Top 10 Global Trends
Affecting Downtowns & How to Respond

Supporting Research for the 2026 Global Trends Report (7th Edition)

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Demographics

1. Changing American Demographics

Three forces that have quietly been shaping American cities for decades—an aging population, declining fertility, and immigration-driven growth are now shifting simultaneously and reaching an inflection point. For downtowns, the demographic tailwinds that prevailed since 2007 remain real but require far more deliberate cultivation than before.

The 2023 edition of this report described an aging, diversifying, and immigration-dependent America largely in the future tense. By 2026, much of that forecast has become present tense. The **U.S. median age has climbed to a record 39.4.**[1] The population aged 65 and older grew 13% between 2020 and 2024—nearly ten times faster than working-age adults—while the number of children under 18 declined.[2] Simultaneously, the national fertility rate hit an all-time low in 2024[3] and fell again in 2025, now nearly 20% below where it stood two decades ago.[4] And immigration—which had quietly become the primary engine of U.S. population growth—was sharply curtailed by federal policy, cutting the national growth rate roughly in half in a single year.[5] These forces are converging simultaneously for the first time, and the window to adapt is now.

An Aging Nation

In 2020, only three states had more adults aged 65 and older than children under 18. By 2024, that number had risen to eleven states, and the gap between the two age groups nationally continues to narrow.[6] The crossover—when older adults outnumber children nationwide—is no longer a distant projection. It arrives in the early 2030s.

The oldest Baby Boomers are turning 80 in 2026. By 2030, all Boomers will be past traditional retirement age, completing a generational transition that has been reshaping labor markets, healthcare systems, and consumer patterns for more than a decade. Their consumer influence remains significant—Boomers continue to outspend all other generations on travel and dining—but their needs are shifting decisively toward **healthcare, supportive services, and accessible housing**. The Baby Boomer story is shifting from a "retirement" story to an "aging" story. Urban environments with proximity to healthcare systems, walkable amenities, and reliable transit are well-positioned to serve this large and economically active cohort—and more active than prior generations at the same age. One in five Americans 65 and older remains employed, partly by choice and partly by necessity, extending seniors' daily presence and economic participation in downtowns well into what previous generations would have considered retirement.

Generation X begins reaching traditional retirement age in 2030, but many will arrive there less securely than prior generations. Many are caught in a "sandwich" phase—managing aging parents, children still at home, and their own retirement anxiety simultaneously—Gen X carries a heavier burden than its profile might suggest. The median Gen X household holds **only $40,000 in retirement**

savings,[7] and the cohort has been identified as the "most stressed" generation for thirteen years running.[8] While often an overshadowed generation, Gen X matters in the current landscape for cities and downtowns, as this cohort is firmly in civic and corporate leadership roles. It is also a generation that is playing a major role in household decision-making, and impacts urban and suburban housing markets alike—a cohort that's hypersensitive to affordability challenges, mobility, and aging-parent considerations and decisions.

Fertility, Family Formation, and Later Milestones

The **U.S. fertility rate fell to 1.6 in 2025**[9]**—the lowest ever recorded—roughly 20% below levels of the early 2000s** and well below the 2.1 replacement rate. Young adults today are less likely than in the past to be married, have children, or live independently, and adults in their 20s and 30s now plan to have fewer children than a decade ago.[10] The primary drivers appear to be cost-of-living anxiety and the prioritization of economic security over family formation. These milestones aren't being foregone—they're being compressed into later years. The downstream is significant: household formation, a primary driver of housing demand, consumer spending, and neighborhood vitality, is happening later than ever, compressing the economic dynamism that cities have historically relied on from young adult cohorts.

Millennials are now the largest parenting generation and constitute the majority of the American workforce. The urban core must now compete for this cohort not primarily on proximity to work or nightlife, but on livability—school quality, safety, affordability, parks, and family amenities. Notably, Millennials spend more time with their children than any previous parenting generation[11]—fathers account for much of the increase—making family-inclusive environments an increasingly meaningful differentiator for cities. Millennials continued presence—or departure—from city cores will shape urban residential markets for the foreseeable future.

Generation Z is now fully entering adulthood as the most ethnically diverse generation in U.S. history and on track to be the best educated. Like Millennials before them, Gen Z shows a durable preference for urban living, and currently represents the largest migration share into major American cities. But their economic position is precarious. Entering adulthood in a post-pandemic era defined by high inflation, elevated housing costs, and a competitive job market, Gen Z is delaying independent living at high rates—one-in-three adults aged 18-34 now lives in their parents' home.[12] Their urban preference is genuine; their financial capacity to act on it remains constrained.

Generation Alpha is now fully born, with the oldest members turning 16 this year. Empirical conclusions are still limited, but what is clear is that this generation has been raised entirely with smartphones (and now AI) as native tools, and researchers are increasingly concerned about the long-term effects of ubiquitous screentime and social media on their development. Gen Alpha is also the **most racially and ethnically diverse generation yet, with less than half identifying as white**.[13] They will begin entering college and the workforce by the end of this decade, giving downtowns a near-term window to prepare for a new primary cohort and to watch closely as their preferences take shape.

The Immigration Fallout – and Domestic Migration Stabilized

No demographic development since the 2023 report carries more direct consequence for American cities than the sharp reversal in immigration. Net international migration fell from 2.7 million in 2024 to 1.3 million in 2025[14]**—a 54% decline in a single year—**driven by Trump administration enforcement and policy changes. And this represents only the early stages of what is projected to be a deeper contraction: the Census Bureau projects roughly 300,000 net immigrants for 2026, while some projections suggest a net *negative* total is possible this year—meaning more people leaving the U.S. than arriving—for the first time in modern history.[15]

Cities are most exposed. **Immigration has been the swing factor in urban population growth across major metro areas**, and the 2026 Brookings Metro Monitor confirmed the economic stakes: between 2014 and 2024, metro areas with larger increases in the foreign-born share of their working-age population saw stronger growth in gross metropolitan product, employment, and other economic metrics.[16] Without continued immigration, the reverse is now being tested in real time. Nationally, without immigration, U.S. population growth stagnates or declines.

Domestic migration, meanwhile, has moderated from its pandemic-era extremes. Movement continues toward lower-cost regions, particularly in the South and Sun Belt, but the dramatic reshuffling of 2020-2022 has given way to a more selective and affordability-driven pattern. With domestic movement stabilizing and international migration declining sharply, many metro areas are confronting a population growth pattern with fewer demographic tailwinds than they've been used to throughout much of the 2000s.

Diversity – America's Continuing Transformation

For the first time in 2024, the Hispanic or Latino share of the U.S. population crossed 20%.[17] The Asian population grew fastest of any group at 4.2% that year.[18] **All net U.S. population growth continues to come from non-white demographics**, a trajectory that will deepen as Gen Z—the most ethnically diverse generation in American history—moves into peak household formation years, followed by Gen Alpha.

The immigration slowdown complicates but does not reverse this direction. Reduced immigration disproportionately affects Latino, Asian, and Black immigrant communities that have been central to urban economic vitality—reinforcing the urgency for downtowns to retain and reinvest in existing diverse communities rather than relying on continued newcomers that can no longer be assumed. The stakes are concrete. Latino buying power is projected to exceed $3 trillion in 2026, and Hispanics now account for more than 70% of all U.S. population growth.[19] **Latino-owned employer businesses grew 62% between 2012 and 2022—far outpacing the 8% national average.**[20] Urban areas are already reflecting this reality, with **more than half of urban counties now majority non-white.**[21] Downtowns whose leadership, programming, and commercial mix reflect the communities they serve are increasingly better positioned economically.

2. Workforce in Transition

As the U.S. economy continues to navigate through an era of uncertainty, exacerbated by tariffs, immigration restrictions, inflation, geopolitical conflicts, and wage stagnation, the job market is bracing for massive disruptions. Artificial Intelligence has already started to shake up entire industries (namely, tech) and promises to profoundly change the nature of work across sectors. Meanwhile, the types of skills and credentials most valued by employers are evolving, with industry and skills certifications and associate's degrees gaining traction as alternatives to four-year degrees. While AI is leading to layoffs and restructuring, the workforce challenges faced by many industries will be defined by a labor shortage. Declining birth rates and a Baby Boomer retirement wave are expected to shrink the labor pool in the decade ahead.

Tech and Office Job Layoffs

As of early 2026, the national unemployment rate remains at a relative low 4.4 percent.[22] However, **hiring has slowed** significantly, and **job cuts** are occurring particularly in the traditional "knowledge" economy.[23] **Tech has been the most visible sector for layoffs,** with thousands of programmers and customer support roles already being replaced because of the emergence of AI information processing tools.[24]

Jobs that rely on routine, repetitive tasks seem to be most vulnerable to disruptions from AI and automation. **AI is expected to eliminate (or at best, redefine) administrative, data entry, payroll, legal, and customer service positions** across industries.[25] Some advanced manufacturing sectors, such as automotive and aerospace, may also face challenges related to automation and AI.

Over the long-term, while there are legitimate concerns that AI will replace jobs at an unprecedented rate, the optimistic view is that the technology will enhance worker capabilities and boost productivity, and ultimately, AI-related innovations could create new jobs as much as eliminates others.[26] Many sectors are cutting roles but hiring new positions with AI-related skills. As of late 2025, more than **13 percent of job postings already required AI-related skills**, including more than 10 percent of entry-level jobs.[27],

In-Demand Skills and High-Growth Industries

The most robust job demand is predicted for either side of the skills/wage spectrum: 1) higher-wage, technical jobs like environmental engineers, data scientists, and AI and machine-learning specialists, and 2) lower-wage, service jobs in hospitality, food service, retail.[28] However, it should be noted there are some middle wage jobs that are growing—and that don't necessarily require advanced degrees—such as electricians, wind turbine technicians, construction supervisors, and industrial maintenance technicians.[29] On the lower end of the wage spectrum, the top growing jobs globally (by sheer numbers) are farmworkers, delivery drivers, retail workers, and food processing-related jobs.[30]

There will also be a critical need for healthcare workers for the next 10-20 years, as well as a steady demand for education providers.[31] Nurse practitioners, home health aides, and medical techs are three of the highest growing occupations.[32]

Interestingly, while technical and "practical" skills show increasing importance, **the most valued skills could be described as "soft" skills** such as analytical thinking, creativity, adaptability, empathy, and leadership.[33]

Reduced Immigration Levels Fuel Labor Shortages

Certain sectors are experiencing pronounced worker shortages, including healthcare, education, skilled trades, logistics, hospitality, agriculture, construction, and some STEM fields. As immigration plays an outsized role in industries like construction, agriculture, hospitality, and healthcare, **immigration declines as a direct result of federal policy are intensifying workforce constraints**. According to Census estimates, net migration to the United States in 2025 was effectively zero. The prior year, under the Biden administration, international immigration peaked in 2024 at nearly 2.7 million net migrants.[34]

Demographic Shifts Leading to Longer Term Labor Pool Shortage

In addition to impacts from the immigration slow-down, two major demographic shifts are expected to affect long-term labor shortages: **retirement of Baby Boomers and declining birth rates**. These two shifts will shrink the pool of working-age adults in the United States. We may begin to see shortages across the board, but particularly in many of the industries starting to grapple with workforce challenges including healthcare.

Multiple Pathways for Credentials – and the Changing Value of a Four-Year Degree

We have seen a gradual shift toward workforce and education pathways that emphasize **practical skills and experiential learning**, with traditional four-year college as just one alternative out of many to obtaining credentials and skills. In sectors such as information technology, manufacturing, and project management, employers have turned to **reducing degree requirements** in order to fill positions. Major employers like IBM have adopted skills-based hiring approaches, while several state governments have removed formal degree requirements for thousands of public-sector jobs.[35]

Although four-year degrees continue to provide many long-term earnings advantages,[36] their value is increasingly being debated and reevaluated. **Wage premiums associated with college degrees have plateaued since 2010.**[37] On study suggests that, for the first time in 50 years, having a bachelor's degree is not necessarily leading to better employment prospects.[38] Concurrently, the cost of higher education has continued to rise significantly. Younger generations are more skeptical about the return on investment of higher education.

Looking ahead, more colleges may face consolidation or closure. In addition to changing demand for a liberal arts degree, there is also a "demographic cliff" right on the horizon that translates to fewer potential students. The primary pool of college candidates (i.e., high school seniors) will start to decline sharply in 2026 (this can be traced back to birth rate declines following the 2008 recession). Looking fifteen years ahead, high school enrollment is expected to decline by 10% or more by 2041, with some states like California, New York, and Hawaii predicted to decline up to 30%.[39] Moreover, the enrollment decline of international students, greatly influenced by recent federal policy measures, could become a permanent trend. These shifts will likely create enrollment challenges for many higher education institutions, especially smaller private, liberal arts colleges. At the same time, community colleges and technical education programs that provide lower-cost, career-oriented training could see a boost.

Job Prospects for Recent Graduates

The underemployment rate for recent graduates is 42.5%—the highest since 2020. By comparison, underemployment for all college graduates is 34.4%.[40] This suggests that early career upward mobility is less attainable compared to previous decades. Gen Z and Gen Alpha face worse wage/income prospects, higher student debt, and enduring cost of living challenges. These realities will impact future trends of homeownership, family/household formation, birth rates, and more, as discussed elsewhere throughout this Trends report.

Lifestyles

3. The New Office Geography

U.S. office recovery is remarkably inconsistent across markets and geographies, although some key indicators are beginning to stabilize. Leasing activity has improved in select markets, vacancy may be nearing a peak, and obsolete inventory is continuing to be steadily removed via conversion or demolition.[41] The office devaluation crisis may also be slowing, and downtown vacancy is expected to stabilize after peaking in 2026. Although office visits are still on average 30% below 2019 levels, foot traffic across downtowns is recovering more broadly as more activity from tourism, residents, and visitors is offsetting reduced worker traffic. Needless to say, however, positive market signals can be quickly counterbalanced by a guarded economic outlook and slowed office job growth on the horizon.[42]

For the most part, downtown office recovery has been slow. Vacancy rates linger at 25% or higher in many major cities like Houston, Minneapolis, Chicago, Los Angeles, and Denver, and new lease volumes are far below pre-pandemic metrics.[43] Higher vacancy can be attributed to a combination of factors like slower return-to-office rates, more remote-capable jobs, and higher concentrations of office towers unsuited for office-to-residential conversion.[44]

The central story is not that office is "back," but downtowns are adapting to a smaller, more selective, and more experience-driven office market. Downtown recovery is no longer synonymous with office recovery.

Selective Growth Sectors Are Helping – But Not Everywhere

Top performing metros for new leasing activity include New York (Manhattan), Boston, Seattle, and San Francisco, due in large part to a growth surge in the tech sector, finance, and firms tied to AI.[45] This new activity has resulted in overall positive net absorption in the office sector for the first time since 2019.[46] AI-related firms were responsible for one-fourth of downtown San Francisco's leasing in 2025.[47] The extent to which this activity reflects a lasting shift versus a near-term surge in a few cities remains to be seen.

Distress and Fiscal Exposure Remain

Office remains the most distressed real estate sector. **As of 2026, U.S. office property values were down 36% from their 2021 peak, while downtown assets saw an even sharper decline of approximately 60%.**[48] Many properties are worth far less than their original sales price—in some cases a 80-90% valuation drop.[49] Nearly half of all office real estate transactions in 2025 were discounted.[50] $150-$200 billion in office mortgages are due in the year ahead, so more defaults and severely discounted sales could be on the rise, leaving demolition as the most cost effective option in many cases.[51]

As commercial valuations plummet, the assessment base shrinks, leaving BIDs and assessment-based districts more vulnerable on the mid-term time horizon. The net effect is still playing out since assessments can take years to reflect valuations, but revenue shortfalls for governments and taxing districts could mean significant budget tightening and service cuts.

Massive Disparity by Property Class

Most of the deals fueling the office recovery nationally are premier, Class A spaces. **Over the past five years, within all CBDs, Class A buildings have absorbed 36.2 million square feet compared to a *negative* 125.8 million for Class B and C.**[52] Newer, amenity-rich office buildings are part of the return-to-work strategy for companies luring workers and executives back to the office. The demand for high-quality, well-located office space is outpacing availability, with very little new construction adding to the constraints on supply of high-quality office space.[53]

This bifurcation is not only building-specific; it is geographic. Recovery varies dramatically within downtowns. One sub-district may be healthy because of residential density, restaurants, transit access, or upgraded buildings, while another struggles with obsolete inventory and weaker amenities. The office market is increasingly rewarding "best environments," not simply central locations.

Hybrid Work is the New Baseline

Post-pandemic work patterns are settling into more permanent structural shifts. **In the U.S., more than 1 in 4 of all jobs are hybrid, and another 10-15% are remote—and for office jobs, the estimate for hybrid workers is more than 1 in 2 jobs.**[54] Although remote-only positions are declining, cities and downtowns can expect a sizable portion of employees to continue working hybrid schedules. These jobs are especially prevalent in cities with an outsized market share of remote-capable jobs like tech, finance, and marketing. Anecdotally, employers are gradually increasing the number of required in-person days for workers, so more companies might have 4 days required rather than 2-3, for example. This could move the needle slightly on occupancy.

As firms formalize their return-to-office policies, they are also right-sizing and finding spaces that match their needs. **Average lease sizes are 15% smaller in square footage than pre-pandemic times.**[55] Fewer in-person days translate to an estimated 23% reduction in square feet per employee compared to 2019.[56] Moreover, tenants are negotiating short-term commitments, especially in office suites that are fully built out, move-in-ready, without needed major capital investments—which could remain as a trend.

Competition is Increasingly Sub-District and Urban-Adjacent

The recovery dynamics across different sub-areas within a single downtown can vary dramatically, with one or more sub-areas pulling ahead with amenities, upgraded buildings, and proximity to transit, while other sub-areas continue to struggle. Downtown Denver is one city that illustrates this bifurcated reality, with high demand for premier office space in lower downtown and sluggish demand in the city's traditional financial district. In Miami, the downtown's Brickell district is outperforming other downtown sub-areas, and the Wynwood neighborhood—just outside of downtown—is increasingly competitive. In San Francisco, firms are clustering in just a handful of downtown districts.[57] The Bay Area also offers a compelling example of uneven growth intra-regionally. Downtown San Francisco is leasing at 112% of 2019 activity, but just across the bridge in Downtown Oakland is a far different story. The East Bay has some of the lowest leasing nationally, at just 53% of 2019 levels.

Downtowns are facing growing competition from non-CBD urban and walkable suburban office submarkets. Office valuations in "adjacent urban submarkets" increased by 7% between 2023 and 2024.[58] Prospective tenants are attracted by newer inventory, higher quality amenities, and fewer of the negative externalities commonly associated with downtowns, while enjoying the relative density, walkability, and sense of safety in non-downtown office districts.

Right-Sizing Through Demolitions and Conversions

Office conversions and demolitions are outpacing new office construction, for the first time since 1988.[59] Obsolete buildings—particularly Class C office towers—are being removed from inventory at a record pace. Half of all office real estate demolitions have been 1970s-1980s era buildings.[60] Roughly 25 million square feet of office space is being removed annually. Most projections would indicate a tapering over the course of the next decade, as the most viable building candidates are demolished or converted.

Conversions of Class B and C office properties continue gaining momentum as solutions to the office vacancy and valuation crisis, and office is now by far the largest source for adaptive reuse. In some markets, adaptive reuse represents the bulk of new housing inventory. As of March 2026, there are 90,000+ units in the conversion pipeline nationally.[61] Activity varies greatly by market values, building inventory characteristics, construction costs and developer know-how, as well as local policy and zoning. [62] Office-to-hotel is another small part of the broader solution.

Aside from policy, naturally occurring market forces can also predict which cities see the most success with conversions. Alignment with current housing demand and proximity to amenities or transit is advantageous. Proximity to existing entertainment, nightlife, retail, and amenities can help solidify demand for new downtown housing units.

Downtowns dominated by 1960s–1980s-era office buildings face a trickier path, as these assets tend to be Class C and underperform in today's leasing environment but are often ineligible for conversion. Those buildings are nearly impossible to convert due to deep floor plates, lack of natural light, and other challenges. That leaves Class B/C properties in cities like Denver, Houston, Dallas, and Indianapolis caught in the bind of struggling to attract tenants while also challenged by structural and design limitations for reuse potential.

The New Downtown Recovery Model

Downtowns with a solid residential sector, mix of land uses, diversity of industries, and strong entertainment and hospitality sectors are rebounding more quickly overall[63] [64]—a trend holding steady from the *2023 Global Trends Report*. Office workers represent only one part of renewed downtown activity. Even cities with some of the most challenged office market dynamics are seeing a resurgence of activity and investment, and pedestrian activity nearing pre-pandemic levels.[65] Real-time mobility data shows that places with higher concentrations of entertainment and hospitality saw stronger recoveries.

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4. The Cautious Consumer

U.S. consumer sentiment is uncertain and cautious for the foreseeable future. Inflation, tariffs, and wage stagnation have helped to diminish purchasing power for American households. In turn, shoppers are more budget conscious, prioritizing essentials and value. By some measures, the economy has demonstrated resilience: retail sales overall are still growing modestly, and vacancy is low in many markets. Emerging trends include the growth of budget brands, rise of experiential retail, continued e-commerce competition and integration, and demand for flexible and smaller store footprints.

The Undeniable Impact of Inflation, Tariffs, and High Interest Rates

Durable goods like automobiles, appliances, construction materials, and food imports continue to bear the brunt of the tariff burden. The Trump tariffs directly impact businesses, but they also act as a "hidden consumer tax" that cost the average household $900 in 2026.[66] Inflated interest rates also continue to dampen demand for large purchases like cars and homes, further reducing spending on household goods. Meanwhile, credit card balances and delinquency rates have risen among lower- and middle-income households.[67] **Some notable declines in consumer spending include electronics and appliances, home furnishings, travel (especially international), and some restaurant sectors**. The price of dining out, even at fast food establishments, has increased noticeably, and restaurant prices are growing faster than grocery.[68] Restaurants are impacted by high operating costs, volatile and elevated food and energy prices, and labor shortages fueled by restricted immigration.

The K-Shaped Economy – Widening Gaps and a Tale of Two Markets

The U.S. retail economy is a "barbell": **growth is occurring in the luxury market *and* budget retail.** Affluent Americans have not necessarily scaled back spending: households earning more than $250,000 spend on retail at 3 times the rate of the average consumer.[69] Luxury retail is supported by sustained spending from higher-income households. Fine dining was the top-performing segment of the restaurant industry in 2025.[70] On the other end, low- and middle-income households are exhibiting more cautious spending and budget purchases. Overall, Americans are still spending but are looking for better values.

Value Over Brand Loyalty

Three out of every four households are 'trading down' to more affordable brands (e.g., switching from Whole Foods to Aldi.[71] Even if consumers maintain spending patterns for some products or services (say, food delivery), they are becoming more budget-conscious in other areas ("selective splurging"). **All of this translates to growth for many budget retailers**. In 2024, the secondhand apparel sector grew five times faster than traditional apparel.[72] Chains like Ross, Burlington, and Walmart are adding stores across the country, and the expansion of small-format and discount grocery including Aldi, Sprouts, and Dollar Tree. Budget-friendly food and convenience brands, such as QT Quick Trip, Zaxby's, Wawa, Einstein Bros, and Smoothie King are also among the top fastest growing brick and mortar retailers.[73] Note, that not all budget chains are sharing in this growth. Popular fast-food brands like Wendy's, notably, are struggling as their prices no longer reflect the value that they once did.[74]

Independent and Mid-Tier Retailers at Risk

Independent retailers—while nimble—face outsized cost pressures that could lead to more waves of closures. The total number of independent restaurants declined by 2.3% in 2025, while chains grew by 1.4%.[75] Generally, mid-tier retail (not luxury, not budget) could be vulnerable to closures, particularly mid-tier apparel and home furnishing stores.[76]

Services and Experiential Retail Dominate

Retail and services that serve everyday needs and require in-person interaction are emerging as the most resilient and reliable commercial tenants. Fitness centers and hair salons are two prime examples of this. More retail storefronts are expected to turn over to uses like medical & wellness, beauty, and services.

"Experiential retail" is also exceeding expectations, with growth up 10% YoY.[77] This includes entertainment, food & beverage, and indoor recreation like pickleball clubs. Entertainment also tends to attract consumers who stay for longer visits.[78] Many businesses are evolving to offer more interactive experiences and amenities to encourage people to make purchases in-person. For example, Dick's Sporting Goods' rock-climbing walls and golf simulators are draws for shoppers.

E-Commerce and Technology: Friend and Foe

Brick-and-mortar is here to stay, but challenges remain. For every one percent increase in the proportion of sales made online, approximately 8,000 physical stores will close.[79] **Online sales comprised roughly 16% of all retail sales in 2025**. Online shopping as a market share will grow more before plateauing, thus largely diverting a full-on brick-and-mortar crisis. Predications on the peak online sales vary, ranging from 22% up to 29% by 2030.[80] Online competition is a bigger threat for businesses not yet embracing an "omnichannel" sales strategy that integrates e-commerce.

More retailers use online sales to complement sales made in-person. As a result, retailers are retrofitting stores to orchestrate back-of-house fulfillment for online orders. Also, due to changing shopping experiences and reduced demand, **retail floorplates are trending smaller**.

Technology is shaping the consumer habits in other ways. **AI-supported shopping is already routinely used by more than one-third of consumers** to gather product information compare prices and make decisions and purchases.[81] "Live shopping" is a new approach to selling products via livestreams in real time, which is expected to generate $55 billion in 2026.[82]

Real Estate and Downtown Implications

Rural and suburban markets account for most new retail growth: more than 80% of new retail construction is occurring outside of urban areas. Moreover, downtown retail often underperforms because, unlike in a mall, leasing is fragmented. As a result, downtown retail may require the most support. Another trend worth noting is how traditional retail environments like shopping malls are adapting, with full redevelopment or partial adaptive reuse, along with growth in "nontraditional" users as anchor tenants (such as wellness centers, entertainment, and housing).

5. Housing as Infrastructure

The U.S. housing market in 2026 is defined less by volatility and more by structural imbalance. While rent growth has cooled in many markets and mortgage rates have moderated intermittently, the underlying shortage remains stubbornly intact. The country is still short more than **3 million housing units**[83]—roughly the same deficit identified five years ago—underscoring that this is not a cyclical issue, but a systemic one.

Affordability: Broadening Pressure

The number of cost-burdened households remains at record highs, with more than **43 million households** dedicating more than 30% of their income to housing—roughly a third of all U.S. households.[84] Affordability issues remain most acute for renters where **more than 22 million households are cost-burdened—roughly half of all renters in the country.**[85] This number continues to tick upwards.

The housing crisis is no longer confined to lower-income households. Affordability pressures are moving up the income ladder. Essential workers, middle-income families, first-time buyers, and downsizing seniors all face constraints in the market.[86]

Why It Persists

The persistence of the crisis reflects **chronic compounding factors**. Home construction has not returned to pre-Great Recession levels. Restrictive zoning, regulatory barriers, slow permitting processes, financing costs, and high construction costs have together driven what is now decades of underbuilding and a deep structural deficit. More so, new supply is often delivered where land is easiest to assemble rather than where job growth and opportunity are strongest. The system produces housing—just not enough, not fast enough, and not consistently where it matters most.

The Lock-In Effect: A More Recent Phenomenon

A more recent dynamic has further constrained mobility. **Household mobility in 2024 fell to its lowest level in 50 years,**[87] and in 2025 the median age of first-time a home buyer was 40—the highest on record (in 2014, it was 31).[88] If the challenges noted above are systemic, this phenomenon is more acute with homeowners effectively "locked in" to low mortgage rates with little incentive to move in a market defined by high prices, elevated borrowing costs, and limited inventory.

Homelessness: The Visible Edge of Housing Failure

The visible edge of these pressures is homelessness. In January 2024, more than **770,000 people** were experiencing homelessness on a single night—an **18% increase** from the prior year.[89] While homelessness is influenced by multiple factors, its scale correlates strongly with housing costs and supply shortages. For downtowns, this is not abstract. It affects public space conditions, perception, visitation, and operating costs.

Niche Living Sectors Going Mainstream

Several housing subsectors are currently shifting from niche toward general relevance. With the first Baby Boomers turning 80 in 2026, **senior housing** is entering a sustained demand cycle following years of under-production.[90] Downtowns with proximity to health systems, transit, and walkable amenities are well positioned to capture a share of this growth. **Student housing** continues to rank highly in development outlooks, providing stable resident demand in university-anchored downtowns. **Manufactured housing**, meanwhile, accounted for more than 100,000 units in 2024—over 10% of new single-family supply—and remains one of the most cost-efficient delivery models nationally.[91] These segments are growing in influence in urban markets and are forward-looking trends downtowns should monitor.

Downtown Housing: A Structural Imperative

The need for downtown housing has emerged as one of the most consequential post-pandemic storylines for city centers. Downtowns need more residents to function as viable, resilient districts. Cities need more supply overall to address structural shortages. And the office sector requires reduced inventory to rebalance.

After a difficult pandemic period, **downtown housing has rebounded with a positive outlook going forward**. Rental apartments—still the dominant product type in CBDs—have shown strong demand, relatively low vacancy, and consistent rental premiums compared to broader metro markets. [92]

Yet most downtowns remain under-housed. One prominent analysis found that residential space accounts for roughly **16% of total downtown real estate square footage**, while the optimal share to create a vibrant, mixed-use district is closer to **32%**—suggesting many downtowns have only reached about half of their ideal residential presence. [93] The implication is clear: there is substantial runway, and rationale, to add housing.

Office-to-residential conversion has been a prominent post-pandemic narrative. While still early in this story, the trend continues to gain momentum with 2024 marking record completion levels and a strong near-term pipeline. [94] Yet conversions are only one piece of the solution. Research suggests that roughly **a quarter to a third of office buildings**[95] may be viable candidates for adaptive reuse, namely Class B/C properties built before 1990 with floor plates below 15,000 square feet. Even then, feasibility narrows once building systems, location, surrounding amenities, financing, and policy conditions are considered. In some cases, demolition and ground-up development is more viable than conversion—one study found that approximately **a quarter of planned office reuse projects involve demolition** rather than adaptive reuse. [96]

Importantly, expectations for office market impact should be tempered. An analysis of 19 downtown markets found that 25 million square feet is slated for conversion, but that this **would only reduce office inventory by 2%.**[97] Conversions can be transformative at the block level, but they will not resolve either office oversupply or housing shortages at scale.

In the end, downtown housing is no longer optional. The structural shortage is unlikely to ease materially this decade, and housing pressures will continue to influence where people live, work, and invest. City centers that can add residents—through new construction or adaptive reuse—while maintaining strong public realm and amenity fundamentals will hold a durable advantage. **Housing has become core infrastructure for cities—and for downtown resilience.**

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6. Culture as an Economic Engine

As demand for arts and culture experiences rebound and surpass pre-pandemic levels, two opposing forces emerge—the global and hyper local. At the same time, the Trump administration attempts to permanently reshape the United States arts and culture landscape.

Arts and culture continue to play an outsized and growing role in the U.S. economy. The economic value added by arts and culture (inflation-adjusted) has **doubled over a 25-year period and continues to contribute more to U.S. GDP than the sectors of agriculture, mining, and outdoor recreation, and yields a trade surplus for the U.S.**[98] Spending on arts and culture has rebounded dramatically from the devastating hit taken during the Covid-19 pandemic in 2020 and has generally reached or exceeded pre-pandemic levels.

Live Entertainment Leads Consumer Spending

Fueled by Gen Z and millennials' value for experiences over physical goods, **live entertainment spending has been increasing in all 50 states and D.C. since 2014.**[99] And while North America and Europe continue to dominate the music market, this trend is truly global: the Asia Pacific region is projected to lead entertainment spending growth over the next 10 years, fueled by its expanding middle class.[100] Music culture itself is also becoming increasingly global as more artists tour internationally and a diverse and culturally-curious Gen Z spreads demand for new genres.[101]

Mega Events: The Swiftie and Beyonce Effects

As consumers open their wallets for live entertainment, music mega events are emerging as major economic drivers for cities, on par with sporting mega events. **Artist mega tours have been increasing for the past two decades, with the two highest grossing tours of all time concluding in the past two years**: Coldplay's *Spheres* tour (2022 to 2025), and Taylor Swift's *Eras* tour (2023 to 2024).[102] Both set occupancy and revenue records for host cities.

As they gain in size, complexity, and expense, mega-artist tours are becoming mass cultural phenomena with unprecedented economic effects. This trend is exemplified by Swift's *Eras* tour and Beyonce's 2023 *Renaissance* tour. The average U.S. ***Eras* attendee spent $1,300 and average *Renaissance* attendee spent $1,870 on tickets, lodging, transportation, and food.**[103] This is spending on par with the Super Bowl, yet duplicated dozens of nights in dozens of different locations over the course of a tour.[104]

Consolidation and High Prices Threaten Local Arts and Culture Ecosystems

Yet while consumers have been willing to spend, high ticket prices are a source of tension. **The cost of live events is ballooning: in the third quarter of 2025, the average concert ticket cost $128.46, up 34% from the same period just six years earlier.**[105]

Consumer backlash over prices has focused on industry consolidation and fees behind high ticket prices. Over the past two decades, consolidation of the live music industry into a single "flywheel" model has allowed **Live Nation-Ticketmaster to dominate approximately 80% of major U.S. concert ticketing**. This vertical integration led the U.S. Department of Justice and nearly 40 states to file a landmark antitrust lawsuit in 2024, alleging the company uses its market power to stifle competition and inflate fan fees.[106]

While arguments over the exact impact of consolidation plays out in court, it is undeniable that **smaller, independent venues and artists are in crisis.** Struggling to attract audiences and facing rising artists fees, inflation, and increases in labor costs, insurance, and rent/mortgage, **up to 64% of small, independent venues were not profitable In 2024**.[107] The state of independent venues is eroding local cultural communities, reducing opportunities for emerging artists, and may have significant local economic repercussions as **independent venues contribute $153 billion in economic output, including $10.6 billion in off-site tourism spending.**

The Hyper-Local Response: Investing in Culture and Authenticity

In contrast to the globalization and corporatization of arts and culture, a locality's arts and culture environment—and its investment in placemaking—is increasingly important as **Millennials and Gen Z seek specific, rich, and authentic experiences and environments when choosing where to shop, live, work, and visit.**[108] In response, more communities are creating arts and culture plans, establishing districts, passing policies, protecting unique cultural assets, and investing in cultural events and spaces.[109]

The past several years have also seen **increased interest in independent, self-sustaining economic development and real estate tools, such as special districts, land banking, and community investment vehicles, that are focused on and directed by specific cultural or artistic communities**: from Chinatowns, to creative districts, Black Commercial Corridors, artist workspaces, and housing.[110] In addition to supporting community goals not traditionally delivered by market forces (and in the face of shrinking municipal, state, and federal support) **these projects are banking on culture, history, identity, and authenticity to drive visitation and catalyze positive investment.**

Post-Pandemic Opportunity

The pandemic devastation of the downtown office markets offers a unique opportunity for the creative community. In some of the hardest hit downtown markets like San Francisco[111] and Denver,[112] **artists and cultural organizations are occupying and helping activate empty office buildings**—an echo of the 1960s when artists took over empty industrial buildings after manufacturing and warehousing left city centers.

These and other cities, especially those who have identities rooted in the arts, have also begun to seriously invest in artist housing.[113] It is clear that arts and culture have a significant role to play in the revitalization of Downtown and the long-term success of cities, and communities are piloting creative ways to do so.

In the U.S., Federal Defunding and Censorship

The arts and culture sector is a high-profile target of the Trump administration. **The U.S. arts world has been thrown into crisis with the reduction of critical federal funding**, affecting thousands of artists, libraries, museums, theaters, and arts education programs across the country.[114] The elimination or closure of public institutions, from the Corporation for Public Broadcasting to the Kennedy Center, and interference with exhibitions and programming, have **placed arts and culture at the center of struggle over censorship, history, and public narrative.**

While the arts and culture sector faces many positive trends, industry consolidation and aggressive federal actions mean the future of the arts in America is unclear. As is the future of the many communities that rely on the employment, education, tourism, and sense of place that arts and culture generate.

Disruption

7. Navigating Political Instability

Political instability has moved from the national backdrop into the daily operating environment of cities. The 2023 edition of this report documented rising polarization and its social consequences. By 2026, the story has escalated **from polarization—a condition of disagreement—to instability: a condition in which funding, authority, trust, and institutional roles are all in flux**.

For cities and downtowns, the consequences are no longer abstract. Federal funding commitments have become less predictable. Federal and state governments are increasingly overriding local authority and intervening in local affairs. And the nonprofit and philanthropic infrastructure that cities depend on is under mounting stress. At the same time, public trust in national institutions remains near historic lows, with just 17% of Americans saying they trust Washington to do what is right.[115]

Upended Federal Funding Landscape

Since January 2025, the Trump administration has reportedly **canceled, frozen, or delayed more than $400 billion** in federal funds across healthcare, arts, education, housing, and other sectors.[116] The

FY27 budget proposal would increase defense spending by $445 billion while cutting non-defense discretionary spending—the source of most local government grants—by $73 billion.[117]

This marks a sharp reversal from the early pandemic era, where federal dollars flowed to cities through the CARES Act, American Rescue Plan, Bipartisan Infrastructure Law, and Inflation Reduction Act. Cities built programs and capacity around that support, but the funding landscape in now far less certain. Federal grants constitute 22% of all state and local government spending,[118] while downtown-relevant programs—including CDBG, HOME, EDA grants, and FEMA resilience funding—have all faced proposed elimination or sharp reduction.

The Squeeze from State Governments

Compounding the federal picture, state preemption of local authority—where state governments override or prohibit local laws and policies—has accelerated sharply. From 2019 to 2024, a majority of states increased the number of topics on which they preempt local governments. By early 2025, advocacy groups were tracking nearly **600 "abusive preemption bills" in state legislatures** in a single session, focused on anti-immigrant, anti-LGBTQ+, and anti-DEI legislation.[119] In Texas, state Republicans advanced legislation to penalize cities financially for pursuing local rules that conflict with state law—effectively using budget threats to chill local policymaking on issues ranging from climate to housing to DEI.[120]

Federal Intervention in Local Affairs

Beyond funding and preemption, cities are also navigating more direct federal intervention in local affairs. In 2025, the Trump administration deployed National Guard troops and federal forces into multiple U.S. cities as part of immigration, crime, protest, and public-order operations. The Congressional Budget Office estimated federal troop deployments to U.S. cities cost **$496 million** in 2025.[121] ICE also became a highly visible federal presence in cities, with expanded raids and enforcement operations turning immigration policy into a recurring local public safety, protest, business-confidence, and community-trust issue.

Nonprofit and Philanthropic Infrastructure Is Under Stress

The nonprofit sector—which delivers many of the services that make downtowns livable, inclusive, and resilient—is under strain. **A third of U.S. nonprofits reported government funding disruptions** in early 2025, with ripple effects extending even to organizations without direct federal support as competition for private philanthropy intensified.[122] **Sixty-one percent said the current environment poses moderate to significant risk to their operations**, and nonprofit job cuts in 2025 more than quadrupled compared to 2024.[123]

Philanthropy cannot fill the gap. Total charitable giving rose in 2024[124] and 2025,[125] but fewer donors are participating. Meanwhile, 87% of foundations reported increased demand for funding,[126] and most acknowledge they cannot replace lost federal dollars at scale. **Corporate DEI commitments**—once a source of civic and community support—have also retreated sharply. From 2025 to 2026, the number of Fortune 500 companies publicly disclosing equity practices fell 65%, from 377 to 131.[127]

Trust – The Remaining Local Advantage

Underlying all of these dynamics is a deeper erosion of trust. **Six in ten Americans hold grievances against business, government, and the wealthy**, believing these institutions serve only the few,[128] and **fewer than one in five trust the federal government to do what is right.**[129] The information environment compounds the challenge: as of 2025, **social media and video apps** have now overtaken traditional television as America's primary news source[130]—while local news, which has historically provided the context-rich, community-specific reporting that builds civic understanding, has continued its long decline. Since 2005, **nearly 40% of all local U.S. newspapers have vanished.**[131]

Yet within this landscape, local trust holds comparatively well, and that distinction matters. **Americans express far greater confidence in local government (67%) than in Congress (32%)**, and local trust levels remain close to the 50-year average even as federal institutional trust has collapsed.[132] Downtowns operate at the most proximate level of civic life. In a fragmented information environment, that proximity is an advantage—but only if downtown organizations can navigate the shifting tides of the media landscape.

Public Safety – Reality, Perception, and Politics

Nowhere is political distortion more tangible for downtowns than in public safety. The reality: **the overall rates of violent and property crime in the U.S. fell in 2024 to their lowest recorded levels since the 1960s.**[133]

Yet public perception has consistently lagged reality, and political polarization has made the gap wider and harder to close. **Half of Americans say crime is an extremely or very serious problem** in the U.S.[134] The good news is that this share has been dropping recently and is now at a lower level than it has been for much of the past two decades. What has not changed is the **partisan nature of perception**—69% of republicans think crime is extremely/very serious, vs. only 37% for democrats. For cities and downtowns, the challenge isn't just improving safety, but rebuilding confidence in an environment where perception is increasingly shaped by national politics and social media rather than local conditions and news sources.

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8. The Rising Costs of Climate

In 2026, relentless greenhouse gas emissions are placing unprecedented strain on the natural world and exacerbating preexisting problems like neglected infrastructure and mismanaged water supplies. More nations, cities, and individuals are experiencing the costs associated with increased severe weather. Climate action in the U.S. may be mired in political division, but other nations are pulling ahead by investing in the growing and now firmly established renewable energy sector. Cities are responding by becoming leaders in emissions reductions and implementing climate resilience initiatives.

Accelerating Change

The Earth has warmed over 2°F since pre-industrial times[135] and is set to surpass the Paris Agreement's goal to limit warming below 1.5°C by 2028. The 2°C goal is still within reach, and the ability of the international community to control warming will determine the severity of future impacts,[136] but the pace is increasing of both climate change and its effects. **The rate of global surface temperature warming has increased by nearly 50%** since the 1990s and 2000s,[137] and the sea level is rising three times faster than in the early 20th century.[138] Several climate change "tipping points," where some of the earth's largest natural systems could irreversibly collapse and lead to more warming, are approaching faster than predicted, such as the melting of Greenland and Antarctic ice sheets and the mass die-off of coral reefs.[139]

Accelerating Effects and Costs

No longer a hypothetical future, accelerating change is leading to more severe weather. Sea level rise and a warming atmosphere are **making hurricanes wetter and stronger and bringing higher storm tides.**[140] Heat waves are becoming more frequent, and are made deadlier by a hotter atmosphere that is able to hold more moisture, which makes sweating less effective.[141] At the same time, warming is causing higher rates of evaporation and **worsening drought conditions across much of the world,**[142] and drier winters and hotter summers are leading to longer and more severe fire seasons.[143]

The number of U.S. billion-dollar disasters adjusted for inflation has increased from three annually in the 1980s, to 20 annually in the last 10 years.[144] More severe weather events are straining transportation infrastructure that already has deferred maintenance and was only built to withstand historical weather patterns. Heavier precipitation is causing landslides and flooding,[145] while **extreme heat is buckling roads, disrupting trains, and straining power grids,**[146] and sea level rise threatens critical costal infrastructure like energy facilities and ports.[147]

Across the world, climate change-fueled drought is putting already mismanaged water supplies at risk. 38 of the world's largest cities are in areas where water demand is close to outstripping water supply. Some cities, such as Cape Town, are getting close to "day zero," where no water will be available for their residents.[148]

Individuals Bearing the Price of Climate Events

The insurance industry is passing the rising costs of severe weather damage onto their customers. In some high-risk areas, it has becoming impossible to find homeowners insurance as local companies go out of business and national agencies refuse to offer coverage[149]. Even in relatively low-risk areas, **insurance companies have increased premiums to cover rising costs.** One study found the annual cost from climate change per U.S. household to be between $400 and $900.[150] This number is likely to rise as the price of essential goods like groceries and electricity go up in the coming years as drought impacts farming and heat waves strain electrical grids.

More Americans say they are starting to feel the effects of climate change. One survey found that 48% say global warming will pose a serious threat to their way of life and 63% that the effects had already begun.[151] In the age of hyper-polarization, Americans' views on climate change have become more bifurcated by political identity, republican voter support for wind energy, for example, fell from 75% in 2020 to 48% in 2024, yet a generational gap persists.[152] Young people across the political spectrum are more worried about climate change than older generations.[153]

U.S. Reversal

Amid climate change's increasing disruption, the U.S. federal leadership has waged an all-out attack on climate action. They have cancelled or attempted to **cancel climate research** and have **rolled back landmark environmental regulations**, like the EPA's effort to curtail forever chemicals in drinking water[154] and the endangerment finding—the agency's ability to limit greenhouse gas emissions.[155] They have **blocked offshore wind projects, stifled the growth of electric vehicles**, and rescinded federal grants for sustainable transportation projects while encouraging the increased production of fossil fuels.

In the face of this rapid shift in federal priorities, many corporations have continued but downplayed their climate commitments to avoid retribution. One study found only 8% of companies actually rolled back their climate commitments, while 32% expanded their efforts. However, over half of companies studied stopped or reduced publicizing their climate action, which can hurt the overall climate movement by normalizing inaction. And **corporate climate coalitions are dissolving**, meaning that action now happens in isolation.[156]

Global Growth in Renewable Energy

While the U.S.'s renewable energy sector has been hurt by federal action, it is now an established and growing industry. While solar grew 14% less in the U.S. than in 2024, likely due to hundreds of millions of dollars being cut from energy and efficiency programs and the stalling of environment reviews, it still accounted for over half of new power projects in 2025.[157] And the rest of the world is continuing to invest in renewable energy. **Emissions in China have been flat or falling since March of 2024**, made possible by pairing economic growth with new renewable energy power generation and storage capacity.[158] Worldwide, clean energy received $2.2 trillion in investment in 2025 compared to $1.1 trillion for fossil fuels.[159]

Local Responses to Climate Change

As the U.S. federal government and corporations backtrack on climate goals, U.S. cities are becoming leaders in the fight against climate change by creating plans and policies to reduce emissions, become more resilient, and implement environmental justice solutions.

Cities are reducing their greenhouse gas emissions to provide leadership and show proof of concept to the private sector and other municipalities by electrifying city vehicles and public buses, enacting policies like green building codes, and supporting energy efficiency and sustainability efforts for businesses and homes. They are reducing transportation emissions by orienting land use around transit, building infrastructure that creates safe and connected bicycle and pedestrian networks, and building electric vehicle charging stations.[160] Cities area also **incentivizing local clean energy production** by enabling easier permitting for solar installation, funding battery installations and other grid upgrades, and supporting the work of green banks—special financing institutions that provide loans for clean energy projects.[161]

Cities are upgrading their infrastructure and reworking their policies to become more climate resilient. These include extreme heat mitigation through expanded urban tree canopies and more emergency cooling centers and fire prevention through updated building and zoning codes requiring fire resistant materials and landscaping and restricting construction in fire-prone areas. Other strategies involve flood prevention through more green infrastructure like bioswales and additional parks than can absorb more stormwater and contending with sea level rise by upgrading flood walls and restricting development in flood zones.[162]

Finally, cities are targeting their interventions to the most at-risk neighborhoods, often those that have been historically disenfranchised, through environmental justice initiatives. These include creating initiatives to boost renewable energy workforce development, developing more parks and building out tree canopies, and providing financing for home energy efficiency and stormwater protection upgrades.[163]

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9. AI in the Spotlight

Artificial intelligence has shifted from an emerging technology to an everyday force reshaping how we live, work, learn, create, play, and make decisions. By 2026, generative AI reached roughly 53% population-level adoption within three years globally, **spreading faster than the personal computer or the internet**, while global corporate AI investment reached $581 billion in 2025, up 130% from the prior year. The U.S. remains the dominant investment market, accounting for $285 billion in AI investment.[164] Meanwhile, America's major tech companies allocated nearly $400 billion to AI-related capital expenditures in 2025.[165]

For cities and downtowns, AI is no longer a technology-sector issue alone. It is beginning to shape office demand, labor markets, local government capacity, real estate investment, public trust, energy systems, mobility, and the information environment. The opportunity is significant: AI can help organizations analyze data, improve services, automate routine work, and increase productivity. But the risks are equally real: displacement, bias, misinformation, cybersecurity threats, infrastructure and resource strain, and widening gaps between places that are ready for AI and those that are not.

Workforce & Economic Geography

AI's economic benefits will not spread evenly. Brookings' analysis of 195 metro areas found that AI readiness is highly place-dependent, with regions better positioned when they have deep talent pools, research institutions, corporate anchors, venture capital, and existing digital infrastructure.[166]

The labor-market implications remain uncertain, but AI is already changing the tasks workers perform, the skills employers seek, and the roles most vulnerable to disruption. Unlike prior automation waves that primarily affected manufacturing or routine physical work, generative AI reaches into professional, administrative, analytical, creative, legal, finance, marketing, customer-service, and back-office work—sectors that cluster heavily in downtowns.

Public sentiment reflects this uncertainty. One global study showed the U.S. to be the most pessimistic amongst 21 countries included, with nearly two-thirds of Americans expecting AI to lead to fewer jobs over the next 20 years, while only 5% expect more.[167] For downtowns, the immediate issue is not simply whether AI creates or destroys jobs, but whether it changes the composition, location, and career ladders of office work. If it mostly affects entry-level and administrative work as many expect, downtowns may need to rethink how they support workforce development, small business support, and pathways for young professionals and local graduates.

Office, Real Estate, and the AI Footprint

AI is also becoming a real estate story. In some markets, AI firms are helping revive office leasing, particularly in places with deep tech ecosystems. **San Francisco** has seen over 7 million square feet leased to AI firms, at a **growth rate of 28% per year since 2000.**[168] That total is projected to roughly double by 2030.

This does not mean AI will broadly rescue the office market. **The upside is highly concentrated in a few innovation markets and select submarkets.** AI may buoy office demand in some downtowns, but it may also accelerate disruption in office-using sectors where automation reduces headcount growth, changes space needs, or compresses business timelines.

Beyond office leasing, AI's physical footprint is increasingly visible through **data centers**. U.S. data center demand continues to reach unprecedented levels, with record leasing activity, historic-low vacancy, and all-time-high pricing.[169]

The result is a new kind of **land-use and infrastructure pressure**. AI data centers require enormous amounts of power, cooling, land, fiber, and capital. They are rarely downtown uses, but their regional impacts are significant: grid demand, water use, utility costs, industrial land competition, tax incentives, and climate goals. For cities, AI's physical footprint may become one of its most politically contested dimensions. Places that do not manage infrastructure and community impacts carefully will only face growing backlash.

Civic Capacity & Governance

AI is arriving as cities and civic organizations are being asked to do more with less. On the plus side, it can help summarize public input, analyze service requests, draft communications, support permitting workflows, improve wayfinding, synthesize data, assist with grant writing, and create more responsive customer-service tools.

Yet interest is outpacing readiness. The National League of Cities reports that **96%** of mayors are interested in using AI, but only **10%** have assigned AI personnel and only **9%** of local governments have formal AI policies for internal operations. In addition, 38% of local government technology leaders say their organizations are not prepared to use AI safely and effectively.[170]

Trust is central because the **public remains wary**. Half of U.S. adults say increased AI use in daily life makes them more concerned than excited, while only 10% are more excited than concerned.[171]

Autonomous Vehicle Technology

AI is propelling the growth of autonomous vehicle technology, but unevenly. After beginning service in 2023, fully autonomous robotaxi rides now exceed **500,000 per week** in the U.S., concentrated in select cities and operators.[172] While robotaxi deployment is scaling, broader autonomous vehicle adoption timelines have slipped by one to two years, with **large-scale global robotaxi deployment now expected closer to 2030.**[173]

For downtowns, the near-term issue is not whether autonomous vehicles replace private car ownership. It is how cities manage streets and curbs as robotaxis, delivery technologies, and AI-enabled mobility services scale. The operational considerations are varied: pickup and drop-off zones, emergency response, pedestrian safety, enforcement, and how autonomous services interact with transit, events, and dense public spaces.

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10. The Affordability Divide

Since P.U.M.A. started including a section on inequality in the 2014 Global Trends report, the trend of rising economic inequality has continued to accelerate. **The richest 1% of American households now hold 32% of total household wealth—a staggering $55.9 trillion—while the bottom 50% hold just 2.5%.**[174] Wealth inequality has become more pronounced by educational attainment. Americans with a bachelor's degree or higher hold 76% of household wealth, up from 60% in 2000, while those with only a high school diploma hold just 9%. Wealth inequality by race and ethnicity persists. While Black Americans make up 14% of the population, they hold only 3.3% of total household wealth, and Hispanic Americans make up 20% of the population but hold just 2.4% of household wealth.[175] A disproportionate amount of Black and Hispanic Americans, 18% and 14% respectively, experience poverty compared to 8% of White Americans.[176]

Post-Covid Rise in Inequality

During Covid, there was a brief hope that increased government spending on relief measures and a strong labor market would reduce economic inequality. Programs like stimulus checks, extra unemployment insurance, expanded tax credits for low-income families, and extra money for food assistance paired with wage growth led to a decrease in income inequality in 2020 and 2021[177] and childhood poverty briefly dropped to record lows.[178] However, income inequality has risen back to pre-Covid levels as **wage gains are eroded by inflation and expanded social safety net programs are defunded.**

At the same time, a change in federal policy has led many corporations to pause or eliminate initiatives supporting diversity, equity, and inclusion (DEI), which had gained momentum during the racial justice protests of 2020. Black workers have been disproportionately affected by both the end of DEI hiring practices and the sunsetting of pandemic-era programs, slower hiring and especially federal hiring, and rising prices[179]. Between 2023 and 2026, the unemployment rate for Black workers rose from 4.8% to 7.1%, while White worker unemployment stayed relatively stable—3% to 3.6% over the same time period.[180]

The Growth of the Billionaire Class

Between 2017 and 2025 **the number of U.S. billionaires rose to 900, a 50% increase**, after the first Trump administration tax cuts in 2017 resulted in $750 billion of the $2 trillion in estimated savings to taxpayers flowing to the richest 1%.[181] These tax cuts were extended in 2025 under the so called "Big Beautiful Bill," which also cut funding for Medicaid and SNAP.[182] The rise of the billionaire class has corresponded with an increase in political power at the local, state, and national level—in 2024, 19% of all reported federal campaign contributions were made by billionaires, up from less than 1% in 2010 before the Supreme Court's loosening of campaign finance restrictions.[183]

Inflation and Unaffordability

Meanwhile, American households are struggling with increasing costs. Inflation, while less severe than the 8% average in 2022 remains elevated above the Federal Reserve's 2% goal,[184] and the Urban Institute estimates that **49% of American families don't feel economically secure living in their communities.**[185] Rising costs of essentials like energy, groceries, childcare, and healthcare are due to a variety of factors, including tariffs and supply chain disruptions, the end of pandemic-era government funding, the expansion of AI data centers, and shocks from extreme weather events related to climate change.[186]

Local Solutions to Unaffordability

Given that affordability has become one of, if not the most important issue for Americans, helping to make essential services and goods more affordable has become a primary goal for many cities and states. Strategies range from making childcare more affordable or even universally free, as in New York City and New Mexico,[187] to offsetting high energy costs by connecting residents to cost relief programs and energy efficiency upgrades and accelerating local clean energy supplies.[188] Cities are also supporting safety-net health clinics to help residents with healthcare expenses and examining the efficacy of city-owned grocery stores to drive down prices.[189]

Other policies aim to reduce local economic inequality and the associated effects of gentrification by creating opportunities for residents to build wealth. These include increasing minimum wages—22 states and 66 cities and counties will raise their minimum wage floors in 2026,[190] preserving industrial land that produces higher-paying jobs, and implementing workforce development programs.[191]

However, cities and states have limited capacity to implement cost-alleviation measures as they face budget shortfalls from federal funding cuts and uncertainty, slower income and sales tax growth, and rising costs due to inflation. As of January 2026, **20 of the nation's 25 biggest cities are contending with budget gaps.**[192] To close these gaps and fund economic relief programs, places like Washington State, California, and New York City are considering millionaire or billionaire taxes.[193]

Small businesses are also feeling the crunch from increased prices and economic uncertainty. Because the smaller the business the less bargaining power, fewer resources, and limited ability to absorb increased costs, disruptions to supply chains from tariffs and global conflicts have led many to raise their costs and cancel business expansion.[194] According to a 2026 survey, **small business owners said their biggest challenges were inflation costs (53%) and revenue (30%).**[195] Downtown organizations have a unique role in preventing small business displacement, including by helping small business owners buy their buildings, renovate their interiors and facades, and provide technical support. Some organizations have even started community investment trusts—a mechanism that enables residents and other stakeholders to pool resources to purchase real estate for community ownership.[196]

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