Overview of today’s presentation

Background: the Council’s role in forecasting

Updated regional forecast: Jobs, population, households

The main demographic trends

Why forecasts change
The Council’s role in forecasting

- Long-term forecasts of population, households, jobs
- Provide a shared foundation for coordinated regional and local planning, systems and services
- Authorized by *Minnesota Statutes 473.146 and 473.859*
- Updated regularly to inform planning
Why a forecast update now?

• Past experience: A decade ago, the Great Recession upended our economy, development dynamics, and everyone’s expectations
  – Lesson learned: Keep the regional forecast fresh, and aligned with related forecasts

• Updating regional forecasts regularly is a best practice
  – Council staff have presented updates in 2015, 2017, and 2019
How we develop the regional forecast

• Use REMI-PI, a regional economic model
• Key relationships:
  – The regional economic and population forecast recognize the region as situated inside of a larger national economic and population forecast
  – Integrated relationships between jobs, workforce and population – and an integrated forecast
Updated regional forecast to 2040

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2010</th>
<th>2020</th>
<th>2030</th>
<th>2040</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>2,642,000</td>
<td>2,850,000</td>
<td>3,168,000</td>
<td>3,451,000</td>
<td>3,653,000</td>
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<tr>
<td>Households</td>
<td>1,021,000</td>
<td>1,118,000</td>
<td>1,237,000</td>
<td>1,351,000</td>
<td>1,447,000</td>
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<tr>
<td>Employment</td>
<td>1,608,000</td>
<td>1,544,000</td>
<td>1,803,000</td>
<td>1,900,000</td>
<td>2,016,000</td>
</tr>
</tbody>
</table>

Source: 2010 data from Census Bureau and Minnesota Department of Employment and Economic Development; 2020-2040 forecasts from Metropolitan Council (2019)
Over two million jobs by 2040

Source: 2010 data from Minnesota Department of Employment and Economic Development; 2020-2040 forecasts from Metropolitan Council (2019)
The Twin Cities population growth components are as follows:

- **1991-2000:**
  - Natural Growth: 218,000
  - Migration into Twin Cities metro: 135,000

- **2001-10:**
  - Natural Growth: 203,000
  - Migration into Twin Cities metro: 233,000

- **2011-20:**
  - Natural Growth: 188,000
  - Migration into Twin Cities metro: 110,000

- **2021-30:**
  - Natural Growth: 146,000
  - Migration into Twin Cities metro: 94,000

- **2031-40:**
  - Natural Growth: 146,000
  - Migration into Twin Cities metro: 57,000

The share of growth from migration moves with employment growth.

Source: 2010 data from Census Bureau; 2020-2040 forecasts from Metropolitan Council (2019)
Population growth: +803,000 over 30 years

Source: 2010 data from Census Bureau; 2020-2040 forecasts from Metropolitan Council (2019)
The forecast model highlights the main demographic trends

- Growing racial and ethnic diversity
- Aging of the population
- Changing mix of households
- All these will drive change in housing demand – changing where and what new housing are needed
- A workforce supply challenge that could last 20 years
Growing racial and ethnic diversity

24 percent people of color in 2010

29 percent people of color in 2020

40 percent people of color in 2040

Source: 2010 data from Census Bureau; 2020-2040 forecasts from Metropolitan Council (2019)
Aging of the population

Source: 2010 data from Census Bureau; 2020-2040 forecasts from Metropolitan Council (2019)
Smaller households, older households on rise

- **Age 65+: 2+ persons**
- **Age 65+: 1 person household**
- **Under 65: 4+ persons**
- **Under 65: 2-3 persons**
- **Under 65: 1 person household**

Source: 2010 data from Census Bureau; 2020-2040 forecasts from Metropolitan Council (2019)
Where will the next 200,000 workers come from? MSP Region, 2020-2040

-8,000 loss of US-born workforce, ages 25-64

+8,000 gain of US-born young adults, ages 16-24

Lower unemployment and rebound in multiple job-holding: 0 change after 2020

+30,000 from remote workers
+10,000 long-distance commutes
+123,000 gain from foreign-born workforce
+63,000 gain from older workers, later retirements

Gain +191,000
Gain +4,000

+8,000 gain of US-born young adults, ages 16-24
-8,000 loss of US-born workforce, ages 25-64

+63,000 gain from older workers, later retirements

+123,000 gain from foreign-born workforce
+30,000 from remote workers
+10,000 long-distance commutes
The forecast model highlights the main demographic trends

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Why forecasts change

- Annual updating of time-series on demographic and economic conditions – we’re filling in timepoints
- Programming refinements from the forecast model vendor
- Changing data inputs and assumptions
- Regional forecast is aligned with national forecasts – as national numbers change, so do the region’s
Over two million jobs by 2040

+489,000 jobs in 2015 forecast
+495,000 in 2017 forecast
+472,000 in 2019 forecast

Source: 2010 data from Minnesota Department of Employment and Economic Development; 2020-2040 forecasts from Metropolitan Council (2019)
Population growth: +803,000 over 30 years

+802,000 people in 2015 forecast
+888,000 in 2017 forecast
+803,000 in 2019 forecast

Source: 2010 data from Census Bureau; 2020-2040 forecasts from Metropolitan Council (2019)
Why forecasts change: 2019 update

• Population growth in the future clawed back due to changes in national projections
• 2040 national population from US Census Bureau is reduced -5 million, *entirely due to reduced immigration assumptions*
• Lower national numbers mean lower numbers in immigration gateway regions, like Twin Cities
  – Instead of 3,738,000, we now forecast 3,653,000 people in 2040
Households growth: +329,000 over 30 years

+374,000 households in 2015
+419,000 in 2017 forecast
+329,000 in 2019 forecast

Source: 2010 data from Census Bureau; 2020-2040 forecasts from Metropolitan Council (2019)
A rethinking of how we convert forecasted population into households

• Past practice: unchanging age-specific household rates
• If age-specific household rates had remained unchanged, average household size would have declined to 2.46
• But households composition has changed
  – We have observed “doubling up,” more extended family situations, delays in adult children leave parents’ households
  – The average household size did not decline to 2.46, but instead has leveled off at 2.51 = a 2% shift
Reduced households formation and depressed housing production

- A household economics problem
  - Household income growth has lagged far behind the run-up in housing prices
  - And housing production has suffered because of slack demand
- What we see already, 2010 to 2018:
  - Builders added only 76,000 housing units (supply) during 2010-18
  - Twin Cities metro added 96,000 households (observed demand)
  - Short of the 2015-vintage forecast: 112,000 new households, 2010-18
  - Short of the result if household formation rates returned to 2010 levels: 120,000 households
Households growth: +329,000 over 30 years

+374,000 households in 2015
+419,000 in 2017 forecast
+329,000 in 2019 forecast

Source: 2010 data from Census Bureau; 2020-2040 forecasts from Metropolitan Council (2019)
No local forecast changes at this time

• Last complete update of local forecasts was in 2015, prior to System Statements issuance
• Next complete update of local forecasts, in 2023, will inform the next Metro Development Guide
• In the interim, adjust local forecasts one-at-a-time, in response to local requests  
  – January-October 2019, we’ve adjusted 2040 forecasts for 16 cities and townships. Still more have changes pending.
For more information

Online at metrocouncil.org/forecasts

• Regional Forecast highlights report
• Metropolitan Council’s Forecasts Methodology report
• Excel workbook of Regional Forecast time-series data
2019 Update of the Regional Forecast

Todd Graham, Principal Forecaster
Todd.Graham@metc.state.mn.us