

WHY ARE MILLENNIALS MOVING TO THE SUBURBS?

RESEARCH ARTICLE

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Millennials make up roughly 65 million young adults in the U.S. today.¹ This age cohort has historically been urban renters in pursuit of a live, work, play lifestyle. Recent trends, however, indicate that they have increasingly moved from urban to suburban areas. From 2000 to 2010, this group grew roughly 20% in urban areas, more than three times the number moving to suburban areas. Yet over the last four years, the numbers have reversed as urban dwellers in this age sector have declined 1.7% while the number of young adults living in the suburbs increased 3.4%. Several factors likely contributed to this demographic shift but evidence suggests that two drivers, in particular, have made a significant impact – competition & cost.

Although the percentage of Millennials living in urban areas has declined in recent years, there is certainly competition for the vacated space from other demographic cohorts. The 35-44 (Generation X) age group, for example, grew by nearly 12% in urban areas over the same 4-year period that the Millennial population declined. Equally as prevalent are the Baby-Boomers (age 45-64) who spurned suburbia in exchange for urban living as they increased roughly 7% over the same time horizon.

With multi-generational groups competing for space, the desire to live in urban areas comes at a premium. As Millennials shifted away from urban centers, non-coincidentally, multi-family rentals rates increased 8.5% over the same period.² If we consider the increase of multi-family rent in conjunction with a high unemployment rate for Millennials, which is 3-4% more than the national average, it is no wonder that many of them relocated to less expensive suburban areas. Moreover, Millennials have significant student loan obligations as 40% of them spend over half of their income on debt according to a recent Wells Fargo study. Evidence suggests that Millennials may certainly prefer an urban lifestyle, but they just cannot afford it.

In summary, demographic shifts in the U.S. are driving some Millennials to the suburbs owing to increased competition & higher rental costs in urban areas. With nearly 10,000 Baby-Boomers turning 65 everyday, the aging U.S. population will continue to create real estate opportunities. If the current trend continues, Generation X'ers & Baby-Boomers will drive demand for multi-family & senior living developments near urban areas.

¹ Millennials here are defined as the current population between 21 & 34 years old.

² REIS aggregate U.S. apartment data based on year-end “asking rent” from 2010 to 2013.



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