

City of Fredericksburg

A Profile of Demographic, Economic and Housing Market Conditions

Prepared by Lisa Sturtevant & Associates LLC with support from the
Fredericksburg Area Association of REALTORS®

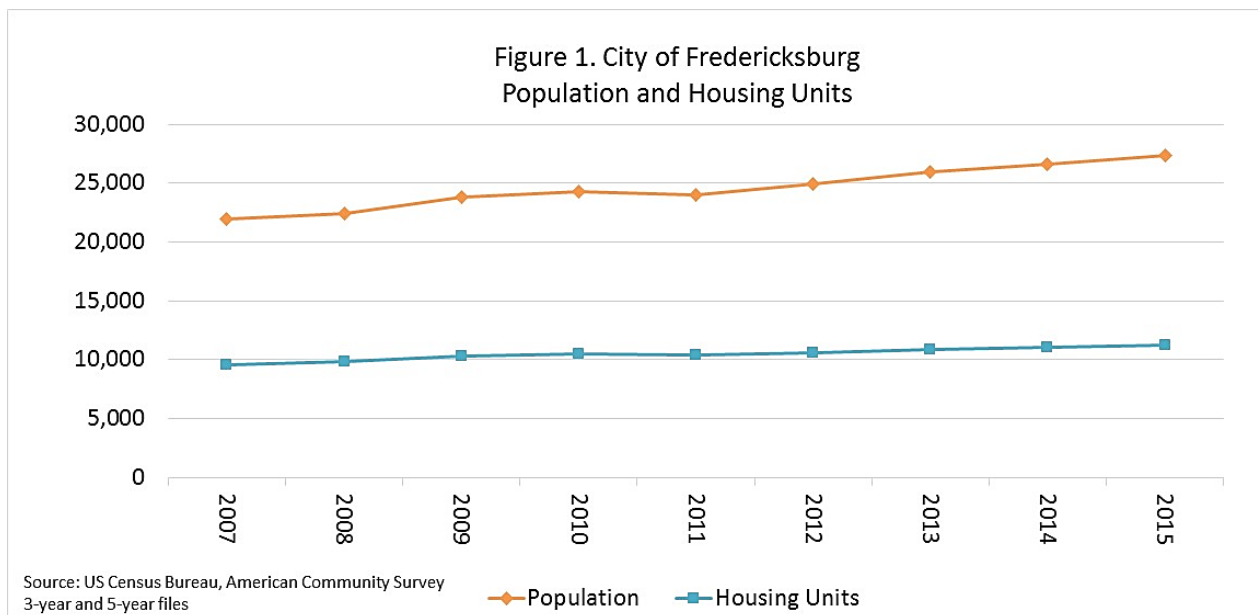
June 2017

Introduction

Profile of the City of Fredericksburg

Population and Households

In 2015, the population of the City of Fredericksburg was nearly 27,500, up 25.0 percent since 2007. The City has grown somewhat more quickly than the overall region in recent years. Between 2007 and 2015, the Fredericksburg population grew at an average annual rate of 3.1 percent, compared to an annual growth rate of 1.7 percent for the greater region.



There were an estimated 11,252 housing units in the City of Fredericksburg in 2015, reflecting an increase of 17.6 percent over 2007. Growth in the number of new housing units has been slower than population growth in Fredericksburg. Between 2007 and 2015, the number of housing units in the City grew at an average annual rate of 2.2 percent (compared to 3.1 percent for population). Vacancy rates have declined slightly since 2007 (from 10.6 percent to 10.4 percent) which partially explains how population could grow faster than housing units over this time. In addition, the average number of people per occupied housing unit increased in the City, going from 2.6 in 2007 to 2.7 in 2015, so in general more people are residing in each housing unit, on average.

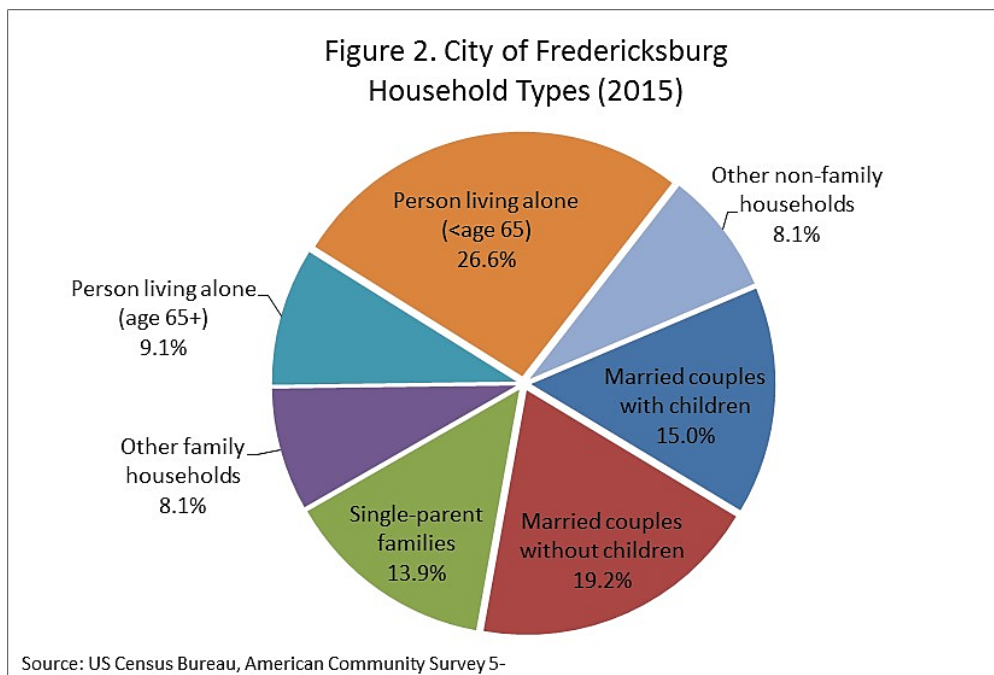
Household Type

The City of Fredericksburg was home to 10,080 households in 2015, including 5,663 family households (56.2 percent) and 4,417 non-family households (43.8 percent)¹. The overall average household size in Fredericksburg was 2.46, and the average size of family households was 3.20.

The largest share of Fredericksburg households were people under age 65 living alone. In 2015, approximately 26.6 percent of all households (about 2,680 households) were people under age 65 living alone. This includes about 940 single people in their 20s and early 30s.

About one in five households in Fredericksburg (19.2 percent or about 1,935 households) are married couples without children under 18, including both empty nesters and young married couples without children. About 15.0 percent of households (about 1,515 households) are married couples with children under 18 and another 13.9 percent (about 1,400 households) are single-parent families with children. Therefore, about 28.9% of households in the City of Fredericksburg include children under age 18.

Other family households—which can include siblings, cousins or other related people living together—account for 8.1 percent of households in Fredericksburg. Single seniors are currently a relatively small share of households in Fredericksburg. Approximately 9.1 percent of all households in the City (about 917 households) are seniors age 65+ living alone.



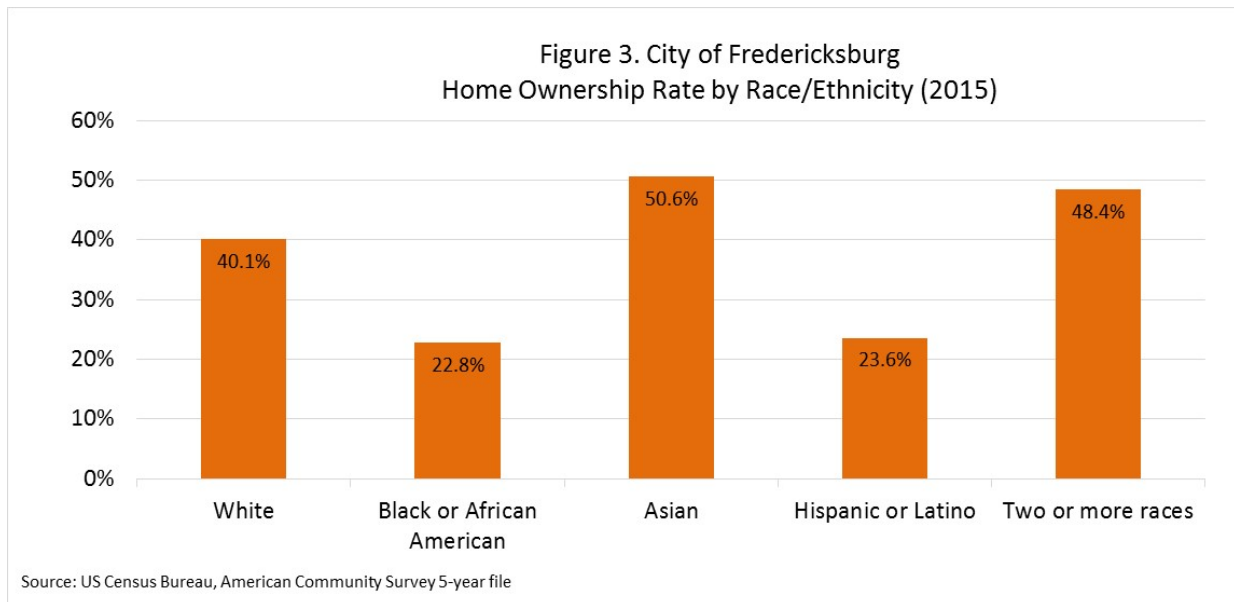
¹ Family households include households with two or more people related by marriage, birth or adoption. Non-family households include households with unrelated people, including people living alone.

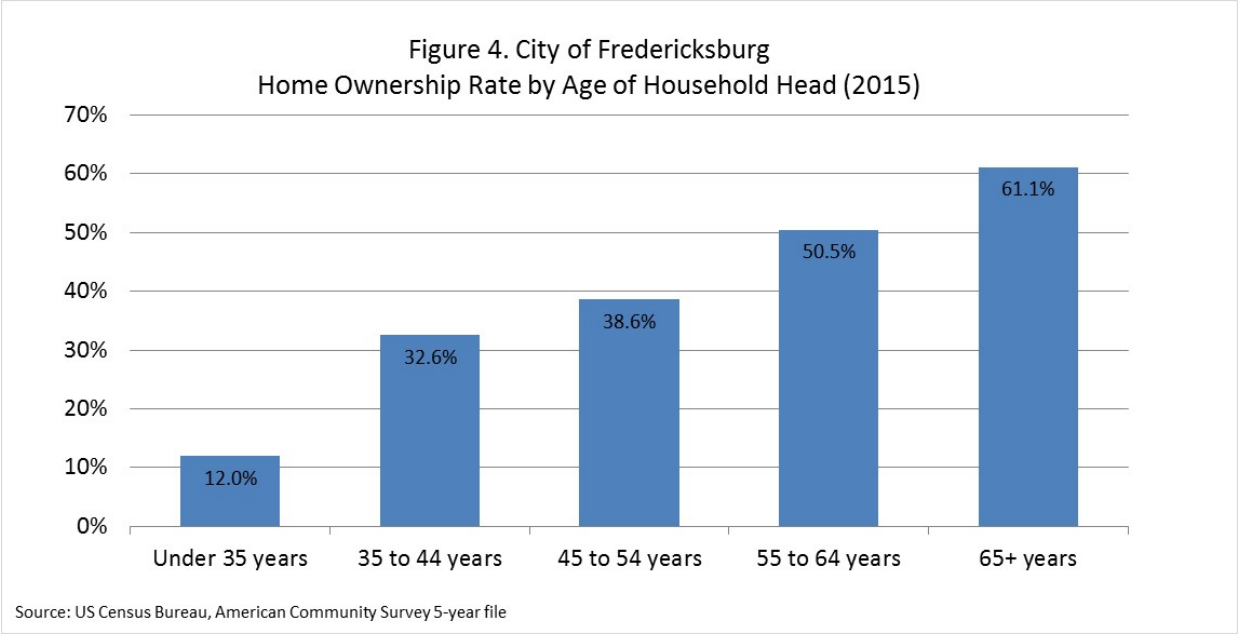
Housing Tenure – Renters and Owners

In 2015, the home ownership rate in the City of Fredericksburg was 34.5 percent, which is lower than the home ownership rate at the peak of the housing market in 2007 (37.5 percent) and also somewhat lower than the home ownership rate in 2000 (35.6 percent).

Home ownership rates in the City of Fredericksburg vary by the race or ethnicity of the head of the household. In 2015, Asian-headed households had the highest home ownership rates, at 50.6 percent. The home ownership rate for white households was 40.1 percent. Black or African American households and Latino or Hispanic households had similar home ownership rates, at 22.8 percent and 23.6 percent, respectively.

Only 12.0 percent of households headed by someone under age 35 are home owners. Home ownership rates increase steadily with age. About a third (32.6 percent) of 35 to 44 year olds and 38.6 percent of 45 to 54 year olds are home owners. More than half (50.5 percent) of 55 to 64 year olds and 61.1 percent of households headed by some age 65 and older are home owners.





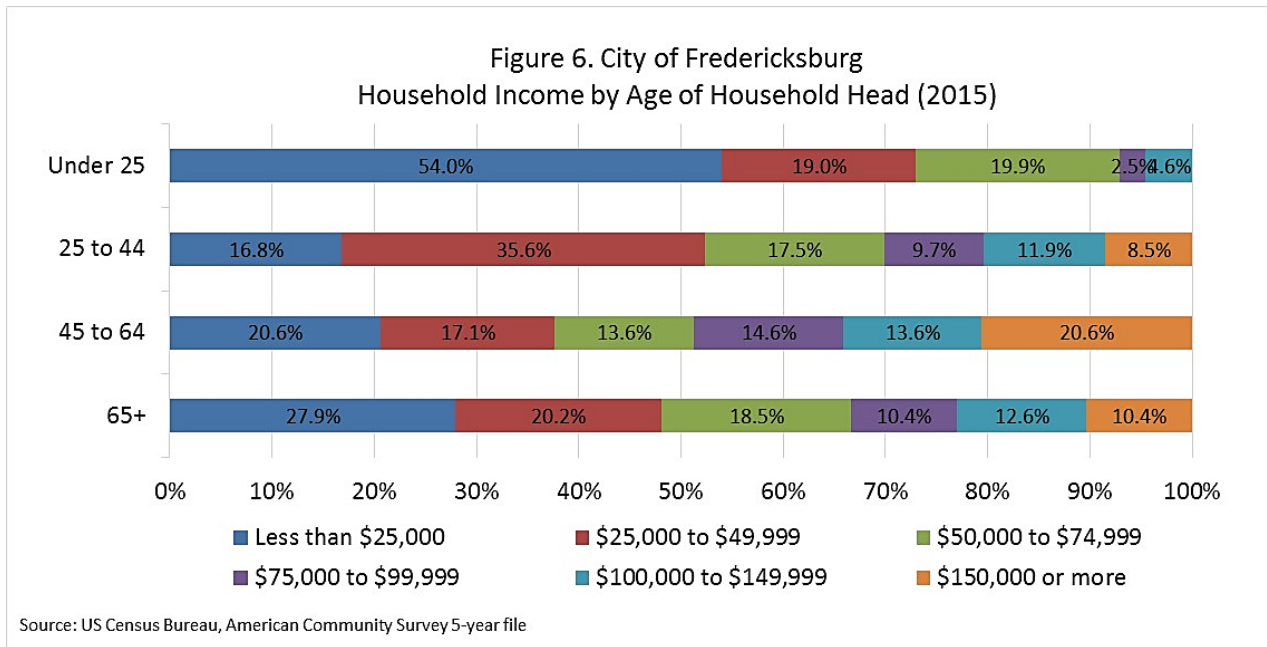
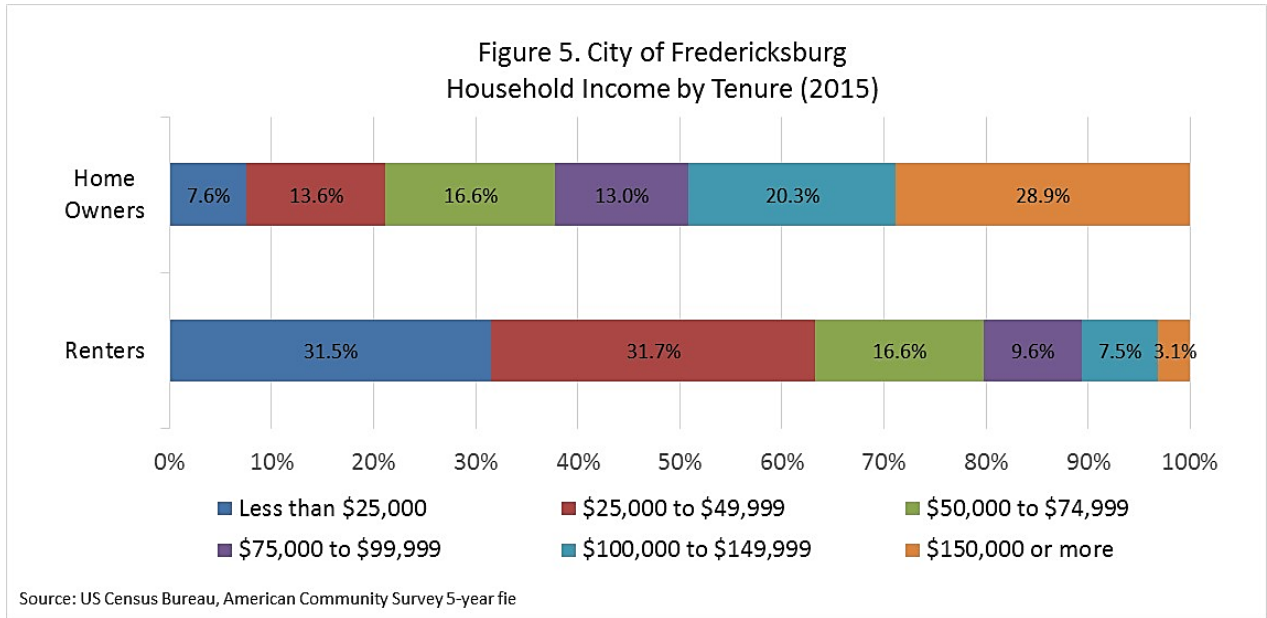
Household Income

The median household income in the City of Fredericksburg was \$51,762 in 2015; however, incomes varied for owners and renters. The median household income for home owners was \$97,383 in 2015 and the median household income was \$39,347 for renter households.

In 2015, about a third of renter households (31.5 percent) had incomes below \$25,000 and another third (31.7 percent) had incomes between \$25,000 and \$49,999. By comparison, just 21.1 percent of home owners in the City of Fredericksburg had incomes below \$50,000, including 7.6 percent with incomes below \$25,000 and 13.6 percent between \$25,000 and \$49,999. Only 10.6 percent of renters had incomes of \$100,000 or more but nearly half (49.2 percent) of home owners in the City of Fredericksburg had a household income of \$100,000 or more, including 28.9 percent that had incomes of \$150,000 or more.

The likelihood that a household is a home owner depends critically on income which is also related to a person’s age. In general, as people work longer and age, their incomes tend to rise. For example, more than half of all Fredericksburg household heads under the age of 25 make \$25,000 or less per year (54.0 percent). By comparison, 16.8 percent of householders age 25 to 44, and 20.6 percent of householders 45 to 64 years of age have household income less than \$25,000 per year. Fredericksburg households age 45 to 64 represent the highest income age group in the City. More than a third (34.2 percent) of household heads within that age range have incomes of \$100,000 or more per year, and nearly one in five (20.6 percent) have incomes

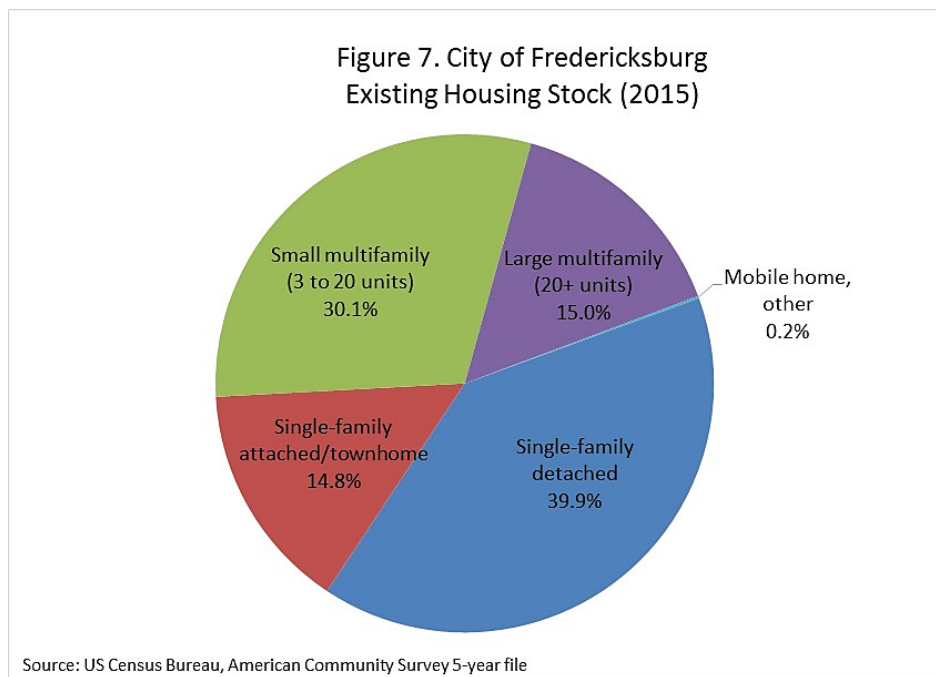
exceeding \$150,000 annually. Only 8.5 percent of households headed by someone age 25 to 44 earned over \$150,000.



Housing Stock

Housing Type

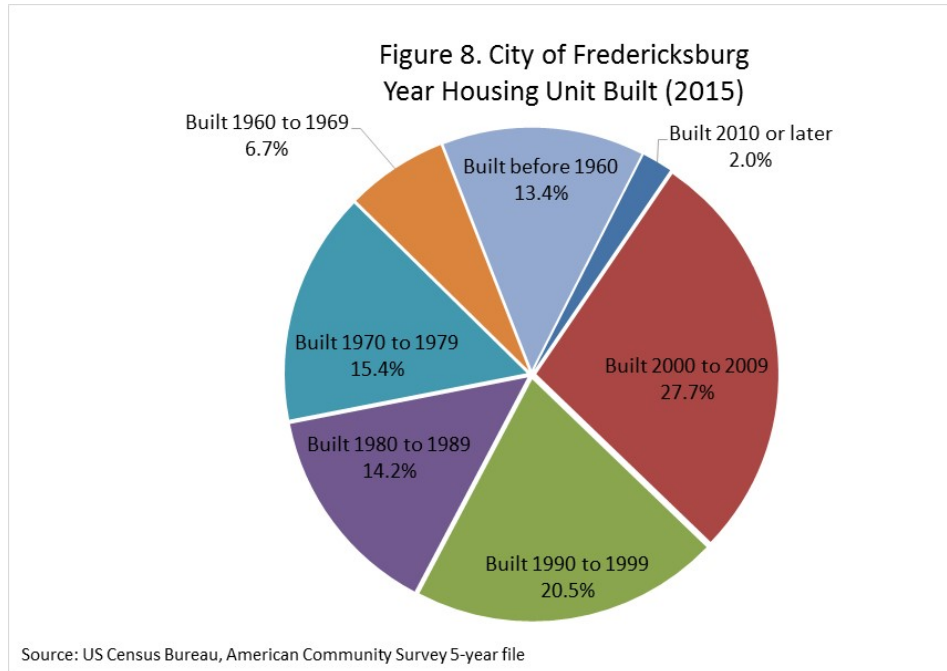
In 2015, there were an estimated 11,252 total housing units in the City of Fredericksburg, including occupied and vacant units. Four out of every ten homes located in the City are single-family detached homes (39.9 percent). Another 14.8 percent are single-family attached homes, or duplexes or townhomes. Therefore, a little more than half (54.7 percent) of the City's housing stock consists of single-family housing. The other half is comprised by multifamily housing. Just over 30 percent of the housing units in the City of Fredericksburg are in small multifamily buildings (i.e. buildings with between three and 19 units). About 15.0 percent of housing units are in larger multifamily buildings with 20 or more units. Less than one percent of the housing stock in the City of Fredericksburg is mobile homes (0.2 percent).



Approximately 85.1 percent of owner-occupied housing units are single-family detached homes and about 12.2 percent are single-family attached/townhomes. Only 2.7 percent of the owner-occupied homes in the City of Fredericksburg are in multifamily buildings (e.g. condominiums). By contrast, more than two-thirds (67.9 percent) of renter-occupied homes are in multifamily buildings. About 15.6 percent of renter units are single-family detached and about 16.3 percent are single-family attached homes (townhomes or duplexes).

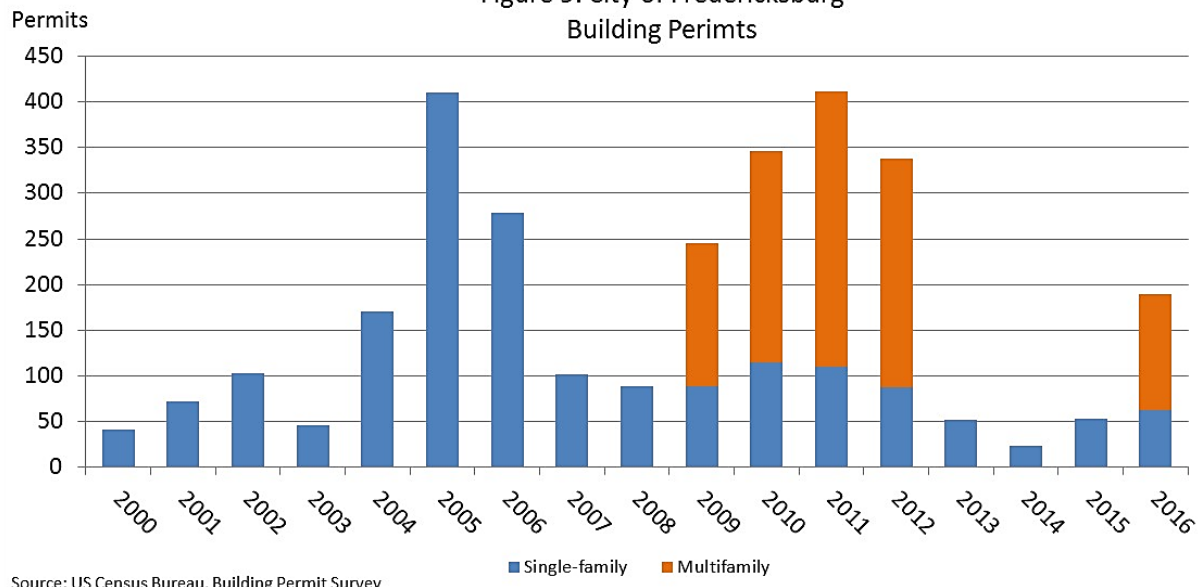
Year Housing Unit Built

The largest share of housing units in the City of Fredericksburg was built in the 2000s. Approximately 27.7 percent of the City’s housing units—or more than 3,300 housing units—were built between 2000 and 2009. Another fifth of the housing stock (20.5 percent) were built in the 1990s. About 30 percent of the housing units in the City were built in the 1970s and 1980s (29.6 percent). About seven percent were built in the 1960s and 13.4 percent of the City’s housing stock—including its historic buildings—were built before 1960.



Over the 16-year period from 2000 through 2016, the City of Fredericksburg has issued permits for an average of 175 new housing units each year. While there was a surge in new construction over the 2009 through 2012 period, new residential construction dropped off for a few years before picking up again in 2016. In 2016, the City issued permits for 190 housing units, including 62 single-family homes (including townhomes) and 128 multifamily units. The biggest change since the recession has been an increase in multifamily construction. Between 2000 and 2009, all permits were for single-family homes. Since 2009, nearly two-thirds of all permits (64.5 percent) were for multifamily construction.

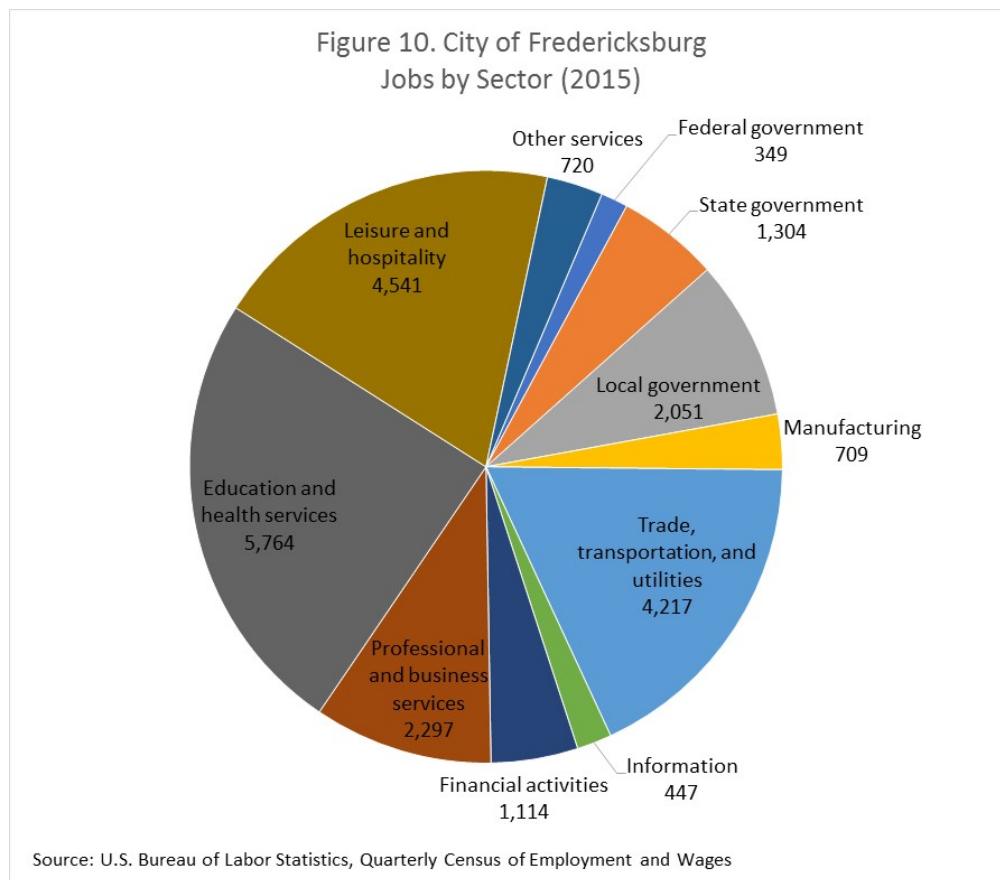
Figure 9. City of Fredericksburg
Building Permits



Economy

Jobs in the City of Fredericksburg

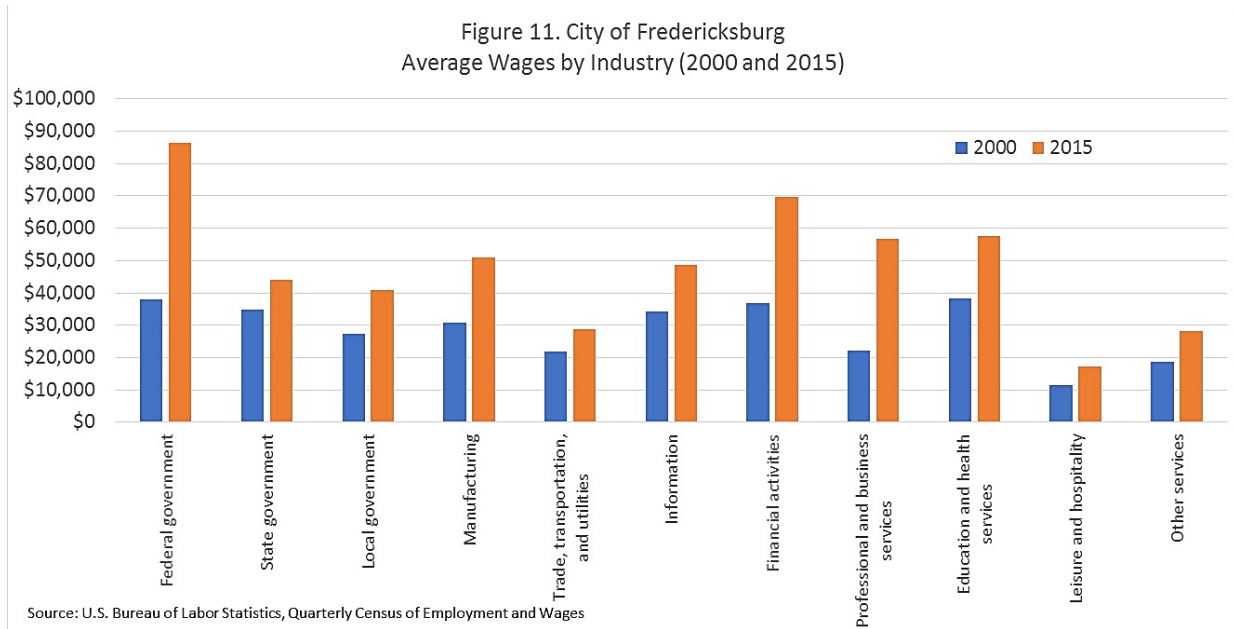
In 2015, there were an estimated 24,000 jobs in the City of Fredericksburg.² Between 2000 and 2015, the number of jobs in Fredericksburg increased by just 1.6 percent. The City's largest industry sector is the Education and Health Services sector, which has nearly 5,800 jobs. There are an estimated 4,500 jobs in the Leisure and Hospitality sector and 4,200 jobs in the Trade, Transportation and Utilities sector, primary in the Retail Trade subsector.



The average wage (current dollars) for jobs located in the City of Fredericksburg was \$48,074 in 2015, and wages increased by 68.2 percent since 2000. By comparison, wages increase approximately 52 percent across the Commonwealth of Virginia between 2000 and 2015. Wages in the City vary considerably across sectors. The average wage of a job in the Education and Health Services sector was \$57,706. Jobs in the Leisure and Hospitality and Trade sectors had lower wages, at \$17,223 and \$28,625, respectively. (Note that these figures include part-time workers.)

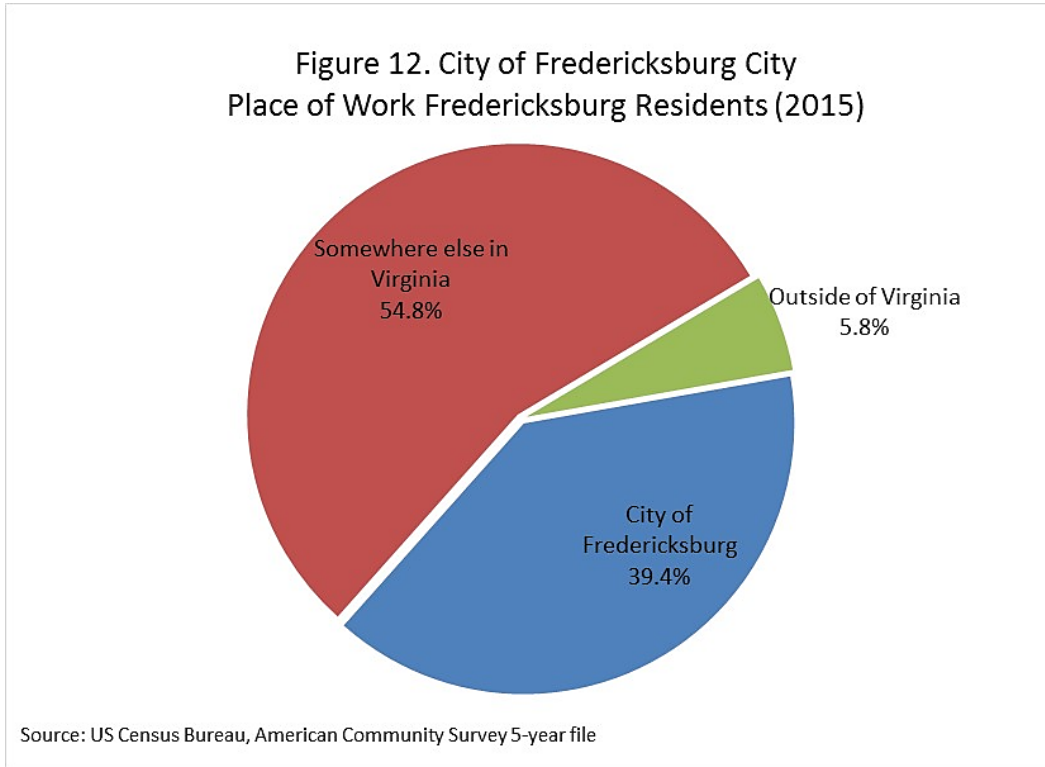
² The employment and wage data presented includes full-time and part-time covered jobs, temporary or permanent. The data exclude some jobs in national security agencies, proprietors, the unincorporated self-employed, unpaid family members, certain farm and domestic workers, and railroad workers covered by the railroad unemployment insurance system.

The City’s highest wages were in among Federal Government jobs, where the average wage was \$86,289 in 2015. Wages have generally increased in every sector, with increases ranging from 26.9 percent for State Government jobs to 155.9 percent for jobs in the Professional and Business Services sector.



Resident Workforce

In 2015, there were an estimated 13,282 resident workers in Fredericksburg—that is, City of Fredericksburg residents who were employed. About two out of five resident workers (39.4 percent) have jobs located in the City of Fredericksburg. More than half (54.8 percent) of the City’s resident workforce commutes to other places in Virginia. Approximately six percent of workers—commute to jobs outside of Virginia, largely to the District of Columbia.



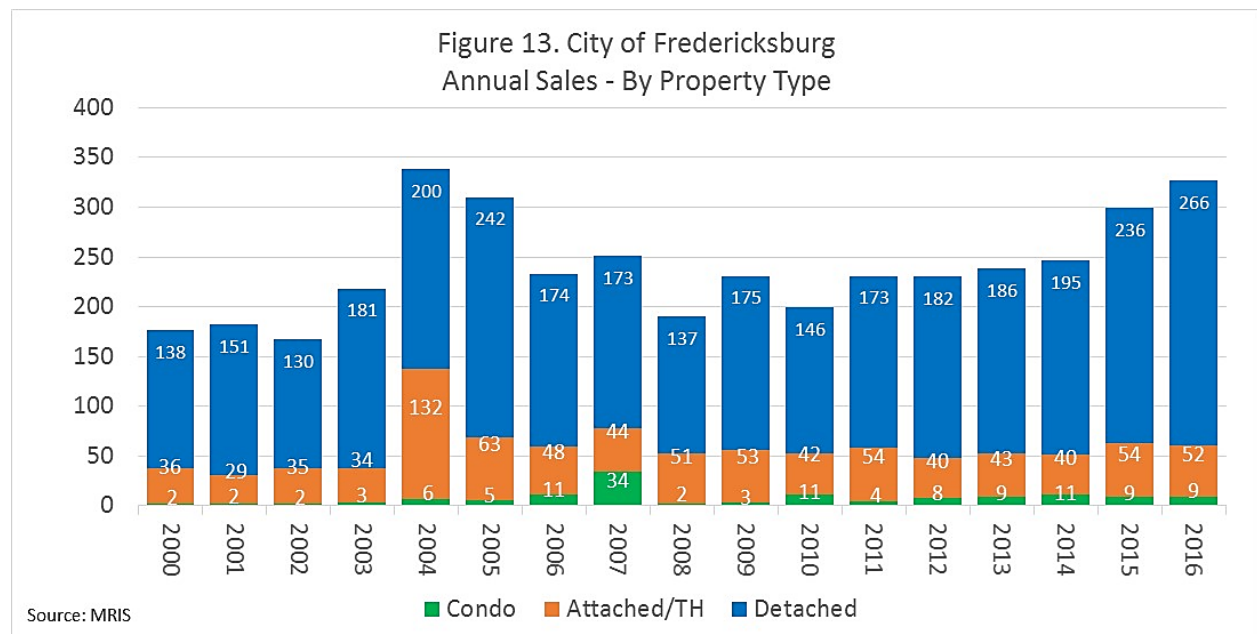
Housing Market

Home Sales

In the early 2000s, home sales in the City of Fredericksburg remained relatively flat, hovering between 167 and 182 sales annually. By 2003, the housing boom was underway and home sales in the City rose quickly. In two years, sales activity more than doubled in the Fredericksburg housing market going from 167 sales in 2002, to 338 sales in 2004. Sales dipped slightly in 2005, before falling sharply over the next few years as the financial crisis and recession occurred.

By 2008 there were 190 homes sold in Fredericksburg, 148 fewer than the peak 4 years prior, a 44 percent decline. Between 2008 and 2011, there was an ebb and flow pattern in the City's housing market, with sales rising and falling between 30 and 40 sales each year, before stabilizing in 2012. Since that time, home sales in Fredericksburg have been increasing and are nearing the levels seen at the peak of the housing boom. There were 327 sales in the City in 2016, up 9.4 percent than 2015, and only 11 shy of the 2004 peak.

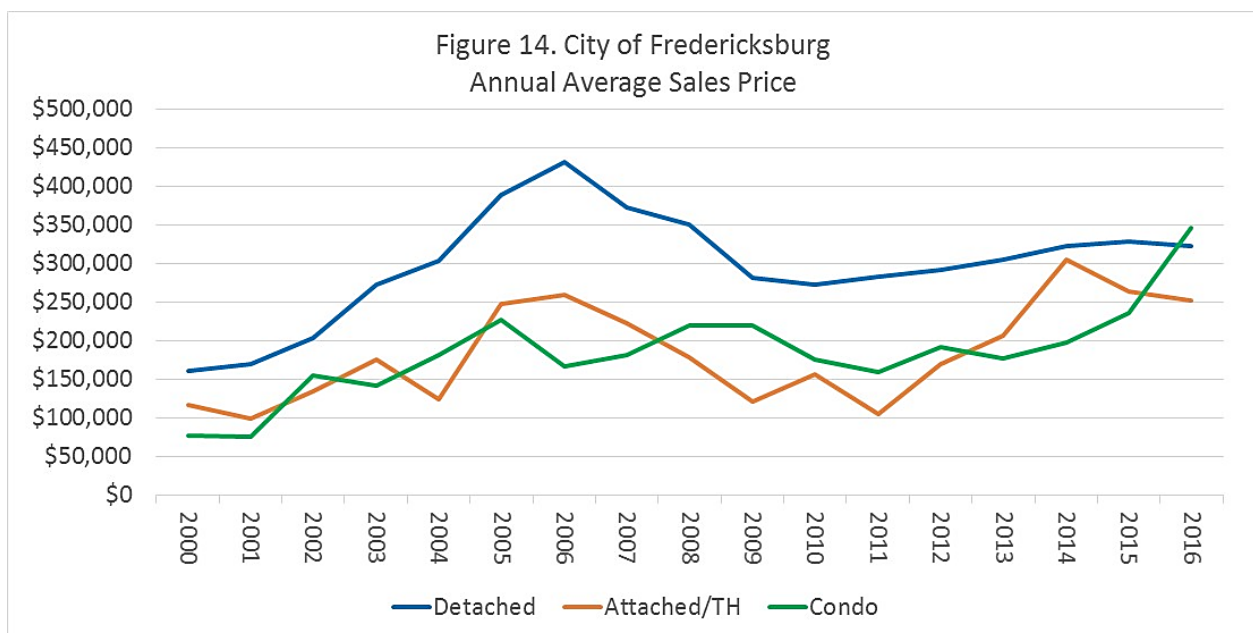
Most of the sales in the City of Fredericksburg single-family detached homes. Since 2000, single-family detached home sales have consistently exceeded more than three-quarters of all sales in any given year. Approximately 21 percent of all sales since 2000 have been single-family attached homes or townhomes. The market share of these types of properties has slowly declined since the housing boom and now represent between 16 and 18 percent of all sales in a given year. The condominium market in the City of Fredericksburg, while small in quantity, has increased considerably since the early 2000s. Since 2012, there have been between eight and 11 condos sold each year, compared to two to three condo sales each year from 2000 and 2003. In 2016 condominium sales made up approximately 3 percent of all sales in the City.



Home Prices

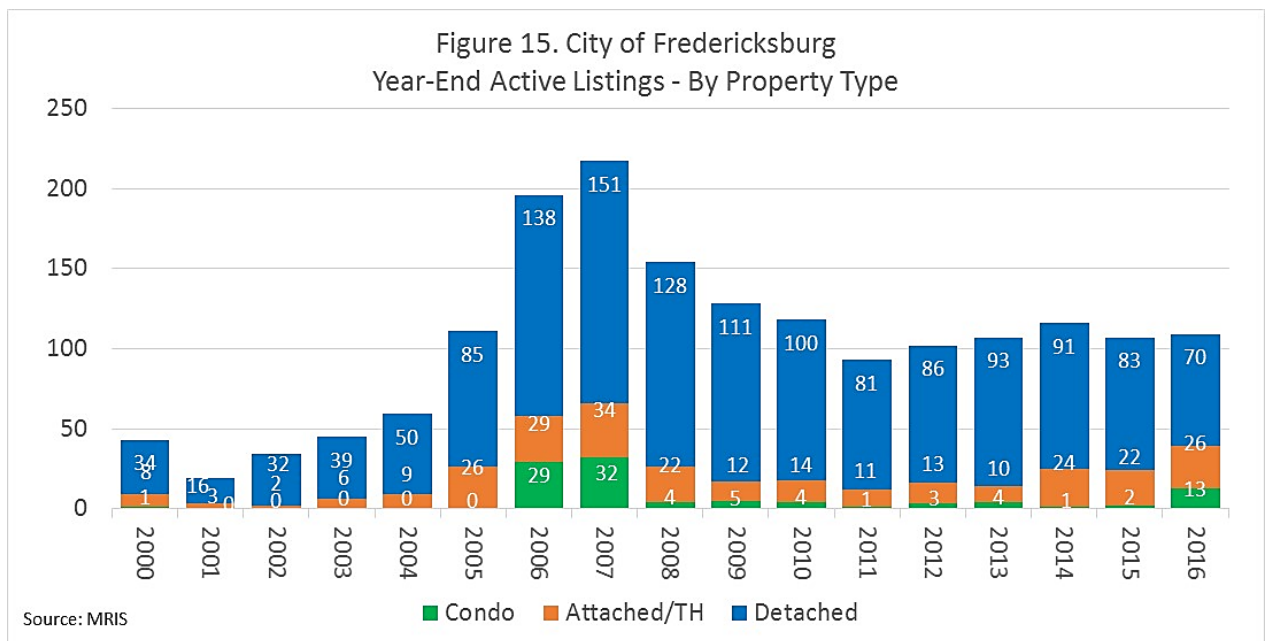
Similar to other jurisdictions in the region and around the country, home values in the City of Fredericksburg rose dramatically during housing boom years before abruptly declining as the financial crisis unfolded. Over a four-year period, the average sales price for a single-family detached home in Fredericksburg more than doubled, going from \$203,542 in 2002 to \$432,025 in 2006, a spike of more than \$228,483. Home prices climbed at double digit rates for five consecutive years during this period, driven by strong housing demand and financing options for a broad range of the credit spectrum. This price trend came to a halt in 2007, falling 13.9 percent that year compared to the peak level a year prior. The average sales price for detached homes in the City decline for four consecutive years, and by 2010 was at \$273,082, more than \$158,000 lower than the peak in 2006, a 37 percent drop.

While lower than their housing boom levels, home prices in the City of Fredericksburg have fared better than many neighboring jurisdictions following the recession. By 2011, the average sales price stabilized in the City, and has been rising steadily over the past five years, increasing nearly \$50,000 since the trough level in 2010. The average sales price for a detached home in Fredericksburg was \$321,990 in 2016, slightly lower than the previous year, a 1.8 percent decline.



Active Listings

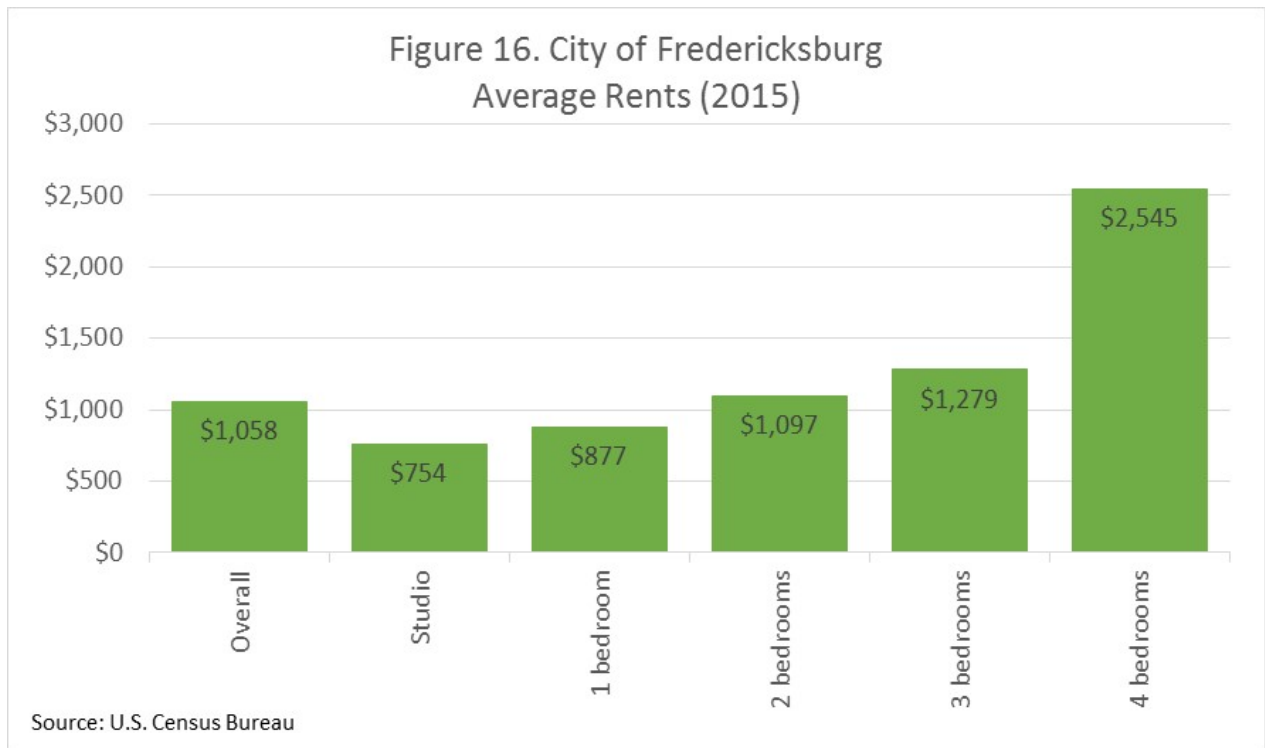
The inventory of homes for sale in the City of Fredericksburg has seen large fluctuations over the past 16 years. In the early 2000s the number of active listings was relatively low, even dipping below 20 listings City-wide at the end of 2001. As the housing boom began, the inventory levels increased rapidly, with active listings more than quadrupling between 2003 and 2006. After a peak of 217 listings at the end 2007, the number of homes for sale in Fredericksburg declined over the next 4 years. By the end of 2011, there were only 93 homes on the market, down 21.2 percent from the year before, and less than half of the peak level four years prior. Home prices fell sharply during this same period, leaving many who purchased homes during the housing boom owing more on their mortgage than the market value of their homes. As a result, fewer homes were listed for sale as people waited for prices to rise. The inventory of homes for sale has now stabilized in Fredericksburg, and has been hovering between 102 and 116 over the past five years. There were 109 active listings at the end of 2016, two more than the same period a year before, a 1.9 percent increase.



Rents

The number of renters in the City of Fredericksburg has increased since the housing market downturn and recession and currently about 6,600 households in the City are renters. In 2015, the median rent in the City of Fredericksburg was estimated at \$1,058, up 62.5 percent over 2000 (\$651). Studio and one-bedroom apartments rent for an average of under \$900 per month while two- and three-bedroom units have rents of \$1,097 and \$1,279, respectively.

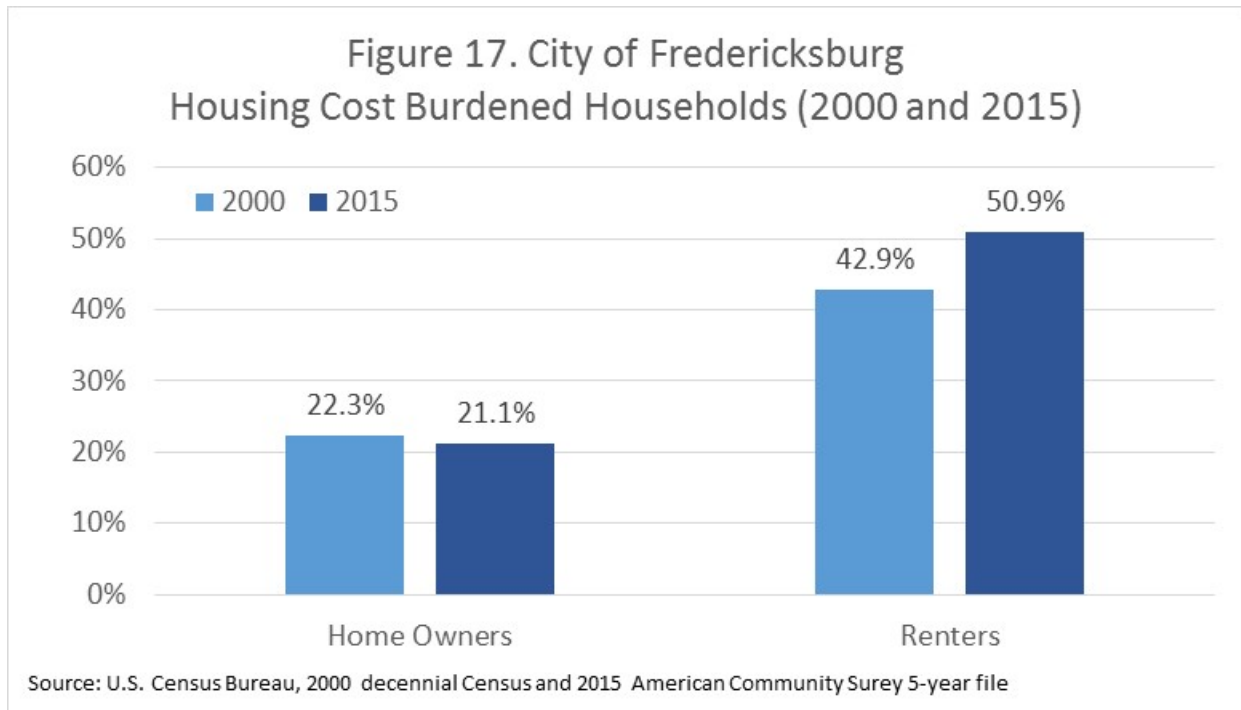
These rent figures do not take into account the rents of new residential buildings, specifically those completed in 2015 and 2016. Rents at these new properties are significantly higher. For example, at The Apartments at Cobblestone Square, monthly rents from \$1,388 per month to \$3,838 per month.



Housing Affordability

Housing affordability is measured by comparing household incomes to housing costs. Generally, housing is considered “affordable” if it takes up no more than 30 percent of a households’ gross income. Households that spend more than 30 percent of their income on housing costs are sometimes called “housing cost burdened.” When households spend a disproportionately high share of their income on housing costs, there is often an insufficient amount left over for other necessities, such as health care, food, transportation and education expenses.

In the City of Fredericksburg, one out of five home owners (21.1 percent) and one out of every two renters (50.9 percent) spends more than 30 percent of their income on housing. Rates of housing cost burden have increased among renters in the City of Fredericksburg. In 2000, about 42.9 percent of renters were cost burdened. Rates of housing cost burden have not changed significantly for home owners in the City over the 2000 to 2015 period.



Forecasts of Future Housing Needs in the City of Fredericksburg

Having a sufficient supply of housing is essential for supporting a vibrant and sustainable local economy. Using prior forecasts of local housing demand produced by George Mason University,³ updated with more recent data on the current housing stock, the housing forecasts below suggest that the City of Fredericksburg would need to add 2,032 new housing units over the next 15 years to house new workers, including both a share of workers in the City and residents in the City that work elsewhere.⁴

In 2013, the George Mason University Center for Regional Analysis (GMU) produced forecasts of the amount, types and prices/rents of housing that would be needed to accommodate job growth in the greater Washington DC region, including for the City of Fredericksburg, Spotsylvania County and Stafford County in the Fredericksburg region. Around the same time, the George Washington Regional Commission/Fredericksburg Area Metropolitan Planning Organization (MPO) produced population, household and housing unit forecasts that were included in the Metropolitan Washington Council of Governments (MWCOG) Round 9.0 cooperative forecasts. The housing forecasts presented below for the City of Fredericksburg are based on the GMU forecasts, with MPO/MWCOG forecasts used as a check on the credibility of the estimates.

The GMU housing forecasts examined forecasts of expected job growth by sector in the greater Washington DC region to produce jurisdiction-level housing demand forecasts of the amount. (The published GMU forecasts combined the City of Fredericksburg with Spotsylvania County but the estimates below are for Fredericksburg only.) The housing unit forecasts for the City of Fredericksburg include housing that would be needed to accommodate new workers that both live and work in Fredericksburg as well as workers that are expected to live in Fredericksburg but will have a job in another jurisdiction (i.e., out commuters). The shares of new workers living in Fredericksburg are based on an analysis of current commuting patterns.

The GMU forecasts are for the 2012 through 2032 period. The forecasts below adjust the GMU forecasts to provide estimates of expected housing demand between the 2017 and 2032 period with separate forecasts for the 2017-2022, 2022-2027, and 2027-2032 periods. The forecasts based on the GMU analysis are compared with the MWCOG/MPO forecasts of household growth to ensure that the rates of expected growth in the housing stock are realistic given current local expectations.

The GMU analysis uses information on the expected wages, ages and household composition of new workers throughout the region to estimate demand for housing of different types (i.e., renter and owner, single-family and multifamily) and at different price and rent levels.

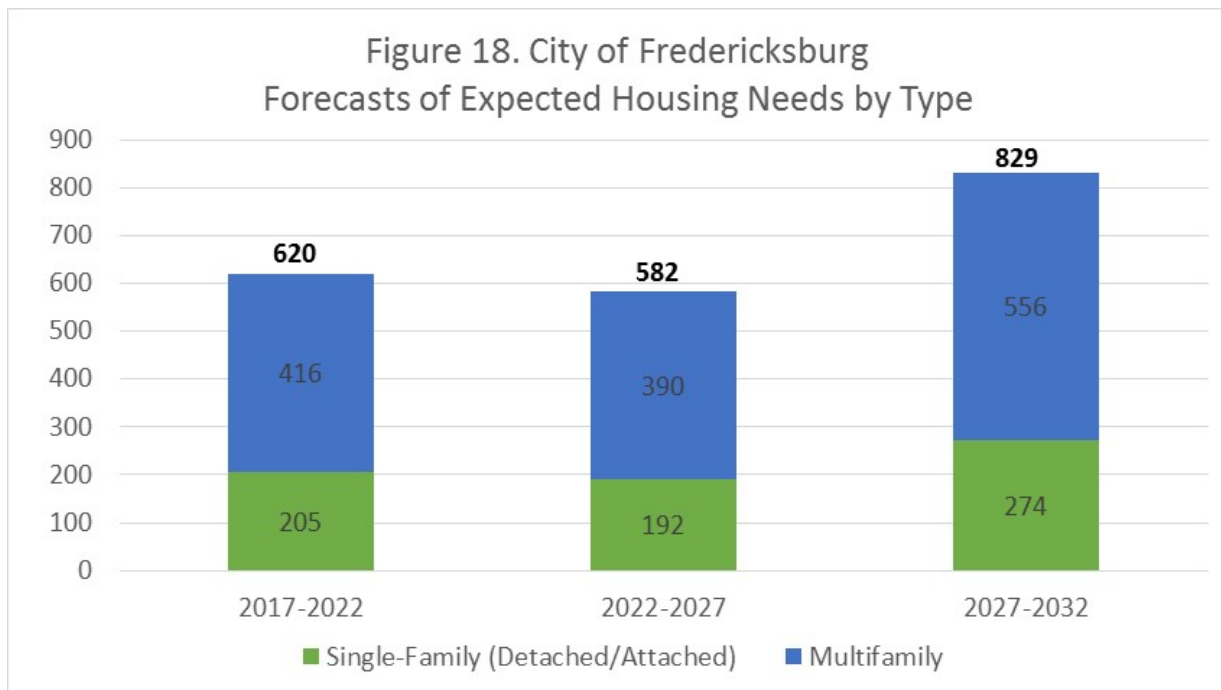
These estimates of future housing demand in the City of Fredericksburg will likely understate total future housing demand because they do not account for the housing that will be needed to accommodate new residents who are not in the labor force (e.g., new retirees to the area). This approach to forecasting housing demand in the City of Fredericksburg is just one way to thinking about the City's future housing

³ Sturtevant, Lisa and Jeannette Chapman. 2013. Housing the Region's Future Workforce, 2012-2032. Arlington, VA: George Mason University Center for Regional Analysis. Online http://cra.gmu.edu/pdfs/studies_reports_presentations/Housing_the_Regions_Future_Workforce_2012.pdf.

⁴ Job forecasts are based on econometric forecasts prepared by IHS Global Insight. These housing demand forecasts assume that all new workers in the jurisdiction will live in the jurisdiction, thereby assuming that the levels of jurisdiction-to-jurisdiction commuting will not increase. Changes to these assumptions would obviously change the resulting housing need forecasts presented in this report.

needs, explicitly linking growth in the housing stock to employment growth. Other housing forecasts that have been produced for other purposes for the City may be based on different assumptions and may come to different conclusions about future housing growth.

Overall, these forecasts suggest a need for 2,032 net new housing units in the City of Fredericksburg between 2017 and 2032. Between 2017 and 2022, these forecasts suggest a need for 620 net new housing units; between 2022 and 2027, there is expected to be demand for 582 net new housing units. Finally, in the 2027 to 2032 period, the pace of housing demand is expected to accelerate somewhat (along with expected accelerations in local and regional job growth) with a need for an additional 829 housing units in the City of Fredericksburg over that five-year period.



Between 2017 and 2032, therefore, these housing demand forecasts suggest a need for 135 new units to be built in the City of Fredericksburg each year. Over the past five years, the City has issued permits for the construction of 131 housing units annually, on average, which suggests that it is on target to meet the demand suggested by these employment-driven forecasts of housing demand. However, the types and prices/rents of housing are shifting and current supply may not be sufficiently meeting changing demand for rental and multifamily housing.

Given the expected characteristics and incomes of new working households in the City of Fredericksburg over the next 15 years, it is expected that just one-third (670 housing units) will need to be single-family detached or attached homes to meet demand. The remaining two-thirds (1,361 housing units) are forecasted to be multifamily.⁵ This reflects a shift from current development patterns in the City of

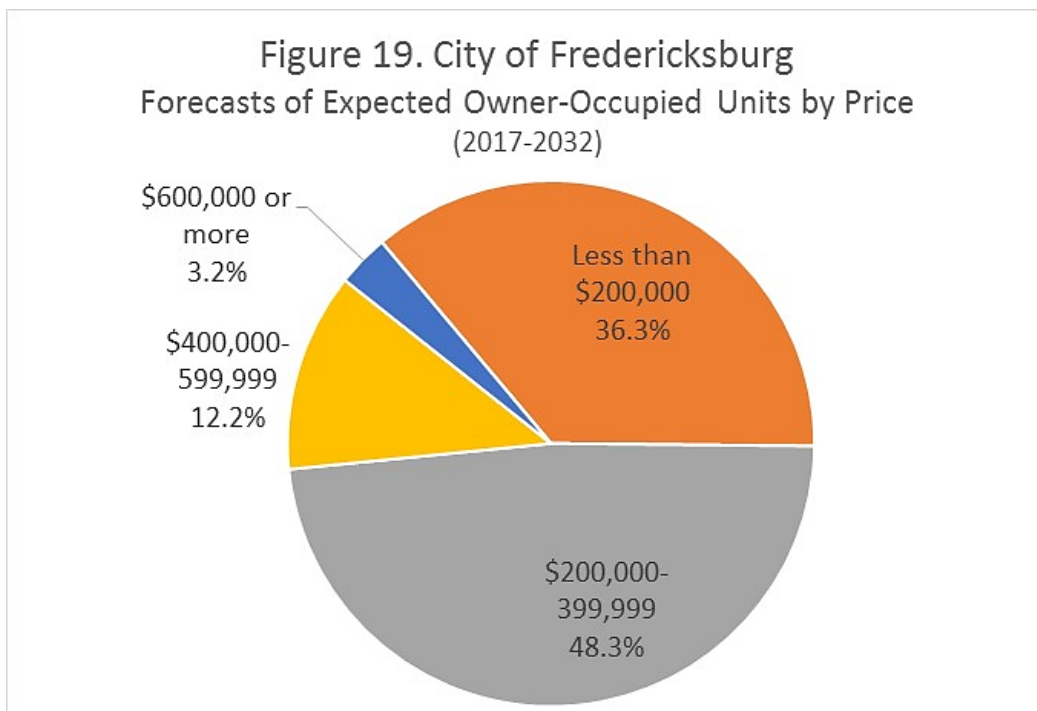
⁵ Numbers may not sum to total due to rounding.

Fredericksburg where 54.7 percent of homes in the City are single-family detached or attached homes and 45.1 percent are multifamily units.

These housing demand forecasts suggest that just 27.5 percent new housing units that will be needed over the next 15 years to accommodate new workers will be owner-occupied (including both single-family and multifamily owner-occupied units) and 72.5 percent will be renter-occupied. In 2015, it is estimated that 34.5 percent of the current occupied housing stock is owner-occupied. Therefore, these housing demand forecasts suggest a shift towards more renters and fewer home owners among new residents over the next 15 years.

The shift towards more multifamily housing and more rental housing reflects a younger workforce and stronger growth in industry sectors that pay relatively lower wages. Younger households and households with lower incomes are more likely than other households to live in rental housing and multifamily housing. The trend toward demand for more multifamily housing and more rental housing is being experienced in communities throughout Virginia and in many parts of the rest of the country.

These household characteristics also dictate the home prices and rents that will be needed to accommodate the growing working population in the City of Fredericksburg. There will be a need for housing at all price points in the years to come. Over the next 15 years, however, based on an assessment of expected household incomes, it is expected that more than one-third (36.3 percent) of the new future owner-occupied homes in the City of Fredericksburg—including both single-family and multifamily—will need to be priced below \$200,000 to meet demand (i.e., affordable to households earning about \$50,000). About half (48.3 percent) of owner-occupied homes need to be priced between \$200,000 and \$399,999 and 12.2 percent need to be priced between \$400,000 and \$599,999 to be affordable to new households. It is estimated that only 3.2 percent of new owner-occupied will need to be priced at \$600,000 or above to meet new demand over the next 15 years.



On the rental side, there will be substantial need for housing affordable to renters earning below \$50,000. Based on these estimates of future housing needs in the City of Fredericksburg, about 57.8 percent of future renters will be able to afford renters at or below \$1,250 per month. About 29.7 percent of new rental demand will be able to afford rents between \$1,250 and \$1,749 per month and 7.1 percent will be able to afford rents between \$1,750 and \$2,249 per month. It is expected that demand for high-end rental units will be relatively low, with these forecasts suggesting that new rental demand will include only 5.4 percent of units with rents of \$2,250 or more over the next 15 years.

