

URBAN

Gateway and domestic magnet metropolitan regions can be expected to exhibit significant differences in residents' age, education, and socioeconomic status.

While various regions of the United States have always differed in their economic, cultural, and demographic base, for the most part they respond somewhat similarly to broad economic cycles. Development patterns within regions can be described in terms of location—urban, suburban, exurban, or rural—and this descriptive model has been useful in explaining and even predicting development patterns in virtually all regions of the United States.

The utility of this model, however, is diminishing, and its usefulness will continue to decline. Replacing it will be a new demographic land use model that can help in understanding and predicting the economic and development differences that are likely to occur among, rather than within, regions. In the future, questions about land use and sociological patterns will more likely be answered by asking first whether the region being analyzed is one of two types: a gateway magnet metropolitan region or a domestic magnet metropolitan region.

The ten U.S. gateway metropolitan areas can be characterized as magnets for immigrants and can be expected to be heavily skewed to populations that are foreign born, multiethnic, and polarized between young and old and lower- and higher-income individuals. A major change is that these immigrants no longer will be as concentrated in the center cities of the metropolitan areas but will reside throughout the area, thus negating the historic urban, suburban, exurban model of regional development. Neither the location nor the

DIVIDE

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number of gateway metropolitan areas is likely to fluctuate over the next 25 years, and they will continue to attract increasing population in economic downturns as well as upturns because of the tendency for immigrants to move to or remain in locations in which family members reside. Family members often can be counted on—more than job opportunities—in both good times and bad.

The stability of the gateway metropolitan pattern will not be experienced by the domestic magnets. The number and size of domestic metropolitan magnets will continue to fluctuate, as they have done historically, with the ups and downs of regional economic cycles. Domestic magnets will be characterized by native-born white and African American populations that are not as polarized between young and old individuals and that have a larger proportion of middle-income households.

The concept of the new urban divide, as well as the data shown in Figure 1 (following page), was first suggested by the work of William H. Frey, a senior fellow at the Milken Institute in Santa Monica. The figure identifies the ten highest immigration and 13 highest domestic migration metropolitan areas from 1990 to 1997. The ten gateway areas account for two-thirds of all immigrants between 1990 and 1997, and about a quarter of the native-born population resides in the same areas. All ten gateways experienced significant in-migration: in all but Dallas and Houston, there was a significant inflow of immigrants and a significant outflow of native-born residents. The

demographic and economic characteristics of only one region, Dallas, place it on both the gateway and domestic magnet lists. Both the New York and Los Angeles consolidated metropolitan statistical areas (CMSAs) suffered net domestic losses of about 1.5 million native-born residents between 1990 and 1997. San Francisco's foreign immigration was almost balanced by its net domestic out-migration.

Domestic magnets will continue to experience population expansion and contraction as a result of economic cycles. Dallas and Houston were affected by plunging oil prices in the 1980s, as was Denver, although all three areas experienced major gains in the 1990s with the turnaround in their economies. The Rocky Mountain states experienced population increases in the 1990s following growth in the computer, telecommunications, and entertainment industries. In addition to the Rocky Mountain states, in the 1990s the counties with the greatest domestic migration were in the Southeast and in smaller, nonmetropolitan, high-quality-of-life areas such as Kootenai County, Idaho, and Washington County, Utah.

What are some of the ramifications of this new demographic paradigm? To begin, the traditional city/suburban/exurban breakdown of regional development is no longer a relevant concept for the ten gateway metropolitan regions. Immigrants, because of their sheer numbers, reside throughout the metropolitan region rather than concentrate in the center city. The gateway areas will house a disproportionate number of Hispanic and Asian households. According to the U.S. Census, by 2025, 12 states will have populations that are less than 60 percent non-Hispanic white; at the same time, non-Hispanic whites will account for 75 percent of the total population of 25 states. California, for example, is forecasted to have a population of between 42 and 52 million by 2025—approximately one-third white non-Hispanics and two-thirds immigrants and minorities, dominated by Hispanic and Asian populations.

Another important ramification of the new demographic paradigm is that the gateway areas will be increasingly polarized by income disparities. In these regions, the middle-income class will shrink and upper-income and lower-income households each will increase significantly. Conversely, the domestic magnets will have a much more even demographic pattern, with a higher proportion of middle and upper middle-income households.

In addition to having differences in income, the gateway and domestic magnets can be expected to differ significantly in age and education of residents. The gateway magnets can be expected to be more polarized with respect to age, income, and family status, with significant growth in primarily high-income, older, Caucasian non-family households, as well as significant growth in younger, poorer, minority family households.

FIGURE 1: HIGH IMMIGRATION AND HIGH DOMESTIC MIGRATION METROPOLITAN AREAS, 1990–1997

	Rank	Metropolitan Area*	Immigration Net	Domestic Migration
HIGH IMMIGRATION METROS	1	New York CMSA	1,045,347	-1,551,591
	2	Los Angeles CMSA	990,981	-1,425,464
	3	San Francisco CMSA	342,206	-303,576
	4	Chicago CMSA	251,582	-403,896
	5	Miami CMSA	212,515	-37,802
	6	Washington, DC, CMSA	189,513	-149,227
	7	Houston CMSA	169,073	55,425
	8	Dallas-Ft. Worth CMSA	133,946	154,298
	9	San Diego MSA	125,507	-158,263
	10	Boston NECMA	101,294	-182,493
HIGH DOMESTIC MIGRATION METROS	1	Atlanta MSA	53,284	371,081
	2	Las Vegas MSA	22,027	307,585
	3	Phoenix MSA	48,214	294,024
	4	Portland MSA	37,437	177,851
	5	Denver CMSA	35,604	157,069
	6	Dallas-Ft. Worth CMSA	133,946	154,298
	7	Seattle CMSA	52,872	136,262
	8	Austin MSA	21,104	125,295
	9	Orlando MSA	33,399	124,369
	10	Raleigh-Durham MSA	10,715	122,087
	11	Tampa-St. Petersburg MSA	28,891	116,780
	12	Charlotte MSA	9,649	112,281
	13	West Palm Beach MSA	35,176	101,436

*Note: Metropolitan Area refers to CMSAs, MSAs, and (in New England) NECMAs, defined by the Office of Management and Budget. Official names are abbreviated.

Source: William H. Frey analysis of U.S. Census Bureau Estimates.

Within all regions, the baby boom generation will continue to be a critical demographic force; Figure 2 (facing page) illustrates this age group's significance to the housing market. Between 1996 and 2010, the 55- to 64-year-old cohort will dominate population growth. This single ten-year age group is expected to increase by almost 14 million persons, or 65 percent. Over the next decade, those who are over 55 years of age will create the greatest demand for market-rate housing.

Over the coming decade, because of these immigration and age shifts, the housing market will present both the private and the public sector with a dilemma: those with the income will not have an obvious need for housing and those with the need will not have the income to translate that need into housing demand.

The higher income, over-55, primarily Caucasian households will be able to purchase housing; but before they do, the want or need will have to be created. The lower-income, foreign-born, and

younger minority households that will constitute the majority populations of the gateway areas will have the need but not the money to pay for the high-cost housing frequently found in these areas. Surprisingly—or perhaps because of large-scale immigration—restrictions on development seem to be as strong, or even stronger, in these gateway regions as in those areas that attract mainly native-born populations.

These demographic shifts already have resulted in increased regulations curtailing the amount of housing, particularly multi-family housing, in higher-income gateway metropolitan communities, forcing immigrant and minority populations to double up and live in garages and container boxes, as they now do in Silicon Valley. The housing need of this growing immigrant/minority population is expected only to increase in future years. By 2010, less than ten years from now, early forecasts predict that Silicon Valley will be 100,000 units short. Because the housing supply is so limited, landlords will not have to maintain properties well to attract tenants, which creates an incentive for neglect—which inevitably results in urban blight.

Most of the gateway magnets will remain major tourist destinations. The New York, Chicago, and San Francisco CSMA's, for example, offer significant cultural, recreational, and retail amenities, while the immigrant population provides low-wage workers, making tourism very cost-competitive. The gateway areas that adopt New York City Mayor Rudy Guiliani's policy of zero tolerance for broken windows, graffiti, and aggressive panhandling in their primary tourist areas can expect to remain economically viable over the long term.

The newer high-profit-margin industries such as the Internet and multimedia companies also can thrive in these gateway areas, as long as they are able to obtain the highly skilled immigrant labor they so depend on and as long as the quality-of-life factors needed

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to keep their highly skilled workers do not deteriorate—a situation that already is occurring in Silicon Valley. Domestic magnets that are able to offer low-cost or high-quality-of-life locations will be in the driver's seat in the new millennium. They will be well positioned to offer the kind of economic and social environment that will attract and keep the type of middle-class workers most companies depend on.

If the gateway metropolitan regions are unable or unwilling to implement true public school reform and to substantially increase the housing supply, both single family and multifamily, their future is none too rosy from either an economic or cultural perspective. Housing patterns are much more likely to mirror those found in Mexico and Central America, where high-income residents live in the center city or close-in suburbs in guarded buildings and gated communities and where the poor are forced to live in substandard conditions in outlying areas.

Domestic magnets, on the other hand, will have increasing opportunities to provide the type of residential communities that serve to attract middle- and upper-middle-class households and those industries that depend primarily on a middle-class labor base. ■

FIGURE 2: POPULATION OF THE UNITED STATES BY AGE GROUP, 1996 AND 2010

Age Group	Population (in thousands)		Numeric Change 1996-2010	Percent Change 1996-2010
	1996	2010		
1-17	69,379	72,511	3,132	4.5
18-34	64,990	68,430	3,440	5.3
35-54	75,652	82,085	6,433	8.5
55-64	21,360	35,283	13,923	65.2
65+	33,872	39,408	5,536	16.3
All Ages	265,253	297,717	32,464	12.2

Source: U.S. Census Bureau; Gruen Gruen + Associates.

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