Cementing Millennials Downtown: Expressions and Impacts

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Abstract

The migration of Millennials to urban downtowns is one of the most discussed trends of the 2010s. Downtowns are changing in response to Millennials, but we know less about how or why these changes are occurring. This report helps to fill this gap by exploring how real estate developers are cementing Millennials in the downtowns of two Sunbelt cities, Phoenix and Houston, which are emerging sites of Millennial migration. We draw findings using data from the U.S. Census, regional media, and interviews with 22 experts involved in Phoenix and Houston’s downtown housing markets. Downtown developers perceive Millennials as needing housing that is authentic, flexible, and socially conscious and provides an inside/out, constantly connected life. These developers have molded their perceptions of Millennials’ lifestyle preferences into the brick and mortar of downtown Phoenix and Houston through innovative building design and site selection. The symbiotic actions of Millennials and developers in downtown Phoenix and Houston also are reshaping these regions’ housing markets. Underlying concerns including rising housing costs and gentrification in the downtowns and reduced demand for housing in the suburbs, if Millennials living downtown stay.
Introduction

The migration of Millennials to central city downtowns is one of the most discussed trends of the 2010s. Millennials more than others prefer to live in walkable, amenity rich and transit-accessible neighborhoods, which are conditions abundant in downtowns (Warren et al. 2013; Speck 2012). Living downtown allows Millennials, who are delaying or rejecting marriage and parenthood at higher rates, to have new experiences, meet new people, and remain in the lifecycle phase of “emerging adulthood” (Fry 2014; Wang & Parker 2014; Arnett 2004). Urban centers also can accommodate Millennials’ rapidly increasing household formation rate. Together, these trends support speculation that Millennials are rejecting the suburbs in favor of urban centers across the U.S., in search of walkable, vibrant alternatives to their suburban upbringing (Gallagher 2014; Ehrenhalt 2012; Speck 2012).

Downtowns are changing in response to Millennials, but we know less about how or why these changes are occurring. One change occurring in downtowns is an increase in infill development (Ramsey 2012; Huso 2015; Joint Center for Housing Studies 2013). New downtown real estate projects have unique features to meet Millennials’ preferences, such as micro units, movie theatres, and pet grooming facilities (Huso 2015). Urbanists celebrate these projects for helping to revitalize depressed neighborhoods, attract economic opportunity, and stoke demand for dense, amenity rich housing in central cities (Leinberger 2011, 2008). Yet, housing activists decry the crowding out of low-income people and people of color from downtowns as land values increase (Baum-Snow & Hartley forthcoming; Birch 2005).

The symbiotic actions of Millennials, developers, and local planners and policymakers may transform regional housing markets. One theory is that the migration of Millennials to downtowns is one of the forces behind the “great inversion” of settlement patterns, as cities move towards recentralization rather than regional dispersion (Ehrenhalt 2012). Spatial concentrations of wealth and poverty may shift as poor people and people of color, who have long lived in central city downtowns, move to the suburbs (Schafran 2013; Schafran & Wegmann 2012; Kneebone & Lou 2014). Another theory is that reinvestment in downtowns may spur denser, more innovative housing in the suburbs, as suburbs compete for investment and “creative class” Millennial workers within the region (Myers 2016; Florida 2014).

In the preface to Rise of the Creative Class: Revisited, Florida writes "[i]t's time for the Creative Class to grow up and take responsibility. But first, we must understand who we are." This research undertakes this challenge, seeking to understand how the Millennial generation is shaping the built environment of downtowns for decades to come. Just as neoclassical architecture embodied the civic-centered downtowns of the early 20th century and preferences for ranch houses characterized suburbs during the post-World War II housing boom, cities are, once again, at an inflection point, with the largest generation since the Baby Boomers expressing preferences for urban amenities.

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1 The Joint Center for Housing Studies (JCHS) (2016) projects that Millennials will form an average of two million new households each year, which represents an expansion from 16 million households in 2015 to 40 million in 2040.
This research explores how real estate developers are cementing Millennials in the downtowns of two Sunbelt central cities, Phoenix and Houston. Both cities are emerging Millennial migration sites with evolving city centers. We also assess how dynamics in these downtown housing markets are reshaping places within their regions. We draw findings from a rich dataset informed by the U.S. Census, a content analysis of regional media, and interviews with 22 experts involved in Phoenix and Houston’s downtown housing markets. The research builds on existing anecdotal evidence and findings from large-scale survey research on Millennials’ residential preferences, conveying the complex dynamics of Millennials’ downtown migration in two emblematic but understudied places.

This report proceeds as follows. We first frame Millennial migration to downtowns in the context of demographic trends and the resurgence of downtowns in the midst of the “creative class” and the “great inversion.” Subsequently, we describe the data and methods used in our analysis. We then focus on the nature and impacts of downtown real estate development targeted to Millennials drawing from our analysis of the U.S. Census, regional media, and expert interviews. We conclude by considering the broader implications of our research for downtowns, regional housing markets, and urban theory.

Millennials: Leading the Great Inversion?

The reurbanization of urban regions is a prediction long made by urban theorists. The aging of the Millennial generation, defined as individuals born between 1982 and 2002, is a historical moment that may bring this prediction to fruition. This section reviews the unique features of the Millennial generation and considers the impact that Millennials may have on urban regions.

The Demographics of Millennials

Three distinct features of the Millennial generation are priming U.S. urban regions to experience dramatic shifts in their housing markets: their size, higher education rates, and greater tendency to live alone. The Millennial generation has supplanted the previous “largest generation,” also known as the Baby Boomers. Demographers project that the Millennial generation will be the first to exceed 100 million (Howe & Strauss 2000). Millennials also are more educated than previous generations. Undergraduate enrollment grew by 48% to 17.7 million students from 1990 and 2012, as Millennials progressed from adolescence to young adulthood (Sackett 2015). The peak of Millennial high school graduation was in 2008, ushering in the largest cohort into college shortly thereafter (Rickes 2009). Forty-percent of 18-24 year olds were enrolled in college in 2014 compared to only 26% in 1970 (Snyder, de Brey, & Dillow 2016).

A college education has a strong positive effect on where a household chooses to live, with younger college-educated graduates (age 25 to 44) opting to reside in the

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2 This date is debated, often ranging between 1997 and 2002 (for instance, see Fry 2016 and Howe & Strauss 2000).
central cities of large metropolitan areas (Sander 2004, 2005). More recent work by Millsap (2016) suggests that this pattern is not reflective of the Millennials alone but is a trend for recent graduates in earlier generations as well. Even so, with their larger absolute numbers and higher college participation rates, the positive effect of Millennial college education and location choice holds considerable implications for urban centers.

Millennials’ high rates of living alone also play a role in their locational choices. The median age of first marriage increased by six years for both men and women between 1960 and 2010 (from 22.8 to 28.7 and 20.3 to 26.5 respectively) (Cohn et al. 2011). The share of 18 to 29 year-olds who are married has fallen dramatically from 59% in 1960 to 20% in 2010. Rates of living alone have increased alongside the age of first marriage. In 2013, the proportion of single-person households (28%) was equal to the proportion of married couple households without minor children (29%) and well above the proportion of married couple households with minor children (19%) (Masnick 2015). More than a quarter of these single-person households are younger than 45 (28%), the majority of whom are renters living in smaller units. Collectively, the composition of the Millennial generation and their demographic characteristics point towards higher preferences for urban locales, a trend that demographers expect to continue as the cohort ages (Ehrenhalt 2012).

The Great Inversion

“[E]ach great movement of population,” Lewis Mumford contends, “in sum, presents a new opportunity and a new task, and wisdom consists in taking advantage of the movement while it is still fluid” (Mumford 1925, p. 133). Cities are currently experiencing one such moment, based on the significant generational shifts underway. Many scholars have anticipated the “reurbanization” of central cities and described implications for urban centers.

In 1925, Mumford (1925) predicted a fourth population migration in the US. Whereas three earlier migrations consisted of populations moving towards industrialized urban centers, Mumford (correctly) anticipated a counter-shift away from cities and towards the suburbs. Although he had forecast that the migration would create balance between urban and suburban settlements, the urban crisis and abandonment of central cities defined the latter half of the 20th century. Eighty years later, Robert Fishman argued that the U.S. was on the cusp of another migration. The fifth migration, unlike its predecessor, would mark a “reurbanization” of disinvested urban neighborhoods (Fishman 2005). Cities in the Rust Belt and Northeast were seeing their populations increase for the first time since the precipitous declines of the 1960s and 1970s. The movement of populations back towards their centers, he posited, represented an “unslumming” of the city and a “virtuous cycle” of improvement that reversed the “vicious cycles” of earlier decades. As with earlier migratory patterns, Fishman predicted that there would be some “rediscovery” of the urban core by both Baby Boomers, as their children reached adulthood and their locational preferences evolved, and Millennials, who were rejecting the suburbs of their youth. However, the primary momentum for the fifth migration would come from new immigrant households and existing populations, who have long championed their urban neighborhoods.
Alan Ehrenhalt (2012)’s “great inversion” cements Fishman’s prediction for cities nearly a decade later. Ehrenhalt predicts a movement towards a more European model of city structure, with concentrations of affluence and demand in the urban core and poverty and affordability in the outlying suburbs. There are a number of factors driving the inversion, Ehrenhalt argues, including higher demand for urban amenities, such as shorter commutes, multi-modal transportation, walkable neighborhoods, and access to arts and cultural nodes. Meanwhile, as more affluent households opt-in to urban centers, lower-income households are increasingly relocating to more affordable suburbs; immigrant populations are skipping central cities altogether in favor of the suburbs (see also Suro, Wilson, & Singer 2011).

A key component of the great inversion is the upwards filtering and swapping of residences, as higher income households move into older industrial areas and historic working-class neighborhoods. There is a movement to create urbanity from scratch in more newly built Sunbelt cities like Phoenix or Houston where there is less existing housing stock to refurbish or repurpose. Ehrenhalt recognizes that the absolute growth of households in urban cores is small relative the suburbs; yet, the intrinsic qualities of growth in urban core neighborhoods, led by Millennials in search of urban authenticity, single-headed households, and downsizing Baby Boomers, are dramatically reshaping the urban fabric (Ehrenhalt 2012).

The larger regional shifts predicted by Fishman and Ehrenhalt align with more granular theories about how and why households, particularly Millennials who are in the early stages of household formation and careers, are expressing stronger locational preferences for urban centers. Industry and corporations were once the key organizers of people and space, but now the character and location of place define locational preferences and economic opportunity (Florida 2014). Florida argues that there is demand from creative populations, particularly college-educated young professionals and entrepreneurs, for cities characterized by the “three Ts”: a talented workforce, innovative and flexible technology, and a tolerant society that embraces diverse, creative populations. The creative class values urban centers for their authenticity, amenities, and urban, walkable character. Notably, he argues that creatives want to be in a place they can help shape; they want an urban environment that is not “done,” where they can have a hand in generating (or restoring) an “authentic” identity.

Authentic charm and sense of place has solidified the importance of urban centers in the 21st century. Urban centers have become hubs of innovation, creativity, and demand (for housing, jobs, and amenities) (Glaeser 2012). Glaeser contends demand in urban centers has grown because of technology, contrary to concerns that technology (e.g., telecommuting) would disrupt face-to-face networks and reduce economic reliance on the central city. Higher levels of educational attainment by Millennials, coupled with their urban locational preferences, are fuel for innovation and economic synergies. Florida and Glaeser both point to a cyclical relationship between people and urban place (Florida 2014; Glaeser 2012). Educated and affluent populations attract firms and entrepreneurs that support an urbanized innovation economy when they seek urban lifestyles. These companion trends create synergies across urban cores, transforming them into spaces for living, working, and playing and further fueling the great inversion of regions.
However, not all scholars are convinced the great inversion will occur (Myers 2016; Kotkin 2005, 2010). These scholars argue that recent reinvestment in urban centers is a momentary aberration in the longer trend of dispersed settlement patterns; factors like gentrification and lifecycle preferences will keep U.S. cities from going the way of their European counterparts (Myers 2016; Kotkin 2005, 2010). Joel Kotkin makes this case, arguing that while some generations may express locational preferences for urban centers at a particular moment in their lives—for instance, the childless Millennial professional, the suburbs are not shrinking and, in absolute terms, the majority of households opt to live in lower density communities (Kotkin 2010). Kotkin projects that dispersion will remain the dominant trend for U.S. settlement, boosted by those same Millennial households as they form couples and start families.

Other research points to the finite nature of the Millennial generation, contending that urban locational preferences may recede as Millennials move beyond their early adulthood and towards middle age (Myers 2016). Myers suggests that cities will begin to see deconcentration in urban centers as early as 2020, projecting that changing lifestyle choices will lead increasing numbers of Millennials to return to the suburbs. However, as Myers notes, this temporary urban boost should not be lamented. Instead, the short-lived swell of Millennials in central cities, and the increased demand they generate, represents an opportunity for lagging urban centers to undo years of neglect. He argues cities should harness this energy to reshape the urban fabric, embracing new development densities, walkability, multi-modal transportation infrastructure, and mixed-use developments.

Alternately, some scholars assert there are consequences to the reurbanization of central cities that may curtail future growth. In Florida’s most recent work, he too expresses concern over the cost of living in major urban centers with “super star cities [becoming] bastions of the most affluent and most advantaged” (2017, p. 18). As a city’s identity and amenities, rather than its individual corporations and firms, become the central ingredients for attracting talent and building the economy, it generates increasing pressures on central city housing markets and populations. Urban centers begin to shift away from Jane Jacobs’ diverse, mixed-use neighborhoods that could provide all of a community’s daily necessities to consumer-driven hubs, characterized by the same collection of national retailers, boutiques, and high-end restaurants—a pattern not so different from cookie-cutter suburban strip malls (Gallagher 2014). This transforms the authenticity that initially attracted urban-seeking populations to the central city, creating a fabricated aura of authenticity that supersedes its original character (Zukin 2008, 2009). This is true of residential landscapes, as well as of commercial and retail spaces as long-held neighborhood bars are remade into craft cocktail bars and micro-breweries (Ocejo 2011, 2014).

Research Approach

This research seeks to generate new knowledge about who the Millennials are and how they are transforming urban centers. We draw on the perspectives of actors on the frontline of Millennials’ migration to downtowns in two understudied cities, Phoenix and Houston, to explore the expressions and impacts of this trend.

Study Sites: Phoenix & Houston
Phoenix and Houston are understudied Millennial destinations. These Sunbelt regions are large, fast growing, and sprawling, defined by their historically weak urban cores and similar housing and demographic characteristics (see Table 1; U.S. Census Bureau 2017, 2016). Both regions were hard hit by the late 2000s and early 2010s recession and foreclosure crisis but had largely recovered by 2016. Phoenix and Houston had average neighborhood foreclosure rates of 11% and 6% in 2010 but experienced 5% and 10% growth in their housing stocks from 2010 to 2016 respectively. Millennials ages 25 to 34 comprised a sizable proportion of Phoenix’s and Houston’s populations in 2016, about 14% and 15% respectively.

Phoenix and Houston diverge along some lines. Houston’s economy is dominated by the oil and gas industries; it’s known as the “Energy Capital of the World.” While the oil and gas sector remains prominent, the regional economy also realized modest growth in the professional and business services and health and education sectors in recent years (U.S. Department of Housing and Urban Development 2014). Meanwhile, Phoenix’s economy has undergone substantial change in the last decade. Construction and real estate were once major drivers of the region’s economy. Yet, the Great Recession significantly diminished those sectors; they remained well below their peak in 2016 (U.S. Department of Housing and Urban Development 2016). Since 2011, the Phoenix region has experienced economic diversification, with the largest growth in the health and education sectors, as well as professional business and services. Phoenix also is more of a retirement destination than Houston, owing to its seasonal “snowbird” population; the region was home to the first 55+ retirement community in the US in the 1960s (Sun City ND). Age-restricted communities and amenities attractive to seniors, like golf courses, are abundant in Phoenix.

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3 The U.S. Census Bureau ranks Phoenix and Houston as the fifth and fourth largest cities and among the top in growth between July 2015 and July 2016 (U.S. Census Bureau 2017),
Table 2 reports location quotients for new housing and Millennials for three geographies in the Phoenix and Houston regions from 2000 to 2016: the downtown, the central city and the suburbs. Location quotients measure how concentrated a

Table 1: Conditions in Phoenix and Houston Regions, 2016

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Phoenix</th>
<th>Houston</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>4,661,537</td>
<td>6,772,470</td>
</tr>
<tr>
<td>% Population Growth (2000 - 2016)</td>
<td>43</td>
<td>45</td>
</tr>
<tr>
<td>% Latino</td>
<td>31</td>
<td>37</td>
</tr>
<tr>
<td>% African American</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>% Non-Hispanic White</td>
<td>56</td>
<td>37</td>
</tr>
<tr>
<td>% Asian</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$58,075</td>
<td>$61,708</td>
</tr>
<tr>
<td>% Unemployed</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>% College Educated</td>
<td>31</td>
<td>32</td>
</tr>
<tr>
<td>Millennials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Millennial</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td>% Population Growth (2000 - 2016)</td>
<td>29</td>
<td>39</td>
</tr>
<tr>
<td>Housing Conditions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homes</td>
<td>1,882,098</td>
<td>2,556,349</td>
</tr>
<tr>
<td>% Housing Growth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000 - 2006 (Boom)</td>
<td>22</td>
<td>18</td>
</tr>
<tr>
<td>2006 - 2010 (Recession)</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>2010 - 2016 (Recovery)</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>% Homeowners</td>
<td>62</td>
<td>59</td>
</tr>
<tr>
<td>Average Neighborhood Foreclosure Rate, 2010*</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>% of Homes Vacant*</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Environmental Conditions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Homes Single-Family Detached</td>
<td>65</td>
<td>62</td>
</tr>
<tr>
<td>Median Year Built</td>
<td>1990</td>
<td>1987</td>
</tr>
<tr>
<td>% of Workers Driving Alone</td>
<td>76</td>
<td>81</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau (2016); JCHS (2011)
Note: Millennials are ages 25 to 34
* Excludes second homes and homes for migrant workers.
+The number of auctions in 2010 divided by the number of outstanding first lien mortgages in Dec. 2009.

Table 2 reports location quotients for new housing and Millennials for three geographies in the Phoenix and Houston regions from 2000 to 2016: the downtown, the central city and the suburbs. Location quotients measure how concentrated a

4 We defined these geographies using U.S. Census Public Use Microdata Areas (PUMAs). PUMAs in the Phoenix and Houston regions were delineated along two lines: primarily located in the central city or not and, among those located in the central city, those located in the downtown or not. Downtown PUMAs were then excluded from the central city geography. The PUMAs used to define downtown Phoenix and Houston largely overlapped with the geographic definition of downtown Phoenix and Houston used in the interviews (see “Data & Methods” section). The downtown Phoenix PUMA encompassed the downtown geography referred to in the interviews but extended into the Encanto neighborhood to the north, the Gateway neighborhood to the east, and a handful of blocks west and south. The downtown Houston PUMA
characteristic is in a smaller geography relative to a larger geography; of interest in this case is how the proportion of housing that is newly built and the proportion of the population that from the Millennial generation compares among the downtown, central city, and suburbs relative to the region.\(^5\) Values greater than 1 mean that the characteristic is more concentrated downtown than in the region; values less than 1 mean that the characteristic is less concentrated downtown than in the region.

New housing and Millennials became more prevalent in downtown Phoenix and Houston during the 2000s and 2010s. Table 2 shows that new housing is less concentrated in both downtowns relative to their regions. However, the downtown concentration of new housing increased from 2000 to 2010 in both regions; downtown Phoenix experienced additional gains from 2010 to 2016. About 4% of downtown Phoenix’s housing in 2016 was constructed in the past six years compared to 5% of the housing in the region; this compares to rates of 3% and 12% in Houston’s downtown and region respectively. Table 2 shows that Millennials have long been more concentrated in both downtowns relative to the region. Millennials comprised about 21% and 17% of the downtown Phoenix and Houston population in 2016 respectively. The Millennial concentration in downtown Phoenix and Houston also increased over time relative to the region, with downtown Phoenix experiencing the largest gains.

encompassed the Downtown and East Downtown Management Districts but extended further to the southeast to the border of the 610 interstate. The Midtown Management District was not included in the downtown Houston PUMA.

\(^5\) The formula is \((G_i/G_t)/(R_i/R_t)_{year}\) where \(G_i\) is the number of new housing units constructed since the previous time period or the number of Millennials living in the geography, \(G_t\) is the total number of housing units or people living in the geography, \(R_i\) is the number of new housing units constructed since the previous time period or the number of Millennials living in the region, \(R_t\) is the total number of housing units or people living in the region, and \(year\) is the current time period.
Policies, programs, partnerships, and new infrastructure designed to spur downtown reinvestment exist in both cities. Developers building in downtown Phoenix have the potential for lower property taxes because of Arizona’s Government Property Lease Excise Tax (GPLET). An adaptive reuse program, which started in 2008, provides financial and regulatory incentives for developers rehabilitating or reusing existing properties (Cortese 2015). The City of Phoenix also has quick administrative review turnaround times for new development. In 2016, one councilman claimed that Phoenix was ‘the fastest in the nation for construction permits’ because of its ‘24-hour permitting, 24-hour inspections, and five-day site plan approvals’ (Gardiner 2016: online source). The Downtown Phoenix Partnership (DTPHX), a business improvement district funded by the property owners within the 90-square block area that comprises the “downtown core,” has helped attract amenities and developers by educating interested investors about the downtown’s demographics and market dynamics (Downtown Phoenix Partnership ND). DTPHX contributes to the branding of Downtown Phoenix, serving as a significant stakeholder in recent national events, including the 2015 Super Bowl and 2017 NCAA tournament events held downtown. DTPHX also provides typical clean-and-safe support services within its boundaries.

Developers in Houston received a maximum $15,000 tax break for each multifamily home constructed in the downtown from 2012 to 2016, because of the City’s Downtown Living Initiative (Sandlin 2014). Houston’s East Downtown Tax Increment Reinvestment Zone (TIRZ) also provides incentives for new development by offering subsidies and helping to finance infrastructure and other improvements.

Light rail transit and anchor institutions also help attract Millennials and new development to Phoenix and Houston’s downtowns. In Phoenix, the concurrent development of a 24-mile light rail and ASU’s downtown campus led to the instant infusion of 5,000 Millennials living and attending classes downtown during the campus’

<table>
<thead>
<tr>
<th>Location Quotients</th>
<th>Phoenix</th>
<th>Houston</th>
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<tbody>
<tr>
<td></td>
<td>Downtown</td>
<td>Central City</td>
</tr>
<tr>
<td>New Housing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>0.30</td>
<td>0.69</td>
</tr>
<tr>
<td>2006</td>
<td>0.68</td>
<td>0.70</td>
</tr>
<tr>
<td>2010</td>
<td>0.72</td>
<td>0.77</td>
</tr>
<tr>
<td>2016</td>
<td>0.79</td>
<td>0.68</td>
</tr>
<tr>
<td>Millennials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>1.12</td>
<td>1.07</td>
</tr>
<tr>
<td>2006</td>
<td>1.18</td>
<td>1.08</td>
</tr>
<tr>
<td>2010</td>
<td>1.22</td>
<td>1.08</td>
</tr>
<tr>
<td>2016</td>
<td>1.48</td>
<td>1.06</td>
</tr>
</tbody>
</table>

Note: New housing is housing that was built in between the current and previous time period. Millennials are aged 25 to 34.
first day of operation in 2008 (Terrill 2011). The City of Phoenix was a significant partner in this change, issuing the bonds necessary to generate the funds that brought both projects to fruition. In the last decade, the ASU campus has grown to more than 15,000 students; the downtown also includes a biomedical campus—formed through a partnership between the City and the University of Arizona’s College of Medicine (University of Arizona ND). In Houston, the light rail, along with other public transit, serves as a connector between the central business district and a diverse mix of anchoring institutions, including the Texas Medical Center, several university anchors (e.g., Rice University, Texas Southern, and University of Houston), and cultural centers (e.g. Houston Museum of Natural Science, Museum of Fine Arts, Holocaust Museum Houston, the Children’s Museum of Houston, and the Houston Zoo). This rich mix of employment, educational, and cultural institutions support a live-work-play environment in downtown Houston, as mid-rise multi-family apartments locate along the transit line. Burgeoning local arts and cultural districts complement major anchor investments in both cities. Phoenix’s Roosevelt Row, located on the north side of downtown, was named one of the “great places” in the US by the American Planning Association in 2015—the first such designation for the city.

Data & Methods

We examined how real estate developers were cementing Millennials in downtown Phoenix and Houston using diverse methods. Definitions of the downtowns were derived from official boundaries used by planners in each city, taking into consideration the areas with the highest concentration of new multifamily development (see Figures 1 and 2). The borders of Phoenix’s downtown were defined as McDowell Road to the north, Lincoln Street to the south, 7th Street to the east, and 7th Avenue to the west. Houston’s downtown was defined as the Downtown Management District, the Midtown Management District, and the East Downtown Management District.

We triangulated evidence from the U.S. Census, regional media, including news articles, professional reports, and blogs and websites, and expert interviews. We collected demographic and housing data from the U.S. Census to examine how the conditions of Millennials, new housing, and neighborhoods were changing among Phoenix and Houston’s downtown, central city and suburbs from 2000 to 2016 (see footnote 4). We collected relevant regional media by constructing a set of key words associated with infill development and Millennial migration to downtowns and entering these key words into internet and regional publication search engines. We then extracted content from about 60 of the most relevant texts. We also conducted sequential, semi-structured interviews with real estate developers, planners, and others involved in the downtown Phoenix and Houston housing markets to further explore the expressions and impacts of Millennials’ downtown migration. We identified participants through the media analysis and snowball sampling, where participants suggest people to interview. The interviews lasted about 30 to 60 minutes and were conducted over the phone, by email, or in person during the summer and fall of 2016. The interview questions addressed participants’ perspectives on the expressions and impacts of Millennials’ migration downtown, and how this trend affects housing practices. We continued to recruit participants until reaching a point of empirical saturation, or repetition in reported experiences (Small 2009; Yin 2014). We
interviewed twenty-two people (10 in Phoenix and 12 in Houston), including six real estate developers, five downtown or Millennial advocates, six urban planners, two journalists, two real estate analysts or academic researchers, and one property manager. We summarized the regional media content, with illustrative quotes transcribed in full. We also transcribed the full content of the interviews, and coded the media and interview texts using a deductive and inductive method based on themes related to the research questions. Participants were given the opportunity to review the findings, which increases their internal validity.

Our approach to this research has several limitations. First, our participants do not represent the population of actors involved in the Phoenix and Houston downtown housing markets. Our sample is small and biased by self-selection; our interviewees are mostly men, and primarily white. However, our sample captures the perspectives of people taking diverse roles in downtown development. Second, trends in Millennial migration and infill development in the two regions are dynamic. Our findings are representative of trends happening at the time the research was conducted in the mid-2010s.

Figure 1: City of Phoenix
Expressions and Impacts of Millennials’ Migration to Downtown Phoenix and Houston

We offer three insights into the expressions and impacts of Millennials’ migration to downtown Phoenix and Houston. First, Millennials living downtown typically fit one of two lifecycle stages: 1) emerging adulthood or 2) attempting adulthood, a new stage that we derived from our data. Second, real estate developers are cementing Millennials’ presence in downtown Phoenix and Houston by designing authentic, flexible, and socially conscious housing that enables Millennials to have an inside/out and constantly connected lifestyle—concepts that we explore in this section. Third, the symbiotic actions of Millennials and developers are helping to activate underused spaces in downtown Phoenix and Houston; however, concerns about gentrification and suburban decline are growing. Collectively, these observations lend credence to the reconcentration of populations in urban areas, as intimated by the great inversion theory. Our findings also offer cautionary insights that support scholarly discourse about the “new urban crisis,” gentrification and the loss of true authenticity (as opposed to fabricated authenticity) in urban centers, and potential consequences of inverting access and affordability in metropolitan areas.
The Lifecycle Stages of Downtown Millennials: Emerging and Attempting Adulthood

Millennials living in downtown Phoenix and Houston from 2011 to 2015 were distinct from Millennials living in the rest of the regions’ central cities or suburbs (see Table 3). Millennials living downtown were more likely to have never been married and be poor. Close to two-thirds of Millennials living in downtown Phoenix have never been married, compared to close to half of Millennials living in the rest of the City of Phoenix or the region’s suburbs. Differences in Houston were narrower; 55% of Millennials were never married in downtown Houston compared to 52% and 41% in the rest of the City of Houston and the region’s suburbs. Millennials in both downtowns were more likely to be poor (27% in Phoenix and 20% in Houston) compared to Millennials living elsewhere. Latinos comprised a larger proportion of Millennials living downtown in Phoenix and Houston (45% and 72% respectively) compared to Millennials living elsewhere (e.g., only 29% and 36% of Millennials were Latino in the suburbs). Millennials in downtown Phoenix were slightly more likely to be college educated (31%) and have moved within the year (35%) than Millennials living elsewhere; this was not the case for Millennials living in downtown Houston, where only 19% of Millennials had college degrees. Millennials in both downtowns were not more likely to be enrolled in college, graduate or professional school than Millennials living elsewhere in the regions, which is surprising in Phoenix given the downtown Arizona State University campus.

<table>
<thead>
<tr>
<th>Characteristics (%)</th>
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<th>Houston</th>
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<td>Central City</td>
</tr>
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<td>Non-Hispanic White</td>
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</tr>
<tr>
<td>Black</td>
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<td>7</td>
</tr>
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<td>Poor</td>
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<td>21</td>
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<tr>
<td>Born outside state</td>
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<tr>
<td>Moved within the Year</td>
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</tr>
<tr>
<td>Moved from Out of State</td>
<td>17</td>
<td>18</td>
</tr>
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</table>

Source: U.S. Census Bureau (2015)
Note: Millennials are aged 25 to 34. Millennials who identify as Black or Asian may also identify as Latino.

Millennials moving to downtown Phoenix and Houston typically are in one of two lifecycle stages: emerging adulthood or attempting adulthood.
A. Emerging Adulthood

The stage of emerging adulthood is defined by intentionally delaying or rejecting traditional milestones of adulthood, such as becoming financially independent from one’s parents, choosing a long-term spouse or partner, buying a house, and having children (Arnett 2004). Emerging adults value flexibility, mobility, and new experiences above stability and make “a lifestyle choice,” as a Houston academic and urban trends researcher put it, in deciding to live downtown (Arnett 2004). Students and other younger Millennials are often in this lifecycle stage; Millennials in this lifecycle stage who have graduated or who are not in school typically value living in a place that meets their lifestyle preferences above finding a satisfying job, meaning they often choose their neighborhood first and then their job. An economic development planner in Houston noted, “If you can’t meet [these Millennials’] lifestyle criteria, they’re just not going to move to your city, period.”

Emerging adults have flexible and mobile residences and senses of self. “They have diverse sets of plans,” said a downtown advocate in Houston. “There’s a lot more of this ‘finding yourself’ and maybe knowing who you are” among emerging adults “before getting married and settling down,” according to a Millennial housing trends reporter in Houston. Emerging adult Millennials are “one of the more mobile generations,” she continued. A Millennial developer building on the edge of downtown Phoenix said that emerging adults are not so much moving but simply “floating.”

Emerging adults also crave new experiences and exhibit open-mindedness. “They are interested probably more than most to see new things,” said a condo and rental developer in downtown Phoenix. The Millennial housing trends reporter in Houston said, “[T]here’s more of a sense of, ‘I want to travel. I want to spend money on experiences.’ A downtown advocate in Houston described these Millennials as “globalists” rather than “nativists,” people who are “interested in different cultures, in different languages,” “don’t have any kind of built in racial prejudice,” and are “quite accepting of new ideas.” Emerging adults’ open-mindedness derives from their technologically connected culture. A transit-oriented development (TOD) advocate in Houston explained, “[A]s a result of the internet, they have far more access and knowledge of culture and the world...[and are] able to see the world more whole than previous generations.” Emerging adults have a more idealistic mindset, or as a Millennial developer building on the edge of downtown Phoenix put it, “They want to change the world.” Their helping behavior is more hands-on than prior generations at the same age. Emerging adults are more likely to volunteer than write a check. Emerging adults are “not afraid of challenges,” noted a condo and rental developer in downtown Phoenix.

Emerging adults are not constrained in their ability to reach traditional adult milestones; rather, they reject these milestones. This is because these Millennials “value experience over material gain,” as a Houston regional planner put it, meaning they commonly forgo financial independence and material possessions for the freedom to have new adventures and move to new places. Emerging adults are “seeking community, not having a lot of possessions,” according to the condo and rental developer in downtown Phoenix. The Millennial housing trends reporter in Houston explained,
[Y]ou’ve got renters who are renting because there’s no choice, and they can’t necessarily save up for a down payment or they don’t have the credit, or they’ve got a lot of student loan debt, and so they’re forced to rent. There’s that Millennial. But there’s also this Millennial who chooses. These are renters by choice…they don’t ever want to own a house…they don’t have the dream…to own a house. They would much rather pay less and have more of that flexibility, that lifestyle of being close, inside the city…These Millennials “may or may not have conventional jobs or conventional living arrangements,” said an academic and urban trends researcher in Houston. They “are not embarrassed to stay longer with their parents,” according to the Houston downtown advocate, or they still receive financial support from their parents in the form of rental assistance, or car or health care insurance.

B. Attempting Adulthood

The attempting adulthood stage is defined by trying to reach traditional milestones of adulthood. Attempting adults value the material and emotional trappings of settling down and becoming parents and/or homeowners above the freedoms enjoyed by emerging adults. However, attempting adults experience constraints in achieving these milestones. As the Millennial housing trends reporter put it, these Millennials “are renting because there’s no choice” rather than being “renters by choice,” like those in emerging adulthood. A Millennial developer building on the edge of downtown Phoenix described attempting adults as “hard-working” Millennials who “want to prove to their parents they’re worth it.” Attempting adults, like emerging adults, also want to “change the world” but sometimes experience dissonance when their ideals conflict with the mundane realities of their lives (e.g., being unable to participate in civil disobedience because they are working).

Attempting adults may struggle to reach traditional milestones of adulthood because of economic or personal constraints. Examples of these constraints include having burdensome student loan debt and trying to build wealth in a slack economy. “[T]hey’re shackled,” explained the condo and rental developer in downtown Phoenix. “A lot of them have a difficult time with a down payment…[t]hey’ve got student debt…a car payment.” Millennials who experienced foreclosure during the recent U.S. Great Recession and want to return to homeownership also linger in the stage of attempting adulthood. A Houston region planner observed:

Millennials are delaying their housing purchase…because…a good slug of those got out of college in the depths of the Great Recession, and so if you view homeownership…as a next phase—you graduate to do that—that’s probably been deferred. Stagnant incomes and trends in growing wealth inequality in the U.S. hit these Millennials hard. A Houston planner, architect and downtown advocate expounded:

There’s also some cost concerns, where right now, they aren’t earning as much as their parents or as much as their grandparents, and this limits their ability to go out to the suburbs and buy a big house… It’s more expensive,
and you may or may not have the resources to acquire what you want to acquire.

Attemping adults may be a larger segment of the downtown Millennial population in Phoenix and Houston than in high cost coastal city downtowns, like New York, Seattle or Los Angeles. Houston’s more conservative culture may play a contributing role. A Millennial housing trends reporter in Houston explained, “A lot of my friends back on the East Coast are still working, still dating. They’re not necessarily looking to settle down…here in Texas, it’s a little different…there’s a sense that, ‘Let’s get married. Have kids. Raise a family.’” Reaching the adult milestone of homeownership is also more attainable in Phoenix and Houston than in high cost coastal regions because of the lower housing costs in these regions. A downtown district manager in Houston noted, “[W]e’re seeing a lot of transplants from the coast who literally can sell their 1,000 square foot apartment and get a house three times that size for 75% of the cost.” “[Y]ou can get…a lot more house for your money, a lot more bang for buck,” said a Millennial housing trends reporter in Houston. A Millennial urban advocate in Phoenix said, “A lot of people want to invest in [downtown Phoenix] because they really believe in it…all of our friends literally in the past six months have bought something, including us. Whereas before, we were all renting.”

Some attempting adults, like Dual Income No Kids (DINKs) or those with very young children, are able to meet their housing and neighborhood preferences in downtowns. A Millennial trends housing reporter explained, “[T]hey don’t mind living in a small apartment, they want to be closer in.” However, attempting adults with school-age children struggle more than emerging adults or other attempting adults to meet their housing and neighborhood preferences in downtowns. These attempting adults grapple with whether they should improve depressed downtown public schools, pay for expensive nearby private schools, or move to more advantaged suburban school districts. Their choice depends in part on whether attempting adults have “start[ed] establishing roots, friendships, job security” and “certain ties to the area that’s going to make them want to stay around that area,” as explained by a condo and rental developer in downtown Phoenix. A Millennial urban advocate and downtown resident in Phoenix described this dilemma:

I thought...that a lot of people would stay [in downtown Phoenix] until they were ready to have kids, and then they would leave. But now...a lot of us have chosen to be down here as long as we can. And I think a lot of us want to make it work with kids...but I don’t know until what point. Until they’re 5? Until they’re 10? I think [my fiancé] and I want to be down here always, but I don’t believe all of our friends feel the same way.

A lack of housing for larger families or family-friendly places in downtown Phoenix and Houston discourages attempting adults with school-age children from staying downtown. An urban and suburban multifamily developer in Houston admitted, “No one’s building family-oriented apartments in Houston right now, in the inner city,

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6 The schooling issue is so pressing in Houston that various downtown management organizations have formed a committee to address education. Yet, our Phoenix participants felt that the public schools downtown were relatively good compared to those elsewhere in the city, which meant that school quality was less of a barrier for attempting adults trying to stay downtown.
that would appeal to a Millennial with a family.” A downtown development advocate in Phoenix noted that “[t]he options are relatively limited” for an attempting adult living downtown who wanted more housing space. A downtown advocate and analyst in Phoenix concurred, “I think the hardest thing for us to figure out how to build housing to attract young families.” The Millennial urban advocate in Phoenix claimed that downtown needed “more family-friendly things…that aren’t tailored towards the drinking crowd.” Two of the Phoenix participants mentioned a coffee shop that just opened that has a playground out back as an example of the kind of uses that are needed to attract and retain attempting adults downtown.

The more conservative culture and sprawling geography of Phoenix and Houston also orient attempting adults away from downtown to the suburbs. A Millennial suburban developer in Phoenix noted, “I think for some young professionals, but specifically for people that are starting a family, people that are just married, I think that [the] single-family, detached product is still a much more desired…product.” A Millennial housing trends reporter in Houston explained, “I think there is more of a desire here, in Texas especially, because there’s so much land…to move to a single-family home.”

C. Other Millennials

Our participants stressed that some Millennials living in downtown Phoenix and Houston are not neatly captured by the categories of emerging and attempting adulthood. The term “Millennial” is so broad, making it is difficult to pin down its reference. An academic and urban trends researcher in Houston cautioned that the Millennial “demographic…is enormous…a lot more diverse than we think of…it in the popular culture…” The above categories of Millennials may apply more to those who are college educated and non-Hispanic White than of other racial, ethnic, or economic backgrounds, as people often apply a demographic lens on top of an age lens in discussing Millennials.

Building for the “Urban” Generations

Millennials and Baby Boomers were important markets for real estate developers in downtown Phoenix and Houston. Most developers found it efficient to attract Millennials and Baby Boomers, groups they perceived as having similar housing and neighborhood preferences. However, some developers adapted their projects to explicitly meet their perceptions of Millennials’ housing preferences.

Some of our participants felt that it was sensible to target new downtown housing to Millennials and Baby Boomers, as they perceived their housing and neighborhood preferences aligning. Baby Boomers like Millennials want to be within walking distance of amenities like bars and restaurants, though Baby Boomers might “go to bed before the bars close,” a downtown advocate and analyst in Phoenix quipped. A condo and rental developer in downtown Phoenix described Millennials and Baby Boomers as both “looking for…efficient housing, walkability…and interesting neighborhoods.” The Millennial housing trends reporter observed that developers in Houston are often surprised when their typical buyer for a luxury condo is not “a young engineer straight out of college making $100,000” but “people in the[ir] 60s.” “It’s an interesting trend,”
he admitted. “[Baby Boomers and Millennials] both want the same thing.” The downtown advocate and analyst in Phoenix said, I know most of the developers are thinking about their typical age cohorts, probably 22 to 35, but we’re finding that there’s plenty of older folks that are moving in to these buildings as well, especially for the higher priced ones, who want an urban lifestyle. So you can’t just be thinking about [what] the 20 year olds want, because it’s really, “What do urban people want?” You’re not going to see that much of a difference between the 65 year old urbanite and the 25 urbanite.

Similarities in the preferences of empty nester Baby Boomers and Millennials were also mentioned the regions’ media (e.g., Reagor 2015a, b, 2017; W.P. Carey School of Business 2015; Kriel & Begley 2014; Realty News Report 2016).

However, divergence between Baby Boomers’ and Millennials’ economic abilities and preferences leads some downtown developers to target one demographic or the other. Baby Boomers tend to be more affluent than Millennials, which causes them to place higher value on security, a theme evident in the Houston media (e.g., Maitland 2016). “[T]hey want to know the place is 17-stories up, and climate-controlled and security-gated,” explained a regional planner in Houston. Baby boomers also are used to larger homes with more creature comforts than the Millennials, having spent most of their lives living in the suburbs. An urban and suburban multifamily developer in Houston said, “They’re concerned with certainly a nicer bathroom, closet, much larger bathroom-closet configuration, and a more expansive kitchen.” A Millennial housing trends reporter in Houston explained:

These are folks who raised their family, and their kids, in their large homes in the suburbs. They like that lifestyle. They’re accustomed to it. But, they also know they’re getting older. They don’t need that much space. They’re empty nesters now. They want to travel more. They’re getting sick and tired of taking care of their yard, spending a lot of money.

The urban and suburban multifamily developer in Phoenix cautioned that since Baby Boomers moving downtown are “coming out of a much larger home...you can’t downsize it too quickly.” A condo and rental developer in downtown Phoenix added, Millennials will live in something much smaller in size than what that Boomer will. No question about it...[for Boomers] [y]ou’re talking about something that’s 1000 – 1500 sq. feet in size, 2 bedrooms. They want to have a guest bedroom [or] a little office...the way that you design that building, the way you market that building, is very different than what you do for those Millennials.

Finally, Baby Boomers are attracted to quieter building amenities than Millennials, like relaxation rooms and libraries, according to the Millennial housing trends reporter in Houston. The urban and suburban multifamily developer in Phoenix recalled, “[T]hey’re very concerned about quality of construction and acoustics much more so than the Millennials.”

Millennials were the target market for the vast majority of homes being built in downtown Phoenix and a sizable portion of the homes being built in downtown Houston. A downtown development advocate in Phoenix estimated that about 90% of the 2,500 units under construction or soon to be under construction in downtown Phoenix were
targeted to Millennials. Surprisingly their projects targeted diverse types of Millennials. A Millennial developer owning a condo in a four-unit loft development on the edge of downtown Phoenix estimated that about three of four rentals were occupied by racially and ethnically diverse Millennials. One of our Houston participants helped to construct a non-profit affordable housing project in the downtown targeted to young Millennial single moms (ages 18 to 25), a demographic that experienced challenges finding stable housing.

*Cementing Millennials: Constructing Millennial Housing Preferences Downtown*

Newer homes built in downtown Phoenix and Houston from 2010 to 2015 tended to be multifamily rentals and were more likely to have a Millennial householder than newer homes built elsewhere in the regions (see Table 4). Only about 3% of downtown Phoenix’s newer homes were owner occupied, compared to 55% in the rest of the City of Phoenix and 71% in the region’s suburbs. A higher proportion of homes in downtown Houston were owner occupied (36%), but this proportion still fell short of the proportion in the rest of the City of Houston (45%) and the region’s suburbs (74%). Newer homes built in downtown Phoenix were of a greater diversity of types than newer homes built elsewhere in the Phoenix region, particularly its suburbs, where 77% of homes were single-family. Downtown Houston and the rest of the City of Houston had similar levels of housing type diversity; newer housing in both places were of a greater diversity of housing types than the region’s suburbs, where 78% of new homes were single-family. Over half of households living in newer homes had Millennials as household heads in downtown Phoenix and Houston compared to 25% to 39% in the rest of the regions’ central cities and suburbs.

**Table 4: Characteristics of New Housing in Phoenix and Houston Regions, 2011 - 2015**

<table>
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<th>Characteristics</th>
<th>Phoenix Downtown</th>
<th>Phoenix Central City</th>
<th>Phoenix Suburbs</th>
<th>Houston Downtown</th>
<th>Houston Central City</th>
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<tr>
<td>% Owner Occupied</td>
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<td>25</td>
<td>56</td>
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Source: U.S. Census Bureau (2015)
Note: New housing is housing built 2010 to 2015.

Downtown housing targeted to Millennials tended to have unique design features tailored to meet Millennials’ housing preferences, as perceived by real estate developers. Preferences accommodated by these features included a desire for authentic, flexible, and socially conscious housing that enables an “inside/out” and constantly connected
lifestyle, concepts that we elaborate on in the following sections. Our Millennial participants stressed that these perceptions overlapped with, but did not entirely encompass, their generation’s actual preferences, especially since few of the developers that we interviewed were Millennials. Yet, Millennials represent some of the developers building in downtown Phoenix and Houston; further, Gen X or Baby Boomer developers often have Millennial staff. Together, these actors are “moving and changing the product” in the downtown real estate market, as an economic development planner in Phoenix put it.

A. Authenticity

Developers in downtown Phoenix and Houston targeted Millennials by creating “authentic” properties, meaning housing that is one-of-a-kind and context specific—the opposite of the “cookie-cutter” suburbs. These developers believed that housing was an important part of Millennials’ identity and tried to differentiate their projects from others on the market. A downtown rental developer in Phoenix said, “Millennials really identify with where they live…[t]hey want their friends to know, ‘Here’s where I am. Here’s this project that I live in, it’s an extension of who I am, of my identity.’” A downtown advocate in Houston observed, “I don’t think [Millennials are] particularly attracted to rubber-stamped apartment projects...[t]hey want something with a unique character.”

Developers in downtown Phoenix and Houston used four strategies to make their projects authentic. These strategies included 1) working with historic buildings, 2) doing adaptive reuse, 3) incorporating modern design features or art installations, and 4) building on unique sites. Rehabbed historic properties or adaptive reuse were magnets for Millennials in downtown Phoenix and Houston. A Millennial urban advocate in Phoenix claimed, “a lot of us like historic things.” A downtown advocate in Houston said that developers there were in the process of restoring or rehabbing historic properties in East Downtown to create live/work artist lofts, which he observed were attractive to Millennials. He explained, “That’s some of that historic flavor, character. Old brick facades, that kind of thing, I think would be appealing to Millennials.” A Millennial suburban developer in Phoenix attributed Millennials’ growing demand for housing in downtown-adjacent historic neighborhoods like Willo and Coronado to “the fact that the homes were unique.” He explained:

You didn’t drive down the street and wonder… ‘Hey. It’s the third brown house with the different type of garage out front.’ That’s how you could tell the difference. It was, ‘Hey. We’ve got the Bungalow. The Tudor. The Ranch-style home. The third one on the left, and here’s the address.’ I think that was probably the biggest component…talking to a lot of folks out there. Also there was the difference in…the paint colors. You go into a historic neighborhood, and there’s greys, and greens, and blues. It’s pretty much every color you could possible imagine.

Downtown developers also created authentic projects by incorporating modern design features or art installations. The downtown advocate in Houston noted that new housing in East Downtown had a “new, modern, minimalism” style, which he described as “slick, not a lot of detail.” The downtown rental developer in Phoenix incorporated arts features into his properties to attract Millennials. “[I] try to individualize them,” he explained,
“and take the design DNA into a mark, a name, a color palette that then is a thread of continuity through the entire design.” He described a recent project (see Figure 3):

I sought out an artist. A graffiti artist that was local, and that had an interest in creating some special murals just for this project, and with that, selected such styles. He started out painting overpasses as a kid in downtown Phoenix, and he’s fairly renowned and does buildings in Los Angeles, and in New York, and I felt I really wanted to bring out somebody that’s local, that would bring that art here. We commissioned him to do this piece, a piece in the fitness center above, all the restroom doors, and then another piece up on the podium deck...The colors of the project...originates from...Arizona sunsets. You have the red, you have the orange, you have the purple, and then you have the dark, dark purple. As you go from the early sunset to almost the completion of sunset, you go through that full spectrum. You’ll see that....those colors, the red, the orange, all are repeated throughout the whole project, and have that DNA that is a thread of continuity that goes through the whole thing.

Figure 3: Mural Inside of Multifamily Rental Property in Downtown Phoenix that Opened in 2016 and Targeted Millennials

Site selection also contributes to a project’s perceived authenticity. The downtown rental developer in Phoenix located projects in the emerging Arts District neighborhood to attract Millennials. The developers that we interviewed also perceived Millennials as wanting to be near unique restaurants, so they located their projects near culinary gems or attempted to attract them on their ground floor. A Phoenix economic
development planner described his efforts to “attract the places that Millennials wanted to frequent,” including more authentic bars: “[W]e’ve worked very closely with developers to bring old speakeasies up—so that it’s these new and unique night clubs that are 100 years old that are under alleys, and if you don’t know they’re there, you won’t know that they’re there.” Media in the Phoenix and Houston regions also convey downtown developers’ strategies to attract Millennials by locating in unique sites (e.g., Reagor 2015b). For instance, the principal of one large development firm said that his organization seeks to ‘locate in places with history, character, and energy’ because their ‘residents are interested in crafting their own lifestyle’ (Reagor 2015b: online source).

B. Inside/Out

Developers in downtown Phoenix and Houston also targeted Millennials by designing their buildings to support an “inside/out” lifestyle, which they perceived that Millennials desired. Inside/out refers to Millennials’ tendency to see their homes as not only private, physical structures but also public-oriented communities, meaning that Millennials engage in activities outside of their homes that other generations would engage in inside of their homes, such as eating, relaxing, and exercising. Part of the reason for Millennials’ orientation away from their homes and towards public spaces is from the greater pressure that they experience relative to Gen X and Baby Boomers to generate timely and curated content for social media (Bolton et al. 2013)

An economic development planner in Phoenix explained, “[Millennials’] living space is not inside the four walls in which their bed and their kitchen exist. Their living room is outside, on the street, being with people, really engaging outside the structure in which they live.” A Millennial urban advocate in Phoenix reflected on her own living situation downtown:

We do have a garden but we have all these parks around us that we’re like, ‘Whatever.’ We’ll just be more out and about than have everything on our own. We don’t need to have our own pool. There’s plenty of pools we can go to…. if you choose to be [downtown], you’re choosing not to have certain things…that everyone would have elsewhere…[h]ere it’s more communal things.

“[Millennials] want to be out of their homes,” as a long-time housing trends reporter in Houston put it; they want to “go out with [their] friends to this cool, hip restaurant, or go to a nightclub.” The condo and rental developer in downtown Phoenix characterized Millennials as “lik[ing] places [where they can] have casual collisions with people that are familiar to them, or to them because of their self interest or similar interest.” Millennials seek the “variety and activity or urban life,” according to a downtown advocate in Houston. Millennials’ desire for living inside/out also was a common theme in the regions’ media (e.g., Reagor 2015a; Jones 2016; Goth 2016a). One micro-unit developer in Houston’s East Downtown found through market research that the time that Millennials spent in their homes was ‘really low’ in comparison to the time they spent outside of their homes (qtd. in Jones 2016: online source).

Developers in downtown Phoenix and Houston designed their buildings and chose sites to cultivate an inside/out lifestyle. Building design features that support an inside/out lifestyle incorporate opportunities for these activities in common areas or have
porous borders to adjacent amenities, allowing residents to fluidly move between their homes and the “third-spaces” that they adopt as their living rooms, kitchens, and yards (Oldenburg 1999). A downtown advocate and analyst in Phoenix described the broad strokes of inside/out development for Millennials happening in downtown Phoenix:

I think a lot of these residential developers are thinking about [accommodating an inside/out lifestyle] within their projects. Not green space, necessarily, but there are community spaces that they’re building that aren’t just, ‘Well here’s a community room’ kind of thing…More of a, it’s a space where people can watch TV together. They can do their phone thing together. It’s just more of a place to hang out, kind of like a coffee house.

Common area features that developers incorporated to enable an inside/out lifestyle included resort-style lounges and pools, ping pong tables, bocce ball and shuffle board game courts, yoga studios, barbeque zones, and dog parks and wash stations. An economic development planner in Phoenix described one new, Millennial-targeted development downtown as having “outside living spaces, really unique gyms on-site, landing spaces where [residents] can get together…places where people can go, and engage, and entertain, and be outside. Be together. Be inside and be together.” A downtown rental developer in Phoenix took one of us on a tour of his property, which had “an active space” that had “Ping-Pong, things that they can do, a bocce ball court, a pool, a cooking area,” what he described as “a very hot spot.” The property also had a rooftop deck, which he described as another “hot spot,” a place to “[h]ang out with friends, see the whole thing.” A Millennial housing trends reporter in Houston mentioned a recent project with a one-acre dog park incorporated on the property.

The developers we spoke with also tried to break down the boundaries between homes and common areas in their buildings, such as by including doors in homes that open directly onto common areas. The downtown rental developer in Phoenix described the relationship between “the active space” and the homes adjacent to it (see Figure 4):

Folks that can live here [points to units with doors that open into the outdoor common area] are more extroverted, because they’re going to look out on all this all the time, or they can shut it off and put their polar shades down, but they get those chairs. Those are their chairs. The bocce ball court performs this role of dividing….this space [the common space] from their space.
A Millennial developer building on the edge of downtown Phoenix brought “balance” to Millennials’ desires for privacy and shared space in his home designs by including a private, enclosed balcony and open-air back patio.

Buildings targeted to Millennials tended to have smaller homes, ranging from 300 to 450 square foot micro units to two-bedroom apartments. The Millennial urban advocate in Phoenix reflected, “The whole idea is that you … don’t need much space because you’re in the middle of the city, and you have so many things to do.” Millennials’ “neighborhood becomes their living room” when they live in small spaces, according to a downtown development advocate in Phoenix. A Houston economic development planner observed, “We’re seeing a lot more proposed projects that [have a] significantly higher number of smaller units, with the assumption that the person really just sleeps there and gets dressed there.” He explained, “All of their entertainment and socialization happens in the city, in proximity to the apartment building, not in their personal space.” Millennials, the economic development planner added, “are more interested in the price point than square footage. They have their budget that they know they can spend and they’re going to get the best thing in the best location, for that budget…[i]t can be 500 square feet, but if it’s in the right location, and hits their price point, they’re good.” Demand for micro units also was high among Millennials living in Phoenix, according to a Phoenix economic development planner. What developers of micro-units save in space they can invest in common areas and other amenities that allow
Millennials to live inside/out. A condo and rental developer in downtown Phoenix observed:

While you are seeing smaller dwelling units, you’re seeing development projects, apartments especially, that are having amenity packages that are being compared to what you’d see in a higher end for sale product…you’re seeing somebody that will forgo size in their dwelling unit, but they want the amenities that are needed. Whether it be the athletic facility, swimming pool, those things that allows them to congregate, meet people….

Developers in downtown Phoenix and Houston also accommodated Millennials’ desires for an inside/out lifestyle by constructing mixed-use properties or choosing sites with nearby amenities (Haldiman 2015). A long-time housing trends reporter in Houston observed that Millennials “want to be close to bars, restaurants, entertainment and jobs.” A downtown condo and rental developer in Phoenix echoed, “[Millennials] want entertainment that’s close by. They want cool food close by. They want new experiences that are close by. And, those experiences range from art, creative art, to music, to culinary arts.” An economic development planner in Houston put these trends into context:

There’s not so much an interest in having a huge house, with a big living room and an entertainment system. [Millennials are] more interested in being in a smaller unit that’s walking distance to some bars and restaurants that you like, or a concert venue that you would go to for entertainment. So, bigger interest in more shared space, more urban space access…

He described a recent project downtown that “was significantly less on the larger apartment units,” being comprised mainly of studios and one-bedrooms, that is highly integrated with downtown amenities. He explained

It’s directly across the street from the soccer stadium. One block away from the light rail stop, and only two blocks away from bars, coffee shops, restaurants, etc., etc. That would be a perfect example of a project that’s clearly responding to that Millennial market…

A regional planner in Houston described projects targeted to Millennials in downtown Houston’s Midtown and East Downtown neighborhoods as being “much more about giving people access to the street life.” An economic development planner in Phoenix described the role that she has played in shaping an inside/out community downtown for Millennials and others:

We were more interested in getting some [projects] that truly engaged and activated with people, where they can have outdoor living spaces. Where they can have event spaces, where they had landing spaces, where they could collide with each other. A coffee shop right on site. The dog park, Wi-Fi throughout, and movies—just things that were more attractive to the dynamic workforce that wants to live in downtown Phoenix…

C. Flexibility
Some of the developers conveyed the importance of flexibility in designing housing for Millennials. The main way that developers in downtown Phoenix and Houston met Millennials’ need for flexible housing was through multifamily rental projects. Renting instead of owning permits emerging adults to have greater mobility, which is essential in their quest to gain new experiences and meet new people. A Millennial housing trends reporter in Houston explained, “[M]ulti-family [rental] is attractive to Millennials because it gives them a sense of lock and leave. So if they have to travel to another country for a couple months for their jobs, they can do that. They have to move to a different city, they can do that easily. They may have to break the lease, but it’s not like you have to wait around and sell your house.”

Millennials also have more of a “do-it-yourself” culture; they want to be able to adapt their living space to meet their ever-changing needs, a theme also evident in the regions’ media (e.g., Takahashi 2015; Jones 2016) and in academic research (Florida 2014). Developers in downtown Phoenix and Houston responded by designing open floor plans with spaces that residents can use in diverse ways. A downtown rental developer in Phoenix described his “urban one-bedroom” unit included in a recent project, which provides a flexible space for single Millennials:

Immediately you have a very large, nice bathroom here, closet space. This is a sleeping alcove. This can be shut off completely with these doors if you have stuff you don’t want somebody to see. And then you can sit and do work here, or hang out, or whatever, put your TV here and watch TV from over [the bed], and then you have this whole entertainment area, that feels like it’s very flexible to do a lot of different things.

A Millennial developer building on the edge of downtown Phoenix included lofts in homes that could be adapted eventually into a child’s bedroom. Another property targeted to Millennials had live/work units with flexible office space.

D. Constant Connectivity

Constant connectivity was another perceived Millennial housing preference among the housing market actors that we interviewed. This theme was evident in the regions’ media (e.g., Martin 2015). Millennials are more “tech savvy” than other demographic groups, according to a Millennial housing trends reporter in Houston. “We cherish our iPhones, we cherish our laptops.” Millennials are “the first generation that’s…technological, tied to their devices” explained a planner, architect, and downtown advocate in Houston. Millennials value access to high quality information technology in their homes and communities, such as Wi-Fi, technology enabled amenities, and high-speed cable.

Developers in Phoenix and Houston integrated high-tech features into buildings targeted to Millennials. The developers of a downtown-adjacent project in Phoenix aimed to attract ‘techie-oriented Gen Y buyers’ (Kingston 2015: online source), while a downtown condo and rental developer in Phoenix included “commercial speed” fiber in a recent project. A downtown rental developer in Phoenix noticed that Millennials would enter one of his projects and look to see how many bars they had on their phone before going on a tour. He made “hotspots strategically located” to reassure potential residents. The downtown rental developer also put outlets into balconies to meet Millennials’ need
to “plug and play,” and set up an electronic package delivery notification system. Developers’ investment in micro-units in downtown Phoenix and Houston also was motivated by their sense that Millennials’ need less space, because they do so much on their electronic devices. Millennials access entertainment on their phones or laptops so they no longer need space for their books, a TV, or a stereo.

Attachment to technology also affects how Millennials access information about housing. Whereas Baby Boomers find places to live through “word of mouth,” Millennials just “go online.” A downtown rental developer and a downtown condo and rental developer in Phoenix focused heavily on social media when marketing to Millennials. An economic development planner in Houston observed:

[Developers building downtown are] not taking out TV commercials. Their stuff’s on Facebook and Twitter, which isn’t uncommon for pretty much anything today, I suppose, but that is an important distinction…like the website…has a significant amount of info on it, but the main communication…and marketing is happening through Facebook and other venues…[d]efinitely social media is king there.

Realtors in the Houston media reflected on Millennials’ desire to get ‘instant information’ on homes through texting or email or through social media sites like Facebook, Instagram, or Pinterest (qtd in Takahashi 2015: online source; ON THE MOVE & Sandlin 2013).

Millennials’ desire for connectivity goes beyond technology; our participants felt their attraction to downtown Phoenix and Houston was also driven by their desire to be more socially connected with their neighbors. A Millennial developer building on the edge of downtown Phoenix felt that one of the most important housing features to Millennials was “a sense of community.” A planner architect and downtown advocate in Houston claimed that Millennials have “much more of an interest in getting to know one another, being part of [other people’s] lives.” Millennials’ desires for social connection are partly enabled by the denser, more mixed-use urban form of housing built downtown. A Millennial urban advocate in Phoenix explained,

[When you have that closer proximity to things, you have more connections. There’s more community. Most of my friends, we all grew up in the suburbs, where…we didn’t really have [community]. My community…was through school or something, and then when you’re out of college, and you’re like “Well, what do I do now?” and I think [community’s] just inherently built into a dense environment…I can’t leave my condo without seeing at least three or four people I know every single day.

The Millennial developer building on the edge of downtown Phoenix observed:

[Millennials] want…to have those experiences where, ‘I’m going to live in a walkable area, and I walk down the street and bump into somebody randomly I know, and we have an adventure that day that you really couldn’t have had anywhere else.’ Where, in [suburban] Mesa, Arizona, the only time you run into somebody is in their car, and you’re honking at them.

E. Socially Conscious
Housing markets in downtown Phoenix and Houston are increasingly reflecting developers’ perceptions of Millennials’ desire for socially conscious housing. Socially conscious housing is energy efficient, made from reusable materials, or defined by other design elements that limit resource consumption and waste.

Housing in downtown Phoenix and Houston typically is more energy efficient than housing in the suburbs because smaller units in multifamily buildings mean less space to heat and cool. Air conditioning is an especially large expense for households living in hot climates like Phoenix and Houston. A Millennial housing trends reporter in Houston attributed Millennials’ willingness to live in smaller homes like micro-units to their tendency to be “very environmentally conscious.” The regions’ media also attributed Millennials’ attraction to smaller spaces to their desire for energy efficiency (Sunnucks 2014; Takahashi 2015).

Some downtown developers in Phoenix and Houston are intentionally including environmentally sustainable features. The downtown condo and rental developer that we spoke with in Phoenix has a project that integrates the theme of “recycle, reuse, and rethink.” He explained:

> It’s a completely sustainable project. Solar provides all the electricity. We have grey water catchment that captures all of the water that’s used in the units with the exception of what comes down the toilet that goes in the sewer, and that’s the only thing that goes in the sewer. And we’re using the rest of the water to do plant life in and on the building.

Another developer in downtown Phoenix created a project from repurposed shipping containers and has another one in progress, given high demand for the concept.

Developers’ motivation to invest in studios and micro-units in downtown Phoenix and Houston is driven by their perception that Millennials are more conscious of the overwhelming consumerism of American culture and want to move “away from having a lot of stuff,” as a downtown advocate and analyst in Phoenix put it. An economic development planner in Houston noted that developers were trying to provide Millennials “[m]ore…minimal living options where you’re not spending money on things that you’re ultimately not going to be using.” Millennials’ fewer material possessions was linked to their attraction to smaller spaces in the regional media (Sunnucks 2014; Takahashi 2015).

Socially conscious housing also is located near transit or ridesharing services and may have reduced on-site parking. Developers building downtown choose sites that allow Millennials to quickly and affordably get to their jobs and third spaces through walking, biking, public transit, car or bike sharing. A Millennial urban advocate in downtown Phoenix explained, “I think a lot of us…are sustainability-minded…I think that does come into play with not driving as much, and really the most sustainable areas to live are cities. So I think a lot of us do align with that, especially.” Millennials, explained a planner, architect, and downtown advocate in Houston, “are making a very conscious lifestyle choice to live close to model the whole live-work-play aesthetic…an intentional decision to not live two hours of their day in a car.” A Houston academic and urban trends researcher added that Millennials are not “getting in their cars and driving from one parking garage to another. I think they’re mostly…Ubering… if you live in the urban core….most everything you would want to go to for that [Millenial] lifestyle is within a mile or two or a $5 Uber drive.”
Some developers we spoke with incorporated features that encourage use of alternative transit on-site, such as a car share program or reduced on-site parking. A downtown rental developer in Phoenix secured a 40% parking reduction for a recent project after learning from past Millennial-oriented downtown projects that “[t]he resident profile wasn’t all car-dependent” and “the parking garages were not fully utilized,” which led those projects to be “over-parked.” Further, the developer integrated bicycle amenities, like a bicycle workshop, bike storage, and a community shower, to meet the needs of Millennials living in the development, who he felt “were going to be very, very bike-dependent.”

A key barrier to incorporating innovative alternative transportation design features into downtown housing in Phoenix is lenders’ and insurance agents’ historic orientation to suburban, car-oriented urban designs, including multicar garages and expansive surface parking. An economic development planner in Phoenix explained:

[E]veryone who’s here—brokers, developers, people who live here—they have a true suburban mentality…they wouldn’t live in [more urban housing], so it’s very easy for them to say it will never work, because they can’t see themselves living in that type of unit.

These conceptions force downtown developers to “go back to a cookie cutter format that has worked in the past” in order to obtain financing, according to a condo and rental developer in downtown Phoenix. The template in Phoenix is typically “Mediterranean/Santa Fe stucco” with “tile roofing,” “two-car, or three-car garages,” and “some sort of variation of tan,” according to a Millennial suburban developer in Phoenix. A downtown rental developer in Phoenix elaborated:

[T]here’s a tendency in Phoenix, especially with the local developers, to stay with what works, and essentially create a stamp, a template, and plop it down on just about any property and then it varies with land price, but they will try never to go more than three- and four-story..

Downtown Phoenix uses a planned unit development zone that allows projects to have higher density, mixed-use, and other features typically excluded from the city’s suburban zoning regulations. However, developers sometimes “don’t understand” these allowances, according to a Millennial developer building on the edge of downtown Phoenix, and “just bu[d] their design based on the suburban zoning.” The condo and rental developer described the impacts of these dynamics: “I think the stuff that’s being built in the core right now for the most part…is suburban apartments that have been adapted to a size that fits downtown.” These projects tend to have “surface park[ing]…takes up 10, 12, 15 acres” and have “four-stories,” according to an economic development planner in Phoenix. “There’s no activation on the ground floor, there’s no true amenities other than what you remember as ‘your parent’s apartment…[t]here’s a pool…and then two barbecues, and that’s really it…”

Developers must strike a balance between the Phoenix region’s suburban bias and Millennials’ demand for socially conscious housing to succeed in the downtown Phoenix housing market. A main tradeoff is parking, because of downtown Phoenix’s rigid minimum parking requirements, which mandate one space for every home. Oftentimes some surface parking is included in the balance, though developers will secure additional space for parking that they don’t use while they “prove their market” for reduced parking, according to an economic development planner in Phoenix. Other developers negotiate
reduced parking requirements by providing additional amenities, a tradeoff encouraged by the City’s walkable urban code and planned unit development districts. The downtown rental developer in Phoenix who secured a parking reduction for one of his projects explained his process:

I felt that if we were going to really do something that made sense in density, but it wasn’t going to be something that was too far to push the pendulum in Phoenix, I felt that if we were to go to a micro-bedroom product, that some folks are doing now, I felt that was too far of a pendulum shift. I wanted to be still car-dependent, but not all car-dependent. I felt like I should go for a medium-mix of those two things… I saw that there was a niche here, a market niche, that was currently unserved, and thought that I could build something that was going to really awaken that niche, and attract that niche.

A downtown development advocate in Phoenix put these issues into context: “We have a long way to go….the real story about what’s occurring here is that even in this place that has these tremendous suburban biases is beginning to aggregate Millennials within the urban part of Phoenix…” An economic development planner in Phoenix added, “The Phoenix market is just now…beginning to invent what Millennials want.”

Millennial Transformations: Activation, Gentrification, and Centralization

The symbiotic actions of downtown Millennials and housing developers are reshaping the Phoenix and Houston housing markets. Millennials and developers are helping to activate downtown Phoenix and Houston in tangible and intangible ways. However, concerns about gentrification and growing housing unaffordability in the downtowns, and increasingly disadvantaged suburban areas, are palpable in these regions.

A. Activating Downtowns

The mutually reinforcing investment and migration in downtown Phoenix and Houston has helped to activate these places. Activation includes a range of materials and architectural styles to create a sense of place, as well as a diversity of activities extending to multiple points throughout the day (Jacobs 1961; Alexander, Ishikawa, and Silverstein 1977). The process of activation is both tangible and intangible. Developers tangibly activated these downtowns by transforming vacant lots, surface parking lots, and other unused or underused spaces into housing, stores, restaurants, and other amenities. A Millennial developer building on the edge of downtown Phoenix explained, “The idea basically is to find under-utilized lots…lots that…have been vacant for 20 plus years, haven’t had a house on it or anything, and basically utilize the zoning to the most capacity that we possible can.”

Millennials tangibly activated downtown Phoenix and Houston in indirect and direct ways. An indirect effect stems from the sheer size of the Millennial generation, which means that Millennials’ residential preferences inherently shape urban areas. A downtown development advocate in Phoenix surmised that if a small portion of Millennials decided to move to downtown Phoenix, their actions “would totally rebuild
and use all of the vacant land that we have in downtown Phoenix.” Millennials’ preferences for walking and biking have already created “nodes of walkability” as a downtown condo and rental developer in Phoenix put it, attracting amenities like bars, restaurants, and festivals, which have helped to stitch together previously underused spaces and remake downtown Phoenix and Houston as entertainment and leisure destinations. A downtown development advocate in Phoenix described:

Downtown has become more youthful, it’s become more energized. It’s becoming more diverse, the increase in bars, restaurants, live music venues. The street-level activity, you can see and feel everything change…it’s becoming a real urban place.

The effect of these new investments is that downtown Phoenix has grown from “an 8-hour economy” to “an 18-hour economy,” according to an economic development planner in Phoenix. Similarly, a regional planner in Houston observed, “There’s a lot more restaurants, and bars, and cool shops [downtown].” A planner, architect, and downtown advocate in Houston explained that 10 years ago, the downtown “was literally a ghost town after 6pm” but now the downtown is “much more of a 18-hour city.” The renewed liveliness of downtown Phoenix and Houston after work hours was a common theme in the regions’ media (e.g., Reagor 2015a, Tempest ND; Philips 2015; Sandlin 2014).

Millennials have also activated downtowns in direct ways, because they engage with projects, plans, and policies that affect their area. An economic development planner in Phoenix observed:

Millennials that move into the central city tend to be more connected to their community. They tend to be on more boards and commissions. They tend to provide more guidance to the development that happens around them...[Millennials] are having an absolute impact on how future plans of downtown are shaped, whether it’s on the Downtown Strategic Plan, whether it’s on new development that’s coming into the market...[t]hey’re attending City Council meetings and planning meetings to really guide and push what they want to see, and how they want to see it developed. They are providing tremendous impact in how this city is shaped and structured for years to come.

For instance, a Millennial urban advocate in Phoenix routinely spoke out at public meetings on downtown development projects in favor of reduced parking requirements. She said, “I always show up at those meetings and be like ‘I don’t own a car. I haven’t had a car for three years. These are the type of people that are going to come down here. This is the type of people we want to attract, yet you’re building two spaces for one unit or three spaces, whatever.’” She also advocates for affordable housing and against “stupid variances.” She explained:

We advocated for I think it was 10 affordable units. It’s actually not affordable, in the common sense. It’s reduced rent by a couple hundred bucks...we worked...through the city because it was a GPLET... to get at least 10 units that were reduced rent, because of just how high everything has been here. Allow baristas that work down here to actually afford to live down here...So that was one. And then...[w]e fight buildings all the time that have stupid variances...like they aren’t adhering to the
downtown code, they’re not being walkable, so we go to the hearings and fight that. There’s a lot, little things like that.

The Millennial developer building on the edge of downtown Phoenix was also attempting to shape the future of the downtown. He said, “I have a whole group of friends, and we’re all type A personalities, we all do different things downtown, but we’re all wanting to make downtown better….we all want Phoenix to change, because we’ve been a sprawling city for so long.” He recently was engaged in advocating for a new crosswalk. He explained:

I have been working on it for a couple years, and I had just been getting nowhere with the Streets Department, and then the funny thing is, I got a couple different organizations involved [such as] the Roosevelt Action Association, and we went and pushed for it. We pushed, and we got our testing, and then the interesting thing is, the testing didn’t meet the criteria, but then the Mayor got wind of it. He’s like, ‘All right. We need to get this to actually happen.’ So the Streets Department said ‘Oh, we’re not going to do anything,’ and then the Mayor got involved, and now we’re getting a cross system…I think that’s kind of a cool thing, that there is this opportunity here to create this whole different city and its own culture.

Millennials also were actively participating in decision making in Houston’s downtown. A downtown advocate in Houston mentioned that there are two Millennials on the East Downtown TIRZ board. He added, “One of them owns and operates a brew pub. It’s very successful. He speaks out about what his generation wants. We listen. We want young people to really not only enjoy living in the city but profit from it.”

Millennials helped to activate downtown Phoenix and Houston in less tangible ways as well. Our participants conveyed that Millennials have brought new life, vibrancy, and energy to these downtowns. These dynamics are starting to change “the perception problem of downtown Phoenix” that “you would never come down here,” as a Millennial urban advocate in Phoenix described it. Overall, a downtown advocate and analyst in Phoenix observed, a “circular kind of thing” happening in downtown Phoenix, which was activating what used to be a non-destination in the region:

The more [Millennials] that are here, the more that the businesses will change, and the more the businesses change, the more that will attract more Millennials. So I think it’s a circular kind of thing. So you add something like ASU in downtown, which creates a young, urban sort of vibe, and then there’s this movement, and then as more businesses get here, more folks stay here after they graduate, or are attracted to the area because of that amenity package. I think it is a circle thing that sustains itself.

A Millennial developer building on the edge of downtown Phoenix who also is a lifelong resident of the Valley said that he, like other Millennials, had only been to downtown Phoenix for “baseball games and basketball games” growing up. However, Millennials were now “finding this whole new world” in downtown Phoenix, which was leading people like himself “that grew up here and don’t really want to leave” to move downtown “because it gives them that little sense of somewhere else, yet [it’s] still home.”
B. Housing Affordability and Gentrification

Downtown Phoenix and Houston have long been more economically depressed than the rest of their central cities and suburbs. However, these places are becoming more advantaged over time, which indicates that a process of reinvestment and potentially gentrification is underway. Table 5 shows how the socioeconomic statuses of downtown Phoenix and Houston have changed relative to the rest of their central cities and suburbs from 2000 to 2016. The values reported account for two characteristics commonly used to approximate a place’s relative advantage: the percent of adults age 25 and older with at least a bachelor’s degree, and the percent of households earning above the region’s median household income for the year (about $44,000 to $62,000, depending on the region and year). Geographies with values above zero have higher socioeconomic status relative to the other geographies in the region; geographies with values below zero have lower socioeconomic status relative to the other geographies in the region.

Two trends are evident on Table 5. First, downtown Phoenix and Houston have long been of lower socioeconomic status than the rest of their central cities and suburbs. For instance, values of -0.95 and -1.09 for downtown Phoenix and Houston in 2016 mean that these geographies’ rates of college educated adults and affluent households were about one standard deviation less than their regions’ average rates. Second, the socioeconomic statuses of both downtowns increased markedly from 2000 to 2016. The largest increases occurred from 2010 to 2016 (-1.35 to -0.95 in Phoenix and -1.77 to -1.09 in Houston). Meanwhile, the socioeconomic statuses of the rest of the regions’ central cities and suburbs remained relatively unchanged. This means that downtown Phoenix and Houston are catching up to their central cities and suburbs.

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The socioeconomic status index was constructed as follows. First, we calculated z-scores for each PUMA’s percent of adults age 25 and older with at least a bachelor’s degree and percent of households earning above the region’s median household income. Z-scores for each characteristic were calculated by subtracting the PUMA’s value for the characteristic from the average value for the characteristic for all PUMAs in the region and dividing this value by the standard deviation of the characteristic for all PUMAs in the region. Then, we constructed an index by taking the average of the PUMAs’ z-scores for the percent of adults age 25 and older with at least a bachelor’s degree and percent of households earning above the region’s median household income for each geography.
Growing housing unaffordability in the downtown housing market was a concern for many of the actors interviewed. Housing has become denser in both regions, which has increased land values and construction costs. A regional planner in Houston was concerned about cheaper “stick-built” structures no longer penciling out in the core of the downtown and Midtown, which is adjacent to the core. An urban and suburban multifamily developer in Houston described how this issue has played out in Midtown:

It really goes back to economics...[i]f you identify the Midtown areas where [Millennials] want to live, and the price of land goes over $125-$150 a square foot, you can’t build a wood-frame product there anymore. You can’t get the density. Wood-frame product density maxes out at about around 120 units per acre, and a concrete frame building is 300 units per acre. So, if you want to provide affordable housing and get the density to work with the land price, you’re going to have to go higher density design.

The higher density steel frame buildings replacing these structures have higher cost homes, because they are more expensive to build. The Millennial housing trends reporter in Houston observed that 95% of the apartments recently built in downtown Houston were higher cost Class A; very few were lower cost Class B. A downtown advocate and analyst in Phoenix described similar escalations of housing costs happening in downtown Phoenix:

[T]he housing that’s being built downtown tends to be higher rent right now because the cost to build it and the expense of the land is going to dictate that price point. People have definitely been talking about it. People are looking for more affordable housing...[t]he only housing that was being built during the recession, quite honestly, was affordable housing, because land prices fell and there was funding for it. And so we were able to get about 180 affordable housing units built during that time, roughly. But when you look at sheer volume of high-end stuff, it overwhelms that. So it’s challenging to get not only affordable, but it’s probably even more challenging to get stuff in between luxury and affordable built because the prices just don’t work too well.
Shrinking opportunities for infill development in Phoenix’s core also are leading to higher land values and housing costs. One suburban homebuilder exploring downtown development in 2013 compared suitable lots to ‘a needle in a haystack’ (Reagor and Morrison 2013: online source). A downtown development advocate in Phoenix noted that now “the highest apartment rents per square foot basis in the entire region are downtown.” A report from Colliers International showed that in the second quarter of 2015, the “asking rental rate” in downtown and central Phoenix was the highest in the region (Kingston 2015). Escalating housing costs in Phoenix’s downtown and downtown-adjacent neighborhoods were often mentioned in the region’s media (e.g. Reagor 2015b).

Millennials in the emerging adulthood lifecycle stage are often able to modify their living situations to stay in place. A Houston affordable housing planner and advocate observed Millennials doubling, even tripling or quadrupling, up in homes in order to stay downtown as prices increase. He explained, “I suspect that there is...because of the focus on experience, a bigger willingness to double up. A bigger willingness to form communities, even if they’re informal communities in apartments, than you would see in other generations.” A Millennial housing trends reporter in Houston stressed, “Millennials are always going to want to be close to the center of the city, and they’re going to do whatever they can to pony up this rent. They’ll get together roommates. They’ll make the payment.” A rental developer in downtown Phoenix observed Millennials in his projects “doubling up on 2-bedroom units to share in the rent” even though they didn’t “necessarily want to be with a roommate.” A 2015 Houston study estimated that 35% of Millennials who earned $60,000 or higher and were recent or prospective homebuyers were willing to take on a roommate for more affordable costs (Takahashi 2015).

There were concerns that Millennials’ greater ability to adapt to increasing home prices and rents may exclude lower income people, particularly lower income families, from downtown, leading to gentrification. This process is largely complete in Houston’s Fourth Ward, with the historic African American Freedmen’s Town neighborhood being swamped by the growth of Midtown (Holeywell 2013). Gentrification was well under way in Houston downtown’s Montrose neighborhood and ramping up in the East End and Third Ward, according to our participants. The departure of artists was of particular concern in downtown Phoenix. A downtown rental developer described the role that his investment has played in this trend:

[W]hen we razed the old building that was here... a 1-story masonry building that was...built in the 60s’... it had 5 tenants in it that were all very arts-oriented. There was a sculptor, there were a couple artists, there was a florist, and there was a lot of graffiti on the outside of the building that was very tastefully done. I really liked it, but I didn’t give a whole lot of thought to the fact that we’ve got to take it out...we’d already worked out a deal with all the tenants. We’re giving them rent-free for the last 8 months of being here in exchange for their timely vacation of the premises so that we could start construction. We had no problems with any of the tenants, and reciprocally they didn’t have any problems with us, but the press got ahold of the story and said, ‘This is an arts district. These are art jobs. These are art vendors that are being displaced as a result of this new residential project.’ They didn’t take too fondly of my company.
Some of the housing market actors that we interviewed observed that Millennials were whitewashing downtown Phoenix and Houston, thereby increasing the socioeconomic status of these areas. This trend also was mentioned in the regions’ media (e.g., Sunnucks 2015). Phoenix’s downtown white population proportion close to doubled from 1990 to 2012, according to a University of Virginia report (Sunnucks 2015). The whitewashing of downtown Houston is evident in the “cultural identity” shifts occurring in the East End and Third Ward and the replacement of existing ethnic-oriented amenities with more luxury amenities, like “a barbershop that…specialized in beard trimming,” as a Houston planner, architect, and downtown advocate and regional planner observed. However, our participants observed that African American professionals also contributed to the gentrification of Third Ward. The Houston planner, architect, and downtown advocate speculated that some Millennials moving in may have historic roots in the neighborhood:

[These Millennials’ parents] move to the suburbs, while the young man or young woman is in school. The young man or young woman wants to move away to college or stay locally for college, and still have roots in Third Ward. Maybe his church was there, or where he got his haircut, or he’s got his grandmother there… And now, because he’s a Millennial, and he has a job, he wants to live in town and he finds a way to do so, but the average income in that neighborhood is $30,000 for a family of four, and he’s a professional making $75,000, that’s still gentrification. He may ethnically resemble the same people that are already there, but gentrification by definition is much more of a class/physical issue and not necessarily an ethnic one, even though there are obvious ethnic overtones.

State preemption on regulatory policies that link affordable housing with market-rate construction limit Phoenix and Houston’s ability to respond to housing affordability concerns. A few state and local incentives are available to downtown planners and developers to create affordable housing. Arizona developers competing for federal tax credit financing to build low-income projects receive bonus points for locating within a half mile of the light rail, which cuts through the heart of Phoenix’s downtown. Socially conscious lenders in Phoenix also offer special financing to developers building near the light rail (Karaim 2014). Houston lacks concrete policies to preserve and build new affordable housing in its core, but the City recently hired a new Housing Director who planned to increase affordable housing. A Millennial housing trends reporter in Houston claimed, “[T]here’s a sense that people are going to have to do something” because “things are getting out of hand very quickly.” Developers’ pressure to build up also has increased the feasibility of micro-units in both regions, which has helped to attract Millennials, particularly emerging adults, as previously discussed. Yet, there were concerns that the proliferation of micro-units may make it difficult for larger families to stay or move downtown, who are more likely of color.

Participants also observed spillover effects from the symbiotic actions of Millennials and developers downtown. One effect is increasing housing demand and costs in historic, inner-ring neighborhoods adjacent to downtown, such as the Garfield and Coronado neighborhoods in Phoenix, and Montrose, the Greater East End, and the Third Ward neighborhoods in Houston. Median sale prices in neighborhoods within a short drive or train ride to downtown Phoenix increased 50% between the first quarters of 2015 and 2016 (Goth 2016b). Demand for housing in these neighborhoods was driven by
attempting adults, who compromised between their desires to live in a dense, vibrant, and amenity rich downtown, and have more space to raise families. A downtown development advocate in Phoenix observed:

I do know several folks that are raising young families that have just left downtown because…they’re looking for housing as close to downtown as they can get. That’s why Coronado has become so hot. That’s why the housing values have gone up in Coronado. The historic neighborhoods north of downtown are cost prohibitive. Some people are going into the Melrose neighborhood, which would be a little bit farther north of downtown…and now we’re starting to see condo and single-family interest west of downtown, more in the Grand Avenue, Capitol Mall area. It’s really people that would prefer an ownership opportunity, maybe a situation where they have children, and so they’re looking for a different kind of amenity package, but they’re not going out to [suburban] Maricopa or Peoria. They’re trying to find opportunities in and around downtown.

Developers in Phoenix were helping to catalyze these spillover effects. We spoke with a Millennial developer who was building on the edge of downtown Phoenix. He explained, “Our idea is basically to buy up land just on the outskirts of what downtown is considered today to also help push it out, and build that community out.” Gentrification in downtown adjacent neighborhoods in Houston also is putting upward pressure on land values downtown. An academic and urban trends researcher in Houston observed, “What you’re seeing, really…in Midtown is…a spillover and a backfilling from Montrose back toward downtown of gentrification with Millennials.”

However, gentrification in downtown Phoenix and Houston is occurring more slowly than in the downtowns of higher cost coastal cities more frequently covered in the media. One reason is the greater land availability in these regions. For instance, there were an estimated 3,000 vacant lots in Houston’s Fifth Ward in 2016 (Stephens 2016). Another reason is downtown Phoenix and Houston’s historic concentrations of poverty, such as from homeless populations that are served by nearby shelters (Sunnucks 2015). Some of the actors interviewed observed Millennials coexisting with economically diverse people in downtowns. An affordable housing planner and advocate in Houston noted that the concentration of homeless people in downtown Houston has not dissuaded Millennials from living there; rather, “they are…close, they’re walking on the same sidewalks.”

Some of our Houston participants worried that rising home prices may soon lead the downtown area to be unaffordable to even the most flexible Millennial emerging adults. A lack of affordable multifamily rentals in downtown Houston was one barrier. A Houston academic and urban trends research described the housing being built in Houston’s downtown as “mid-luxury, 5-story stacked flats,” though not yet “super-luxury.” A region planner in Houston noted, “I think it’s getting much more difficult, if you just look at median income—the median person in that Millennial group—toward housing in those districts. Even though a lot of it has been built, it’s really not at the variety of price points.” A Houston economic development planner admitted, “Trying to find a way to get more development of that mid-range, or market-affordable, at least, kind of housing product is definitely a challenge.”
However, two countervailing trends in the Houston downtown housing market are potentially slowing gentrification. The first trend is the abundance of multifamily rental properties in the city and the threat of the rental housing market slackening. Declines in housing demand are driven in part by dipping oil prices and job cuts in the energy sector. A Houston long-time housing trends reporter claimed that the market was “oversupplied;” a Houston planner, architect and downtown advocate described the market as “overbuilt.” The Millennial housing trends reporter pointed out the abundance of apartments trying to bait renters with gimmicks like “three months free rent” or iPads. Other participants noted the recent decline in multifamily projects, since banks were no longer eagerly financing these projects because of energy sector job cuts. Yet, a district manager in downtown Houston, who referred to Houston as “a major rental city,” noted that “every six months somebody forecasts that there’s a huge glut and therefore the world will end,” an outcome he thought was unlikely. The second factor potentially mediating downtown gentrification in the Houston context is the perceived lower tolerance of Millennials in that region to have high housing costs relative to income. A planner, architect, and downtown advocate in Houston explained:

[T]here’s not the desire to pool…your money, spend 30, 35, 40% of your income on housing. Whereas, for example, on the coasts…it’s not uncommon…that people spend 40% of their income, 45%, 50% of their income, on housing costs. There’s not a desire to do that in Texas, because the premise is, why, right? They’ve built one of the most inexpensive big cities in the country…

C. Centralization

A multiplier effect of Millennials’ and developers’ movement to downtown Phoenix and Houston is a reorientation of some people and investment away from the suburbs and towards the central city in both regions (Reagor and Morrison 2013). A Millennial housing trends reporter in Houston explained, “Millennials, more so than any other generation, they’re not in a rush to buy a house in the suburbs.” A downtown development advocate in Phoenix described the recent migration of Millennials to the downtown as “only the tip of the iceberg.” He projected, “You’re going to see a repopulation of the center part of Phoenix that’s driven principally by this generation.” Millennials’ desire to live downtown contrasted with the desire of the Baby Boomers, who he called “the suburban nation generation,” which “fled city centers.”

Some of the participants felt that Millennials’ demand for downtown living would eventually reduce demand for housing in the suburbs, as the “hard core urban” Millennials, as the Millennial urban advocate in Phoenix put it, get settled downtown. The Millennial urban advocate pondered, “Sometimes, I’m driving out [to the suburbs], and I’m just like, ‘Is anyone in my generation going to buy these huge houses in the middle of nowhere?’” An urban and suburban multifamily developer in Houston recently asked the Millennials on his staff whether they would consider moving to a new project they were developing in the suburbs. The staff members responded that “they would rather have Alzheimer’s disease than live in [the suburban development].” The Millennial urban advocate in Phoenix exclaimed, “[Millennials are] shifting things back from suburbs to center cities, or walkable areas, and that’s going to be crazy, because we’re
basically reversing a trend of 60 years… of everyone leaving out to the suburbs and building all that up.”

Participants who were Gen X or Baby Boomers were less certain that Millennials would stay downtown as they aged. Most of these participants felt that Millennials, like other generations starting families, would not resist the pull of the suburbs. An economic development planner in Houston used the metaphor of downtown being a “revolving door.” He meant that Millennials living downtown would eventually move to the suburbs in search of better schools and more space for their kids and then return to the downtown as empty nesters. Millennials using these frames are divided into two groups, the “hard core” urbanists who stay and the “light” urbanists who eventually leave but may eventually return.

The potential depopulation of suburban neighborhoods is of particular concern in Phoenix and Houston, since these cities are extremely large and have many suburban neighborhoods within their boundaries. Thus, local policymakers face tradeoffs when they promote downtown reinvestment, as reinvestment may disadvantage their more suburban communities. “Houston has a lot of suburbs,” explained an affordable housing planner and advocate in Houston, “and some of those suburbs are not in very good condition, given their age. I think that certainly needs to be a concern of the City as it moves forward…the extent to which some of these neighborhoods outside of the urban core continue to be places that people can live with decent standards of living.” A planner, architect, and downtown advocate in Houston observed the suburbs “becoming these hotbeds of lower-income populations.”

Yet, a countervailing trend to the decline of suburban communities in Phoenix and Houston is that downtown housing market dynamics are slowly changing the practices of traditional suburban tract home developers. Our participants in Phoenix felt that these developers are now intrigued by downtown developers’ experiments working outside of the suburban footprint. The downtown rental developer noted that as more innovative projects are starting to accumulate downtown, suburban developers are turning their attention downtown and undertaking their own experiments there. He said, “When we started, it kind of…awakened a lot of people. ‘Gee, there might be something down here that we’re missing out on. Let’s get involved.’”

One way that suburban developers are responding to changes in the Phoenix and Houston downtown housing markets is by building downtown. Traditional suburban developers, like Meritage and Toll Brothers, are getting into the market for infill development in Phoenix and Houston, some within the downtown (Brown 2015; Reago and Morrison 2013; Feser 2015). The recent Great Recession, which hit suburban areas in the Phoenix region particularly hard, was a catalyst for developers in that region to reconsider the potential of downtown of both regions.

Another way that suburban developers are responding to changes in the Phoenix and Houston downtown housing markets is by adapting buildings styles from downtown Phoenix and Houston to the smaller downtowns in the regions’ outlying suburbs. A regional planner in Phoenix observed more multifamily development in the Phoenix suburbs, which is path breaking considering their historic concentration of single-family homes. Suburban Glendale, Gilbert, Chandler, Mesa, Tempe, and Peoria in the Phoenix region were experiencing a surge in multifamily residential development in the mid-2010s; a planned subdivision in suburban Moon Valley was to be named after an older
downtown-adjacent neighborhood and would have “homes…designed with a historic feel, amenities and price point to appeal to the millennial generation” (Reagor 2015a, 2017a; AZ Business Magazine 2016: online source). A Millennial suburban developer in Phoenix had several planned single-family home developments in more walkable areas of the suburbs in order to attract Millennials. He explained, “Every single one of my locations have a grocery store across the street from it right now. Every one of them has some sort of restaurant, bar, places where you can go eat, go play, and are walkable.” He also builds single-family homes with only a one-car garage to appeal to “a young professional, a start-up family” living in a walkable area. A downtown advocate and analyst in Phoenix put these trends into context: “Even in suburban settings, Millennials expect it to be more urban.” An outcome observed by the Millennial urban advocate in Phoenix is that her friends have been “congregating” in “walkable, quasi-urban areas that you still have to have a car, but you can, on the weekend, not worry about that and just walk to your favorite restaurant or grocery store, or whatever.”

Similar trends are occurring in Houston, with “urban village environments” popping up in far-flung suburbs, like Stafford, Sugar Land, Pearland, Citycentre, and The Woodlands (Realty News Report 2016; Kadifa 2016; Mulvaney 2014). An economic development planner in Houston described:

[W]hat used to be these exurban bedroom communities of people commuting into Houston have all started to form their own gravity, so to speak, in terms of creating their own downtowns, or city centers. You can see that in The Woodlands. You can see that in Sugar Land. You can see that in Pearland, where these are completely suburban communities that have responded [to] the demand of…Millenials. What people are projecting that they’re going to want is that kind of shared space, urban experience that’s nearly where they live.

A downtown advocate in Houston mentioned the mixed-use Sugar Land Town Center, which has attracted Millennials and Baby Boomers, as an example of innovative suburban development in the Houston region. He explained, “There’s an attempt in a way to counteract the inclination of Millennials to leave the suburbs where they went to high school, and then come back to the city. The[y’re] trying to urbanize the suburbs.” Another often mentioned example of innovative suburban development was Citycenter, which is 14 miles west of downtown Houston.

However, other participants noted that, although different kinds of homes were coming into Phoenix suburbs, the product was not otherwise innovative. A condo and rental developer in downtown Phoenix said, “The stuff that’s out there, outside of the core, the apartments, the multifamily stuff that they’re doing—it’s all pretty vanilla. And, I think it’s very difficult to do something that’s special without having the mass of folks…” A regional planner in Houston cautioned that “the housing component of that mixed-use is probably still insignificant in the grand scheme of things” in the suburbs. A Millennial suburban developer in Phoenix felt that certain aspects of suburban housing might change, but other aspects might remain the same. For instance, he felt that more innovative architectural features might come into the suburban housing stock, but their neutral colors would remain the same. Costs are a determining factor. He explained:

It really doesn’t change the price of construction that much to do six different elevations, to do higher pitches for my Tudor-style homes. The
impact on costs is not that much. The impact on costs from [a] paint-color standpoint, it does definitely increase the price, so I’d be really surprised if the builders move away from the traditional earth-color tones they use towards something that’s more vibrant…

A challenge facing urban-aspiring suburban developers is to identify features that are “unique, but still feasible to replicate…”

Existing residents’ opposition to denser housing development is another barrier to the urbanization of the Phoenix and Houston suburbs. For example, in 2014 residents and business owners in suburban Chandler in the Phoenix region protested a proposal to build a four-story multifamily building next to a golf course, due to their concerns that the development would block views of the golf course and ‘compromise the character of the area’ (Callahan 2014: online source). City councilmembers in suburban Sugar Land in the Houston region considered capping the number of multifamily units in a planned unit development (PUD) to 200 after residents protested the planned inclusion of 900 apartments in one proposed project (Quick 2015).

Discussion and Conclusion

This report has offered nuance the often-discussed trend of Millennial migration to U.S. downtowns. We examined two understudied Millennial destinations, Phoenix and Houston, and described 1) the role that the real estate industry is playing in cementing Millennials—and their preferences—in their downtowns and 2) how these dynamics may be reshaping regional housing markets. Our research revealed three insights about the expressions and impacts of Millennials’ downtown migration.

First, Millennials moving downtown typically fit one of two distinct lifecycle stages: emerging adulthood or attempting adulthood. Downtown Phoenix and Houston more fully accommodate emerging adults’ housing preferences than those of attempting adults. The latter group struggles to meet traditional milestones of adulthood downtown due to high housing costs and the lack of family-friendly housing and amenities.

Second, Millennials’ lifestyle preferences are now cast in the brick and mortar of downtown Phoenix and Houston, demonstrating the reurbanizing momentum of inversion and generational trends (Myers 2016; Ehrenhalt 2012). Downtown developers perceive Millennials as needing housing that is authentic, flexible, and socially conscious and provides an inside/out, constantly connected life. These developers meet Millennials preferences through building design, site selection, and “quality of place” (Florida 2014; Gallagher 2014). Buildings targeted to Millennials tend to be historic or adaptive reuse properties or have modern design features or art installations (Zukin 2008, 2009). Common areas are abundant in these properties. Downtown developers also target Millennials by choosing sites adjacent to amenities and transit, which enable Millennials to walk or take transit to their jobs and to the third spaces they integrate into their lives (Oldenburg 1999). Housing in downtown Phoenix and Houston has become more innovative as a result of developers’ translation of Millennials preferences into the built environment.

Third, the symbiotic actions of Millennials and developers in downtown Phoenix and Houston are reshaping these regions’ housing markets (Florida 2017). There is an underlying concern about rising housing costs in these downtowns, and that rising costs
will exclude low-income people and people of color from these communities, which they have long made home. Another concern is that housing markets in the suburbs will slacken if Millennials living downtown stay, particularly attempting adults who in previous generations aspired to live in the suburbs (Gallagher 2014; Ehrenhalt 2012).

The current expressions and impacts of Millennials’ downtown migration have several implications for the future of the Phoenix and Houston regions. First, there is looming mismatch between the housing being built downtown and Millennials’ future housing needs. Millennials’ housing needs will change as they progress through their lifecycle, regardless of whether they pursue traditional milestones of adulthood (Myers 2016; Kotkin 2005). Yet, much of the housing being built in downtown Phoenix and Houston is tailored for Millennials’ needs at their current life stages. As Millennials couple-up and start families, their current housing—designed mostly for single people or at least people without children—will not be sufficient. Millennials who still want authentic, flexible, socially conscious, and inside/out housing with more space and close to the urban core will likely look to single-family homes in historic, inner-ring neighborhoods (Gallagher 2014). There are many more Millennials living in multifamily units downtown than there are historic, inner-ring homes. Housing prices in historic inner-ring neighborhoods are likely to grow, furthering concerns of gentrification and displacement.

It is important to plan for a downtown housing market that can accommodate more diverse housing, so that downtowns are able to retain their social diversity and investment over time. Millennials with children in particular will need options for larger homes with adjacent play or open space to stay downtown. Suburban communities also need to consider how to increase walkability, access to public transit, and their sense of community to capture Millennial interests and investment today and in the future. Phoenix and Houston both have prominent examples of mixed-use, higher density development in their suburbs, but low-density single-family tract homes continue to dominate the suburban landscape.

Second, even greater innovation in housing is on the horizon in downtown Phoenix and Houston, as developers continue to compete by pushing the envelope with respect to the qualities that they believe Millennials want. For example, a development in the planning stages in downtown Phoenix plans to take the socially conscious housing preference many steps beyond what is currently being built in the area: the proposed development will recycle greywater, have its own ride share program, and have plants growing on the building walls. As the condo and rental developer in downtown Phoenix stated, “[The project] isn’t cutting edge, it’s bleeding edge.” These types of innovations may become more common as developers seek to carve out their niche in a lucrative Millennial market. These innovations also may further distinguish downtown Phoenix and Houston as unique destinations to live, work, and play, which has implications for their future economic development and attractiveness to Millennials (Florida 2014; Glaeser 2012). However, developers’ ability to innovate is shaped by local regulations, such as minimum parking requirements in Phoenix. It is critical for planners to periodically revisit regulations that affect the innovativeness of their downtown housing in conversation with downtown developers and residents to cultivate a space to allow for continued innovation.
Several questions remain unanswered with respect to Millennials and urbanization trends in Phoenix and Houston. At present, there is no clear picture of how the generation’s locational preferences might shift as they opt into parenthood and/or transition into middle-age. Consequently, reurbanization could represent a durable inversion of population into cities, as predicted by Ehrenhalt (2012), Florida (2014), and Glaeser (2012), or reurbanization could be a momentary deviation in the continued suburbanization of the U.S. (Kotkin 2005; Myers 2016). Either path portends to different challenges for urban theory and practice.

Continued high demand for downtown housing among Millennials would introduce a number of questions about gentrification, access, and affordability. The consequences borne by Millennials during the Great Recession are receding. Whereas household formation and wage potential were suppressed for a number of years, those trends are reversing and an average of two million new households are coming online each year (Joint Center for Housing Studies 2016). However, this expansion is tempered by student debt, which is a growing concern for recent college graduates and may constrain homeownership opportunities, as well as influence housing choices in the short-to mid-term (Bleemer et al. 2017). Future research should assess the intersections and gaps between Millennial preferences, which are already manifesting in the built environment, and market options and socioeconomic trends.

Conversely, waning demand for downtown housing among Millennials would offer an opportunity to examine the implications for both urban and suburban areas. The question is, as posed by Myers (2016), how can urban centers maximize reurbanization trends to sustain recent gains? Further, how might recent and planned investments in infrastructure and the built environment be designed (or adapted) to transcend the fifth migration and address future generational needs? Future research should explore the ways urban locational preferences are and can be translated into non-traditional places, including suburban communities. For instance, the Phoenix region hosts multiple urban centers beyond downtown Phoenix. These nodes are emerging in urban neighborhoods within the City of Phoenix, as well as adjacent communities like Mesa. These nodes are often leveraging regional infrastructure, most notably the light rail, and rely on building blocks that are similar to downtown, adapting development to suit a slightly different scale, price-point, and/or audience. These emergent approaches could be particularly relevant for larger Sun Belt cities and megaregions, offering insights about how to harness the great inversion to catalyze improvement beyond the traditional city center.
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