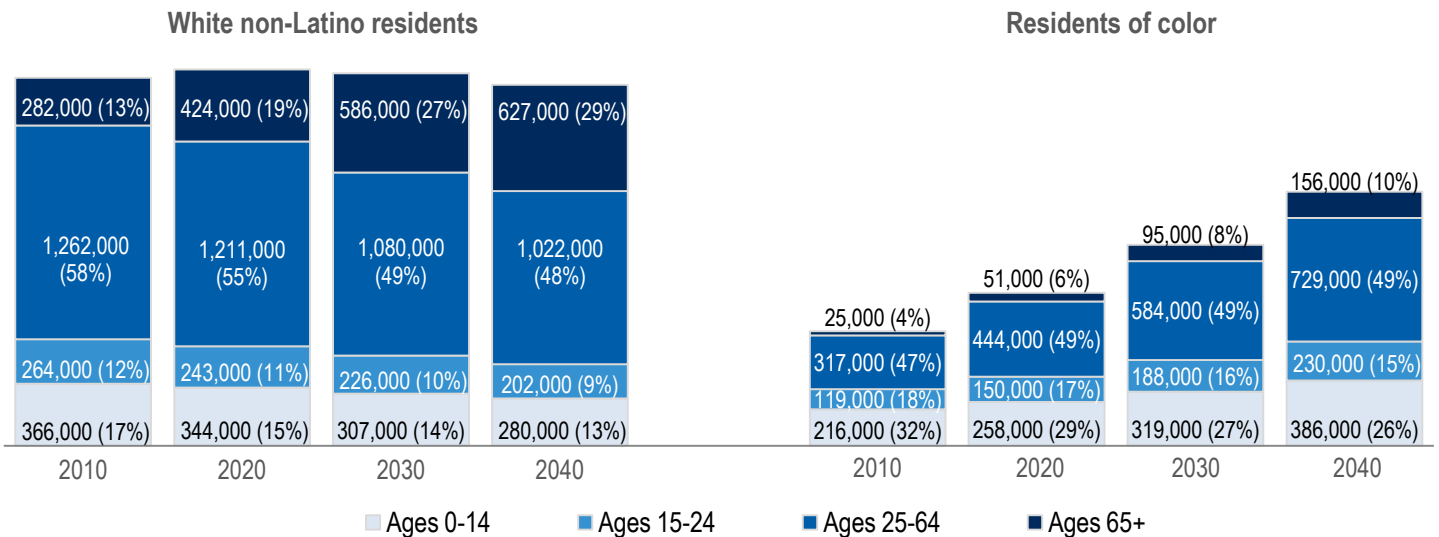
Overall migration—international immigration and domestic migration, together—varies over time and is tied to economic conditions. For example, the Twin Cities region did not gain employment between 2000 and 2010 and, as a result, more residents left the region than moved to it (a net loss). Since 2010, the regional economy has rebounded from the Great Recession and people are (and will continue to be) drawn to the Twin Cities region by employment opportunities and competitive wages.

## Our region's workforce and school-age population will be more racially and ethnically diverse

The Twin Cities region will become more racially and ethnically diverse (Figure 2) and older (Figure 3) over the next 30 years. However, the regional forecast reveals contrasting trends in the age profile of white non-Latino residents and residents of color. This will dramatically change the racial and ethnic diversity of our future workforce and our classrooms. Consider that:

- The number of working-age, white non-Latino residents will shrink by 19% between 2010 and 2040 (Figure 6). At the same time, working-age residents of color will more than double over the same time period. In 2040, our workforce will be 58% white non-Latino and 42% people of color.
- The number of residents of color under age 25 will nearly double between 2010 and 2040 as the white non-Latino population under age 25 falls. By 2040, over half the region's children and young adults will be residents of color (58% and 53%, respectively).

Figure 6. Population by race, ethnicity and age, 2010 to 2040



Source: Metropolitan Council Regional Forecast (March 2015).

To understand the differences in these age profiles, we must revisit the components of population growth.

The region's residents of color had a much younger age profile in 2010, which sets the stage for a higher natural increase in the years that follow. In 2010, half (50%) of the region's population of color was under age 25, compared to only 29% of white non-Latino residents under age 25. Eventually today's children and young adults will start families and households of their own. Recent data on birth rates suggest families of color are larger than



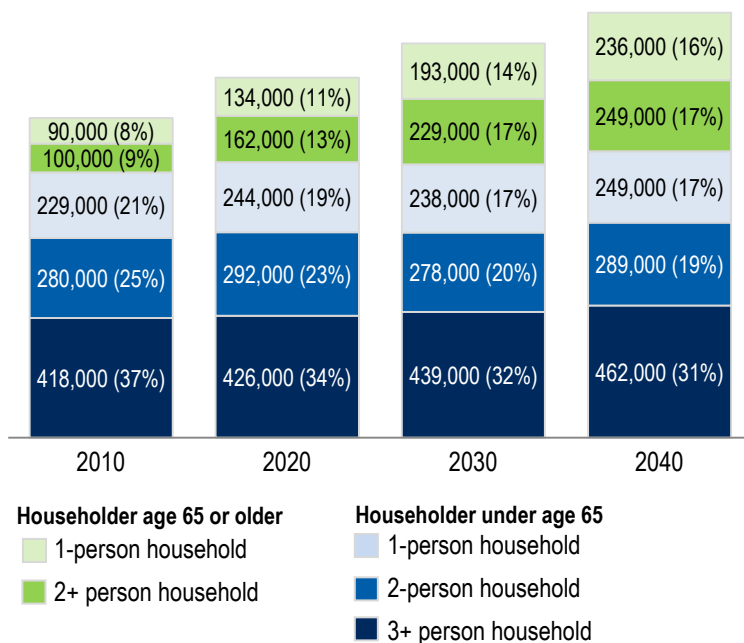
their white non-Latino counterparts. The average lifetime childbearing among white non-Latino women is now about 1.7 children per female. Birth rates are higher among black females (3.0 children), Latino females (2.5) and Asian females (2.6). Given the current demographics, the natural increase among families of color in the region will outpace that of the white non-Latino population, leading to a greater share of children and young adults of color in the next 30 years.

Migration will also play a role in creating different age profiles based on race. Residents ready to retire are more likely to leave the region as well. Because most older adults living in the region today are white non-Latino, the region is more likely to lose white residents through domestic migration. Meanwhile, the Twin Cities' regional economy will attract working-age adults of all backgrounds from other counties and other countries.

### The housing decisions of the region's older adults and elders will shape our future housing market

As the region's age profile changes, its households mix also changes. By 2040, the region will add 295,000 households headed by older adults. In 2040, older adult households will account for 33% of all households in the region, compared to 17% of households in 2010 (Figure 7). The housing needs and preferences of older adults will become a driver of the housing market.

Figure 7. Households by type, 2010 to 2040



Source: Metropolitan Council Regional Forecast (March 2015).

Many older adults living in the Twin Cities region today are long-time residents living in single family homes (detached housing). In 2010, just under half (47%) of older adult householders lived alone. While some older adults will age in place, a growing number will move, preferring attached housing such as apartments, townhouses and housing communities. This preference increases with age.

As older adults leave their single-family homes, younger families may be ready for them; few new single family homes will be needed.

The growth of working-age households (a householder under age 65) will be low over the next 30 years, with only 73,000 households added by 2040. The size profile of working-age households will remain stable, with about half having one or two residents.

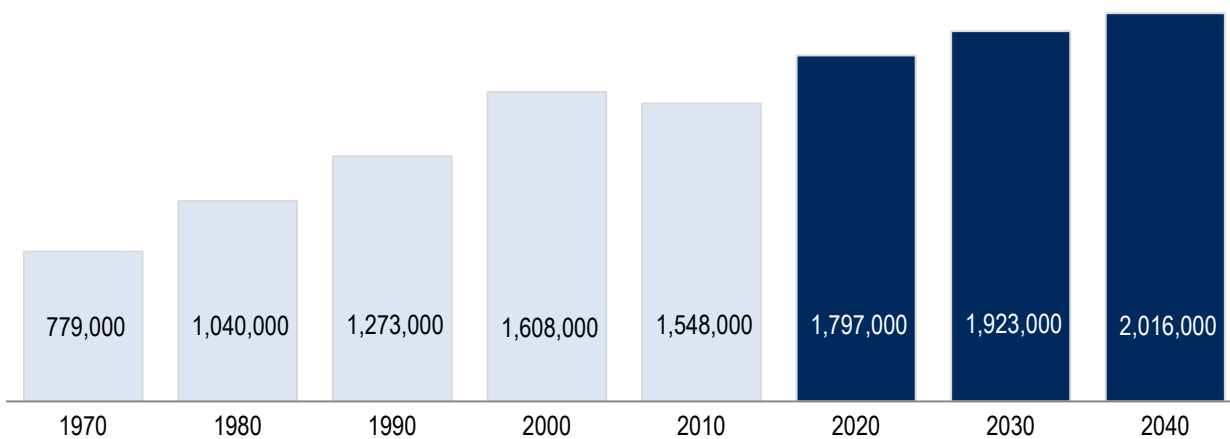
### Steady job growth will continue to attract workers from surrounding areas

Our forecast shows employment growth of 468,000 jobs between 2010 and 2040 (Figure 8). Employment will grow rapidly in the short-term (16% growth in the 2010s) and at a slower pace in the 2020s and 2030s (7% and 5%, respectively). The job growth over the next 30 years is modest compared to the last 30 years: previous employment growth rates in the 1980s (22%) and the 1990s (26%) were higher, but this was followed by a net employment loss during the 2000s.

Employment opportunities in the Twin Cities region attract new residents as well as commuting workers living in Greater Minnesota or Wisconsin. In 2010, 6.8% of earnings at Twin Cities workplaces were earned by external commuters. (This is offset by 1.3% of Twin Cities residents who work in Greater Minnesota, Wisconsin or elsewhere.) This balance of long-distance commuters will continue long-term as the Twin Cities region remains the major economic center for Minnesota and western Wisconsin.

The region's Gross Metro Product (the sum of value added by all industry sectors) will rise from \$200 billion in 2010 to \$429 billion in 2040 (expressed here in constant 2009 dollars). These figures are equivalent to 1.35% of the U.S. Gross Domestic Product in 2010 and 1.44% in 2040. For context, the Twin Cities region has less than 1% of the nation's population throughout the forecast period.

Figure 8. Historic and forecasted employment in the Twin Cities region



Source: Metropolitan Council Regional Forecast (March 2015).

## Further information

- For birth rates by race, see U.S. Census Bureau, [American Community Survey, table S1301](#).
- For more discussion on the region's future housing market, please see a report commissioned by the Metropolitan Council, [Metropolitan Council Area Trends, Preferences and Opportunities: 2010 to 2020 and 2030 to 2040 \(pdf\)](#).

## About our regional forecast

To prepare its long-range, regional forecast, the Metropolitan Council uses REMI PI, a regional economic model. The REMI PI model utilizes computable general equilibrium and new economic geography techniques to project forward time-series of economic and demographic outcomes. The REMI PI projections are informed by data on the region's industry mix, costs and productivity, and analysis of regional competitiveness within the national economy. Employment, migration and population outcomes directly flow from projected economic performance.

To obtain household counts, the REMI PI population projection is divided into household types using race-specific, age-specific household formation rates from analysis of U.S. Census data.

To learn more about our forecast methodology, please read the full report available at <http://metro council.org/forecasts>.