US Cities, Metro and Counties Outlook
2017 – 2021

America’s ‘burbs boosted as millennials take flight from high-cost coastal cities and retirees head for ‘exurbs’ and rural idylls

We have just published our latest analysis of economic growth, industrial, social and industrial trends across US cities, key metro and urban areas and counties.

Our key findings on these trends are summarised in the text, charts and tables below for your use. Attached in our latest US Cities Outlook report along with two recent presentations on our analysis. Media may reproduce the charts and tables in this release, the report and presentations with attribution to Oxford Economics.

Alongside continuing steady US economic growth of around 2% per year over this year and next, and a steadily tightening jobs market with rising employment and wages, an ageing American population means that demographics as well as costs have now become a key driver of which US cities, metro areas and counties will be its fastest growing over the coming half decade.

Over the period from 2017-2021, America’s fastest growing cities will be the sprawling, suburban metro areas of the US South-east and South-west – places such as Austin, Texas and Charlotte, North Carolina – as large numbers of Americans increasingly choose to take flight from densely-populated, high-cost coastal cities such as Los Angeles, San Francisco and New York for cheaper, alternative locations with strong employment growth.

Top 20 fastest growing US metro areas
2017-21 Annual average GDP growth

1. Austin 2.9%
2. San Jose 2.9%
3. Dallas 2.7%
4. Charlotte 2.7%
5. San Francisco 2.7%
6. Orlando 2.6%
7. Raleigh 2.6%
8. Nashville 2.6%
9. Portland 2.6%
10. Salt Lake City 2.5%

Top 10 metros for jobs growth
2017-21 CAGR (%)

Austin
Orlando
Raleigh
Dallas
Nashville
Las Vegas
North Port
Wilmington
Charlotte
Phoenix

Source: BLS, Oxford Economics
Builders have been slow to respond to rising housing demand as improving wage growth and household finances finally strengthening after the global financial crisis have buoyed residential real estate market. But new home starts are finally expected to surpass their long-term average in coming years. Still, many big cities and other metro areas that have failed to supply growing economies with adequate housing stock are now generally seeing a cost-driven flight of middle-income households to less-dense, lower-cost locales.

This trend is most notable in California where surging prices along the coast and stronger jobs markets in lower-cost interior states such as Arizona, Nevada and Colorado are encouraging many households to relocate. The soaring cost of homes in the Bay Area of San Francisco and in Southern California has reached a ‘tipping point’ for many middle-income earners. The outflow of people in strongest in slow-growth Los Angeles. But even in thriving San Jose many households are choosing lower rents or prices over the privilege of living in the center of the tech universe. It is also important to note that alongside these trends, California’s population continues to grow (up 2 million in the past six years) with international migration accounting for 43% of this growth – underlining the state’s sensitivity to potential changes in immigration policy by the Trump Administration. Presently, the state is expected to slightly outpace the US average population growth over the next five years.

While California is the clearest example of the trend of flight to lower cost locales, the phenomenon of movement from densely-populated, high-cost cities to lower cost locations can be clearly and consistently seen across America. This preference for space and lower cost is evident across the 513 US counties now covered by Oxford Economics’ regular analysis. Demographics combine with economics to provide powerful reinforcement of this trend and the greatest demographic momentum driving the fastest growing urban locales in the US is demonstrably in the suburbs.
As the so-called millennial generation ages, pays off student loans and starts families, moving into a more “familial” stage of their lives, cost is becoming more central to where they choose to live. A flow of millennials from urban centres perceived as ‘hip’ or cool’ to the lower-density suburbs of the metropolitan periphery has accelerated in recent years and this tilt to the ‘burbs is expected to gain further momentum. At the same time, high density, high-cost cities retain strong concentrations of millennials and remain havens for the young.

We have identified the counties in the top 50 for millennial population growth 2012 to 2016. The metro areas where this growth has been most evident are led by Denver, followed by New York, Richmond, and Virginia Beach. The increase in suburban growth in this period coincided with a surge in rents for urban apartments and a notable rise in sales of single family homes. We expect the suburbs to grow now at a faster pace than the “core counties” of most metro areas.

We also expect this trend to mean a change in the nature of development in America’s suburbs, with these evolving to incorporate some of the amenities and even walkability that lured these new suburbanites to urban city centres in their younger years. At the same time, demographic growth in many major cities is dependent on, and will be increasingly reliant on, both mobile, well-educated young adults and immigration. Millennial migration will continue to keep some cities young – the top 20 counties for growth in millennial population accounted for 28% of all of the growth of this demographic segment despite accounting for just 7% of the overall total population.

While millennials are increasingly gravitating from urban centres to suburbs, their 60+ counterparts are themselves moving further out to the quieter rural or semi-rural so-called ‘exurbs’.

The pace of ageing in America’s population is not even, however, across the country, with the South (excluding Florida), Texas, and the Rocky Mountains regions set to age less rapidly. Elsewhere the ageing of the population is most concentrated in rural locales versus urban ones, and in ‘old economy’ parts of the country versus the more youthful populations in regions dominated by ‘new economy’ industries.
Meanwhile, with the suburbs being boosted by an increasing influx of millennials, a handful of these are not merely attracting more people but are also diversifying their economic base away from traditional suburban activity (fast food outlets and shopping malls) and tilting towards the production of high-value goods and services. It is these locales that we expect to lead much of US economic growth going forward. A number of Texan counties provide strong examples of these trends, such as last year’s move by Toyota of its US HQ from LA to Collin County. Some counties are also being driven by the success of specific industry clusters, such as defence-driven tech in Northern Virginia (Loudon County). When looking at the top counties for forecast economic growth, within the largest 150 counties of the US, it is the places where we see the economic structure evolving to the greatest extent where we also expect to see the strongest future growth.

Another key influence on urban trends in the US is the extent of building regulations. In California, onerous building regulations have contributed to the stretched affordability that is leading to middle-income flight to cheaper interior states. California homebuilders have been unable to meet demand for residential property from the tech and media sectors. Meanwhile, the greatest expected construction activity comes in areas with both a growing population alongside liberal land-use regulations, especially within the South-east and Texas. Consequently, cities such as Orlando and Phoenix are expected to lead jobs growth up to 2021. Tech and professional services, combined with housing, will drive hiring in Raleigh, Austin and Denver.

In terms of the impact of industrial trends on urban America, cities that are hubs of advanced manufacturing and produce high value products will drive future mfg. growth. This generally includes places the West Coast but Texas is increasingly competitive.

Cities with refining operations (New Orleans and Vallejo) may not be ‘advanced manufacturing’ hubs but are highly productive.

Midwestern cities are hindered by their concentration in traditional assembly operations and older capital stock.
Manufacturing employment has come under significant pressure from automation. Specifically, assembly functions are quite vulnerable to robotics. Most of these jobs are overwhelmingly located in the South and Midwest and are often associated with motor vehicle production.

Key manufacturing states such as Michigan and Ohio (both swung for Trump in 2016) have a strong export connection to NAFTA, representing 8% and 5% of state GDP. This is mainly via auto parts and machinery being sent to Canadian factories. Factories in the Southeast, such as KY and TN, are also quite exposed to NAFTA trading partners.

At a county level, many of the fastest growing counties are suburbs of highly-productive cities.

The quality of county level growth matters. Successful suburbs are expanding their economy beyond fast food and malls. This progression also generates wealth (and theoretically higher rental values).

Continued overleaf
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