Fredericksburg Area Housing Gap Analysis

Executive Summary
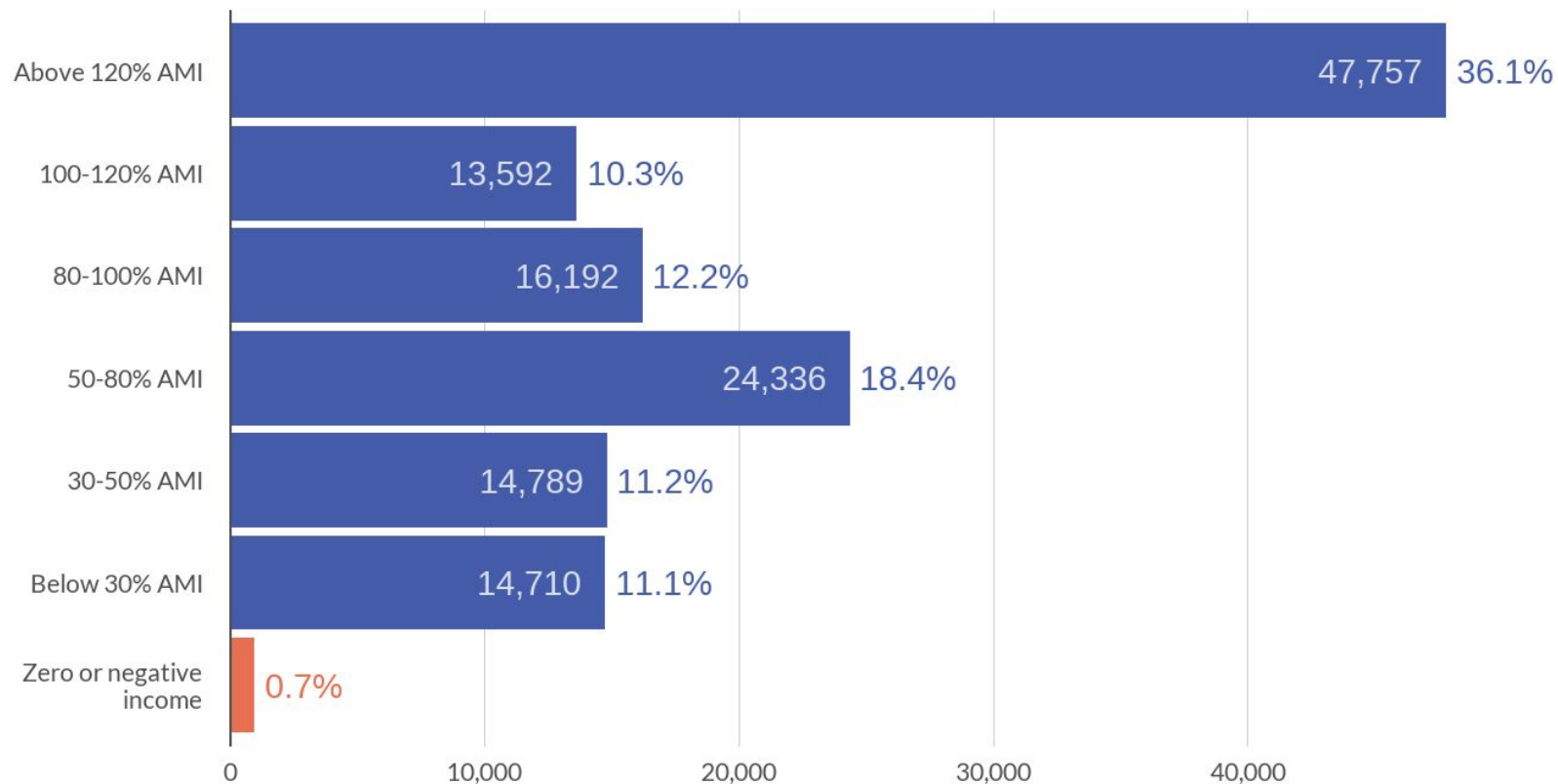
December 2024

Main Takeaways

- About **2,400 new housing units** needed annually through 2050

- Severe affordability challenges for workforce households

- Market increasingly focused on high-end single-family homes

- Critical shortage of smaller, more affordable units

Regional housing spectrum

- **Largest income group:** High-income (>120% AMI) — 36%

- **Next largest:** Low-income (50-80% AMI) — 18%

- Nearly 30,000 households (22%) earn below 50% AMI

- Most people in lower income households are low-wage workers, retired seniors on fixed incomes, or children
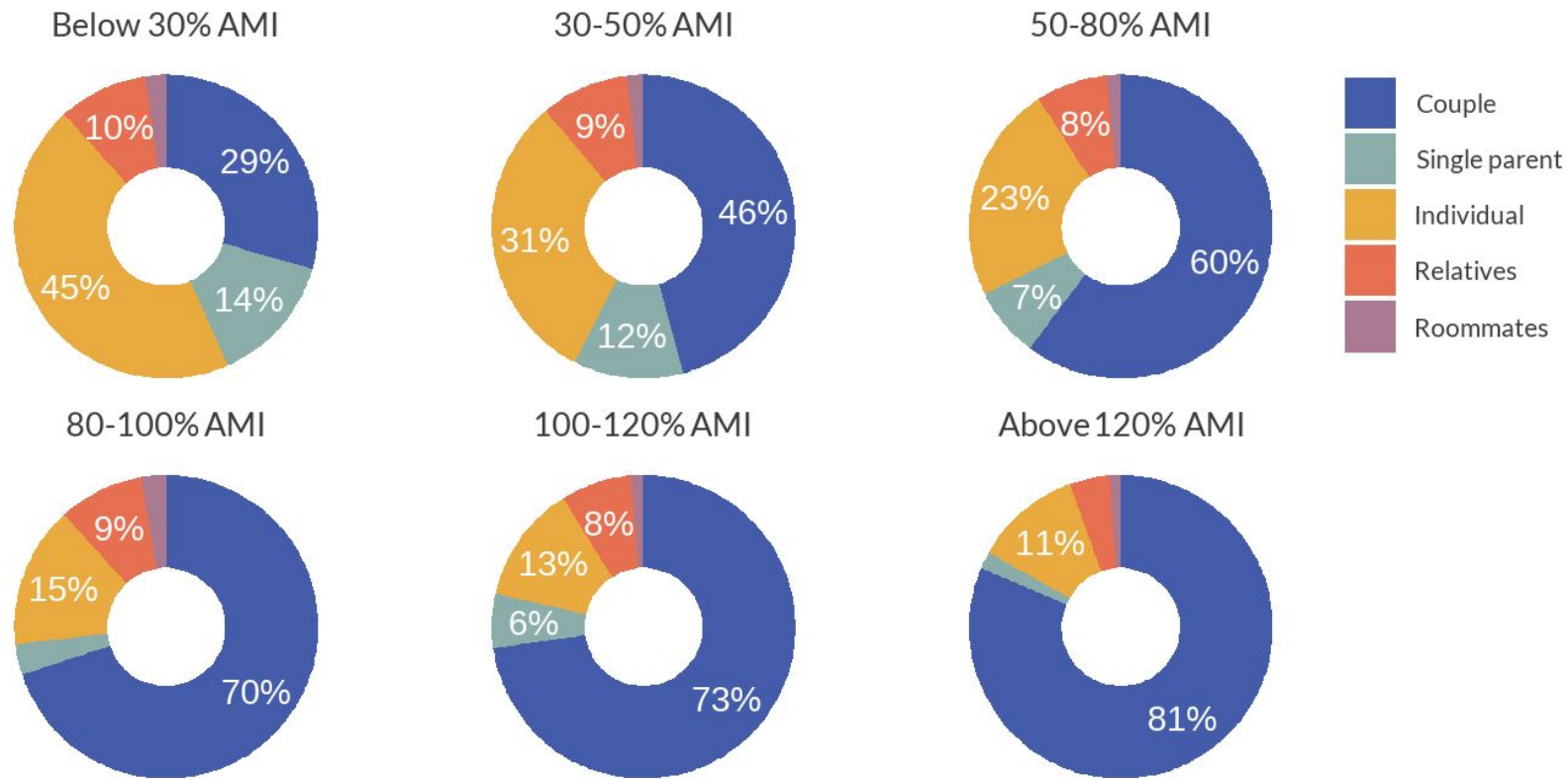
Households by AMI

All households in GWRC region

Above 120% AMI	47,757 36.1%
100-120% AMI	13,592 10.3%
80-100% AMI	16,192 12.2%
50-80% AMI	24,336 18.4%
30-50% AMI	14,789 11.2%
Below 30% AMI	14,710 11.1%
Zero or negative income	0.7%

0   10,000   20,000   30,000   40,000

Source: HDAdvisors calculations of 2018-2022 ACS 5-year data.

Households by AMI and type

All households in GWRC region

Below 30% AMI
- 29% — Couple
- 14% — Single parent
- 45% — Individual
- 10% — Relatives

30-50% AMI
- 46% — Couple
- 12% — Single parent
- 31% — Individual
- 9% — Relatives

50-80% AMI
- 60% — Couple
- 7% — Single parent
- 23% — Individual
- 8% — Relatives

80-100% AMI
- 70% — Couple
- 15% — Individual
- 9% — Relatives

100-120% AMI
- 73% — Couple
- 6% — Single parent
- 13% — Individual
- 8% — Relatives

Above 120% AMI
- 81% — Couple
- 11% — Individual

Legend:
- Couple
- Single parent
- Individual
- Relatives
- Roommates

Source: HDAdvisors calculations of 2018-2022 ACS 5-year data.

The core workforce

- 60% of households have at least one local worker

- 17% of workforce households earn below 50% AMI

- Most work at for-profit businesses (59%), but a large share are public sector (18%)

- Spend about the same amount on housing as working households not employed in the region
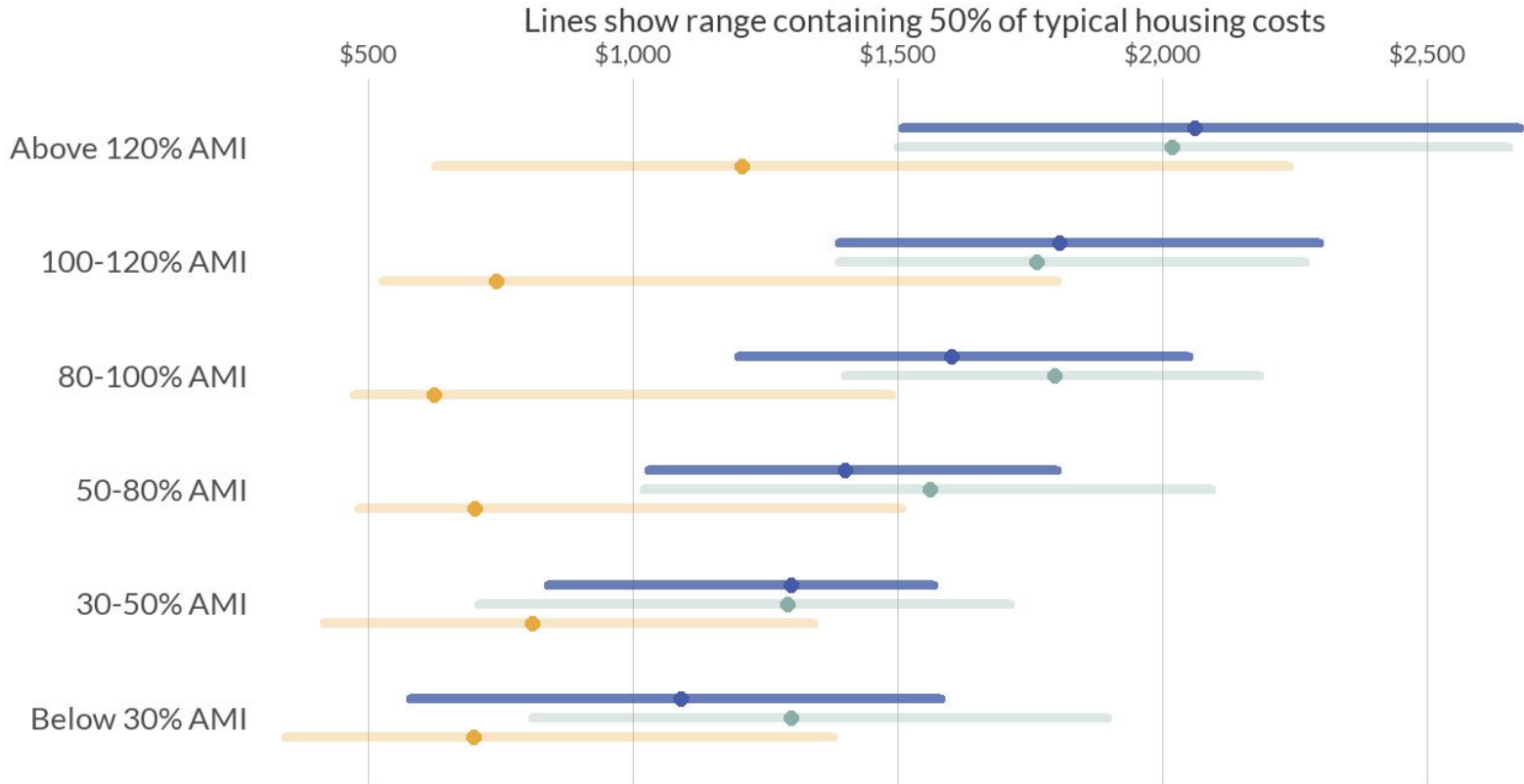
Top 3 industries

1. Retail/Wholesale
2. Professional Services
3. Healthcare

Top 3 occupation groups

1. Administrative
2. Management
3. Sales

Housing costs by workforce status and AMI

Median housing costs for **core workforce**, **non-core workforce**, and **non-earner** households

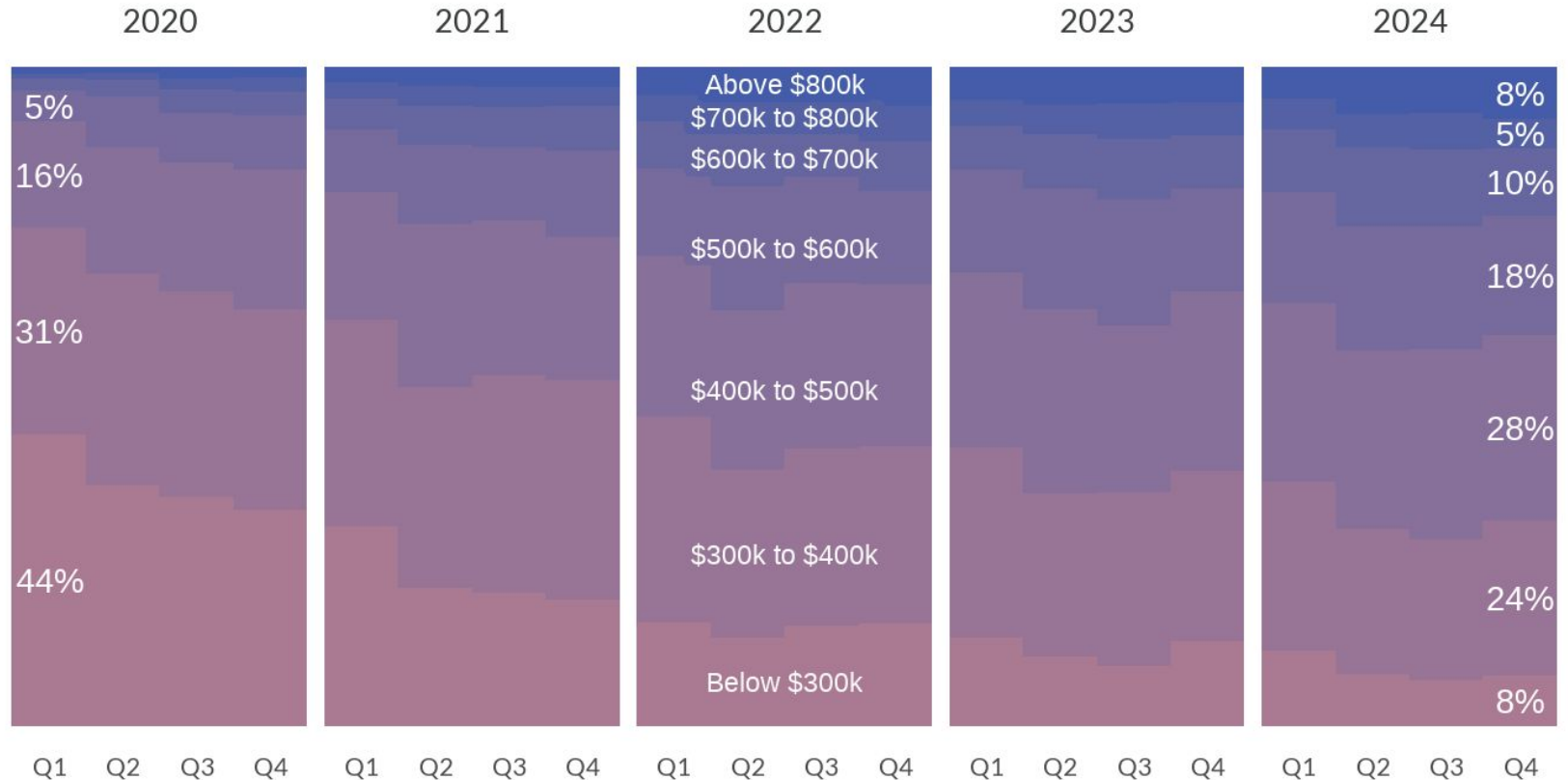Lines show range containing 50% of typical housing costs

Homeownership dynamics

- Median prices up 55% since 2020 to $470,000

- Only 8% of sales now under $300,000 — down from 45% in 2020

- Most homes selling within 10 days of listing

- Building permits remain well below mid-2000s levels

Closing price range

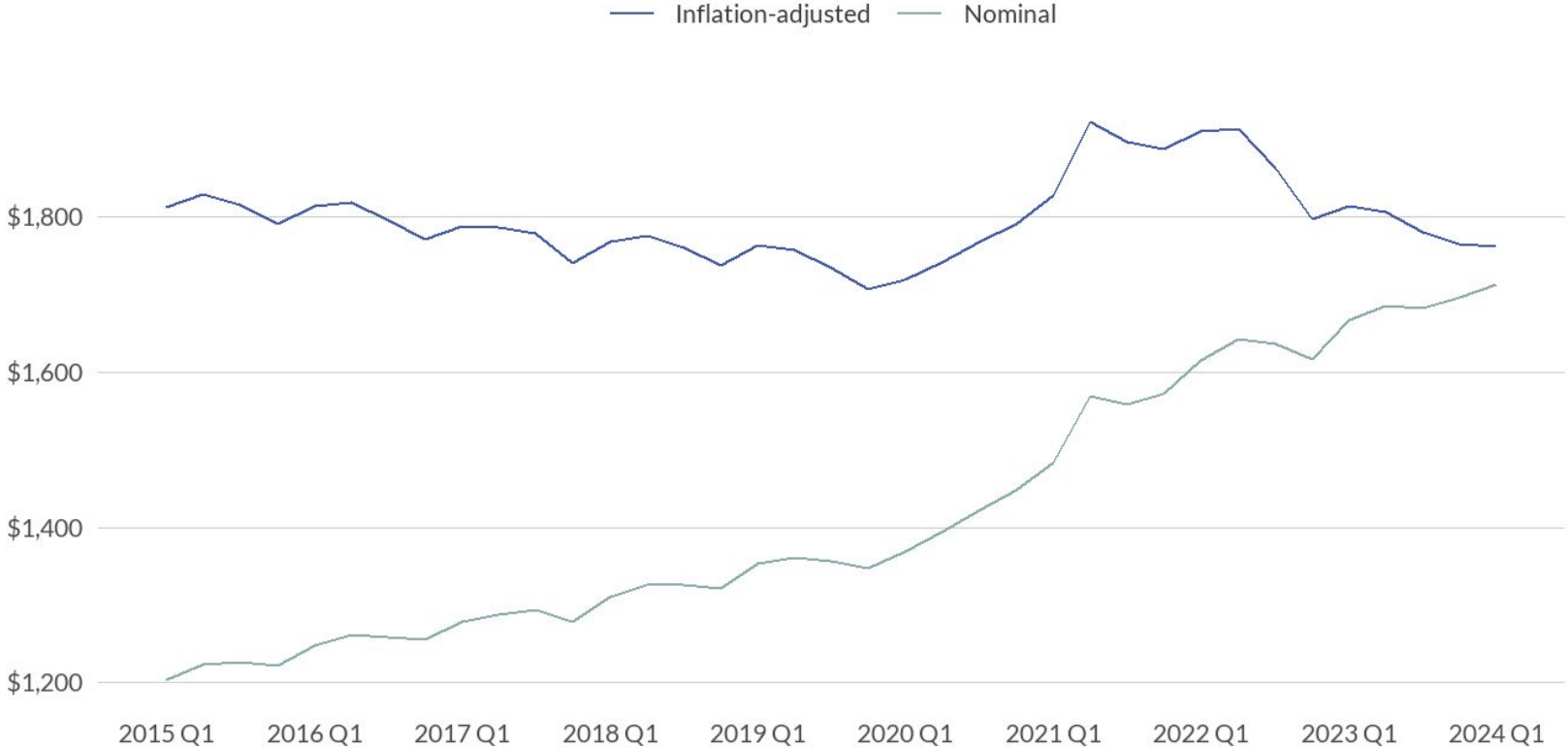All homes sold in region from January 2020 through November 2024

2020　　**2021**　　**2022**　　**2023**　　**2024**

2020:
- 5%
- 16%
- 31%
- 44%

Categories (2022 labels):
- Above $800k
- $700k to $800k
- $600k to $700k
- $500k to $600k
- $400k to $500k
- $300k to $400k
- Below $300k

2024:
- 8%
- 5%
- 10%
- 18%
- 28%
- 24%
- 8%

Q1　Q2　Q3　Q4　　Q1　Q2　Q3　Q4　　Q1　Q2　Q3　Q4　　Q1　Q2　Q3　Q4　　Q1　Q2　Q3　Q4

Sources: Fredericksburg Area Association of REALTORS®; Bright MLS.

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Rental dynamics

- Average rent stabilizing around $1,750/month

- Apartment vacancy rates improving to + 6.0%, but supply still limited

- Single-family homes make up 53% of rental stock

- About 6,700 federally-assisted affordable units across region, primarily supported by Low-Income Housing Tax Credit (LIHTC)

- Over half (57%) of subsidized housing expire within 9 years

Average asking rent per unit
In September 2024 inflation-adjusted dollars

Legend: Inflation-adjusted — Nominal

$1,800

$1,600

$1,400

$1,200

2015 Q1   2016 Q1   2017 Q1   2018 Q1   2019 Q1   2020 Q1   2021 Q1   2022 Q1   2023 Q1   2024 Q1
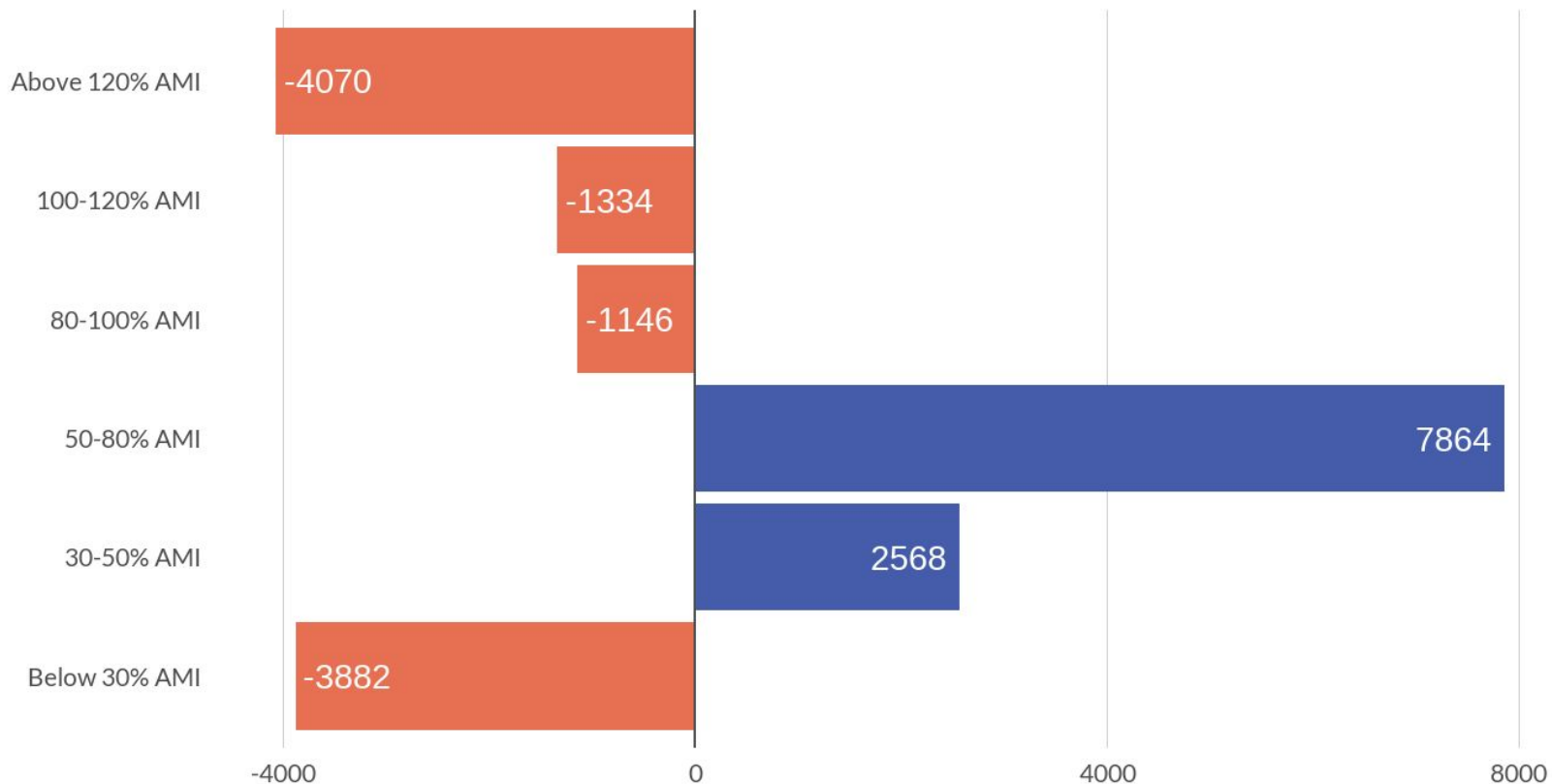
Source: CoStar Group, Inc.

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Key market gaps

1. Immediate **4,000 unit gap** for extremely low-income renters

Limited top-end supply prevents high-income renters from upgrading and opening up units more affordable to renters with lower incomes.

Surplus or deficit of rental units by AMI

Rental gap for Fredericksburg region

AMI Category	Value
Above 120% AMI	-4070
100-120% AMI	-1334
80-100% AMI	-1146
50-80% AMI	7864
30-50% AMI	2568
Below 30% AMI	-3882

-4000　　　　0　　　　4000　　　　8000

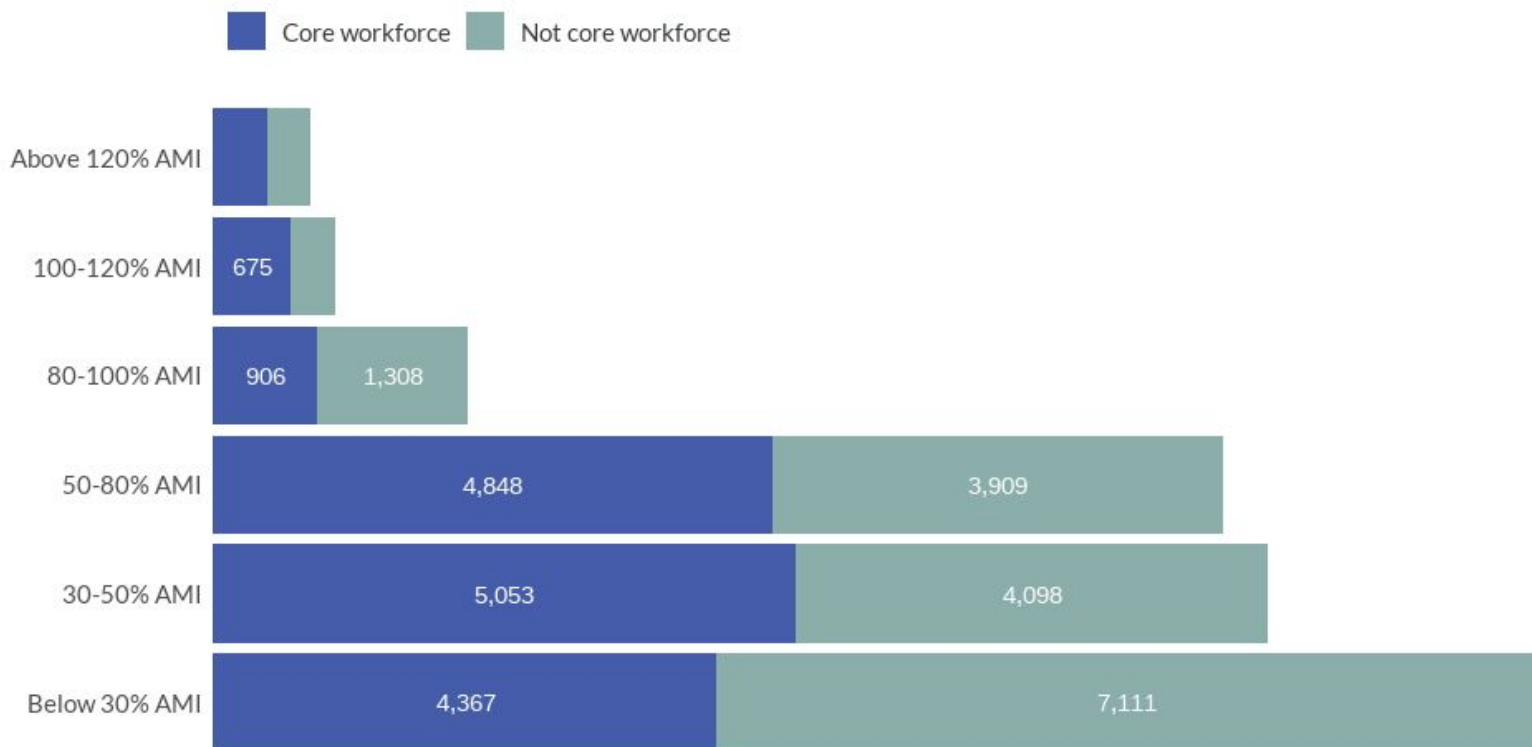**Source:** HDAdvisors calculations of 2018-2022 ACS 5-year data.

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2. Over **33,500 households** face housing costs outside their budget

Nearly all cost-burdened households have below-average incomes.

High rents force many to cut back on other important expenses — and limit savings opportunities.

Households who need affordable homes
Number of households paying more than 30% of income on housing

Core workforce   Not core workforce

AMI Category	Core workforce	Not core workforce
Above 120% AMI		
100-120% AMI	675	
80-100% AMI	906	1,308
50-80% AMI	4,848	3,909
30-50% AMI	5,053	4,098
Below 30% AMI	4,367	7,111

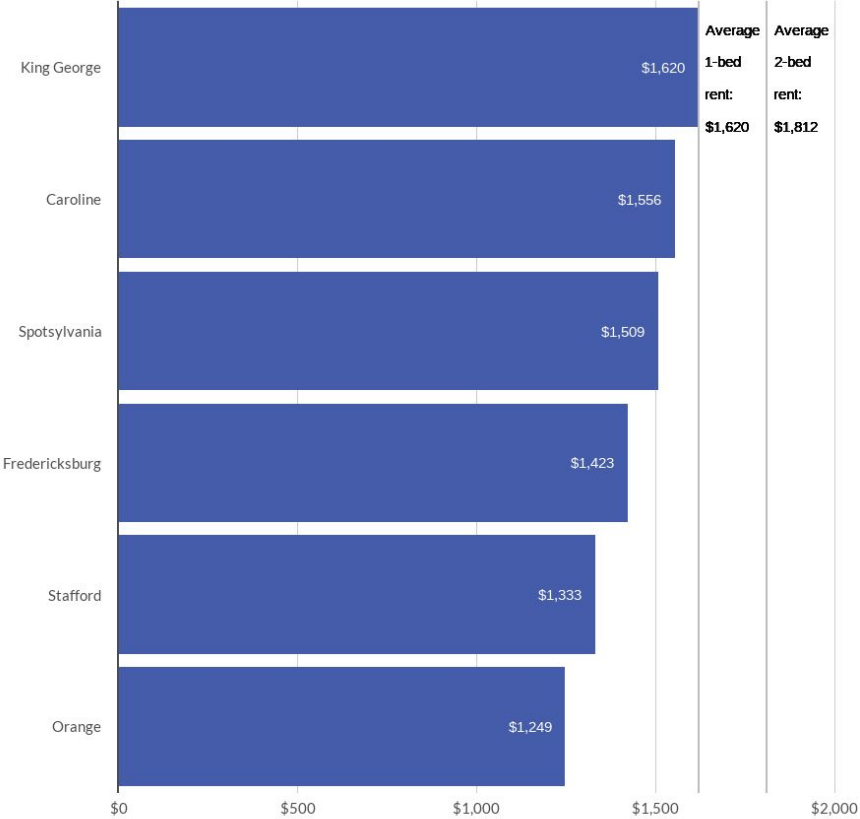**Source:** HDAdvisors calculations of 2018-2022 ACS 5-year data.

3.

Many public sector workers are **priced out** of renting and buying

Few affordable places to live where you work leads to:

- Longer commutes and more traffic

- Challenges retaining skilled workers

- Lower sense of community
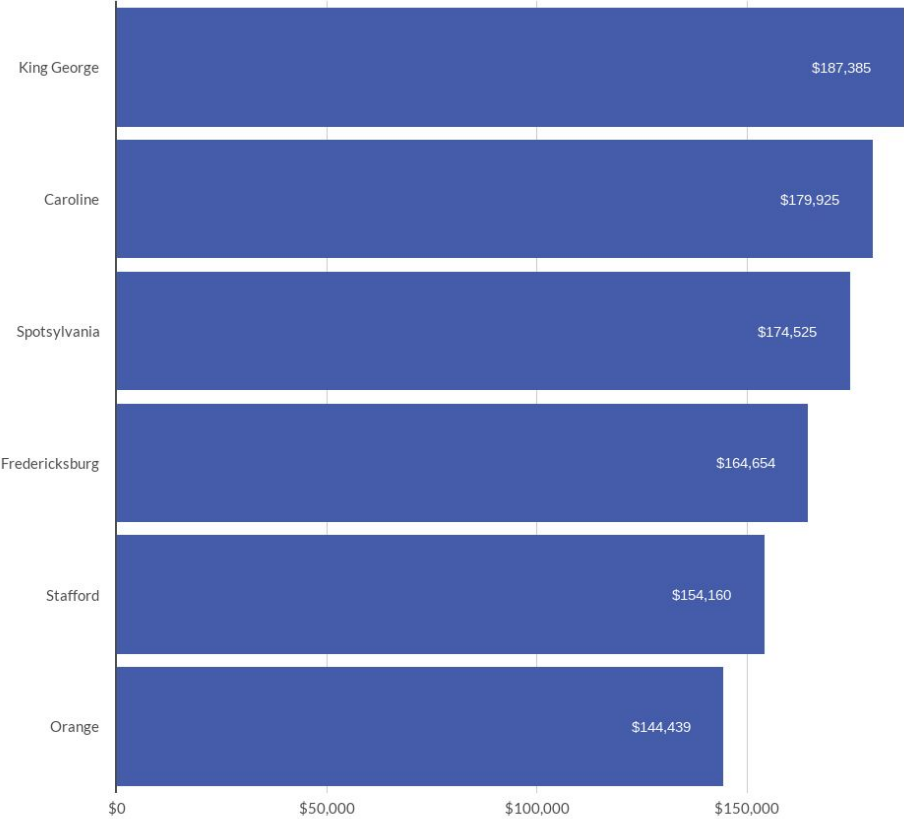
Affordable rents for public sector salaries
Based on average wages for police, fire, and teacher jobs

Locality	Affordable rent	
King George	$1,620	Average 1-bed rent: **$1,620** · Average 2-bed rent: **$1,812**
Caroline	$1,556	
Spotsylvania	$1,509	
Fredericksburg	$1,423	
Stafford	$1,333	
Orange	$1,249	

Sources: HDAdvisors calculations of local government salary data; CoStar Group, Inc.

Affordable home purchase prices for public sector salaries
Based on average wages for police, fire, and teacher jobs

Locality	Affordable home price
King George	$187,385
Caroline	$179,925
Spotsylvania	$174,525
Fredericksburg	$164,654
Stafford	$154,160
Orange	$144,439

Sources: HDAdvisors calculations of local government salary data.

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4.

## Current pace of housing production **is not enough** to meet needs of today and tomorrow

Greater diversity in housing types and price points is

required to meet economic and demographic realities.

Additional new homes needed …

By 2030 — **11,500+**

By 2040 — **35,300+**

By 2030 — **61,900+**

Annual building permits by structure type

All permits issued across region from 2000 through September 2024

Estimated new units needed to meet projected demand

~ 2,400 per year
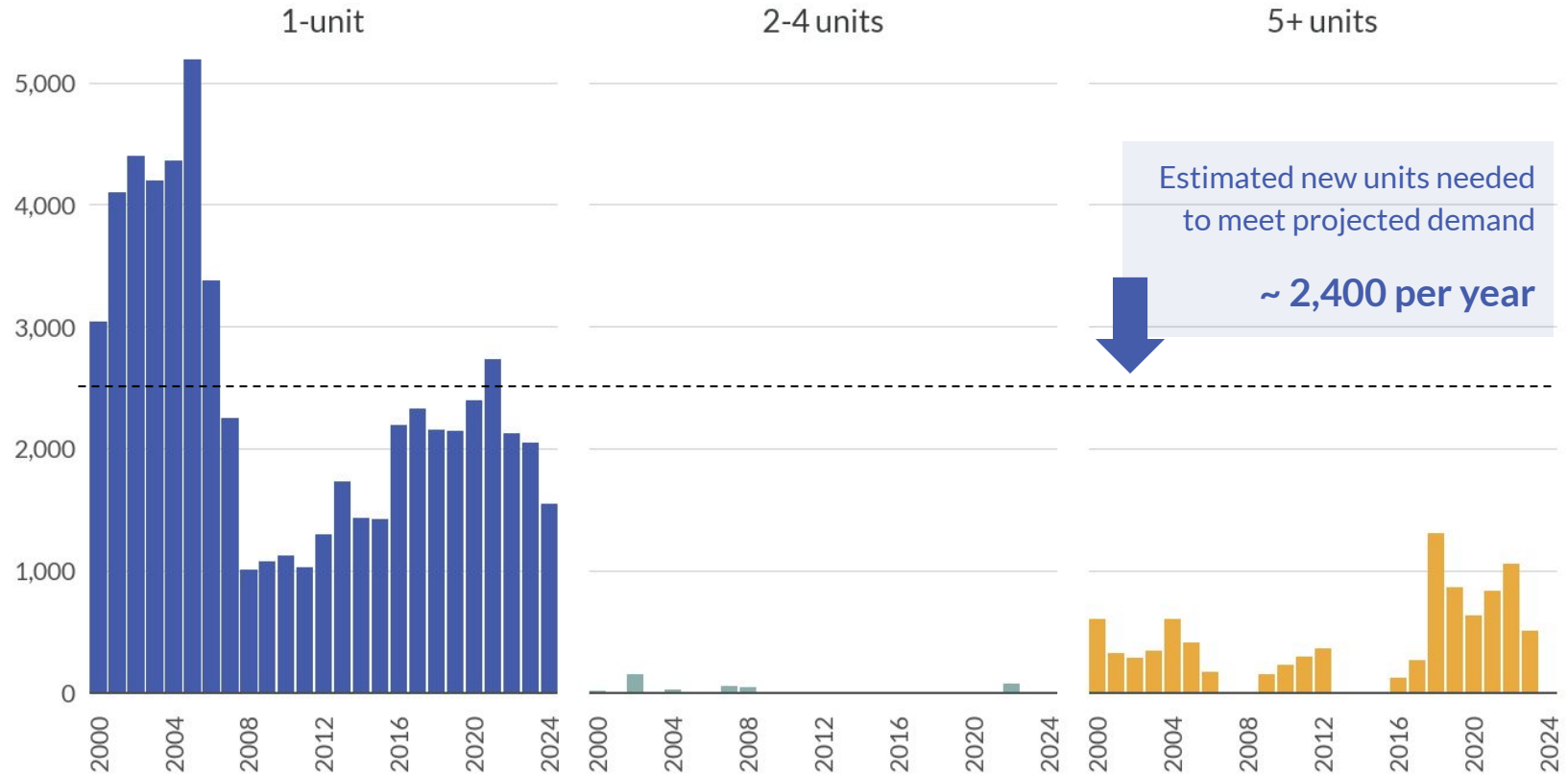
Source: U.S. Census Bureau, Residential Building Permits Survey.

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