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By Matt Carmichael

THE MILLENNIAL EQUATION

Does livability really factor into attracting young talent?

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The mayor of Richardson, Texas, recently recounted a conversation she had with the CEO of a large company whose headquarters she was hoping to attract. She asked him point-blank what it would take to get him to set up shop in her city.

His response: He had just hired a hot-shot graduate from Stanford who showed up to work every day with his bike and dog. The CEO said that if the mayor could convince him Richardson would be a good place for that worker and others like him to live – and even a strong enough city to draw more talent like him – he'd be happy to move his headquarters there.

The mayor was speaking to the Congress of the New Urbanism, a group whose members include planners, designers, architects, and city leaders dedicated to creating better, more sustainable and more people-friendly urban places. In short, they're building what the talent wants, and the CEOs know it and want it too. Despite their size and diversity, the generation this Stanford grad belongs to, the so-called Millennials, is among the most pigeon-holed.

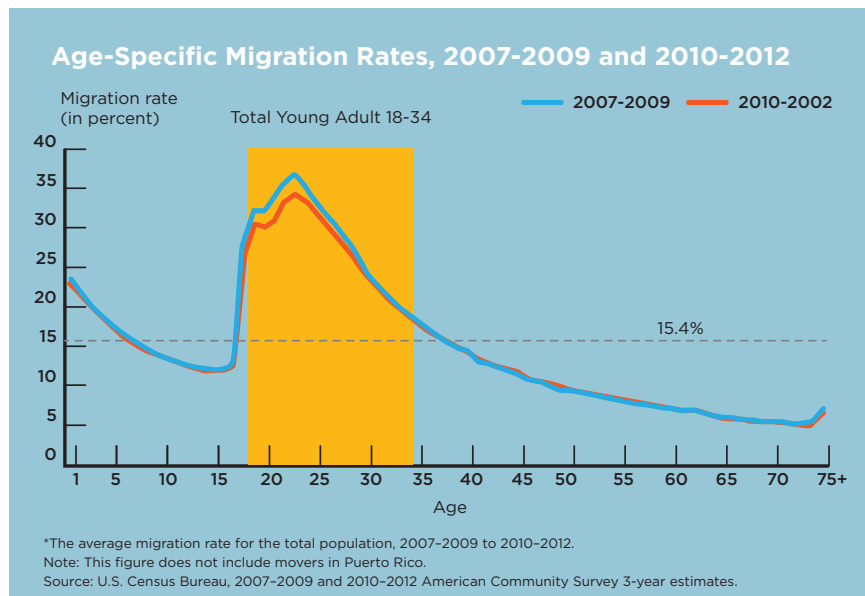
In this paper we will:

- Present original and curated research and data on what this desirable talent pools is looking for in terms of places to live.
- Focus on how the aging of this group is changing their preferences.
- Offer some actionable insights for placemaking and talent recruitment.
- Dispel some Millennial myths.

Every day, 12,000 Millennials stop being 20somethings. As they turn 30, they enter the decade of their lives where they will take many of the steps they have put off until this point: getting married, buying homes and cars, and having children. In other words, the most educated and diverse generation the workforce has yet seen is reaching the point where they will settle down and plant some roots.

As we know, certain demographics are more likely to relocate than others. Those who are young, single and fresh out of college are far more likely to relocate than those who are slightly older with kids set in their schools.

Even so, the number of people who move across state lines in any given year is a small percentage of the population. The population is most mobile between the ages of 18 and 25, at which point mobility drops off sharply.



INVESTING IN DOWNTOWNS

Cities large and small have been investing in their downtowns, partially to attract Millennials who are believed to be highly urbanized, living in dense, walkable areas where they can be car-free and live in small, often rented spaces.

- Dallas spent more than \$50 million in a public-private partnership bridging a highway in its downtown to build the overwhelmingly successful Klyde Warren Park.
- Greenville, S.C., has been building out its downtown and riverwalk areas for decades, and now has seen huge growth in both population and economic terms.
- Owensboro, Ky., has invested more than \$1 billion in development of its downtown district making strides to improve its quality of place and livability.

Corporations are following suit with downtown investment. Not surprisingly, technology firms like Google are establishing downtown offices throughout the U.S., but traditional brick-and-mortar companies are doing so as well.

Marriot is looking for urban space in Washington D.C. In Chicago alone, Archer Daniels Midland and Mead Johnson are among more than 30 companies that have moved their headquarters into downtown in recent years. McDonald's, Sears and Walgreens all set up urban outposts to augment their traditional suburban campuses.

Access to talented, educated and ambitious workers – especially those with technical skills – and a high quality of life with plenty of cultural and recreational amenities outrank other priorities, including low taxes and business friendliness, for entrepreneurs looking for the right place to launch and grow their enterprises, according to a 2014 study from Endeavor Insight. The study was based on surveys of 150 founders of some of the nation's fastest-growing companies about what they look for in cities.

In many cases, the investments are paying off. These developments and improvements can bolster downtown commercial and residential rents, broaden the tax base, and attract the elusive Millennial.

THE MILLENNIAL PERCEPTION: RIGHT OR WRONG?

A common perception of Millennials, especially those with a college degree, is this: single, urban and carless.

There is certainly a cohort of educated, young, and typically single Millennials who have helped drive this boom in downtown residential and commercial development. It's an important story but not the only story. So who are they, where do they want to live and work, and how is that likely to change in coming years?

A commonly cited stat, or a variation of it, goes like this: "Sixty-four percent of the most mobile people in our society – college-educated 25- to 34-year-olds – say, first, they choose the city they want to live in, then they look for a job."

The stat was incorrectly attributed to the U.S. Census Bureau in a famous *Harvard Business Review* article titled, *Back to the City*. But the quote and stat comes from Carol Coletta, who was head of the organization CEOs for Cities when they published that survey. The actual survey was conducted before the recession took hold, and the conclusion is a bit of a reach from the question it is based on.

Livability.com commissioned an in-depth survey, conducted by the leading global market research firm Ipsos Public Affairs, to examine the issues that drive and impact relocation decisions. The survey asked more than 2,000 adults in each of the last three years about the characteristics of livability they value in their current and future communities.

The survey was conducted as part of Livability’s research into the Best Places to Live, which is based on a robust, data-driven ranking methodology developed in partnership with The Martin Prosperity Institute, directed by urbanist theorist, Richard Florida.

In 2015, we also asked a variation of the CEOs for Cities question to update this important research into the value of quality of place in relocation decisions and, by extension, in economic development.

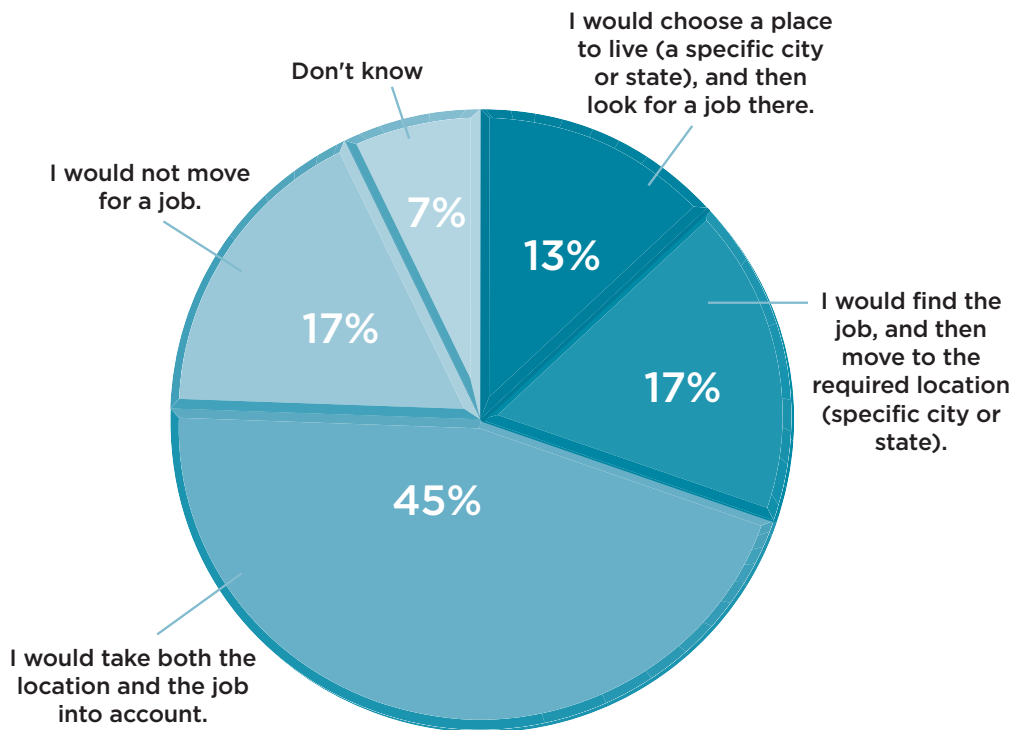
The results of the 2015 American Livability Survey are presented here for the first time:

THE ALL-IMPORTANT RELOCATION QUESTION

A clear majority would take quality of place into consideration when considering a job-related relocation. We asked:

“Please imagine for a moment that you were considering looking for a new job. Thinking about how you would look for and choose your next job, which of the following would be your approach?”

- 45% of respondents said they would take the location and job into account.
- 13% said they would choose a place to live (a specific city or state) and then look for a job there.
- 17% said they would find a job and then move to the required location.
- 17% said they would not move for a job at all.



Source: 2015 American Livability Survey

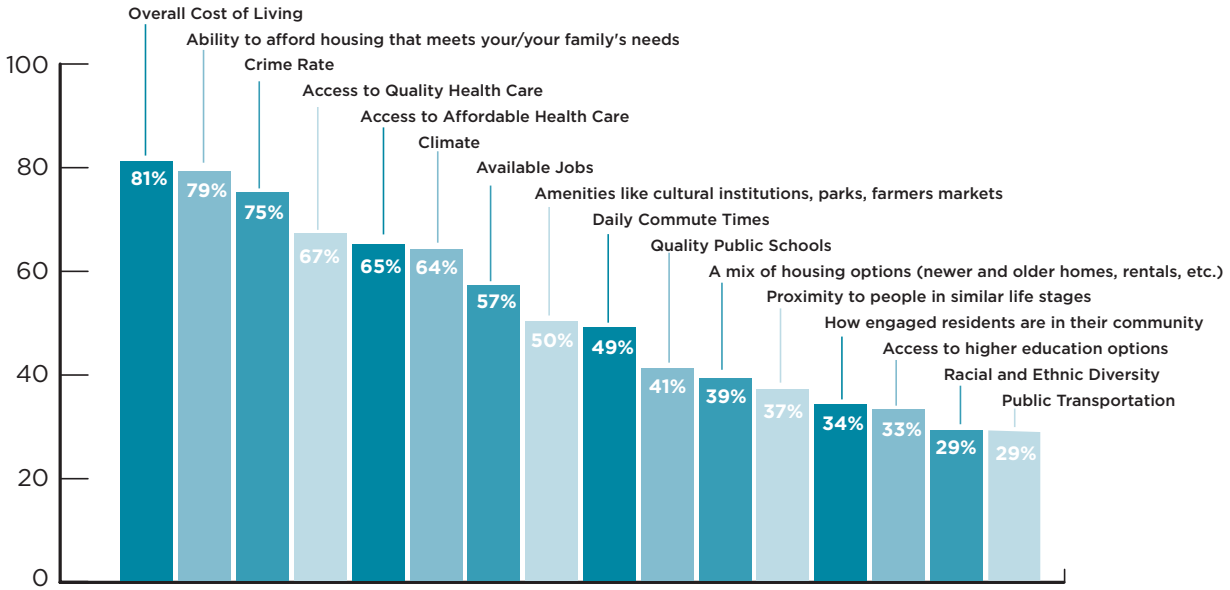
Millennials are more likely (21 percent) to say they would choose a place first and then move, but also more likely (22 percent) to say they would find a job and move wherever it required of them.

We also see differences based on education. Counter to the idea that those with more education are more likely to choose based on place, our survey found that those with a college degree are more likely (22 percent) to choose the job regardless of place. So were families with children, and non-white minority groups. Interestingly, there was little difference in the response based on income.

A PLACE'S IMPORTANCE IN TALENT RECRUITMENT

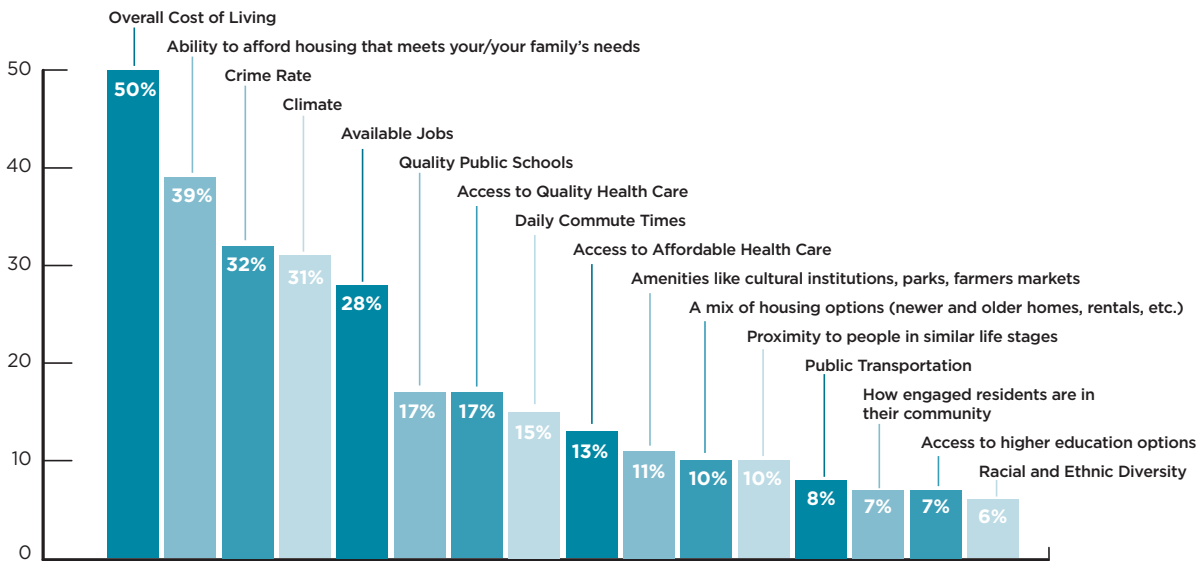
But back to the big take-away. Yes, place matters in terms of talent recruitment. It's just not the only consideration.

So what aspects of place in particular matter most? We asked about 16 specific characteristics of strong communities and great places to live and work. Half of the participants were asked to rate these factors on a 10-point scale. Below are the percentage of respondents who rated these an eight or above (with 10 being highest).



A majority rate many of these factors highly. Women respondents rated each factor except “diversity” as more important than the men did.

To discern not just importance, but relative importance, we asked the other half of the sample to rank these same factors instead. Below are the percentage of respondents who ranked these as one of the three most important factors.



MULTIPLE TIERS OF LIVABILITY

What becomes evident is that there are several different tiers of livability:

TIER ONE: Cost of living, affordable housing, crime rate

TIER TWO: Quality health care, affordable health care, climate

TIER THREE: Available jobs, amenities, commute times, quality public schools

TIER FOUR: Mix of housing options, people in similar life stages, engaged residents, access to higher education, public transportation, diversity

For the three items in the first tier, there is very little difference in ranking/rating based on age, gender, income, race/ethnicity, workforce status, marital status, region or education level.

By even the second tier, however, we start to see some stratification. Younger respondents (18 to 34) ranked Climate a nine, compared to a four for 35 to 54-year-olds or a six for those aged 55 and up. The younger set care more about commute times and quality public schools, and care less about access to health care, cultural amenities and being near people in similar life stages.

Cities, of course, need to invest in getting the basics right. If a community isn't safe and affordable, all the bike lanes, flowers in the median, riverwalks, and parks won't make it attractive to Millennials or any other segment of the population.

There are outliers in terms of affordability, like San Francisco, but it can be argued that cities in that sphere are becoming more of a luxury good and less places that work for all residents equally. Safety and affordability are clearly necessary components for livability. All of the other components are not even sufficient, although they certainly help.

From an economic development standpoint, whether workers are living in the central city or the outlying suburbs isn't necessarily all that relevant. However, as the Millennials are starting their exodus to the suburbs, two things are worth noting:

- Millennials might not have redefined adulthood entirely, but they have helped redefine what it means to be a 20something by furthering the trend of "delayed life stage." All of the numbers (marriage rates, home ownership rates, car ownership rates, number of children) are trending downward for the Millennials, but that doesn't mean they are suddenly zero. There are still huge numbers who are following a traditional, if late, life path. As new 20somethings take the Millennials place, we're likely to see a continuation of these delayed trends.
- Cities have become ideally suited to the young and single in many ways, and continuing to cater to this group seems to be a working plan with benefits across the spectrum. Even in the suburbs, we need more walkable, urban-like places. There is demand.

According to the most recent Census figures, the suburbs had a net gain of 2.2 million movers between 2013 and 2014, while principal cities lost 1.7 million. The suburbs continue to grow in population, including Millennials. The Census also reported that "many smaller metros, especially ones with colleges, had larger shares of young adult in-movers than large metro areas." Not coincidentally, those areas tend to do very well on Livability's Top 100 Best Places to Live.

YES INDEED, WALKING

Part of that growth is due to the premium being placed on walkable areas, however it's hard for many to afford to live in downtown.

Research by Livability advisory board member Christopher B. Leinberger and Patrick Lynch at the George Washington University School of Business has found that offices in walkable urban spaces rent at a 74 percent premium over drivable suburban space.

Apartment rents and condo values are impacted as well. There's benefit for the cities, however, of the top-ranking metro areas, the ranking of walkable urban places have a 38 percent higher GDP per capita than lower ranked metros. Leinberger says all of this points to pent-up demand for such spaces, and that it will likely be several decades before supply catches up.

Accordingly to Livability's analysis of Census data, nearly 20 percent of single-person households are carless, but only 5.8 percent of two-person households are.

City Observatory's Joe Cartright analyzed Census and JD Powers data to find that Millennials are currently only buying 47.5 cars per 1,000 people as compared to 63.5 for Baby Boomers. But now that household formation is back to prerecession levels according to research from the University of Southern California Lusk Center for Real Estate, expect that gap to close somewhat.

That helps explain the fact that the percentage of people driving to work alone has increased in recent years for every age group. Public transportation figures have remained fairly consistent across age groups, according to Census figures.

As Millennials age, as mortgage rates remain near historic lows, as the employment situation continues to improve, expect that this pent-up demand (21 million Millennials are still living at home) for households to lead to more home buying and more car buying, but that doesn't mean that this generation is going to give up on wanting walkable urban places, even if they have to move to retrofitted suburbs to find and afford it.

CONCLUSIONS

As this paper has shown, the needs of the Millennial generation is changing the dynamic of communities to attract young, educated talent.

Livability and quality of life issues are important to workers, but cities have to get the basics covered – affordable housing, safety, and quality health care and schools – as well as working on the modern amenities like cultural districts and biking infrastructure.

Livability isn't the only thing, however. The jobs and career potential in a market will still attract talent, just not as easily in a town with low quality of place. Keep your existing tools sharp: workforce development, incentives for relocation, robust infrastructure and a hospitable business climate.

Livability is changing in terms of how Millennials define it. Cities need to stay abreast of trends and plan accordingly for demographic shifts.

In short, if you build a quality place, they won't automatically come, but if you don't build it, they likely won't at all.

ABOUT THE AUTHOR

Matt Carmichael is the editor of Livability.com and contributor to BusinessClimate.com. He is a seasoned journalist who specializes in population trends and urban issues. Previously he was with Crain Communications where he served in a number of roles including the senior director of research and data at *Crain's Chicago Business* and director of data strategy at *Advertising Age*. His work on *Ad Age's* American Consumer Project was the basis for his first book, *Buyographics*, published by Ad Age/Palgrave Macmillian. He has been awarded top honors in journalism competitions for content, design and innovative uses of technology. His research has been cited by global media outlets including the *Wall Street Journal* and *The Atlantic*.



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