METRO*STATS*

Exploring regional issues that matter

Steady Growth and Big Changes Ahead:
The Twin Cities Regional Forecast to 2040 (2019 update)

Key findings

The Metropolitan Council forecasts population, households, and jobs with a 30-year horizon for the seven-county Twin Cities region. Our regional forecast provides a shared foundation for coordinated, comprehensive planning by the Council and local governments. The latest regional and local forecast tables and forecast methodology report are available at metrocouncil.org/forecasts.

Our focus	What is the "big picture" for the Twin Cities region over the next 30 years?	How will our region's future look different from its past?	How will these shifts effect change in the region's economy and housing market?
Our findings	The Twin Cities region will gain 803,000 residents, bringing the region's population up to 3,653,000 in 2040. The region will add 472,000 jobs by 2040. More than other factors, employment and economic opportunities attract new residents to the region. **Below**	Major demographic shifts now underway will change our region dramatically. By 2040, the region's population will be • more racially and ethnically diverse; • older; • and more likely to live alone or in larger households. **Page 2**	The aging of our region's population means older adults' housing needs will significantly reshape the housing market. Workforce supply challenges could be met through targeted workforce development efforts and attracting more workers to the region. **Page 5**

The region will gain residents and jobs over the next 30 years

Our forecast shows the Twin Cities region will gain 803,000 people between 2010 and 2040, bringing the region's population to 3,653,000 in 2040. Population growth rates will decline slightly: 11% growth is expected in the current decade (2010s), 9% in the next decade (2020s), and 6% in the 2030s.

The Twin Cities region will add 472,000 jobs between 2010 and 2040. Employment will grow at a slower pace in the 2020s and 2030s as the regional economy struggles with long-term workforce shortages and the replacement of Baby Boom-generation workers.

FIGURE 1. METROPOLITAN COUNCIL'S REGIONAL FORECAST TO 2040

	2010	2020	2030	2040
Population	2,850,000	3,168,000	3,451,000	3,653,000
Households	1,118,000	1,237,000	1,351,000	1,447,000
Employment	1,544,000	1,803,000	1,900,000	2,016,000

Source: Metropolitan Council Regional Forecast (October 2019). The latest forecasts are available at metrocouncil.org/forecasts

As the Twin Cities region grows, it will do so in new ways. Demographic shifts now underway will change our region dramatically.

By 2040, two in every five Twin Cities residents will be people of color

Over the next three decades, the Twin Cities region will become more racially and ethnically diverse. The region's population of color will more than double during the forecast period, going from 676,000 in 2010 to 1,453,000 in 2040 (Figure 2). In contrast, the region's White population will level off in the late 2020s, and then decline slightly after 2030. People of color will become a greater share of our region's population: from 24% in 2010 to 40% in 2040.

- The Latinx population will increase from 168,000 in 2010 to 374,000 in 2040. Latinxs will be 9% of the region's population in 2040, compared to 6% in 2010.

- The Black or African-American population will increase from 234,000 in 2010 to 531,000 in 2040. Black residents will comprise 15% of the region's population in 2040, up from 8% in 2010.

- The population of Asians and other race groups will increase from 274,000 in 2010 to 575,000 in 2040. Asian residents and residents of other race groups will comprise 16% of the region's population in 2040, up from 10% in 2010.

FIGURE 2. POPULATION BY RACE AND ETHNICITY, 2010-2040
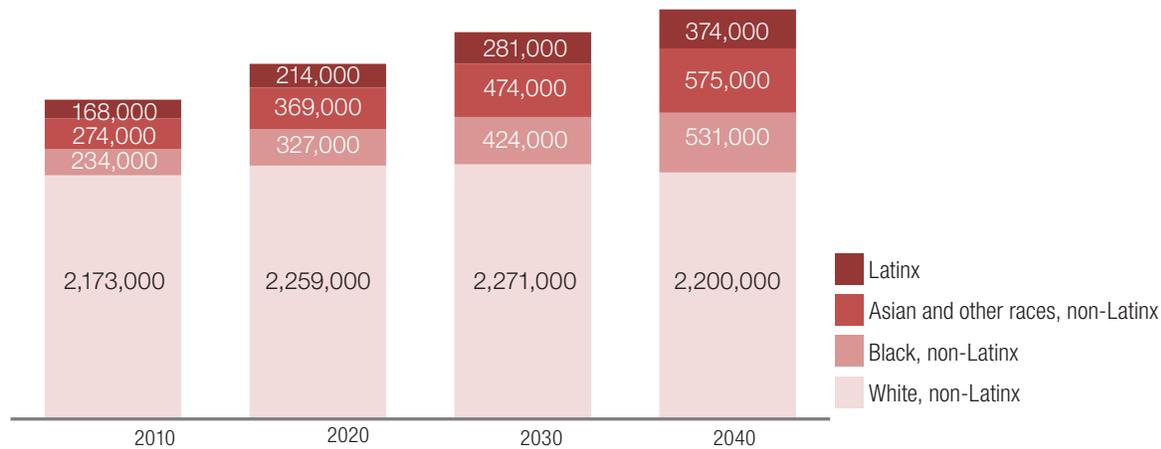
Source: Metropolitan Council Regional Forecast (October 2019). The latest forecasts are available at metrocouncil.org/forecasts

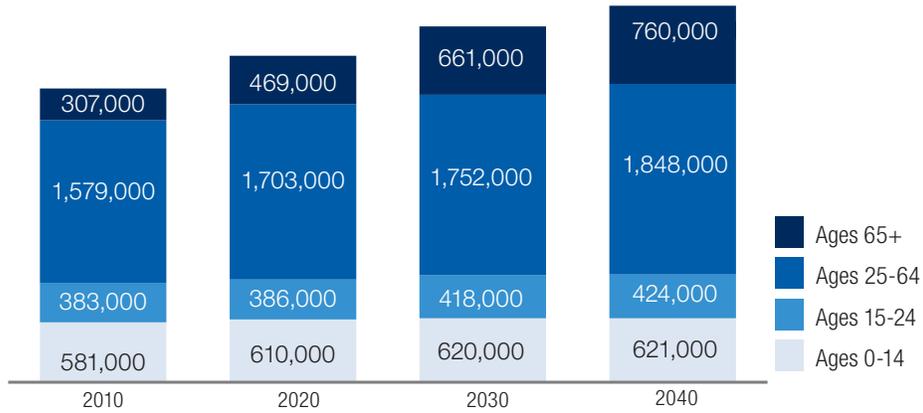## By 2040, one in every five Twin Cities residents will be age 65 or older

While every age cohort will grow, none will grow as fast as older adults (ages 65 and older).

The Twin Cities region's older adult population will double between 2010 and 2030, and will continue to grow, from 307,000 older adults in 2010 to 760,000 in 2040—a 148% increase (Figure 3). Between the aging of Baby Boomers and longer life expectancies, older adults will become a much greater factor in housing and consumer markets.

During the same period, the prime working-age population (those ages 25-64) will grow only 17%. The Millennial generation is roughly comparable in size to the Baby Boom generation. Millennials are just numerous enough to fully replace Baby Boomers who are reaching retirement age, but not numerous enough to substantially grow the workforce, nor to repeat the Baby Boomers' experience of social and economic predominance.

Finally, the population under 25 will grow only 8%—from 964,000 young adults and children in 2010 to 1,045,000 in 2040.

FIGURE 3. POPULATION BY AGE, 2010-2040

Year	2010	2020	2030	2040
Ages 65+	307,000	469,000	661,000	760,000
Ages 25-64	1,579,000	1,703,000	1,752,000	1,848,000
Ages 15-24	383,000	386,000	418,000	424,000
Ages 0-14	581,000	610,000	620,000	621,000

Source: Metropolitan Council Regional Forecast (October 2019). The latest forecasts are available at metrocouncil.org/forecasts
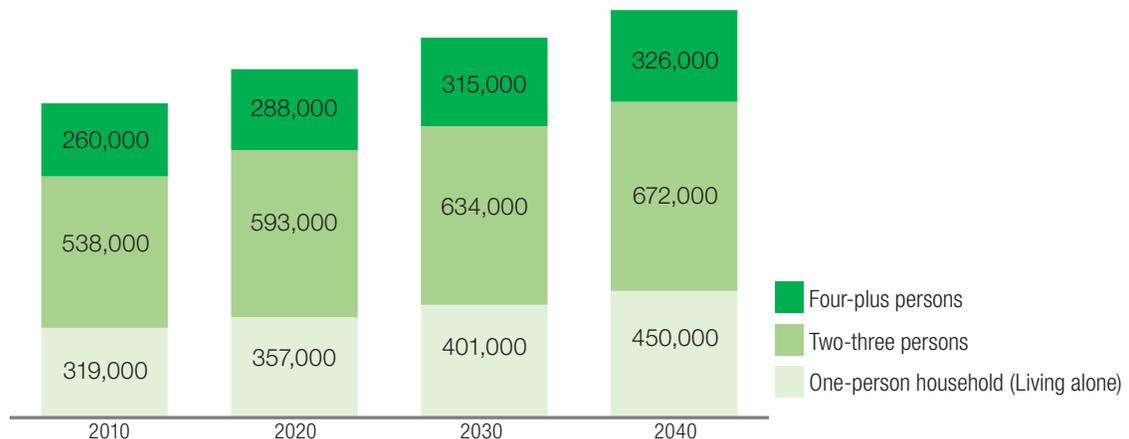
By 2040, people living alone will account for a third of all households

Our forecast expects 1,447,000 households in the region in 2040, up 29% from the 1,118,000 households counted in the 2010 Census.

Previous regional forecasts emphasized growth in the number of one-person households (people living alone). This was expected due to the changing age mix—namely, that region's population of older adults will double between 2010 and 2030 (as discussed above). Many of those older adults will experience widowhood and some amount of time living alone.

However, in this forecast update, we recognize new trends: Since 2010, there has been a rise in extended family and multigenerational living arrangements and an increase in "doubling up" in housing. These phenomena can be partly attributed to declining housing affordability and continued wage stagnation for moderate- and low-income households. These adjustments, the result of an uneven income gains since the 1990s, have become the "new normal," inhibiting new household formations and increasing household sizes.

FIGURE 4. HOUSEHOLDS BY SIZE, 2010-2040

Year	2010	2020	2030	2040
Four-plus persons	260,000	288,000	315,000	326,000
Two-three persons	538,000	593,000	634,000	672,000
One-person household (Living alone)	319,000	357,000	401,000	450,000

Source: Metropolitan Council Regional Forecast (October 2019). The latest forecasts are available at metrocouncil.org/forecasts

We have discussed that the future population will be older and more racially and ethnically diverse. Next, we will describe how these shifts occur, and how they will influence our regional economy and housing market.

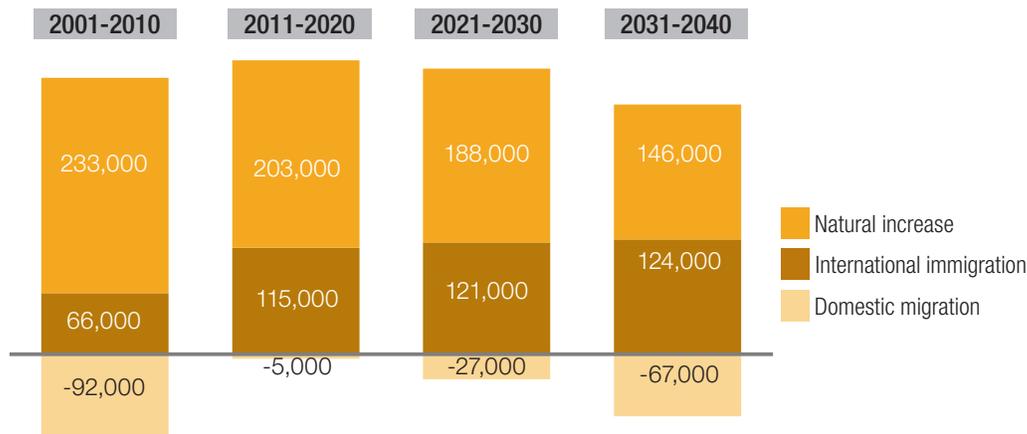## Natural increase and immigration will drive population growth

Two dynamics drive population growth: natural increase (that is, births outpacing deaths) and net gains in newcomers via domestic migration (people moving from other parts of the country) and international immigration (people moving from other parts of the world). Both will contribute to the region's population growth over the next three decades.

As Figure 5 shows, **natural increase** will add 537,000 new residents to the Twin Cities region and account for 67% of the region's total population growth between 2010 and 2040.

Domestic migration amounts to a cumulative loss of 99,000 people between 2010 and 2040 (Figure 5). This is best understood as a slow loss: In a typical year, 90,000 to 100,000 people move to the Twin Cities region from else-where in the U.S. and another 95,000 to 105,000 people leave. Over time, the small differences between arrivals and leavers accrue. The region's net gain varies over time and is related to economic conditions. According to the Census's Current Population Survey, jobs and other economic opportunities are the leading reason given for long-distance (interstate) moves to the Twin Cities region. The region did not gain employment between 2000 and 2010 and—as a result—regional attraction of movers suffered; more people moved out. Since 2010, as the region-al economy has rebounded, people are again drawn in by employment opportunities and competitive wages.

In March 2018, the U.S. Census Bureau reduced the nation's population forecast to 2040 by five million persons due to reduced immigration assumptions. These lower national numbers affect immigration gateways like our re-gion. Our forecast expects the region to gain 360,000 new residents through **international immigration**, a downward adjustment from previous regional forecasts.

FIGURE 5. COMPONENTS OF POPULATION GROWTH

2001-2010	2011-2020	2021-2030	2031-2040
233,000	203,000	188,000	146,000
66,000	115,000	121,000	124,000
-92,000	-5,000	-27,000	-67,000

Natural increase
International immigration
Domestic migration

Source: Metropolitan Council Regional Forecast (October 2019). The latest forecasts are available at metrocouncil.org/forecasts
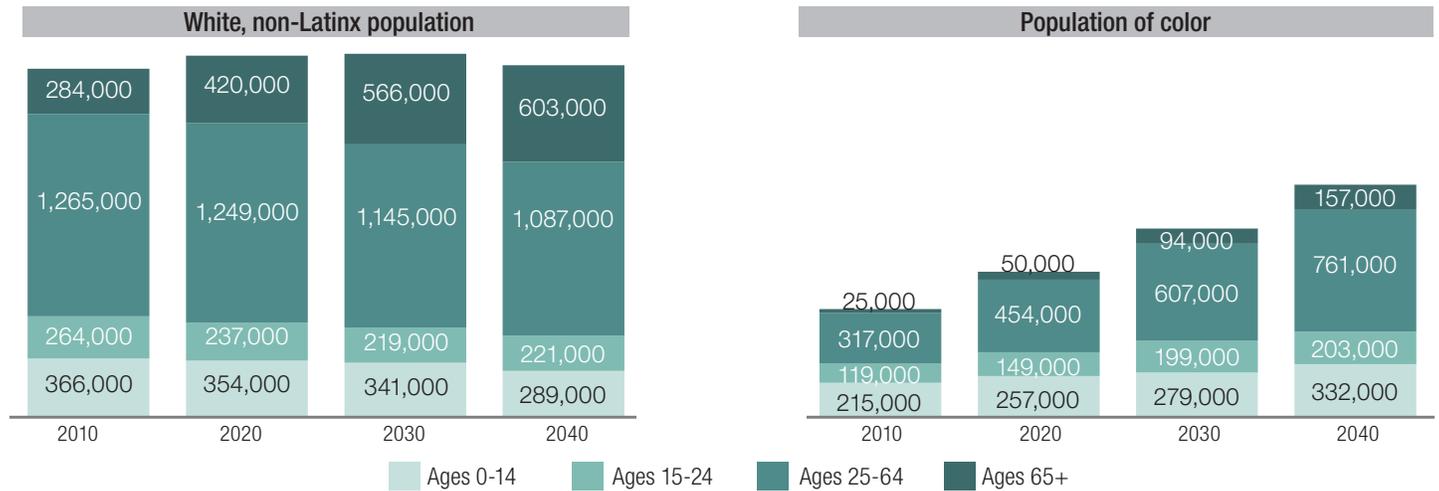
Our region's workplaces and schools will be more racially and ethnically diverse

The growth of the region's older adult population is a dominant demographic trend. Twin Cities workplaces are now experiencing a retirement boom and generational turnover. Still, issues of aging are experienced differently by the region's population of color. Consider that:

- Working-age populations of color will more than double between 2010 and 2040. The number of White work-ers will shrink during the same period (Figure 6). This will dramatically alter the racial make-up of workplaces: from 80% white and 20% people of color in 2010 to 59% white and 41% people of color in 2040.

- The population of children and young adults of color will grow 60% between 2010 and 2040. Concurrently, the White population under age 25 will shrink. In 2040, 53% of children under 15 will be people of color, and about half of young adults (ages 15 to 24) will be people of color. This will have significant implications for both schools and workplaces.

FIGURE 6. POPULATION BY RACE/ETHNICITY AND AGE, 2010-2040

White, non-Latinx population

	2010	2020	2030	2040
Ages 65+	284,000	420,000	566,000	603,000
Ages 25-64	1,265,000	1,249,000	1,145,000	1,087,000
Ages 15-24	264,000	237,000	219,000	221,000
Ages 0-14	366,000	354,000	341,000	289,000

Population of color

	2010	2020	2030	2040
Ages 65+	25,000	50,000	94,000	157,000
Ages 25-64	317,000	454,000	607,000	761,000
Ages 15-24	119,000	149,000	199,000	203,000
Ages 0-14	215,000	257,000	279,000	332,000

Legend: Ages 0-14 | Ages 15-24 | Ages 25-64 | Ages 65+

Source: Metropolitan Council Regional Forecast (October 2019). The latest forecasts are available at metrocouncil.org/forecasts

Migration plays a role here too: While economic opportunities pull new workers and students into the Twin Cities region, the region simultaneously loses movers with non-economic priorities, such as retirees, migrating to the sunbelt states or other parts of Minnesota. Most of the out-migrants are White residents. In contrast, the region's international immigrants are predominantly people of color, and most are younger (people in their 20s and 30s).

Family formation also contributes to the growing racial and ethnic diversity dynamic. According to vital statistics published by the Centers for Disease Control and Prevention, the average lifetime childbearing among White women is now about 1.7 children per female. Birth rates are higher among Black women (2.9 children per female), Asian women (1.8 children), and Latinas (2.1 children). Given the higher birth rates, the natural increase of populations of color leads to growing shares of children of color.
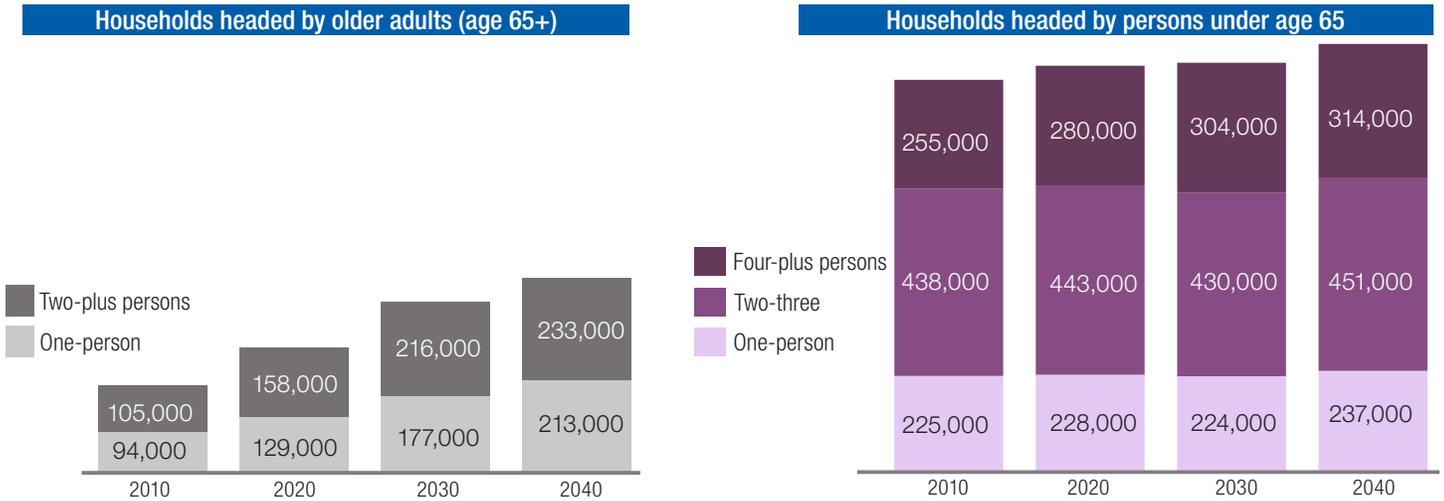
Older adults will shape our region's future housing market

As the region's age mix changes, the households mix also changes. Households headed by older adults will more than double and account for 31% of all households in 2040 (Figure 7). The housing needs and preferences of older adults will become a driver of the housing market.

The Twin Cities region's older adults are mostly long-time residents. Many currently live in single-family detached housing. While some will "age in place," a growing number will move, opting for apartments and senior housing. This preference increases as people age into their 70s and then 80s. As older adults leave their single-family homes, younger families may be ready for them, reducing the demand for new construction of single-family homes.

At the same time, the growth rate of family-age or working-age households (under age 65) will be comparatively low over the next 30 years. Much of the new household formation will amount to one-for-one replacement of Baby Boomers. Thus, over 30 years, the working-age segment with two, three, or four or more people adds only 72,000 households.

FIGURE 7. HOUSEHOLDS BY AGE AND SIZE, 2010-2040

Households headed by older adults (age 65+)

	2010	2020	2030	2040
Two-plus persons	105,000	158,000	216,000	233,000
One-person	94,000	129,000	177,000	213,000

Households headed by persons under age 65

	2010	2020	2030	2040
Four-plus persons	255,000	280,000	304,000	314,000
Two-three	438,000	443,000	430,000	451,000
One-person	225,000	228,000	224,000	237,000

Source: Metropolitan Council Regional Forecast (October 2019). The latest forecasts are available at metrocouncil.org/forecasts
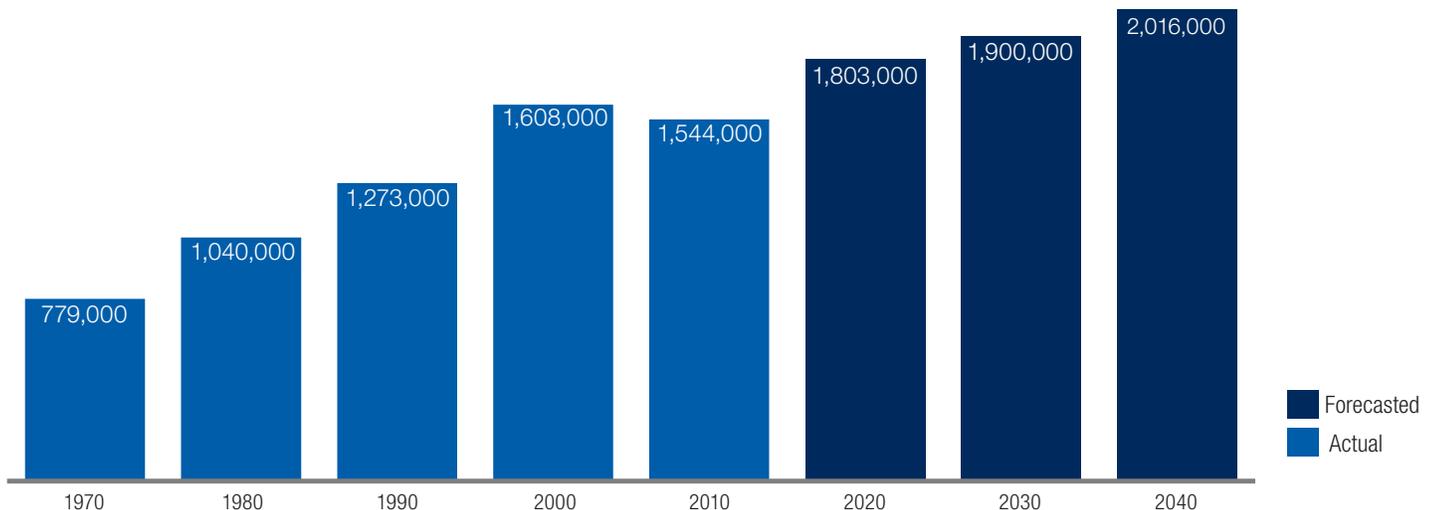
Our region's employment growth will slow after 2020 due workforce shortage

The region's Gross Metro Product (the sum of value added by all industry sectors) will expand from $208 billion in 2010, to $243 billion in 2018, to $390 billion in 2040 (expressed in constant 2018 dollars). This is 1.2% of the U.S. Gross Domestic Product throughout the forecast period. (For context, the Twin Cities region has about 1.0% of the nation's population.)

The forecast model assesses the Twin Cities region as having input cost advantages, resource advantages, a high level of productivity, and breadth of workforce supply. The region has an industry mix that includes most major industries. Also, the region features a few high-value industry clusters (that is, they comprise a significant share of the national market for their products or services), such as electronics, medical devices, and computer equipment.

There are weaknesses as well. According to the Census's Current Population Survey, economic opportunities are the leading reason given for long-distance (interstate) moves to the Twin Cities region—which also means fewer people move here non-economic reasons. The Twin Cities has many quality-of-place amenities, but we do not attract population at the scale of competing metros like Austin, Denver, Portland, or Seattle. This under-performance in non-economic attraction leaves the region at greater risk of workforce supply shortages.

FIGURE 8. JOBS IN THE TWIN CITIES REGION, 1970-2040

1970	1980	1990	2000	2010	2020	2030	2040
779,000	1,040,000	1,273,000	1,608,000	1,544,000	1,803,000	1,900,000	2,016,000

Forecasted
Actual

Source: Metropolitan Council analysis of Minnesota Department of Employment and Economic Development (DEED) Quarterly Census of Employment and Wages, 1970-2010; Metropolitan Council Regional Forecast (October 2019). The latest forecasts are available at metrocouncil.org/forecasts
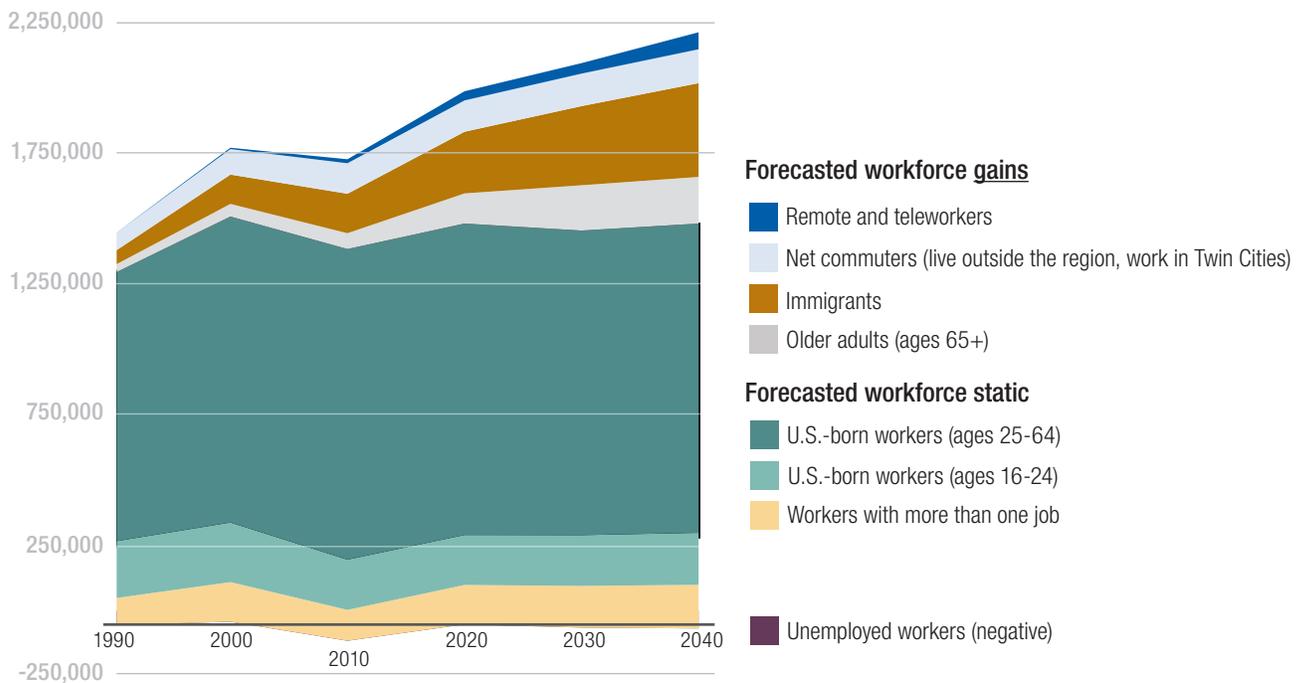
Employment growth for the decade now ending (2010-2020), amounts to 259,000 jobs. We forecast another 213,000 jobs will be added in the Twin Cities region over the next 20 years. This employment slowdown reflects that the Twin Cities region, as well as the nation, is constrained by a long-term workforce shortage.

The demographic trends of aging Baby Boomers, a modest-sized replacement cohort, and a large amount of international immgration will be challenges for employers and workforce training providers. The "traditional" workforce up to this point (U.S. born, ages 25-64) has stopped growing and does not grow over the forecast period (Figure 9). Still, our forecast identifies four sources of workforce expansion:

- Older adults (age 65+) are the region's fastest growing demographic group. The doubling of this population and the advancement of retirement ages are providing a net gain of 55,000 workers in the current decade, and another 63,000 workers between 2020 and 2040.

- The region will also gain from international immigration. Immigration brings the region a steady flow of people in their 20s and 30s, prime working age. After applying workforce participation rates, the cumulative gain in foreign-born workers, under 65, amounts to 85,000 new workers in the current decade, and another 123,000 workers between 2020 and 2040.

- Workers living outside the Twin Cities region fill a lot of jobs! In 2010, 159,000 long-distance commuters were driving into the region to work—countered by 42,000 regional residents reverse-commuting to work in Greater Minnesota or elsewhere. The net import of commuters to the region is projected to grow by 3,000 workers in the current decade, and by another 10,000 workers between 2020 and 2040.

- Beyond traditional commuting flows, an unknown number of Twin Cities jobs are filled by remote teleworkers, who could live anywhere. The number of remote-work jobs held by workers from outside the region is projected to grow by 30,000 between 2020 and 2040.

Economic adjustments have provided new employment for 96,000 workers during the 2010s. These gains are mostly from the dramatic draw-down of the unemployment rate, from 7.2% in 2010, to a projected 3.0% in 2020, and 3.5% in 2040. Unfortunately, the "surplus" from unemployed workers that existed in 2010 is now fully exhausted, and is forecasted to provide zero additional workers after 2020.

FIGURE 9. SOURCES OF WORKFORCE SUPPLY, 1990-2040

Forecasted workforce gains
- Remote and teleworkers
- Net commuters (live outside the region, work in Twin Cities)
- Immigrants
- Older adults (ages 65+)

Forecasted workforce static
- U.S.-born workers (ages 25-64)
- U.S.-born workers (ages 16-24)
- Workers with more than one job

- Unemployed workers (negative)

Source: Metropolitan Council Regional Forecast (October 2019). The latest forecasts are available at metrocouncil.org/forecasts
Note: Workforce supply totals in this figure exceed regional employment forecast by about 10% in each year. Our employment forecast uses the Bureau of Labor Statistics concept of payroll employment at worksites. The additional 10% represents workers outside of that concept, specifically workers who are business owners, independent non-employees, or otherwise self-employed.

Together, all the sources of workers comprise the region's forecasted workforce supply potential, and provide enough workers to accommodate a payroll employment expansion of 213,000 between 2020 and 2040. The actual, eventual results are interchangeable: at the margins, additional workforce may be possible. Additional workforce would likely involve higher-than-projected participation rates or additional workforce relocations into the region. Could workforce development efforts boost participation rates by as much as an additional 1%? Could talent attraction efforts draw in additional workers moving to the region? Those are both challenges the region faces and the opportunities we have to ensure continued economic prosperity over the next 30 years.

About the regional forecast

To prepare its long-range, regional forecast, Metropolitan Council uses REMI PI, a regional economic model. The REMI PI model uses computable general equilibrium and new economic geography techniques to project forward time-series of economic activity 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.

Updating the regional forecast is a best practice; we anticipate updating the regional forecasts every two years. Changes to the regional forecast consider:

- nation-level forecasts and current assumptions
- updates to demographic data and economic conditions
- region-specific inputs and assumptions
- programming improvements in the forecasting model

Local forecasts are not being revised at this time. To download the most current regional and local forecast tables or to learn more about our forecast methodology, please visit metrocouncil.org/forecasts.

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