

America's Two Largest Generations Are Headed Downtown

Laurie Volk and Todd Zimmerman
Zimmerman/Volk Associates, Inc.

Apologists for the status quo persist in declaring that the auto-dominated, low-density single-use pattern of the postwar suburbs is the inevitable manifestation of the ruggedly independent American character. However, the relentless dispersion of housing, shopping and workplaces across the American landscape is far from inevitable.

Purely from the market perspective, if there is any inevitable destiny for American settlement patterns, it will be the re-urbanization of our cities and towns rather than the continuation of the slow march toward economic, fiscal and social entropy. Remaking, reforming and rebuilding American settlement patterns will be the major real estate story of the first half of the 21st Century.

The housing market that will drive this urban renaissance is no mystery. We don't have to wait for these urbane citizens to be born or to arrive from abroad; they already live here. The market is simply the convergence of the two largest generations in the history of America: the 82 million Baby Boomers born between 1946 and 1964, and the 78 million Millennials, who were born from 1977 to 1996.

Boomer households have been moving from the full-nest to the empty-nest life stage at an accelerating pace that will peak sometime in the next decade and continue beyond 2020. In our work in cities across the country, large and small, we have found that since the first Boomer turned 50 in 1996, empty-nesters have had a substantial impact on urban, particularly downtown housing. After fueling the dramatic diffusion of the population into ever-lower-density exurbs for nearly three decades, Boomers, particularly affluent Boomers, are rediscovering the merits and pleasures of downtown living.

Meanwhile, Millennials are just leaving the nest. The Millennials are the first generation to have been largely raised in the post-'70s world of the cul-de-sac as neighborhood, the mall as village center, and the driver's license as the main means of liberation. We have found that, as has been the case with predecessor generations, many Millennials are heading for the city. They are not just moving to New York, Chicago, San Francisco and the other large American cities; often priced out of these larger cities, Millennials are discovering second, third and fourth tier urban centers.

Boomers and Millennials are already the primary purchasers of condominiums; in 2003, for the first time, the national median price of a new condominium exceeded that of a new single-family house. In response, it is the rare regional or national building company that hasn't established an infill housing division.

The convergence of two generations of this size—each reaching a point when urban housing matches their life stage—is unprecedented. For example, this year (2006), there are an estimated 41 million Americans between the ages of 20 and 29, forecast to grow to 44 million by 2015. In that same year, the population aged 50 to 59 will have also reached 44 million, from 38.6 million today. The synchronization of these two demographic waves will mean that there will be eight million potential urban housing consumers in these age groups eight years from now.

Compared with the postwar flood of households to the new exurban suburbs, the current rediscovery of urban environments is still a mere trickle. But this paradigm will be shifted by the sheer numbers of urban-oriented households.