The Twin Cities Regional Forecast to 2040: Steady Growth and Big Changes Ahead

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 in 30 years?	How will our region's future look different from its past?	How will these changes affect our economy and housing markets?
Our findings	The Twin Cities region is poised for continued growth and development. The region will gain residents and jobs between 2010 and 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 often living in smaller households. Page 2	People moving into and out of the Twin Cities region will drive the racial and ethnic diversity of our workforce and school enrollments. The aging of our region's population means older adults' preferences and housing needs will significantly reshape the housing market. Page 5

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

Our regional forecast shows the Twin Cities region will gain 888,000 residents over the next three decades, bringing the region's population to 3,738,000 by 2040 (Figure 1). The region's population growth rate varies slightly: 11% growth is expected in the current decade (2010-2020), 9% in the 2020s and 8% in the 2030s. The Twin Cities region will also add 495,000 jobs between 2010 and 2040. Employment will grow rapidly in the short-term (18% in the 2010s) and then 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	3,160,000	3,459,000	3,738,000
Households	1,118,000	1,264,000	1,402,000	1,537,000
Employment	1,544,000	1,828,000	1,910,000	2,039,000

Source: Metropolitan Council Regional Forecast (June 2017). The latest forecasts are available at metrocouncil.org/forecasts
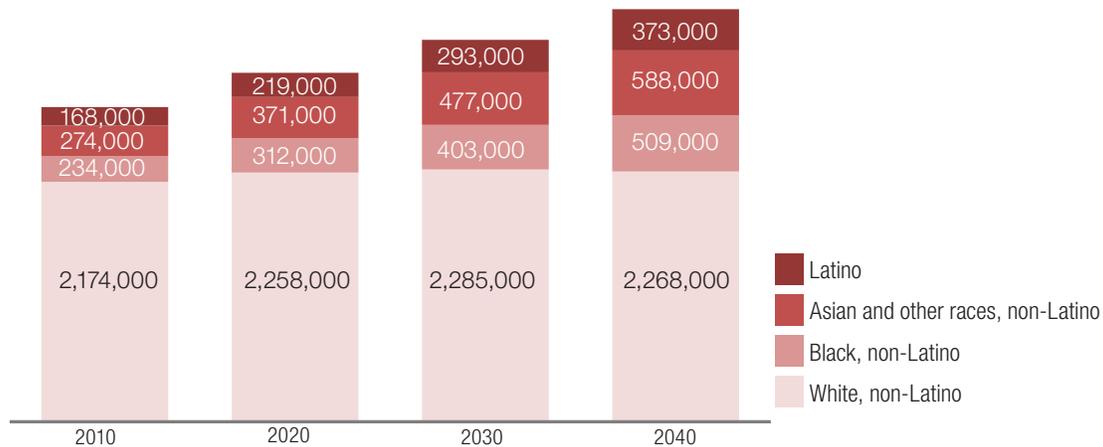
As the Twin Cities region grows, it will change: three major demographic shifts now underway will reshape our region dramatically.

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 region's population of color will more than double during the forecast period, going from 676,000 in 2010 to 1,470,000 in 2040 (Figure 2). In contrast, the region's White population will level off, then decline after 2030. This shift means residents of color will comprise a greater share of our region's population, increasing from 24% in 2010 to 39% in 2040.

• The Latino population will increase from 168,000 in 2010 to 373,000 in 2040. These gains mean Latinos will be 10% of the region's total population by 2040 (compared with 6% in 2010).

• The Black and African American population will increase from 234,000 in 2010 to 508,000 in 2040. Black residents will be 14% of the region's total population by 2040, up from 8% in 2010.

• Asian residents and other non-Latino race groups will increase from 274,000 in 2010 to 588,000 in 2040. Asian residents and residents of other race groups were 10% of the region's total population in 2010 and will be 16% by 2040.

FIGURE 2. POPULATION BY RACE AND ETHNICITY, 2010-2040

Source: Metropolitan Council Regional Forecast (June 2017). The latest forecasts are available at metrocouncil.org/forecasts
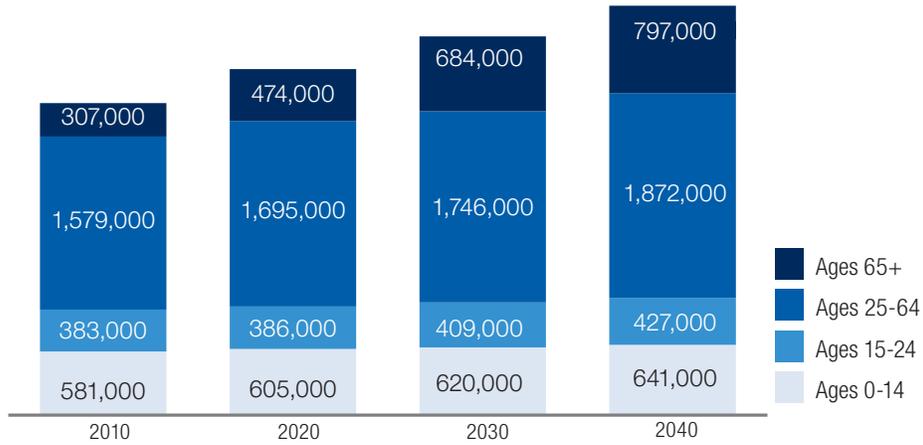
By 2040, one in every five residents of the Twin Cities region will be age 65 or older

While every age group will grow, none will grow as fast as the older adult population (those age 65 or older). The Twin Cities region's older adult population will more than double between 2010 and 2030 and will continue to grow throughout the forecast period, going from 307,000 older adults in 2010 to 797,000 in 2040 (Figure 3). Between the aging of Baby Boomers (people born between 1946 and 1964) and longer life expectancies, older adults will become a much greater factor in both housing and consumer markets. In 2010, older adults were 11% of the region's total population; by 2040, this share will increase to 21%.

The prime working-age population—ages 25 to 64—will grow only 19% during the same time period. The Millennial generation (people born between 1981 and 2000) is roughly comparable in size to the Baby Boomer generation. Millennials are numerous enough to fully replace Baby Boomers aging out of the workforce; however, Millennials will not hold as large a share of the working-age population as Baby Boomers once did.

Lastly, the population under age 25 will grow 11% over the next 30 years: the number of children and young adults will rise from 964,000 in 2010 to 1,068,000 by 2040.
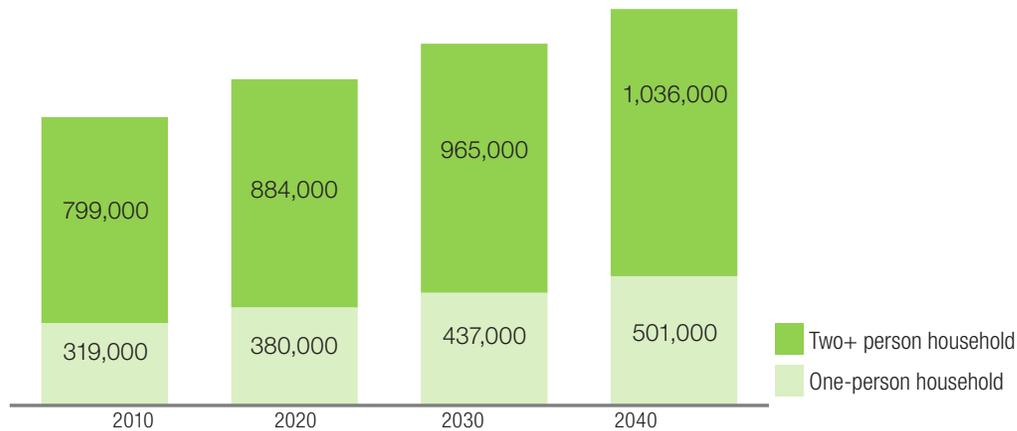
FIGURE 3. POPULATION BY AGE, 2010-2040

	2010	2020	2030	2040
Ages 65+	307,000	474,000	684,000	797,000
Ages 25-64	1,579,000	1,695,000	1,746,000	1,872,000
Ages 15-24	383,000	386,000	409,000	427,000
Ages 0-14	581,000	605,000	620,000	641,000

Source: Metropolitan Council Regional Forecast (June 2017). The latest forecasts are available at metrocouncil.org/forecasts

By 2040, people living alone will account for a third of the region's households

Our forecast shows the region will have 1,537,000 households by 2040, up 37% from the 1,118,000 households counted by the U.S. Census Bureau in 2010 (Figure 4).

In 2010, one-person households (people living alone) accounted for 11% of the region's population but 29% of households. By 2040, those shares will rise to 13% of the region's total population and 33% of all households. The growth of one-person households is mainly due to the aging of the population described earlier—that is, the number of older adults will grow 160% by 2040. Many older adults will experience widowhood and spend some amount of time living alone.

FIGURE 4. HOUSEHOLDS BY SIZE, 2010-2040

	2010	2020	2030	2040
Two+ person household	799,000	884,000	965,000	1,036,000
One-person household	319,000	380,000	437,000	501,000

Source: Metropolitan Council Regional Forecast (June 2017). The latest forecasts are available at metrocouncil.org/forecasts

We've described three notable demographic trends taking place over the next 30 years: that is, the region's future population will be more racially and ethnically diverse, older, and more often living in smaller households. Next, we'll describe how these broader shifts take shape and how they will influence our regional economy and housing markets.

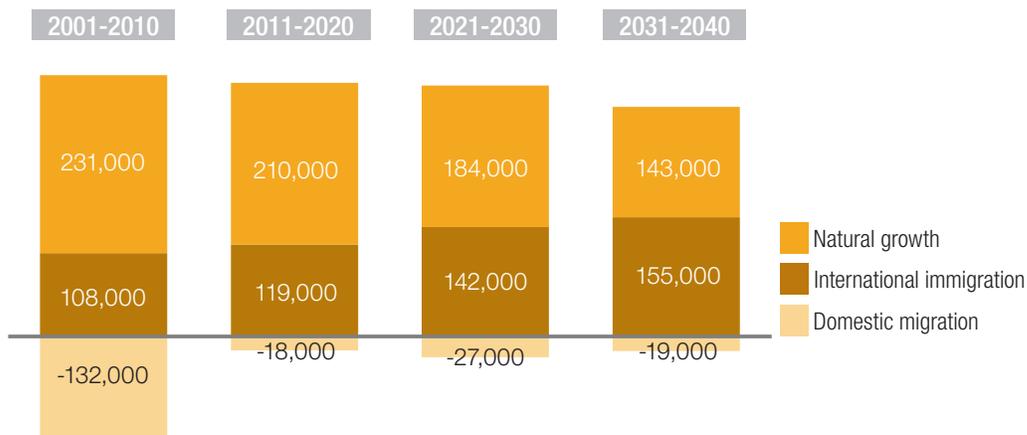## Both natural growth and immigration will drive future population growth

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

- Natural growth will add 537,000 new residents to the Twin Cities region by 2040 and account for 60% of the region's total population growth between 2010 and 2040 (Figure 5).

- The Twin Cities region will continue to be an immigration gateway: the region will gain 416,000 new residents through international immigration. Of the expected international immigrants—which will hail from all continents—81% will be residents of color. The remaining 19% will be White residents, mainly from Europe and Canada. Immigration is part of our region's accelerating racial and ethnic diversity.

- Domestic migration amounts to a cumulative loss of 64,000 people between 2010 and 2040. This is not a new trend: recent census data show that in a typical year, 90,000 to 100,000 people move to the Twin Cities region from other parts of Minnesota or the U.S. while another 95,000 to 105,000 people leave the region. Over time, the net difference between those arrivals and departures adds up (to a negative number, in this case).

Considering international immigration and domestic migration together, the region's net gain or loss varies over time and is related to economic conditions. For example, the Twin Cities region did not gain jobs between 2000 and 2010 and therefore: a) did not attract new residents and b) lost residents who sought opportunities elsewhere (economic migrants), resulting in an overall net loss over this time period. Since 2010, the regional economy has rebounded, drawing new residents seeking employment opportunities and competitive wages. Though domestic migration between 2011 and 2020 is still negative, our region's positive economic climate will improve retention.

FIGURE 5. COMPONENTS OF POPULATION GROWTH, 2001-2040

2001-2010	2011-2020	2021-2030	2031-2040
231,000	210,000	184,000	143,000
108,000	119,000	142,000	155,000
-132,000	-18,000	-27,000	-19,000

Natural growth
International immigration
Domestic migration

Source: Metropolitan Council Regional Forecast (June 2017). The latest forecasts are available at metrocouncil.org/forecasts
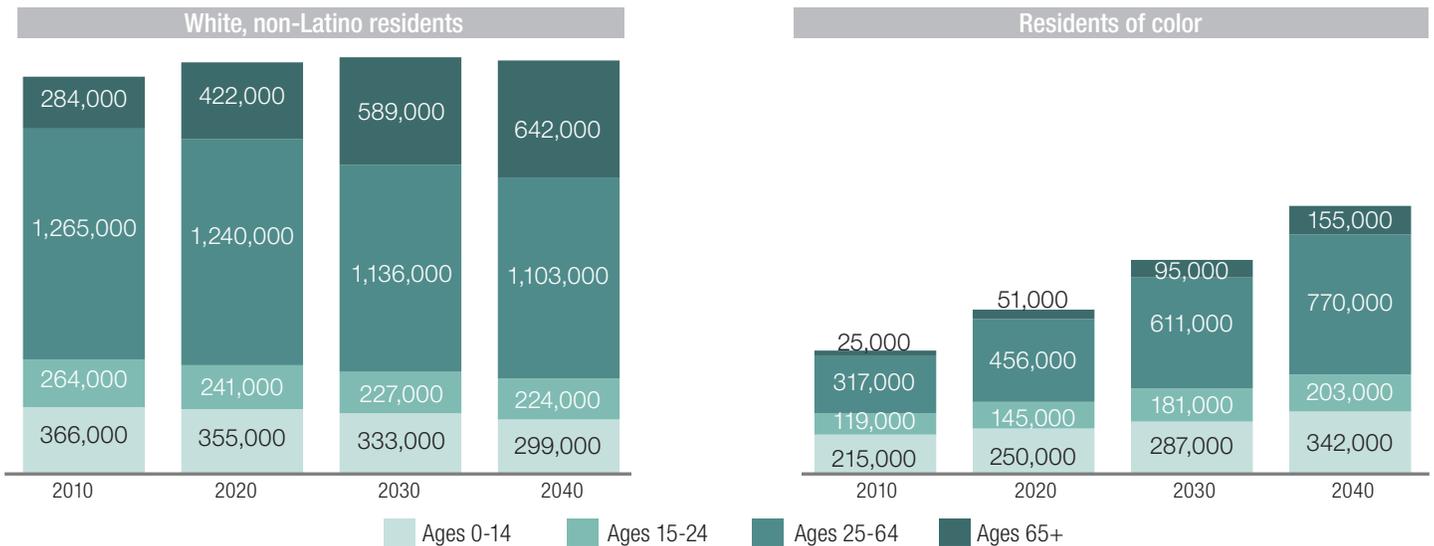
Our region's workforce and school enrollments will be more racially and ethnically diverse

The growth of the region's older adult population is a dominant demographic trend: many Twin Cities workplaces are now experiencing a retirement boom. So far, however, issues of aging are concerns primarily for the region's White residents. These trends will be experienced quite differently by the region's residents of color. Consider that:

- The number of working-age residents of color will more than double between 2010 and 2040 (Figure 6). The number of White residents ages 25 to 64 will shrink by 13% over the same period. In 2010, 80% of working-age residents were White; by 2040, this share drops to 59%.

- The number of children and young adults of color will increase 63% between 2010 and 2040 (Figure 6). At the same time, the number of White residents under age 25 will decrease by 17%. By 2040, just over half of the region's children (under age 15) and young adults (ages 15 to 24) will be people of color.

This shift will have significant implications for the region's future workforce and school enrollments.

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

White, non-Latino residents				Residents of color			
284,000	422,000	589,000	642,000				155,000
1,265,000	1,240,000	1,136,000	1,103,000	25,000	51,000	95,000	770,000
				317,000	456,000	611,000	
264,000	241,000	227,000	224,000	119,000	145,000	181,000	203,000
366,000	355,000	333,000	299,000	215,000	250,000	287,000	342,000
2010	2020	2030	2040	2010	2020	2030	2040

Ages 0-14 ■ Ages 15-24 ■ Ages 25-64 ■ Ages 65+

Source: Metropolitan Council Regional Forecast (June 2017). The latest forecasts are available at metrocouncil.org/forecasts

As previously discussed, migration and immigration play a large role in the increasing racial and ethnic diversity of the region: while employment and business opportunities draw in workers and students, the region also loses residents who have non-economic priorities, such as retirees. Many of these retirees are White and may move to other parts of Minnesota or the U.S. Meanwhile, the region is gaining immigrants, most of whom are people of color and also younger (people in their 20s and 30s). This population churn—that is, who moves to and away from the Twin Cities region—will further the racial and ethnic diversity of the region.

Family formation also contributes to this demographic shift. According to the Centers of Disease Control and Prevention, average lifetime childbearing among White residents of the Twin Cities is now less than 1.7 children per female. Lifetime average birth rates are higher among Black females (3.0 children), Latino females (2.2 children), and Asian females (1.9 children). The differing family sizes lead to greater shares of children of color and overall higher natural growth rates compared with White residents.

The housing needs of older adults will shape our future housing market

As the Twin Cities region's age mix changes, its mix of households changes with it. Households headed by older adults will more than double in number by 2030 and will account for almost a third of all households by 2040 (Figure 7). The housing needs and preferences of older adults will become an important driver of the region's housing market.

The region's older adults are mostly long-time residents, and many currently live in single-family 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 opt for townhomes, apartments, and age-specific housing communities. This housing choice trend is more pronounced as people age into their 70s and 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.

Over the next 30 years the household growth rate headed by someone under age 65 is only 13%. Much of the new household formation in the region will amount to a one-for-one replacement of Baby Boomer households who are steadily aging out of the family-age or working-age groups. Thus, over the next three decades, this market segment adds only 121,000 households.
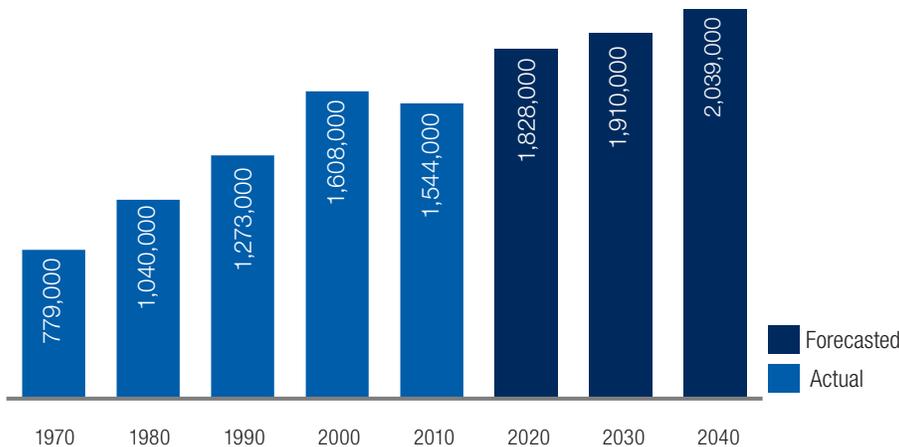
FIGURE 7. HOUSEHOLDS BY AGE AND SIZE, 2010-2040

Older adult households (age 65+)

	2010	2020	2030	2040
Three-plus-person household	13,000	23,000	33,000	37,000
Two-person household	88,000	137,000	195,000	214,000
One-person household	90,000	133,000	193,000	239,000

All other households (under age 65)

	2010	2020	2030	2040
Three-plus-person household	418,000	429,000	454,000	483,000
Two-person household	280,000	295,000	283,000	303,000
One-person household	229,000	247,000	244,000	262,000

Legend: One-person household · Two-person household · Three-plus-person household

Source: Metropolitan Council Regional Forecast (June 2017). The latest forecasts are available at metrocouncil.org/forecasts

Steady job growth will continue to attract workers from surrounding areas

Our forecast shows the region gaining 495,000 jobs between 2010 and 2040 (Figure 8). Jobs will grow rapidly in the short-term (about 18% in the 2010s) and then at a slower pace in the 2020s and by 7% in the 2030s. Job growth over the next 30 years is modest by historical standards: job growth rates were higher in the 1980s (22%) and 1990s (26%), but these were then followed by a net loss of jobs during the 2000s.

Employment opportunities in the Twin Cities region attract new residents as well as those who work at a job in the region but live in Greater Minnesota and Wisconsin. In 2010, 6.8% of earnings at Twin Cities workplaces were earned by these external commuters. (This is offset by 1.3% of Twin Cities' household earnings coming from reverse commuters who work in Greater Minnesota, Wisconsin, or elsewhere.) This balance of long-distance commuters will persist long-term as the Twin Cities region remains the dominant economic center for the extended metro area.

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

Year	Jobs
1970	779,000
1980	1,040,000
1990	1,273,000
2000	1,608,000
2010	1,544,000
2020	1,828,000
2030	1,910,000
2040	2,039,000

Legend: 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 (June 2017). The latest forecasts are available at metrocouncil.org/forecasts

The region's Gross Metro Product (the sum of value added by all industry sectors) will rise from $200 billion in 2010 to $388 billion in 2040 (in 2016 dollars). These figures are the equivalent of 1.2% of the U.S. Gross Domestic Product in 2010 and 1.3% in 2040. For context, the Twin Cities region has (and will have) about 1% of the nation's total population over this 30-year period.

About the regional forecast

To prepare its long-range, regional forecast, 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 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.