



Downtown Economics

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Ideas for Increasing Economic Vitality in Community Business Districts

Ten Global Trends Affecting Downtowns

Summary of article by Brad Segal and Jamie Licko*

Profound changes are occurring across the globe, and it is often difficult to understand and translate these changes on the local level. Progressive Urban Management Associates compiled and analyzed research to assist downtowns and communities better anticipate and respond to global change. Ten major trends affecting American downtowns were identified in order to provide perspective and discussion in considering these forces in local decisions.

1) Changing American Demographics

Baby Boomers are retiring at a rate of 10 million per year, with the more affluent moving to urban environments. This creates new demand for housing, services, and cultural amenities for seniors. Generation X-ers are expected to reach their peak earning years by 2012, and spend more than the average consumer on goods and services with their ravenous appetite for the “want it all good life”. The 70 million Millennials born between 1977 and 2003 are the most educated-minded generation yet and have never lived without technology. As Millennials become a larger portion of the workforce, they will seek vibrant, denser communities with modern and diverse social, multi-cultural, and technological amenities.

Downtowns must create a more diverse housing stock, with choice between rental and ownership to attract both the aging baby boomers as well as the influx of younger, diverse Millennials. Attracting Millennials is critical to strengthening a downtown’s vitality; keeping them is key to long term economic sustainability.

2) Immigration Trends and the Role of Cities

The U.S. is the only major industrial country with an expanding population, fueled primarily by immigration. Historically, a majority of U.S. immigrants have been from Europe, a trend that changed in the 1990s with 85-percent of immigrants now coming from Latin American and Asia.

3) Rise of the “Creative Class”

Today’s global “knowledge-based” economy means an educated and dynamic workforce will be key to ensuring the U.S. remains globally competitive, driven

by the raise of the “Creative Class.” This Creative Class represents roughly 30-percent of the entire U.S. workforce, and includes young professionals who are educated, adaptable, and highly mobile. In his influential book, Richard Florida states that diverse, tolerant, innovative and vibrant environments will attract creative class workers, such as entrepreneurs who may staff and/or start innovative companies.

4) Traffic Congestion and Value of Time

Traffic congestion costs Americans \$63.1 billion and 47 hours of average annual delay during 2003. A commuter living an hour’s drive from work spends the equivalent of 12 work weeks, or 500 hours, in the car annually. Further, experts suggest additional road capacity is doing little to mitigate the rising traffic congestion. From 1980 to 2004, the number of solo commuters increased by over 11-percent while carpooling declined by 7.5-percent; and the US DOT notes the driving population will increase 21-percent by 2020.

Recent studies show, for the first time ever, national mass-transit ridership has exceeded growth in driving, and many cities are experiencing annual double digit increases. Research shows people will choose transit when it is competitive with driving. Downtowns must figure out how to implement comprehensive transit solutions that focus on integrated approaches including both regional and neighborhood linkages, and are open to accommodate bicycling and pedestrians. Creating urban centers with employment, housing, retail, and recreation in close proximity reduces car trips and distance traveled.



Photo: Travel Portland

5) Healthcare, Wellness, Recreation Lifestyles

Health care delivery systems in the U.S. have changed dramatically over the past decade, with hospital use and length of stay declining in favor of outpatient and health clinic services. Data suggests a doctor and nurse shortage is imminent, coupled with an aging population and nearly 46 million uninsured Americans, the healthcare system will be under tremendous pressure. Downtowns could explore options to provide both affordable and accessible health care through the attraction of clinics and expanded health insurance coverage.

Analysis has found a connection between urban living and health. Residents living in sprawling communities tend to weigh more than their urban counterparts. Promoting walk-ability and active recreation will appeal to both aging and creative class citizens while improving public health.

6) Growth of Tourism

Tourism is the world's largest employment sector, comprising 10-percent of jobs globally. The U.S. is the third ranked destination, and an expanding global middle class will increase activity world wide. Cultural heritage tourism is the fastest growing form with 81-percent of activity, and visitors in this category tend to spend more and stay longer than other tourists. To capture the rising tourism activity, downtowns can seek to create environments that welcome visitors with diverse cultures, languages, and lifestyles. Fostering stimulating, multi-dimensional experiences not only increases potential tourist traffic, but also attracts a young and diverse workforce.

7) America's Growing Debt Burden

As of May 2007, the national debt translated into more than \$29,000 per person, 46-percent of which is financed by foreign countries. Rising interest rates, inflation, consumer debt, and lack of savings illustrate increasing financial instability at a personal level. Since 2001, jobs have grown at the slowest rate since the Great Depression, wages have been mostly flat, and a smaller share of workers enjoyed employer-provided benefits. Meanwhile, rapidly increasing housing, health care, and energy costs have resulted in decreasing savings and increasing debt.

Between 2001 and January 2007, mortgage debt increased 57-percent to approximately \$42,000 per person, and consumer debt averaged \$8,000 per person. Nearly 33-percent of Americans live paycheck to paycheck, compared to 7-percent of consumers in India, China, and Mexico. Consumer savings rates in the U.S. declined from 7.5-percent of income in 1992 to -1.2-percent of income in 2006. America's unique

debt burden might trigger a chain of events to slow or stop economic growth.

8) Growth of China, India, and a Planetary Middle Class

The U.S., long the main growth engine in the world economy, has declined sharply in recent quarters while the rest of the world has grown. Competition for non-renewable resources will only accelerate and may lead to an inflationary cycle now being seen with gas prices. U.S. cities can remain competitive in the global marketplace by focusing on innovation rather than brawn.

9) Continued Advances in Technology

Advances in technology will have the greatest impact in areas of alternative energy, health, quality of life, engineering, communication, and business. It will be used to create and distribute quality of life enhancement for all groups and regions, especially through real-time wireless communications opening competition and markets worldwide. Given the wide use of cell phones and email, work is becoming both global and instantaneous. Increases in internet use will cause businesses to scramble to recruit top talent from a world labor market, making education, training, and adaptability of our workers paramount.

10) Environmentalism and Sustainability

In 2007, for the first time in history, the majority of the U.S. and world's populations will be living in cities. In this time of unpredicted urban expansion, the need for sustainable solutions is critical. Despite generating less carbon dioxide emissions per capita, cities are still responsible for nearly 80-percent of emissions worldwide – with the major offenders being buildings, not automobiles (but are still a big issue).

Half of the buildings Americans will live in by 2030 do not even exist yet. Green building will become a "must" as tenants, lenders, residents and even investors push for sustainability. With downtown's existing business, education, cultural and living assets, regional and national patterns for sustainability can be created through the existing social and political environment. Creation of proactive policies and local sustainability initiatives can not only reduce environmental impact, but improve the local economy as well.

Source:

Brad Segal and Jamie Licko. (2007) "Top 10 Global Trends Affecting Downtowns and How to Respond at Home." Progressive Urban Management Associates, Fall 2007.

Article summarized by Joshua Clements. Clements is a Masters of Science candidate in the Department of Urban and Regional Planning at the University of Wisconsin Madison. He is also works a Research Assistant at the Center for Community & Economic Development at the University of Wisconsin-Extension.

Contact: Bill Ryan, Center For Community & Economic Development, University of Wisconsin-Extension
610 Langdon Street, Madison, WI 53703-1104

PH: (608)265-8136; FAX: (608)263-4999; TTY: (800)947-3529; HTTP://WWW.UWEX.EDU/CES/CCED

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