

# CityReport

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## **The Young and Restless and the Nation's Cities**

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# Summary

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The Young and Restless—25 to 34 year olds with a bachelor's degree or higher level of education, are increasingly moving to the close-in neighborhoods of the nation's large metropolitan areas. This migration is fueling economic growth and urban revitalization.

- Well-educated young adults are disproportionately found in a few metropolitan areas. Two-thirds of the nation's 25-34 year olds with a BA degree live in the nation's 51 largest metropolitan areas, those with a million or more population.
- Within the largest metropolitan areas, well-educated young adults are increasing moving to close-in urban neighborhoods. Talented young adults, in the aggregate are much more likely to choose to locate in close in urban neighborhoods than are other Americans. In the 51 largest metropolitan areas, college-educated 25 to 34 year olds are more than twice likely than all residents of metro areas to live in close-in urban neighborhoods.
- Businesses are increasingly locating in or near urban centers to better tap into the growing pool of well-educated young workers, and because these central city locations enable firms to better compete for talent locally and recruit talent from elsewhere.
- The availability of talented young workers also plays a key role in the formation and growth of new firms. Startups and young firms employ disproportionately large numbers of young, well-educated workers.
- Talented young adults are playing a key role in driving urban revitalization. In the 25 large metropolitan areas whose close in urban neighborhoods have experienced population growth since 2000, the increase in the number of 25 to 34 year-olds with a four-year degree has accounted for a majority of the net increase in population in 19 cities, and all of the net increase in population in 7 cities.
- Young, well-educated adults are the most mobile Americans. Despite a decades-long, nationwide decline in moving by Americans, one million college educated 25 to 34 year olds move across state lines each year. Because mobility declines rapidly with age, the location decisions they make in their 20s and early 30s play a key role in shaping metropolitan economic success.

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Using data from the recently released American Community Survey, this report examines population change in the 51 metropolitan areas with one million or more population, and focuses on the change in population in close-in neighborhoods, those places within 3 miles of the center of each metropolitan area's primary central business district.

Compared to previous generations, today's talented young adults are far more likely to choose to locate in these close-in urban neighborhoods. The relative preference for urban living among well-educated young adults increased sharply over the past decade. In 2000, young adults with a four-year degree were about 77 percent more likely to live in close in urban neighborhoods than other metro residents. Now, these well-educated young adults are about 126 percent more likely to live in these close-in urban neighborhoods.

Since 2000, the number of young adults with a four-year degree living in close-in neighborhoods in the nation's largest metro areas increased 37.3 percent. Outside these close-in neighborhoods, the number of young adults with a four-year degree increased only half as fast, about 16.7 percent.

These close-in neighborhoods, which on average account for less than five percent of the nation's metropolitan population, accounted for about 20 percent of the growth in college educated young adults over the past decade.

Urban cores attracted increased numbers of young adults even in metropolitan areas that were losing population and hemorrhaging talented young workers. Metropolitan Buffalo, Cleveland, New Orleans and Pittsburgh, all of which experienced population declines over the past decade, saw an increase in the number of young adults with a college degree in their close-in neighborhoods. (In these cases, the numerical increases were from small bases, but show that the urban core is attractive even in these economically troubled regions).

Overall these close-in neighborhoods have higher levels of educational attainment among their young adult population than the overall metropolitan areas of which they are a part. The college attainment rate of young adults living in close-in neighborhoods in the largest metropolitan areas increased to 55 percent from 43 percent in 2000. Outside the three-mile urban core, educational attainment rates increased slightly from about 31 percent to about 35 percent.

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# Introduction

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**In 2004, working in collaboration with civic leaders from six cities around the country, Carol Coletta and I produced a series of research reports looking at the attitudes and location preferences of young adults, and measuring changes in the residential location of this group over the previous decade (Cortright & Coletta, 2004). This work showed that 25 to 34 year olds, especially those with a four-year degree or higher level of education, were systematically moving away from some metropolitan areas and toward others, and that this movement had important implications for the health of metropolitan economies.**

In extensive interviews and focus groups with recent movers, and based on a nationwide survey of young adults, we explored the forces that were driving this reshuffling of talent. What we heard was a litany of urbanist bullet points: that this younger generation was looking for places that were interesting, diverse, dense, walkable, bikeable and well-served by transit. Our statistical analysis showed that, compared to previous generations, young adults were increasingly choosing to locate in the close-in neighborhoods of the nation's urban areas.

This report revisits these same questions with an additional decade's worth of evidence about demographic change in the nation's cities. Our earlier study focused on changes over the decade of the 1990s. This new work uses data from the American Community Survey, incorporating data from the latest wave conducted in 2012, to trace out which places are gaining, and which losing talented young adults.

These mobile young workers are neither more nor less important than other Americans. But economically, their movement is an important signal of which places are best positioned to flourish in the years ahead. The loss of talented young workers is a sign that a region's economy is struggling; and places that attract talent are not only generally doing well, but are increasingly well-positioned to grow additional firms and jobs, because access to talent is increasingly important as a locational factor for businesses. In the past two decades, we've witnessed an inversion of the classic recipe for economic development: it used to be that people moved to where the businesses were. Now, increasingly, it is businesses that look to expand in locations where there is an abundance of talent, especially young, well-educated workers. As this report explores, this process is re-shaping the nation's cities and re-kindling the vitality of the urban core.

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Better understanding this process, and the forces behind this movement should be important to urban leaders everywhere. But it is far from a purely local issue: the nation's cities are critical to the effective function of the national economy. Cities are the entrepreneurial and idea-creating engines of the nation, and deep urban labor markets help workers (and firms) find one another, develop skills, and improve productivity. Successful cities play a key role in driving national economic success.

This report unfolds in five parts. Part 1 defines basic terms used in the report, including the demographics of our “young and restless” group, and the geographies we use to describe their location: metropolitan areas, and their close-in core neighborhoods. Part 2 explores why well-educated young adults are economically important in today's economy and discusses the slowdown of migration. Part 3 maps out the patterns of locational change among the nation's metropolitan areas over the past decade, showing which places have attracted the most talented young workers. Part 4 looks at the distribution of change within metro areas, focusing on the movement of young adults to close-in urban neighborhoods. Part five looks at the impacts the movement of talent young people is having on urban revitalization, business location decisions, and entrepreneurship. In an Appendix, we provide more detail about the data used to produce this report.

This report is published by City Observatory. **City Observatory develops original data-driven research and regular commentary on what matters to city success, focused on how building great places to live can attract, develop, and harness talent to create widely shared opportunity.** City Observatory is supported in part by Knight Foundation. The opinions expressed are solely those of the author, as is the responsibility for any errors.

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# 1

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## Who are the Young and Restless?

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**This report looks a group we call the young and restless—young adults with at least a four-year college degree. We say “restless” because the best educated people in this group are the most likely of all Americans to move across state lines in a given year.**

We define the young and restless as 25 to 34 year olds with a BA degree or higher level of education. Age 25 is the conventional cutoff for assessing educational attainment (most adults who will ever attain a four-year degree have done so by this age), and age 25 also coincides with a widely used break point for Census data reporting. In 2012, 25 to 34 year olds were born between 1978 and 1987.

We compare the number of 25 to 34 year olds in each metropolitan area (and in different neighborhoods in metropolitan areas) in different years. It’s important to keep in mind that these are different groups of people—different age cohorts, born in different years. In 2000, those aged 25 to 34 years old were the group born between 1966 and 1975, a group often labeled GenX. In this work we are contrasting the characteristics and locations of two different age cohorts when they were at same point in their life-cycle.

**Table 1: Characteristics of Young Adults in the United States in 2000 and 2012**

Characteristic	2000	2012
Age Group	25-34	25-34
Birth Years	1966-1975	1978-1987*
Name	“GenX”	“Millenials”
Total Number	39.6 million	42.1 million
With 4-year degree or higher	10.9 million	13.6 million
Four-year attainment rate	27.5%	32.2%
Data Source	Decennial Census 2000	American Community Survey, 2012 Annual Data*

\* Other portions of this report (Part 4) uses geographically detailed data from the five year sample of the American Community Survey covering the years 2008 through 2012. The annual and five year data are not directly comparable. See text for explanation.

Unlike Richard Florida’s “creative class” which are persons of any age who work in a series of specific occupations, our definition focuses on persons with a particular level of education and who fall into a particular demographic group.

While the terms Boomer, GenX, GenY and Millenial are bandied about, and sweeping claims are often made about the varying tastes and characteristics of each generation, our analysis here is less concerned with generational change per se, than factors that seem to be common to the life cycle of every generation when they are young adults. A person’s twenties and early thirties are a period when—in every recent generation—people are completing their education, beginning a career, marrying, and moving. Unlike their elders, who typically by their late thirties are more fixed to particular jobs, domestic arrangements and communities, much is still unsettled for young adults, which makes them an especially important factor in driving demographic and economic change.

Those who were 25 to 34 year old young adults in 2012 were more numerous than those in that same age group in 2000; total population in this age cohort increased by about 2.5 million nationally.

This group is noticeably better educated. Nationally, the four-year college attainment rate for 25 to 34 year olds increased from 27.5 percent in 2000, to 32.2 percent in 2012. This means that the total number of 25 to 34 year olds with a four-year degree increased by about 2.7 million over the past 12 years.

A key driver of rising educational attainment is the increased educational attainment of women. Today, four-year college attainment rates for 25 to 34 year old women are 36.3 percent versus 28.2 percent for men. Fully 56 percent of 25 to 34 year olds with a four-year degree in 2012 were women; in 2000 53 percent of young adults with a four-year degree were women. Prior to the 1990s, young men with a four-year degree outnumbered their female counterparts.

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# 2

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# Why the Young and Restless Matter

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Over the past two decades, we've become increasingly aware of the importance of a well-educated population to economic success. Having a well-educated, highly skilled population is the key to higher wages and productivity. The economic evidence of the importance of talent to economic prosperity is well established. The central thesis of two recent books about urban economies—Ed Glaeser's *Triumph of the City* (2011) and Enrico Moretti's *New Geography of Jobs* (2012)—is that cities succeed by concentrating talent in place, and that well-educated people drive innovation and productivity. Their conclusions are supported by a growing range of work. Cities with a higher level of educational attainment

have higher productivity. One study finds that a one percentage point increase in the fraction of adults with a four-year leads to a 2.3 percent increase in productivity as measured by GDP per capita (Abel & Gabe, 2011). Increasing a city's level of education attainment is associated with higher levels of income and more employment; statistical tests suggest the relationship is causal—that more education causes better economic outcomes (Wolf-Powers, 2013).

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If the secret to economic success is having a better educated population, then there are two key strategies cities can pursue: doing a better job of educating their current population, and becoming a more attractive place for those well-educated people who on the move. Both strategies are sensible and can yield results; in fact they are complementary: it does little good to educate your own children if they choose to move to a more attractive place.

Well-educated people of every age move, but young people are the most likely to move. As a result, they are the part of the educated workforce that is effectively “in play.” And as the propensity to migrate declines steadily with age, location decisions made by people in their twenties turns out to have long-lasting demographic and economic consequences.

In principal part because of their mobility, talented young workers are a key target demographic group for fast growing firms in knowledge-based industries. Young workers are not simply more mobile, but are also more adaptable and typically relatively cheaper than older, more experienced workers. In technical fields, young workers have what economists call “recent vintage human capital”—their skill sets may be core closely attuned to current technology and work organization.

Critically, young workers—especially those with a four-year degree—are the most mobile part of the American workforce. Although moving rates have been steadily declining over the past several decades, young college educated workers are the most likely to move across state lines of any Americans. As a result, 25 to 34 year olds are the part of the talent base that is “up for grabs”.

Because migration rates fall precipitously with age—the typical 35 year old is less than half as likely to move across state lines as the typical 25

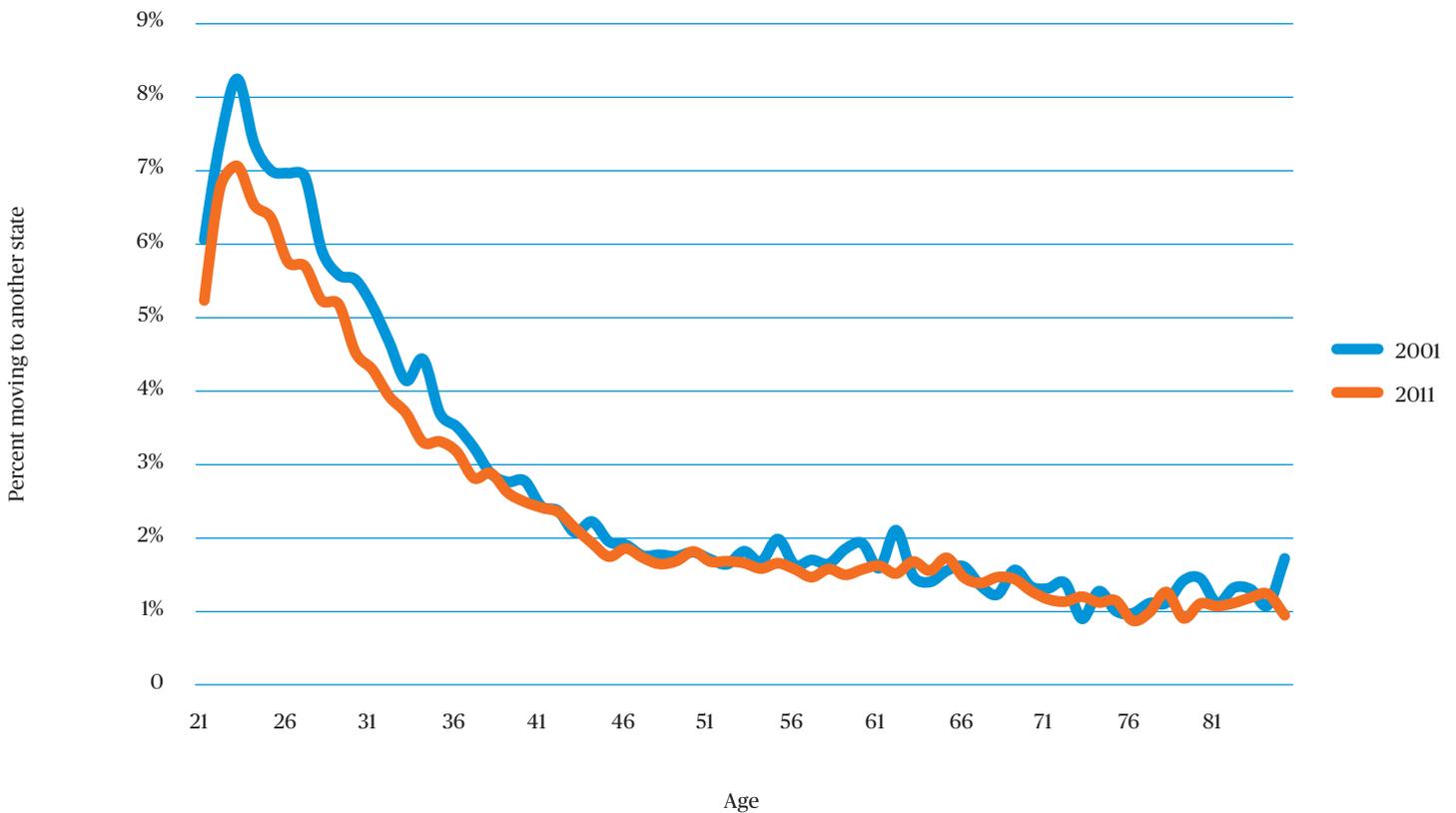
year old—the time workers are in their twenties and early thirties often determines which metropolitan area they will live in for most of their working career.

Recently the Census Bureau and many demographers have chronicled a noticeable slowdown in migration within the United States. Americans of all ages are now less likely to move than a decade or two ago.

There are many competing theories for the causes this decline in U.S. migration rates. Some but not all of the decline may be attributable to the overall aging of the U.S. population. Other explanations include a growing similarity of occupations and convergence of wages among regions, diminishing incentives to migrate (Kaplan & Schulhofer-Wohl, 2012), the increasing number of dual-income households who are less mobile because of the so-called “trailing spouse” problem (Guler & Taskin, 2013), and a decrease in job churn and a greater importance of internal labor markets to career advancement (Molloy, Smith, & Wozniak, 2013). There is also evidence that the wage premium associated with jobs in large cities makes it less attractive to migrate away (Wang, 2013). Regardless of the exact mechanisms, however, there appears to be broad consensus that migration rates are now lower than in previous decades.

That said, however, young, well-educated workers are still the most mobile members of our society. Figure 1 shows data from the American Community Survey indicating the percent of people who reported living in a different state in the prior year, by age, in 2001 and 2011. Overall, migration rates have declined for all age groups over the decade. But the pattern of migration still follows the same distinct life cycle relationship: the propensity to migrate peaks in the early 20s and declines steadily with age.

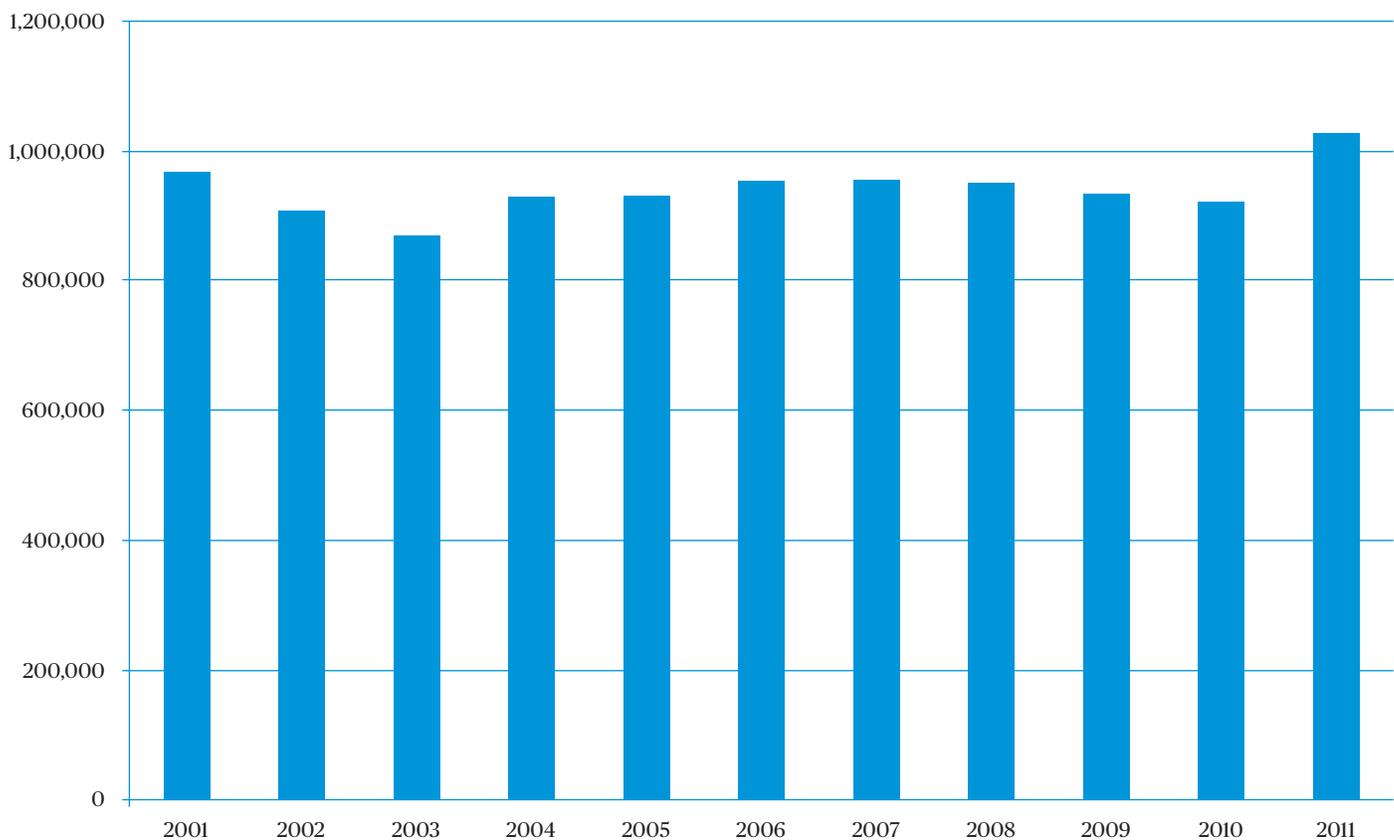
**Figure 1:** Interstate migration rates, 2001 and 2011



Source: American Community Survey, 2001 and 2011

Interstate moves are also more common for more highly educated persons. As a result, young, well-educated people are the most likely to move across state lines, and make up a significant fraction of American movers. As Figure 2 shows, according to data gathered in the American Community Survey, nearly one million 25 to 34 year olds reported that they had lived in a different state (or outside the United States) in the year prior to being surveyed. The number of migrants declined somewhat in the wake of the Great Recession, but exceeded one million again in 2011.

**Figure 2:** College-educated 25-34s living in a different state or outside the US, one year ago



Source: American Community Survey

Overall the rate of migration in the United States has been slowing for the past two decades, but young adults, and especially those with a four-year college degree continue to be among the most mobile Americans.

Talented young workers are both economically important in their own right—playing especially important roles in meeting the labor needs of fast-growing knowledge-based firms—and also as a kind of indicator of the overall health and attractiveness of a metropolitan area. And despite the decline in overall migration rates in the U.S., they remain highly mobile. With a million young adults moving each year, the stakes are large.

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# 3

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# The Young and Restless by Metropolitan Area

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There is significant variation among metropolitan areas in both the number and the growth in the number of well-educated young adults. Here we examine first the distribution of well-educated young adults among metropolitan areas, and then how this distribution has changed over the past decade.

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## Which Metropolitan Areas have the most Young and Restless?

In 2012, about 9.2 million 25 to 34 year olds with at least a four-year college degree lived in the nation's 51 largest metropolitan areas. Together these college educated young adults made up about 5.2 percent of the overall population of these large metropolitan areas in the United States.

A standard metric for assessing the educational attainment of the population is the fraction of all persons in an age group that have completed at least a four-year college degree. Of all the 25 to 34 year olds living in these large metropolitan areas, about 37.5 percent have earned a four-year college degree. But the proportion of well-educated young adults to the overall population, and the four-year college attainment rate of young adults varies substantially among metropolitan areas.

Table 2 shows the four-year college attainment rate for the nation's 51 most populous metropolitan areas, and the share of the total population that is aged 25 to 34 years old and has a four-year college degree. Metropolitan areas are ranked according to the share of the overall population in our Young and Restless demographic group. The median or typical large metropolitan area has a four-year college attainment rate for young adults of about 36 percent, and this demographic group makes up about 5 percent of its total population.

In four cities, half or more of all 25 to 34 year olds have completed at least a four-year college degree (Washington, San Francisco, Boston and San Jose). In each of these cities, and in Austin, college-educated 25 to 34 year olds make up at least 7.5 percent of the population. All of these leading cities also recorded increases both in the college attainment rate of this age group, and the share of the population in this demographic group, over the past decade.

San Antonio, Las Vegas and Riverside have the lowest levels of college attainment among 25 to 34 year olds (less than 25 percent in each case), even though in each instance college attainment rates have increased for this age group over the past decade.

# Which metropolitan areas have seen the biggest increase in well-educated young adults?

Over the last decade, the number of people living in the nation’s 51 largest metropolitan areas has increased by about 13 percent to 171 million. (See Table 3). Overall college attainment rates for adults have been increasing—chiefly due to a cohort succession effect—people turning 25 over the past decade (those born between 1975 and 1984), are much more likely to have completed a

college degree than those who died in the past decade (persons 70 and older in 2000 were born before 1930, and generally had much lower college attainment rates). As a result of this shift, the number of adults with a four-year degree living in the largest metropolitan areas increased by 10.4 million, and the four-year college attainment rate for the adult population in these metro areas increased from 28.4 percent to 33.7 percent.

The number of young adults with a four-year degree living in these large metro areas increased by about 1.8 million since 2000, and average college attainment rates rose from 32.1 percent to 37.5 percent.

**Table 2:** Change in Population, 2000 to 2012, Large Metropolitan Areas, by age and education

Top 51 Metropolitan Areas	2000	2012	Change	Pct. Change
Total Population	151,462,220	170,839,870	19,377,650	12.8%
Population 25 and older	98,333,623	113,806,620	15,472,997	15.7%
25 and older with a four-year degree	27,944,982	38,352,595	10,407,613	37.2%
Percent with a four-year degree	28.4%	33.7%	5.3%	
Population 25 to 34	22,869,664	24,559,391	1,689,727	7.4%
25 to 34 with a four-year degree	7,351,293	9,206,020	1,854,727	25.2%
Percent with a four-year degree	32.1%	37.5%	5.3%	
25/34 BA+ Percent of Population	4.9%	5.2%		

**Table 3: Cities Ranked by Share of Population aged 25 to 3 with a four-year degree****25 to 34 Year Olds with a BA Degree. Change, 2000 to 2012**

	2000	2012	Pct. Chg.	Number
New York-Northern New Jersey-Long Island, NY-NJ-PA Metro Area	1,008,612	1,263,659	25.3%	255,047
Los Angeles-Long Beach-Santa Ana, CA Metro Area	509,392	664,472	30.4%	155,080
Chicago-Joliet-Naperville, IL-IN-WI Metro Area	484,998	569,492	17.4%	84,494
Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area	346,342	471,992	36.3%	125,650
Boston-Cambridge-Quincy, MA-NH Metro Area	316,327	353,165	11.6%	36,838
San Francisco-Oakland-Fremont, CA Metro Area	305,080	339,851	11.4%	34,771
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metro Area	264,303	323,636	22.4%	59,333
Dallas-Fort Worth-Arlington, TX Metro Area	251,806	302,521	20.1%	50,715
Houston-Sugar Land-Baytown, TX Metro Area	186,183	278,898	49.8%	92,715
Atlanta-Sandy Springs-Marietta, GA Metro Area	260,139	267,447	2.8%	7,308
Denver CSA	163,367	239,524	46.6%	76,157
Miami-Fort Lauderdale-Pompano Beach, FL Metro Area	179,077	223,287	24.7%	44,210
Minneapolis-St. Paul-Bloomington, MN-WI Metro Area	182,178	220,933	21.3%	38,755
Seattle-Tacoma-Bellevue, WA Metro Area	172,250	217,926	26.5%	45,676
San Diego-Carlsbad-San Marcos, CA Metro Area	125,189	178,475	42.6%	53,286
Phoenix-Mesa-Glendale, AZ Metro Area	125,882	169,177	34.4%	43,295
Detroit-Warren-Livonia, MI Metro Area	180,008	161,104	-10.5%	(18,904)
Baltimore-Towson, MD Metro Area	121,493	160,396	32.0%	38,903
San Jose-Sunnyvale-Santa Clara, CA Metro Area	134,357	141,942	5.6%	7,585
Saint Louis, MO-IL	108,723	136,806	25.8%	28,083
Austin-Round Rock-San Marcos, TX Metro Area	88,732	128,027	44.3%	39,295
Portland-Vancouver-Hillsboro, OR-WA Metro Area	92,638	127,183	37.3%	34,545
Pittsburgh, PA Metro Area	98,503	126,852	28.8%	28,349
Columbus, OH Metro Area	89,377	112,432	25.8%	23,055
Riverside-San Bernardino-Ontario, CA Metro Area	58,770	109,912	87.0%	51,142
Kansas City, MO-KS Metro Area	89,205	107,061	20.0%	17,856
Tampa-St. Petersburg-Clearwater, FL Metro Area	74,341	104,532	40.6%	30,191
Charlotte-Gastonia-Rock Hill, NC-SC Metro Area	76,718	100,073	30.4%	23,355
Orlando-Kissimmee-Sanford, FL Metro Area	67,465	96,646	43.3%	29,181
Indianapolis-Carmel, IN Metro Area	74,073	96,633	30.5%	22,560
Cincinnati-Middletown, OH-KY-IN Metro Area	85,309	96,286	12.9%	10,977
Nashville-Davidson--Murfreesboro--Franklin, TN Metro Area	64,716	95,549	47.6%	30,833
Sacramento--Arden-Arcade--Roseville, CA Metro Area	64,821	87,944	35.7%	23,123
Cleveland-Elyria-Mentor, OH Metro Area	86,316	87,084	0.9%	768
San Antonio-New Braunfels, TX Metro Area	53,238	80,137	50.5%	26,899
Milwaukee-Waukesha-West Allis, WI Metro Area	68,056	78,627	15.5%	10,571
Raleigh-Cary, NC Metro Area	60,839	77,055	26.7%	16,216
Virginia Beach-Norfolk-Newport News, VA-NC Metro Area	54,252	69,034	27.2%	14,782
Las Vegas-Paradise, NV Metro Area	37,950	65,582	72.8%	27,632
Providence-New Bedford-Fall River, RI-MA Metro Area	58,869	62,625	6.4%	3,756
Hartford-West Hartford-East Hartford, CT Metro Area	52,514	61,639	17.4%	9,125
Oklahoma City, OK Metro Area	39,114	61,331	56.8%	22,217
Salt Lake City, UT Metro Area	40,807	61,234	50.1%	20,427
New Orleans-Metairie-Kenner, LA Metro Area	46,285	59,383	28.3%	13,098
Buffalo-Niagara Falls, NY Metro Area	44,119	58,915	33.5%	14,796
Richmond, VA Metro Area	50,552	58,834	16.4%	8,282
Louisville/Jefferson County, KY-IN Metro Area	41,679	53,489	28.3%	11,810
Jacksonville, FL Metro Area	35,653	51,615	44.8%	15,962
Birmingham-Hoover, AL Metro Area	43,304	49,954	15.4%	6,650
Memphis, TN-MS-AR Metro Area	43,799	48,111	9.8%	4,312
Rochester, NY Metro Area	43,573	47,538	9.1%	3,965

Sources: Decennial Census (2000); American Community Survey, 2012 One-year data (2012). Note these are different than the 2010 data reported in Table 3.

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One way of looking at the contribution of talented young adults to regional economies is to compute the percentage increase in 25 to 34 year olds in each metropolitan area since 2000. Table 4 shows the number of 25 to 34 year olds with a four-year degree in 2000 (as reported in the decennial census), and in 2012 (estimated from the 1-year American Community Survey) in each large metropolitan area.

**Table 4: Change in College Educated Young Adults, 2000 to 2012****Metro areas, ranked by percentage of population 25/34 with a BA**25 to 34 Year Olds with a BA Degree as a Percent of 25/34 Year olds  
as a Percent of Population

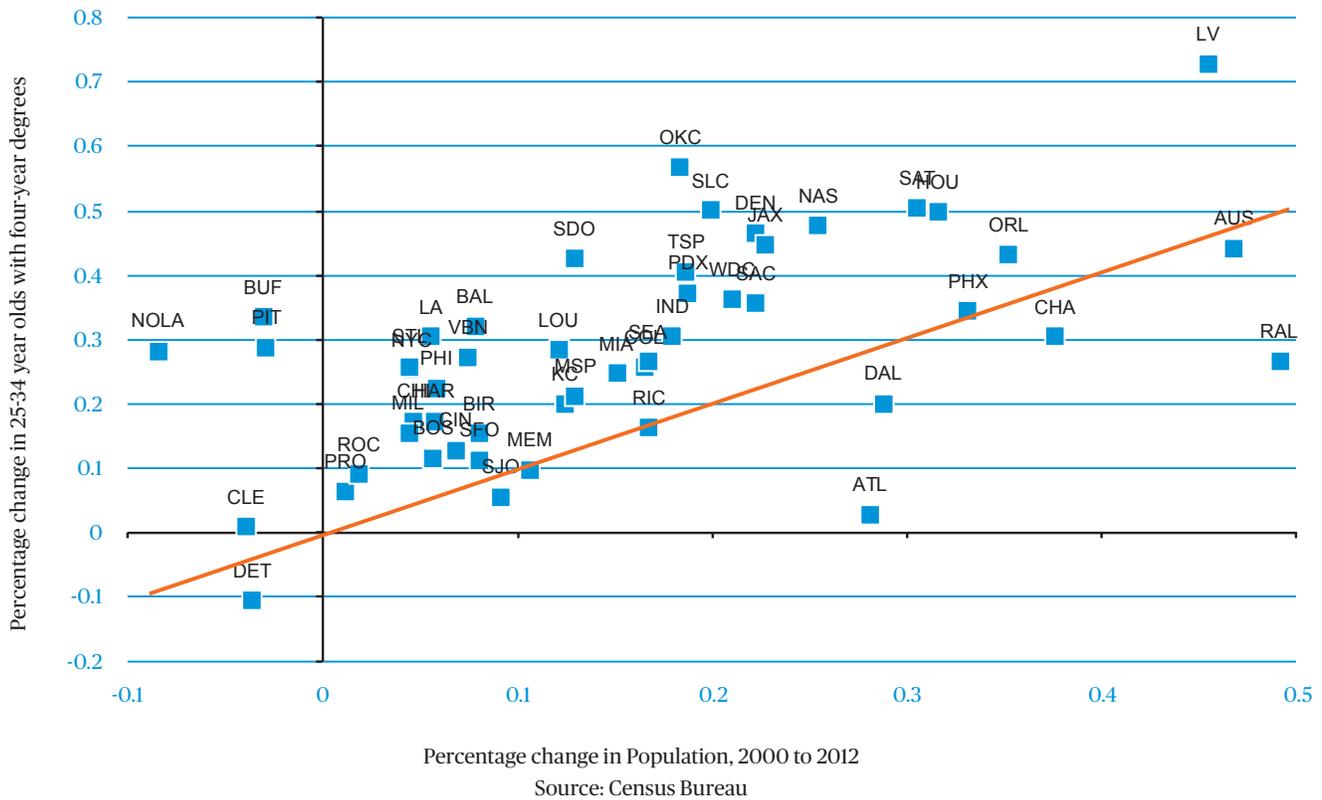
	2000	2012	2000	2012
Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area	45.1%	51.9%	7.2%	8.1%
San Francisco-Oakland-Fremont, CA Metro Area	44.4%	50.1%	7.4%	7.6%
Boston-Cambridge-Quincy, MA-NH Metro Area	47.0%	53.7%	7.2%	7.6%
San Jose-Sunnyvale-Santa Clara, CA Metro Area	43.9%	50.0%	7.7%	7.5%
Denver CSA	38.0%	38.9%	6.2%	7.5%
Austin-Round Rock-San Marcos, TX Metro Area	38.9%	40.8%	7.1%	7.0%
New York-Northern New Jersey-Long Island, NY-NJ-PA Metro Area	36.6%	45.6%	5.5%	6.6%
Minneapolis-St. Paul-Bloomington, MN-WI Metro Area	39.9%	44.5%	6.1%	6.6%
Raleigh-Cary, NC Metro Area	43.3%	45.8%	7.6%	6.5%
Seattle-Tacoma-Bellevue, WA Metro Area	35.6%	39.4%	5.7%	6.1%
Columbus, OH Metro Area	34.8%	40.3%	5.5%	6.0%
Chicago-Joliet-Naperville, IL-IN-WI Metro Area	35.0%	41.5%	5.3%	6.0%
Baltimore-Towson, MD Metro Area	34.5%	41.8%	4.8%	5.8%
Nashville-Davidson--Murfreesboro--Franklin, TN Metro Area	31.6%	38.8%	4.9%	5.8%
San Diego-Carlsbad-San Marcos, CA Metro Area	28.7%	36.0%	4.4%	5.6%
Portland-Vancouver-Hillsboro, OR-WA Metro Area	30.9%	37.1%	4.8%	5.6%
Charlotte-Gastonia-Rock Hill, NC-SC Metro Area	34.1%	38.7%	5.8%	5.5%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metro Area	34.3%	40.2%	4.6%	5.4%
Pittsburgh, PA Metro Area	33.6%	43.8%	4.1%	5.4%
Indianapolis-Carmel, IN Metro Area	31.7%	37.4%	4.9%	5.4%
Salt Lake City, UT Metro Area	26.4%	31.6%	4.2%	5.3%
Buffalo-Niagara Falls, NY Metro Area	30.6%	42.1%	3.8%	5.2%
Kansas City, MO-KS Metro Area	33.6%	36.9%	4.9%	5.2%
Los Angeles-Long Beach-Santa Ana, CA Metro Area	25.2%	34.3%	4.1%	5.1%
Hartford-West Hartford-East Hartford, CT Metro Area	35.1%	41.8%	4.6%	5.1%
Milwaukee-Waukesha-West Allis, WI Metro Area	33.1%	36.4%	4.5%	5.0%
New Orleans-Metairie-Kenner, LA Metro Area	25.8%	33.5%	3.5%	4.9%
Atlanta-Sandy Springs-Marietta, GA Metro Area	35.1%	34.8%	6.1%	4.9%
Saint Louis, MO-IL	30.5%	36.3%	4.0%	4.9%
Oklahoma City, OK Metro Area	25.4%	31.9%	3.6%	4.7%
Richmond, VA Metro Area	32.5%	35.1%	4.6%	4.6%
Dallas-Fort Worth-Arlington, TX Metro Area	28.9%	30.7%	4.9%	4.6%
Rochester, NY Metro Area	32.6%	36.7%	4.2%	4.5%
Houston-Sugar Land-Baytown, TX Metro Area	25.1%	29.7%	3.9%	4.5%
Cincinnati-Middletown, OH-KY-IN Metro Area	30.4%	34.3%	4.2%	4.5%
Birmingham-Hoover, AL Metro Area	29.0%	32.4%	4.1%	4.4%
Orlando-Kissimmee-Sanford, FL Metro Area	27.4%	30.7%	4.1%	4.3%
Cleveland-Elyria-Mentor, OH Metro Area	30.6%	35.3%	4.0%	4.2%
Louisville/Jefferson County, KY-IN Metro Area	25.6%	31.1%	3.6%	4.1%
Virginia Beach-Norfolk-Newport News, VA-NC Metro Area	23.7%	27.6%	3.4%	4.1%
Sacramento--Arden-Arcade--Roseville, CA Metro Area	26.3%	29.5%	3.6%	4.0%
Providence-New Bedford-Fall River, RI-MA Metro Area	27.5%	32.1%	3.7%	3.9%
Phoenix-Mesa-Glendale, AZ Metro Area	24.6%	27.7%	3.9%	3.9%
Miami-Fort Lauderdale-Pompano Beach, FL Metro Area	25.8%	29.6%	3.6%	3.9%
Detroit-Warren-Livonia, MI Metro Area	27.9%	31.4%	4.0%	3.8%
Jacksonville, FL Metro Area	22.2%	27.5%	3.2%	3.7%
Tampa-St. Petersburg-Clearwater, FL Metro Area	24.5%	29.7%	3.1%	3.7%
Memphis, TN-MS-AR Metro Area	24.9%	26.4%	3.6%	3.6%
San Antonio-New Braunfels, TX Metro Area	21.8%	25.1%	3.1%	3.6%
Las Vegas-Paradise, NV Metro Area	17.0%	22.1%	2.8%	3.3%
Riverside-San Bernardino-Ontario, CA Metro Area	13.4%	18.6%	1.8%	2.5%
	30.6%	36.0%	4.2%	5.0%

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All but one of the 51 largest metropolitan areas (Detroit) experienced an increase in the number of 25 to 34 year olds with a four-year degree between 2000 and 2010. Among other metropolitan areas, growth ranged from about 1% in Cleveland to 87% in Riverside. The fastest growing metropolitan areas tended to be in parts of the country that experienced the housing boom of the past decade, and which experienced large increases in their overall population. Several cities with relatively small numbers of well-educated young adults experienced large percentage increases from the small base they had in 2000.

Figure 3 shows the relationship between overall population growth (on the horizontal axis), and growth in the number of 25 to 34 year olds with a four-year degree (on the vertical axis). Each dot in this figure corresponds to a metropolitan area. In general—and unsurprisingly—there is a strong correlation between the two growth figures: metro areas that experienced strong overall population growth, also generally experienced strong growth in the number of well-educated young adults. But strikingly, some metropolitan areas out-performed and underperformed in the growth of this key demographic group, compared to their overall growth rate.

**Figure 3:** Population Growth and Growth in 25 to 34s with a BA or Higher, 2000-2012



**Key to Metropolitan Areas**

ATL	Atlanta	CLE	Cleveland	KC	Kansas City	NYC	New York	RIC	Richmond	SJO	San Jose
AUS	Austin	COL	Columbus	LA	Los Angeles	OKC	Oklahoma City	RIV	Riverside	SEA	Seattle
BAL	Baltimore	DAL	Dallas	LOU	Louisville	ORL	Orlando	ROC	Rochester	TSP	Tampa Bay
BIR	Birmingham	DEN	Denver	MEM	Memphis	PHI	Philadelphia	SAC	Sacramento	VCN	Virginia Beach
BOS	Boston	DET	Detroit	MIA	Miami	PHX	Phoenix	STL	St. Louis	WDC	Washington
BUF	Buffalo	HAR	Hartford	MIL	Milwaukee	PIT	Pittsburgh	SLC	Salt Lake City		
CHA	Charlotte	HOU	Houston	MSP	Minneapolis	PDX	Portland	SAT	San Antonio		
CHI	Chicago	IND	Indianapolis	NAS	Nashville	PRO	Providence	SDO	San Diego		
CIN	Cincinnati	JAX	Jacksonville	NOLA	New Orleans	RAL	Raleigh	SFO	San Francisco		

The diagonal line in Figure 3 represents the point at which the percentage increase in the number of college-educated 25 to 34 year olds in a metropolitan area since 2000 is just equal to the percentage increase in the overall population in that metropolitan area. Below that line, the number of well-educated young adults in a metropolitan area was increasing more slowly than overall population growth. In these cities, the growth in the young and restless clearly

lagged overall population growth. Four metros, Detroit, Atlanta, Dallas, Charlotte, and Raleigh fell well below that line. Conversely, metro areas that are well above the diagonal line are those where the increase in well-educated young adults was noticeably faster than overall population growth since 2000. New Orleans, San Diego, Oklahoma City and Las Vegas all saw proportionately larger increases in well-educated young adults than in overall population since 2000.

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It's worth examining the relationship between overall population growth and the growth of the young and restless in more detail.

Even some declining metropolitan areas have managed to increase the number of talented young workers. Five metropolitan areas experienced absolute population declines between 2000 and 2012: Buffalo, Cleveland, Detroit, Pittsburgh, and New Orleans. These metros had remarkably different experiences in attracting talented young adults. Cleveland saw almost no net growth, while Detroit declined. Buffalo, Pittsburgh and New Orleans all saw growth of almost 30 percent in this demographic group, despite experiencing overall population decline. This growth could play a key role in revitalizing the New Orleans economy. The number of persons aged 25 to 34 with a four-year degree or higher living in metropolitan New Orleans increased by 13,000 from 2000 to 2012.

Buffalo and Pittsburgh have experienced big increases since the year 2000 in the amount of young adults with four-year degrees. But the growth of degree attainment appears to be substantially influenced by the declining numbers of 25 to 34 year olds in each metropolitan area. The number of young adults without a four-year degree has declined sharply in each of these metropolitan areas.

At the other end of the spectrum, some growing cities have become relatively less attractive to talented young adults. An example is Atlanta, which was one of the nation's fastest growing metropolitan areas since 2000. Despite recording an increase in overall population of about 30 percent in the past 12 years, Atlanta recorded just a 3 percent increase in the number of young adults with at least a four-year degree. This represents a remarkable reversal from the 1990s, when Atlanta recorded the fifth fastest rate of growth among

large metropolitan areas in the number of 25 to 34 year old adults with a four year degree (46 percent) (Cortright, 2006).

The difference in the experiences of the three largest metros in Texas is interesting. Since 2000, total population has grown about 30 percent in Dallas, Houston and San Antonio. But while Houston and San Antonio have seen their population of well-educated young adults increase by 50 percent, the increase in Dallas has lagged behind overall population growth, and is up 20 percent. In Houston and San Antonio, the growth of talented young workers leads overall population growth; in Dallas it lags.

In Southern California, there seems to be a filtering of population. In coastal Los Angeles and San Diego, the number of 25 to 34 year olds with a four year degree is increasingly sharply (up 30 percent in Los Angeles and 43 percent in San Diego), compared to 2000. While the Inland Empire (Riverside) continues to grow, two-thirds of its net new 25 to 34 year residents have less than a four-year college degree.

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# 4

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## Where in Metropolitan Areas are the Young and Restless Moving?

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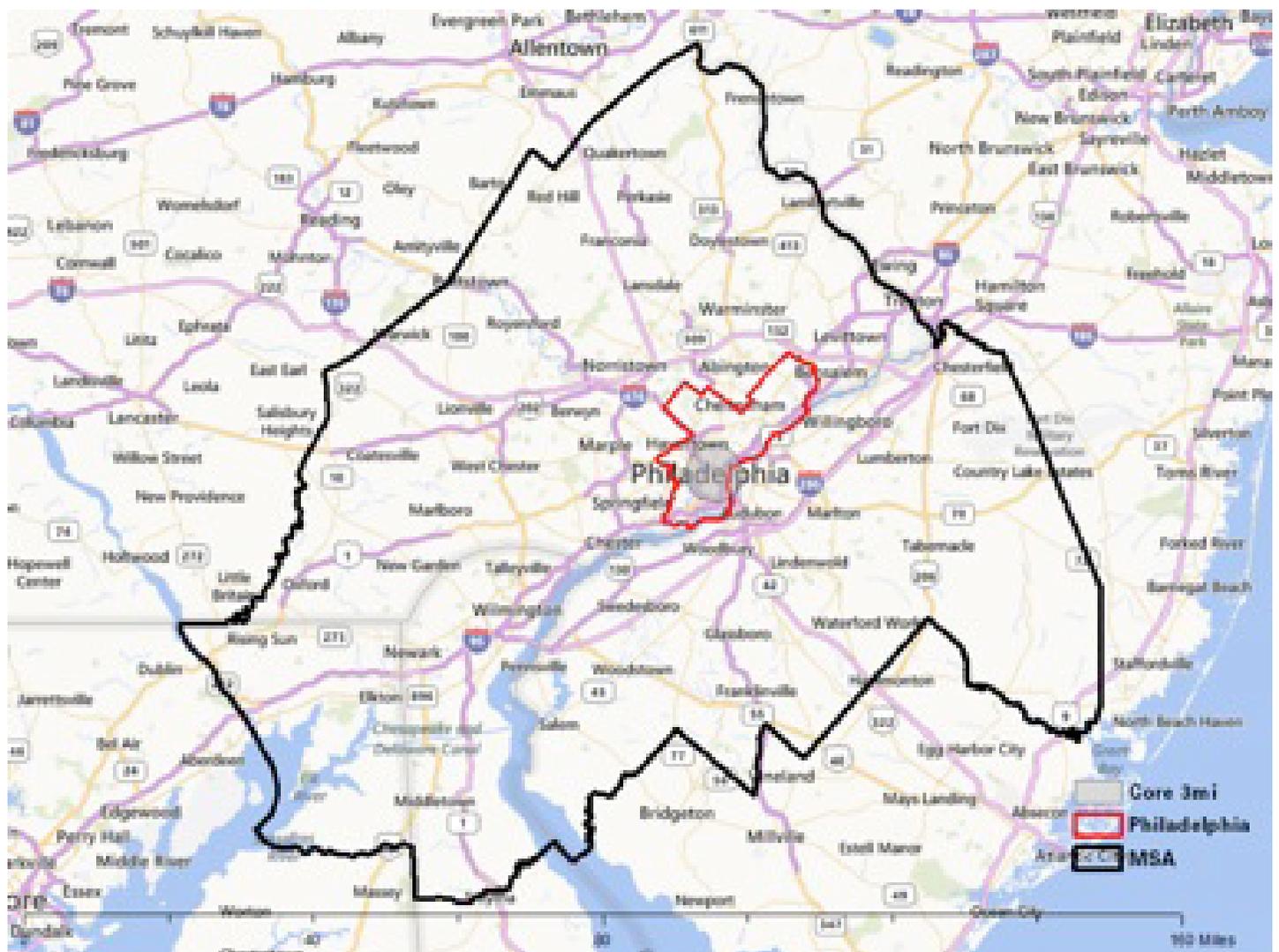
Well-educated young adults are moving to metropolitan areas in substantial numbers, and are disproportionately locating in the center of those metropolitan areas.

To better understand the location preferences of talented young adults, we used Census data to measure changes in population within metropolitan areas. We divided metropolitan areas into close-in urban neighborhoods (those

neighborhoods within 3 miles of the center of the region's principal central business district), and the remainder of the metropolitan area.

As an example, Figure 4 shows a map of these geographies for the Philadelphia Metropolitan Area.

**Figure 4:** Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metro Area, Philadelphia City Limits and Close-In Urban Neighborhoods



The exact definition of close-in or core urban neighborhoods varies from city to city, and a customized, local measure will likely be more nuanced. But in the interest of developing a comparable yardstick for making comparisons across metropolitan areas, and summarizing national data on a uniform basis, we've used the three-mile radius--which has also been applied by other researchers in similar summaries of metropolitan demographic data (Glaeser, Kahn, & Chu, 2001)(Kneebone, 2013).

Close-in urban neighborhoods are defined as those areas within 3 miles of the center of each metropolitan area's central business district. These areas, defined consistently across metropolitan areas, encompass the commercial center of each city along with nearby residential neighborhoods. We used Geographic Information Systems (GIS) software to identify those Census Tracts (and portions of Census Tracts) within 3 miles of the center of the central business district in each of the nation's 51 largest metropolitan areas.

Unlike municipal boundaries, which vary as a percentage of the metropolitan area from region to region, this measure allows a consistent basis for comparison. In most—but not all cases, the area within the three-mile center of the CBD is entirely within the municipal boundaries of the principal city in the MSA. We also defined only one center for each metropolitan statistical area.

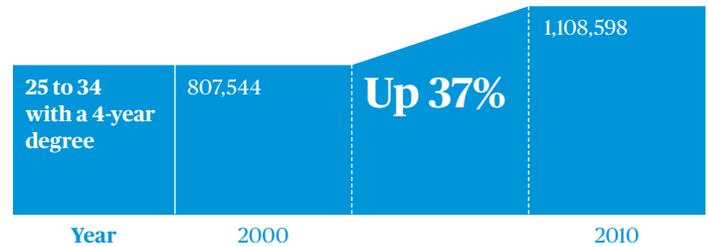
The pattern of population change varied substantially within the nation’s large metropolitan areas. Overall, the total population in close-in neighborhoods was unchanged in the aggregate at about 9.4 million persons. (This stability in the aggregate total masks considerable variation among metropolitan areas, a topic we explore below). But while the overall population of close-in neighborhoods was unchanged, the composition of that population changed substantially.

**Figure 5:** Population 2000 to 2010, Large Metropolitan Areas and Their Close in Urban Neighborhoods

### Top 51 Metropolitan Areas



### Close-in Urban Neighborhoods



Sources: Decennial Census (2000); American Community Survey, 2008-12 Five-year data (2010). Note these are different than the 2012 one-year data reported in Table 3.

Since 2000, the number of well-educated young adults living in close-in urban neighborhoods has increased by 37 percent, even as those neighborhoods stayed essentially unchanged in total population (down 0.2%). The number of 25 to 34 year olds with a four-year degree increased from about 800,000 in 2000 to 1,100,000 in 2010.

The number of well-educated young adults increased about twice as fast, in the aggregate, in close-in urban neighborhoods (37 percent) as they did in large metropolitan areas as a whole (19 percent).

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It is useful to put this increase in historical context. It appears that the relative preference that young adults, and particularly well-educated young adults have for close-in urban living has increased significantly over the past several decades. One way of judging the tendency of a particular demographic group to choose to locate in a particular neighborhood is to compute the relative likelihood that that demographic group is found in a particular neighborhood compared to the likelihood that any randomly selected individual in a metropolitan area lives in that neighborhood. We compute the relative preference ratio for close-in neighborhoods by the share of a metro area's 25 to 34 year olds living in close in neighborhoods by the share of the total metro population living in close in neighborhoods. If, for example, 4 percent of the metro areas college educated 25 to 34 year olds live in close in neighborhoods and 2 percent of the total metro population lives in those neighborhoods, the relative preference ratio is 2 ( $4\% / 2\% = 2$ ), meaning that a college educated 25 to 34 year old is twice as likely to live in a close in urban neighborhood as the average resident of a metropolitan area.

In earlier work (Cortright 2006) we have computed the relative preference ratio for all 50 of the largest metropolitan areas for 1980, 1990 and 2000. Due to changes in metropolitan area boundaries over the decades, these estimates are not precisely comparable, but the differences are not significant. We computed two sets of relative preference ratios: the preference of all 25 to 34 year olds for living in close in neighborhoods relative to the overall population, and the preference of 25 to 34 year olds with a four year degree relative to the overall population. Census data for 1980 and 1990 did not allow us to estimate educational attainment by age at the census tract.

Table 6 shows the results of these calculations. First, for young adults generally, there is evidence of a long-term increase in the relative preference for close-in neighborhoods. In 1980, 25 to 34 year olds were about 10 percent more likely than other persons to choose to live in close in neighborhoods, regardless of educational attainment. This increased to 12 percent in 1990, to 32 percent by 2000, and to 51 percent in 2010. In the past two decades the relative preference of young adults for close in living has quadrupled.

The second row in Table 5 shows for 2000 and 2010 the relative preference of college-educated young adults for close-in urban neighborhoods in the 51 largest metropolitan areas. Here the relative preferences is even greater: our young and restless group was 77 percent more likely to live in these neighborhoods in 2000, and 126 percent more likely than other metro area residents to live in these neighborhoods in 2010.

**Table 5:** Relative Preference for Close-In Urban Neighborhoods, 1980 to 2010

	1980	1990	2000	2010
Population 25 to 34	10%	12%	32%	51%
25 to 34 with a four-year degree	NA	NA	77%	126%

Source: Decennial Census, years cited, American Community Survey, 2008-12 five year data.

How to read this table: Figures represent the proportionately greater likelihood that a person in the demographic group would reside in a close-in neighborhood compared to the average metropolitan resident. For example, in 1980, a 25 to 34 year old person was about 10 percent more likely to live in a close-in neighborhood than the average metropolitan resident.

This trend was nearly universal across large metropolitan areas. The number of well-educated young adults living in close-in urban neighborhoods has increased in 49 of the 51 largest metropolitan areas. Only Birmingham and Detroit saw a decrease in the number of 25 to 34 year olds with a four-year degree living in neighborhoods within 3 miles of the center of the central business district between 2000 and 2010 (See Table 6).

The largest concentrations of talented young adults in close-in urban neighborhoods are not surprisingly in the heart of the nation's largest and most vibrant cities: New York, San Francisco, Washington, Chicago and Boston. Each of these cities—which has dense residential neighborhoods in and near its urban core—has more than 70,000 college educated 25 to 34 year olds living within 3 miles of the center of the central business district. And except for San Francisco (up just 8 percent during the decade) all of these large cities recorded substantial gains in the number of well-educated young adults over the past decade—led by a 75 percent increase in the number of young adults living in close-in urban neighborhoods in Washington, D.C.

The more sprawling and less dense cities of the Sunbelt, and a number of older, industrial metropolitan areas have much smaller concentrations of young talent in their core neighborhoods. Of our fifty-one metropolitan areas, eleven have fewer than 5,000 college educated young adults living in close-in urban neighborhoods. But over the past decade, nine of these eleven cities with the smallest concentrations of close-in talent recorded increases.

**Table 6: Change in Young and Restless in Close-in Neighborhoods, by Metro**

Metropolitan Area	2000	2010	Change	Pct. Change
New York-Northern New Jersey-Long Island, NY-NJ-PA	198,447	228,505	30,058	15%
San Francisco-Oakland-Fremont, CA	84,425	91,035	6,610	8%
Washington-Arlington-Alexandria, DC-VA-MD-WV	44,405	77,651	33,246	75%
Chicago-Naperville-Joliet, IL-IN-WI	48,889	75,738	26,849	55%
Boston-Cambridge-Quincy, MA-NH	51,367	70,090	18,723	36%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	28,317	50,273	21,956	78%
Denver-Aurora, CO Combined Statistical Area	20,985	31,678	10,693	51%
Seattle-Tacoma-Bellevue, WA	23,446	31,655	8,209	35%
Baltimore-Towson, MD	13,170	25,223	12,053	92%
Minneapolis-St. Paul-Bloomington, MN-WI	18,433	25,156	6,723	36%
Portland-Vancouver-Beaverton, OR-WA	18,297	24,860	6,563	36%
Atlanta-Sandy Springs-Marietta, GA	16,098	22,326	6,228	39%
Los Angeles-Long Beach-Santa Ana, CA	10,380	20,161	9,781	94%
San Diego-Carlsbad-San Marcos, CA	10,437	19,918	9,481	91%
Austin-Round Rock, TX	15,638	19,537	3,899	25%
Houston-Sugar Land-Baytown, TX	10,639	18,845	8,206	77%
Dallas-Fort Worth-Arlington, TX	9,150	17,256	8,106	89%
San Jose-Sunnyvale-Santa Clara, CA	11,821	16,015	4,194	35%
Miami-Fort Lauderdale-Pompano Beach, FL	6,428	14,001	7,573	118%
Milwaukee-Waukesha-West Allis, WI	9,557	12,614	3,057	32%
Columbus, OH	8,895	12,594	3,699	42%
New Orleans-Metairie-Kenner, LA	9,418	12,278	2,860	30%
Pittsburgh, PA	7,949	11,796	3,847	48%
Providence-New Bedford-Fall River, RI-MA	9,168	11,576	2,408	26%
Rochester, NY	9,668	11,552	1,884	19%
Salt Lake City, UT	9,111	11,543	2,432	27%
Charlotte-Gastonia-Concord, NC-SC	6,463	10,992	4,529	70%
Sacramento-Arden-Arcade-Roseville, CA	7,424	10,482	3,058	41%
Richmond, VA	6,731	9,488	2,757	41%
Cincinnati-Middletown, OH-KY-IN	7,106	8,179	1,073	15%
Raleigh-Cary, NC	5,914	7,813	1,899	32%
Tampa-St. Petersburg-Clearwater, FL	4,673	7,794	3,121	67%
Nashville-Davidson-Murfreesboro-Franklin, TN	4,794	7,720	2,926	61%
St. Louis, MO-IL	3,094	7,371	4,277	138%
Orlando-Kissimmee, FL	6,070	7,351	1,281	21%
Hartford-West Hartford-East Hartford, CT	5,417	6,816	1,399	26%
Virginia Beach-Norfolk-Newport News, VA-NC	3,841	5,906	2,065	54%
Buffalo-Niagara Falls, NY	4,162	5,752	1,590	38%
Louisville-Jefferson County, KY-IN	4,418	5,683	1,265	29%
Indianapolis-Carmel, IN	3,235	5,386	2,151	67%
Memphis, TN-MS-AR	3,746	4,886	1,140	30%
Cleveland-Elyria-Mentor, OH	2,645	4,805	2,160	82%
Birmingham-Hoover, AL	5,392	4,537	(855)	-16%
Kansas City, MO-KS	2,640	4,294	1,654	63%
Riverside-San Bernardino-Ontario, CA	2,196	3,373	1,177	54%
Detroit-Warren-Livonia, MI	3,350	3,153	(197)	-6%
Oklahoma City, OK	2,173	3,048	875	40%
San Antonio, TX	2,125	2,995	870	41%
Phoenix-Mesa-Scottsdale, AZ	2,230	2,784	554	25%
Jacksonville, FL	1,512	2,220	708	47%
Las Vegas-Paradise, NV	1,655	1,894	239	14%

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# 5

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## How the Young and Restless are Re-shaping Metropolitan Economies

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The movement of well-educated young adults to metropolitan areas, and especially to the close-in neighborhoods of those metropolitan areas is providing an important impetus to urban economic development across the country. Young adults are playing important roles in reviving central cities, encouraging the movement of firms downtown, and stimulating entrepreneurship.

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## Talented young adults play an important role in city revitalization.

There has been a resurgence of population growth in cities in the past decade (Frey, 2013). Because they are the most mobile Americans, and because of their high propensity to choose to live in close-in urban neighborhoods, 25 to 34 year olds with a four-year degree or higher level of education play a key role in driving population growth in cities.

In 24 of the 51 largest metropolitan areas, close-in urban neighborhoods have experienced an increase in overall population (of all ages) since 2000. Increasing numbers of well-educated young adults have played a key role in this population growth: in seven of these 24 cities, the increase in the number of college educated 25 to 34 year olds since 2000 accounted for all of the net increase in population in city population. In a total of 12 cities, the growth of talented young adults accounted for half or more of the increase in population in close-in neighborhoods.

Strikingly, even in cities that experienced overall population declines, close-in neighborhoods tended to be a bright spot. Among the 27 cities that experienced population declines within their municipal boundaries, 25 saw increases in the number of 25 to 34 year olds with four-year degrees living in close-in urban neighborhoods.

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## The Young and Restless are helping drive economic development.

The growing preference of talented young workers for urban living is influencing the location decisions of private firms. Access to labor is a critical competitive factor for fast-growing firms in the knowledge economy. As a result, many firms decide to locate in places where they can easily find lots of talented workers and where it is relatively easy to attract more.

The key demographic group that many businesses are seeking to hire is young college graduates--flexible, career-oriented, and mobile. The desire to be more proximate to these workers is leading many companies to move to or expand in central city locations, reversing what for many firms was a decades-long trend of decentralization.

For example, Swiss financial giant UBS is moving its trading floor from suburban Connecticut back to Manhattan because the best and brightest it seeks to hire and retain want to live there or nearby Brooklyn. Biotech giant Biogen/IDEC is moving from its suburban campus back to Cambridge, Massachusetts. In Chicago, Motorola Mobility is relocating its operations to the Loop.

This trend has been apparent even in Silicon Valley, which has long been the nation's premier agglomeration of fast-growing technology based businesses. Many firms are moving their offices to San Francisco, closer to where a growing number of their young employees are choosing to live. Twitter, Zynga, and Pinterest--three hot web companies--have all moved their headquarters to San Francisco. And the companies that remain in Silicon Valley, Google and Apple, both run wi-fi equipped bus services to accommodate the growing number of their workers who prefer to live in a more urban environment (Helft, 2007).

While the trend is most apparent in the fast growing tech sector, the same applies to a wide range of industries. Writing about the future of manufacturing in a report for the World Economic Forum, business consultants Deloitte, Touche, Tohmatsu conclude, "nothing will matter more than talent," and those companies and places that attract, retain and develop the highest skilled talent will come out on top in the race for manufacturing (DeLoitte, Touche, Tohmatsu, 2012). Table 7 provides a tabular summary of recent examples of companies locating operations in central city locations, primarily or in part for the stated reason of obtaining better access to talented workers.

**Table 7:** Companies moving or locating operations in central business districts

<b>Company</b>	<b>City</b>	<b>Description</b>	<b>Citation</b>
Amazon	Seattle	Employs an estimated 10,000 in downtown Seattle, “Amazon uses their urban campus and the in-city lifestyle as an effective recruiting tool,” says Dean Jones of brokerage Realogics Sotheby’s International Realty.”	Pryne, 2012
Archer Daniels Midland	Chicago	Moving headquarters from suburban Decatur, Illinois to downtown Chicago	Weber, 2013
Biogen/IDEC	Boston	Moved headquarters from suburban Weston, MA to Cambridge.	Weintraub, 2013
Cirrus Logic	Austin	Moved its headquarters and 500 employs from suburbs to downtown Austin in 2012	Novak, 2013
Coca Cola	Atlanta	Opening a new 2,000 person IT office in downtown Atlanta	Weber, 2013
Hillshire Brands	Chicago	The former Sara Lee is moving from suburban Downers Grove to downtown Chicago. “In the city, Hillshire is finding “the type of employees we wanted—externally focused and agile” with a “ ‘refuse to lose’ attitude,” said Mary Oleksiuk, Hillshire’s head of HR.”	Weber, 2013
Motorola Mobility	Chicago	Smart phone maker Motorola Mobility is moving 3,000 jobs from suburban Libertyville to the Merchandise Mart in Chicago.	Wong & Bergen, 2012
Pinterest	San Francisco	Moving from Palo Alto to San Francisco “The pull is the desire for talent of all sorts—engineers, designers, and dealmakers alike—to live in San Francisco.”	Thomas, 2012
Quicken Loans	Detroit	Moved from suburban Livonia to downtown Detroit in 2010. Now have 7,000 employees in downtown.	Vanderkam, 2011
UBS	New York	Relocating trading floor from Connecticut to Manhattan	Bagli, 2011
United	Chicago	United moved 4,600 employees from suburban Elk Grove to the Willis tower in downtown Chicago; “corporate giants [are] abandoning vast suburban campuses for urban offices nearer to the young, educated and hyper-connected workers who will lead their businesses into the digital age.”	Weber, 2013
VISA	San Francisco	“Visa is heading back to the city to help with the recruitment of the young urban engineers who are increasingly unwilling to commute to a generic suburban office park devoid of culture or street life.”	Dineen, 2013
Yahoo	San Francisco	“Silicon Valley giant Yahoo Inc signed a big lease this year to expand its San Francisco offices so it can recruit top engineers unwilling to make the long commute on Highway 101.”	Weber, 2013

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Drawing a connection between the location of talent and economic development makes sense. The linchpin of any community's strategy has to be to attract and retain the most crucial asset every business values: talented workers. And because talented workers are mobile and have lots of choices of where to live, building vibrant urban neighborhoods is a key to anchoring talent. That's the new logic of a world where industrial location decisions are made by the HR Department.

## Entrepreneurship and new firms

Talented young adults are also important to entrepreneurship and new business formation. Many of the nation's most successful entrepreneurs started their breakthrough businesses in their twenties (Bill Gates, Steve Jobs, Sergei Brin, Larry Page, Mark Zuckerberg). Startups also tend to disproportionately employ younger workers, and the number of firms grows faster in places with an abundant supply of young workers (Ouimet & Zarutskie, 2013).

Venture capital investment appears to be increasingly flowing to startup firms located in urban settings. In 2011, in the eleven metropolitan areas that received the greatest flows of venture capital, a majority of all venture capital investments were made in predominantly urban zip codes (Florida, 2013). The urban share of venture capital investment was above 80% in five metropolitan areas (Austin, Seattle, San Francisco, San Jose, San Diego), and between 70 and 80% in three metropolitan areas (Boston, New York, Los Angeles). In only one of the eleven leading metro areas for venture capital investment in 2011 was a majority of the venture capital in suburban zip codes (Philadelphia).

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# Appendix: Data and Methodology

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This report relies on recently released data from the American Community Survey. The American Community Survey is conducted annually. Data for more populous geographic areas—cities, metropolitan areas, states—is published annually. For smaller geographic areas, the Census Bureau pools several years of data to obtain a sufficiently large sample to make statistically valid estimates. Neighborhood level data, for Census Tracts (census defined areas with an average of about 4,000 population) is derived by pooling data for surveys conducted over the past five years, from 2008 through 2012.

For our analysis of large areas and large area changes we use the 2012 one-year American Community Survey data; and we refer to this in the text as data for 2012. For our analysis of small areas, and for aggregating data to describe changes in population in close-in urban neighborhoods, we use the five year pooled data, gathered in 2008 through 2012. For simplicity, we refer to this as 2010 data, to reflect the middle year in the data-gathering period. Finally, a note about birth years: Birth years of 25 to 34 year-olds vary by year of ACS; 2008 ACS was birth years 1974-1983; 2012 ACS was birth years 1978-1987.

Close-in neighborhoods were defined using GIS software and census tract boundaries to estimate the number of persons living within

three miles of the center of the central business district of each metropolitan area. The federal government now uses a different set of boundaries to define metropolitan areas than were used in Census 2000. This report adjusts Census 2000 data to reflect the newer “Core Based Statistical Areas” used in reporting the 2008-12 American Community Survey. Because of boundary changes to counties in Colorado between 2000 and 2010, we use the broader Denver Consolidated Statistical Area (CSA) for comparison purposes. This CSA consists of the Denver, Boulder and Greeley Metropolitan Areas. Note: this report does not use the revised definition of Core Based Statistical areas published by the Office of Management and Budget in 2013; these boundaries will be used by federal agencies for statistical reporting in future years, but not for the time period covered by this study.

Our report focuses on the 25 to 34 year olds who have completed a four-year college degree or higher level of education, as recorded in the American Community Survey. For readability, we use the terms “college educated young adult” and “talented young adults” interchangeably with the longer and more precise term “25 to 34 year old with a four-year college degree or higher level of education.”

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It is important to note that this study looks at population change over time. While population change is influenced in part by migration, it is also influenced by other factors as well. Most importantly, our key metric compares the locations of one cohort those born in 1966 through 1975, when they were 25 to 34 in 2000, with the locations of the subsequent age cohort—those born in 1976 through 1985 when they were 25 to 34 in 2010. As a result, this change over time is influenced by the relative size of the age cohorts “aging into” and aging out of this age group in each metro area over the course of the decade, as well as by net domestic migration, and also international migration. The number of college educated young adults in each period is also influenced by changes in the college-going rate of young adults in each region.

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City Observatory is a virtual think tank, contributing original data-driven research and regular commentary on what matters to city success, focused on how building great places to live can attract, develop and harness talent to create widely shared opportunity. City Observatory is supported in part by Knight Foundation.