Housing Needs in the Northern Tier Region

VHDA Board Retreat / Fredericksburg
April 14, 2015
The region has changed dramatically and no longer fits previous geographic paradigms.

- Prior to 2000, employment remained centered on Washington with a 50-mile commuting radius west to Loudoun/Fauquier and south to Fredericksburg.

- Inside the Beltway was the region’s “Core” with Fairfax Co., and Montgomery Co./Prince George Co., MD constituting the region’s “Middle Ring.”
Today, the “Northern Tier” is part of a much larger, dynamic four-state economic region.

- Intensive employment growth has moved west to Dulles and South to Fort Belvoir and Quantico.
- The commuting radius has extended outward to Winchester, Culpeper and Caroline Co.
- Fairfax Co. is now part of the region’s “Core” with Loudoun, Prince William, Fauquier and Stafford being the new “Middle Ring.”
The Northern Tier continues to be Virginia’s engine of growth.
The Northern Tier has a disproportionately large share of Virginia’s population growth.

Source: Weldon Cooper Center, UVA
The Northern Tier has led the state in work force growth and employment.

<table>
<thead>
<tr>
<th>Change in Civilian Labor Force Since Onset of Recession</th>
<th>Region</th>
<th>Civilian Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov. 2007 to Nov. 2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.1%</td>
<td>Northern Tier</td>
<td>3.8%</td>
</tr>
<tr>
<td>5.8%</td>
<td>Greater Richmond</td>
<td>4.8%</td>
</tr>
<tr>
<td>4.1%</td>
<td>VIRGINIA</td>
<td>4.5%</td>
</tr>
<tr>
<td>4.0%</td>
<td>Charlottesville-Central Valley</td>
<td>4.0%</td>
</tr>
<tr>
<td>1.0%</td>
<td>Hampton Rds-Chesapeake Bay</td>
<td>5.1%</td>
</tr>
<tr>
<td>0.0%</td>
<td>Roanoke-Lynchburg-Blacksburg</td>
<td>4.8%</td>
</tr>
<tr>
<td>-6.3%</td>
<td>Southern Tier</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

Source: Virginia Employment Commission (VEC).
The Northern Tier’s population differs significantly from that of other regions.
There are major regional differences in the age composition of Virginia’s population.

Source: Weldon Cooper Center, UVA
Virginia’s diversity varies greatly by age. Younger regions — like the Northern Tier — are far more diverse than older regions.

Source: U.S. Census Bureau
The Northern Tier’s diversity has been driven by foreign-born immigration.

- From 2010 to 2014, the Northern Tier accounted for 62% of Virginia’s net international migration.
- Within the Northern Tier, 70% of net international migration was in the Core.
- However, once settled, foreign-born migrants are increasingly dispersing — especially into the Middle Ring.

Source: U.S. Census Bureau.
Foreign-born immigration has made the region’s minority population highly diverse.

- The overall share of minorities in the Northern Tier (41%) is similar to that in Hampton Roads (44%) and Greater Richmond (41%).

- However, the composition of the minority population is very different.

- It is dispersed across races and ethnicities, with Hispanics now the largest minority group.

Source: U.S. Census Bureau.
Cost differentials are driving intra-regional shifts in population and housing demand.
Intra-market differences in rental costs are increasing.

Source: U.S. Census Bureau.

Area Median Gross Rent
Compared to Median in Core of Northern Tier
NT Core = 100

- Montgomery Co. MD: 94/97
- Middle Ring of Northern Tier: 89/91
- Pr. George Co. MD: 75/78
- Outer Ring of Northern Tier: 59/63

Source: U.S. Census Bureau.
Intra-market differences in home prices are much larger and have likewise increased.

Area Median Home Price
Compared to Median in Core of Northern Tier
NT Core = 100

- Montgomery Co. MD: 82% (June 2000), 95% (June 2014)
- Middle Ring of Northern Tier: 79% (June 2000), 73% (June 2014)
- Pr. George Co. MD: 64% (June 2000), 46% (June 2014)
- Outer Ring of Northern Tier: 60% (June 2000), 44% (June 2014)

Source: Metropolitan Real Estate Information Services (MRIS) / Real Estate Business Intelligence (RBI).
Despite large cost differences, household growth in the region’s Core has been high.

• Over the past decade, migration of young Millennials to the region’s Core—especially Arlington and Alexandria—has been high due to the availability of well-paying jobs and attractive urban amenities.

• Millennials have managed high rents by sharing housing, giving up cars and accepting smaller living space.

Source: Weldon Cooper Center, UVA.
Intensified housing competition has reduced the affordable family inventory.

• Land scarcity in the Core has created intense competition for space that favors high-end, high-density and small rental and condo units at the expense of affordable family housing.

• Also, high levels of negative equity in the Middle and Outer Rings have constrained for-sale inventories and driven up the price of available starter homes in the Core.
Now, two recent drivers of household migration are showing signs of change.
1. Young families will make up a greater share of the region’s household growth.

- The oldest Millennials have reached their mid-30’s and are marrying and forming families.
- Together with young foreign-born immigrants, Millennials will drive increased demand for housing that fits the needs and budgets of young families.
- For young families, high housing costs make remaining in the Core a major challenge.
- Older Millennial singles who are aging out of their roommate years face similar challenges.
2. Federal austerity has significantly reduced the growth of well-paid jobs in the Core.

- The loss of high-paid federal contract jobs and the recovery of other large metro employment markets have increased out-migration and reduced the attractiveness of the Core to younger Millennials.

- From 2013 to 2014, international immigration to the Core slowed, but remained positive.

- However, international immigrants were more than offset by net domestic out-migration of 15,000 to 25,000 persons* from the Core.

*Population estimates by the Weldon Cooper Center, UVA and the U.S. Census Bureau vary in the magnitude of net migration.
Young minority households are especially impacted by high costs in the Core.

- Despite progress in recent decades, the income differential between young minority and non-minority households remains high.
- Consequently, minorities have felt especially pressured to seek housing in the more affordable parts of the region.

Source: U.S. Census Bureau, 2012 American Community Survey (ACS).
The locus of the minority population is shifting from the Core to the Middle Ring.

<table>
<thead>
<tr>
<th>Core</th>
<th>Middle Ring</th>
<th>Outer Ring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arlington &amp; Alexandria</td>
<td>42%</td>
<td>42%</td>
</tr>
<tr>
<td>Fairfax &amp; Falls Church</td>
<td>41%</td>
<td>41%</td>
</tr>
<tr>
<td>Pr. William &amp; Manassas</td>
<td>47%</td>
<td>47%</td>
</tr>
<tr>
<td>Loudoun</td>
<td>54%</td>
<td>54%</td>
</tr>
<tr>
<td>Stafford &amp; Fauquier</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>Outer Ring Minority share of population</td>
<td>2000</td>
<td>2013</td>
</tr>
<tr>
<td>Arlington &amp; Alexandria</td>
<td>-1.4%</td>
<td>+11.5%</td>
</tr>
<tr>
<td>Fairfax &amp; Falls Church</td>
<td>+18.7%</td>
<td>+19.5%</td>
</tr>
<tr>
<td>Pr. William &amp; Manassas</td>
<td>+18.7%</td>
<td>+19.5%</td>
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<td>Loudoun</td>
<td>+19.5%</td>
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<td>Stafford &amp; Fauquier</td>
<td>+11.7%</td>
<td>+6.3%</td>
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</table>

Source: U.S. Census Bureau.
First-time buyers are moving outward to access affordable starter homes.

Share of Regional Home Purchase Lending in 2013

Source: Home Mortgage Disclosure Act (HMDA) reporting.

Legend:
- Less Than 4%
- 4% - 8%
- 8% - 14%
- Greater Than 14%
Accommodating the housing needs of young families is a growing regional challenge.
Young workers will be a critical part of the region’s future labor force.

- As Baby Boomers exit the labor force, Millennials and young foreign-born households are important components of labor force competitiveness.

- Housing affordability will be critical in competing for new business/jobs investment.
  - The Northern Tier can no longer rely on the locational advantage of the federal government.
  - The Core and the Middle Ring are less affordable than suburban Maryland.
  - The core must be able to accommodate the needs of young families as well as singles and childless couples.
High land costs and subsidy requirements are making needs difficult to address.

• Young families have growing space needs, but do not want to put up with long commutes.

• If affordable housing choices get pushed to the outer parts of the region then there will be:
  – Worsening pressures on regional transportation systems.
  – Outward pressure on new jobs location.

• Consensus is needed on:
  1. Cost-effective ways of achieving desired ends.
  2. The appropriate balance in subsidy use between unmet low-income needs and broader work force housing needs.
SUMMARY

• The Northern Tier is the locus of a large share of Virginia’s current and future housing needs.

• The need for net new affordable units to house young workers, especially young families, will be critical to the region’s—and Virginia’s—continued economic growth.

• High costs and subsidy needs will make achieving affordability especially challenging.