

FINAL REPORT

A Housing Needs and Market Analysis for Fauquier County, Virginia

Prepared for:
Greater Piedmont Area Association of Realtors

Prepared by:
David E. Versel, AICP

October 13, 2016

Introduction and Purpose

Fauquier County, Virginia is in the process of evaluating its policies and regulations related to the planning and development of housing. The County's leadership has asked the Greater Piedmont Area Association of Realtors (GPAAR) for assistance with this effort. GPAAR, in turn, identified the need to conduct this housing needs and market analysis in order to provide a basis for the projections of future housing supply and demand in Fauquier County.

This report provides critical information that will be used to inform the County's policy decisions regarding housing. The report is divided into four sections, as follows:

1. Profile of Existing Households and Housing Stock
2. Housing Market Overview
3. Future Housing Forecasts
4. Summary of Future Housing Needs

Research for this report was conducted in August and September, 2016, using data from the 2014 American Community Survey and sales data from Metropolitan Regional Information Systems (MRIS) through July 2016. In addition to these datapoints, qualitative information regarding the Fauquier County housing market was obtained via interviews with leading real estate professionals who are active in the local market. The following individuals were interviewed as part of this research process:

- Joel Barkman, Golden Rule Builders
- Chuck Cornwell, Re/Max Regency
- Will Duncanson, Bowman Consulting
- Kim Hart, Windy Hill Foundation
- Chip Miller, Piedmont Fine Properties
- Brett Sechler, NV/Ryan Homes
- David Wills, Long & Foster

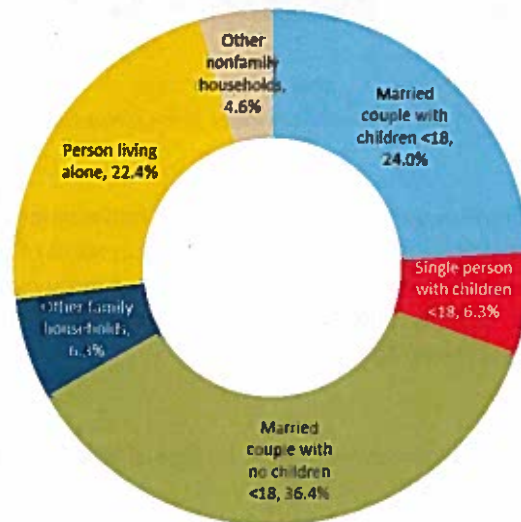
Profile of Existing Households and Housing Stock

This section presents the most complete set of available data on Fauquier County's current households and housing stock. All data are one-year averages for 2014, which represents the most recent complete release of data for Fauquier County by the U.S. Bureau of the Census' American Community Survey (ACS). This dataset is used as the current baseline for this profile.

Household Type

As of 2014 there were an estimated 23,334 households in Fauquier County, with an average household size of 2.91 persons. Married couples with at least one child under the age of 18 only account for 24.0 percent of households in Fauquier County. Households headed by a single person with a child under 18 at home represent another 6.3 percent of all households. Thus, just 30.3 percent of households in Fauquier County have children under the age of 18. Put another way, about 70 percent of the County's households have no children living in them. The median age in Fauquier is reflective of its modest share of households with children. The County's current median age is 41.5, compared with 37.4 for the U.S. and 37.6 for Virginia.

Figure 1: Fauquier County Households by Type



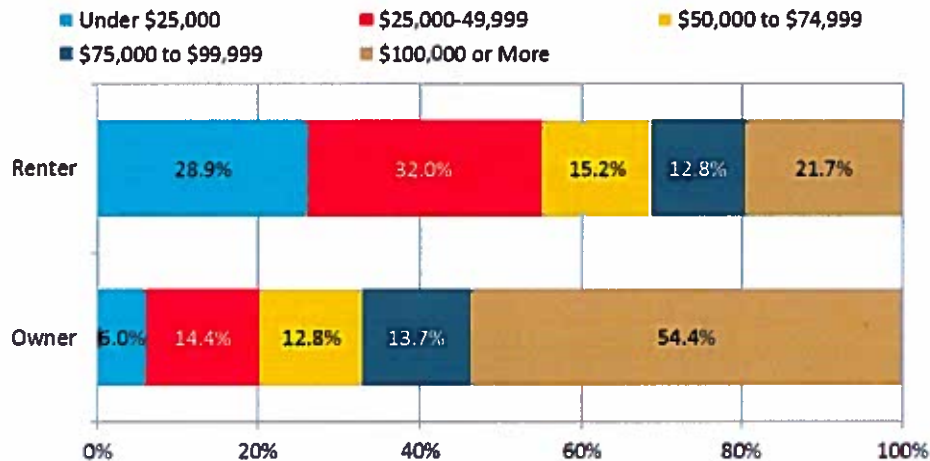
Source: American Community Survey, 1-year averages, 2014

By a significant margin, the most prevalent household type in Fauquier County is married couples with no children in the home under 18 (i.e., empty nesters); these households account for 36.4 percent of all households in the County. Individuals living alone also represent a significant share of the County's households, at 22.4 percent. Other family households (6.3 percent) and other nonfamily households (4.6 percent) account for the remaining households.

Tenure, Income and Age of Householder

The vast majority of households in Fauquier County owns the units that they occupy; as of 2014, 77.5 percent of the County's households were homeowners and just 22.5 percent were renters. The average household size did not vary much by tenure type: owner households averaged 2.90 persons compared with 2.96 persons for renter households. However, there were great differences in income by housing tenure. The median income for owner households was \$103,455, which was more than double the median income for renter households of \$49,834.

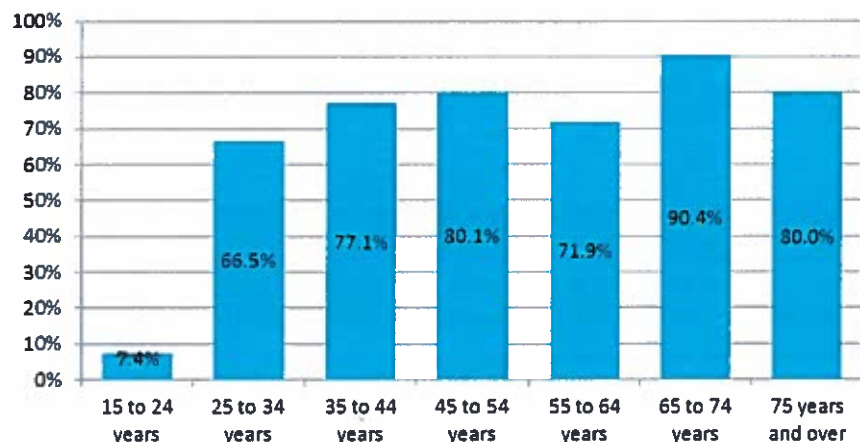
Figure 2: Fauquier County Households by Tenure and Income



Source: American Community Survey, 1-year averages, 2014

Among homeowner households in Fauquier County, 54 percent had annual incomes in excess of \$100,000, compared with 22 percent of renter households. By contrast, 61 percent of renter households in Fauquier earned below \$50,000 per year, compared with just 21 percent of homeowner households. Interestingly the shares were similar middle income households earning between \$50,000 and \$74,999 per year: 27 percent for homeowners and 28 percent for renters.

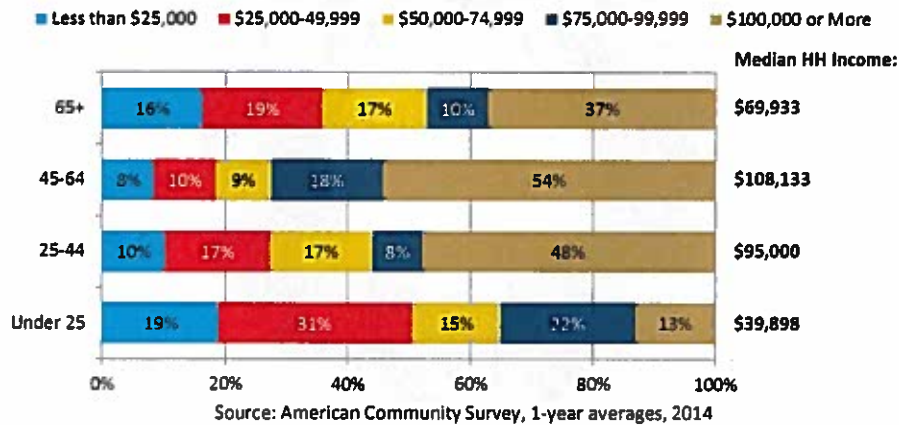
Figure 3: Homeowner Share by Age of Householder



Source: American Community Survey, 1-year averages, 2014

The likelihood that a household in Fauquier County will own its home increases with the age of the householder up to the age of 55, but then fluctuates among older residents. The homeowner rate among the County's youngest householders (age 15-24) is just 7.4 percent. This rate increases steadily by age group, reaching 80.1 percent for householders in the age 45 to 54 range, but dips back to 71.9 percent for the age 55 to 64 cohort. The highest homeownership rate is for householders age 65 to 74; of this group, 90.4 percent are homeowners. The homeownership rate for the County's oldest householders (age 75 and older) is 80.0 percent.

Figure 4: Fauquier County Household Income by Age of Householder

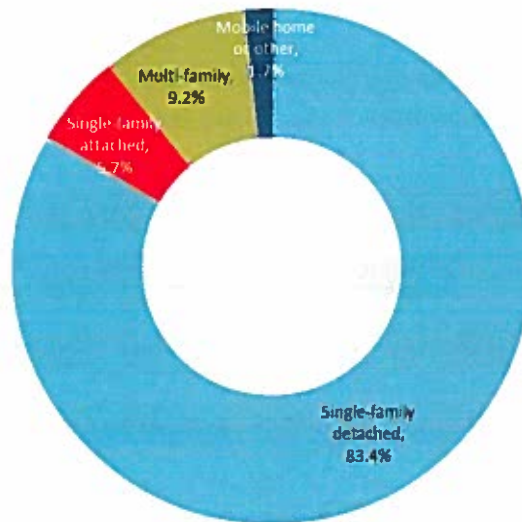


Household incomes vary greatly based on the age of householders. Householders under the age of 25 are the lowest earners, with a median income of \$39,898. The highest median household income is actually found among householders in the age 45 to 64 range, whose median level is \$108,133, followed by those aged 25 to 44 (median income of \$95,000). The County's age 65+ householders, many of whom are retired, have a significantly lower median income level, at \$69,933.

Existing Housing Stock

As of 2014 there were 26,225 housing units in Fauquier County, of which 2,891 (8.2 percent) were not occupied. An estimated 1,082 of these units (4.1 percent) were in use for seasonal or recreational purposes. The remaining 1,809 units (6.9 percent) were deemed vacant.

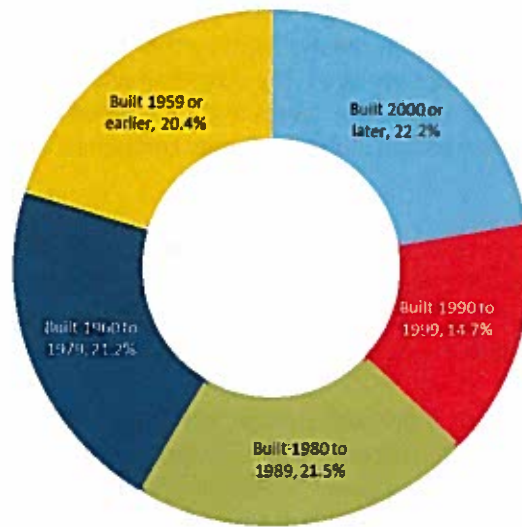
Figure 5: Existing Housing Stock in Fauquier County by Unit Type



Source: American Community Survey, 1-year averages, 2014

The vast majority (83.4 percent) of existing housing units in Fauquier County is comprised of single-family detached units. Single-family attached units represent 5.7 percent of units, and multi-family units represent 9.2 percent of the housing stock. Mobile homes and related housing types (e.g., boats, RVs, vans) accounted for the remaining 1.7 percent of housing units.

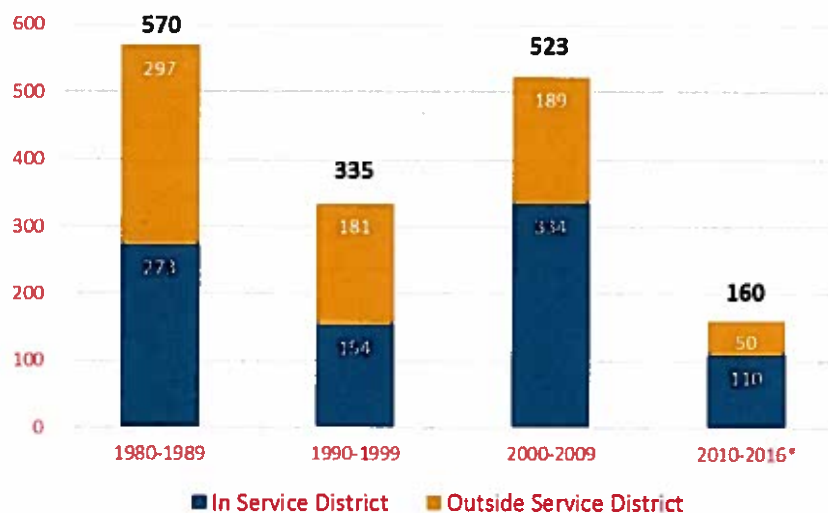
Figure 6: Year Structure Built, Housing Units in Fauquier County



Source: American Community Survey, 1-year averages, 2014

Fauquier County has a varied housing stock in terms of its age. An estimated 5,832 of the existing units as of 2014 were built in 2000 or later, representing 22.2 percent of the County's total housing stock. The bulk of the County's housing units (15,056 units, or 57.4 percent) were built between 1960 and 1999. The remaining 5,337 units (20.4 percent) were built prior to 1960. The median year built of the County's existing housing stock is 1984, so the median unit is about 30 years old.

Figure 7: Average New Homes Built by Decade in Fauquier County Since 1980



* 2016 data are as of July 2016, so the annual average is estimated for the year.

Source: Fauquier County Department of Community Development

The pace of new housing development in Fauquier County has been far slower in recent years than during the growth cycle from the 1980s to the mid-2000s. According to research compiled by the Fauquier County Department of Community Development, the average number of new homes completed in the County between 1980 and 2016 has been 397 per year. The development pace during the 1980s averaged 570 units per year, declined to 335 per year in the 1990s and rebounded to 523 per year during the decade from 2000 to 2009. However, the average number of units completed since 2010 has dipped to just 160 per year.

The location of new units has also changed over time. During the 1980s and 1990s, the majority (53 percent) of new units completed in Fauquier County was built in the rural sections of the County that are located outside of its utility service districts. Since 2000, though, this pattern has flipped, with just 35 percent of new units being located outside of the service district.

The changing pace of development is also reflected in a dramatic slowdown in building permit activity since the national housing crash that began in 2006. Between 2001 and 2005, the number of permits issued for new housing units in the County averaged 751 per year. Permitting activity declined precipitously over the next three years before bottoming out at 105 in 2008. From 2008 through 2015, the average number of permits issued was just 179 per year. The greatest number of permits issued since 2008 was 268 permits in 2013, which is still 68 percent below the 2001 peak of 839 permits. The overall annual pace of building permits since 2001 has averaged 406 per year, which is consistent with the long-term trend of 397 completed units per year.

Table 1: Housing Permits by Year in Fauquier County*, 2001-2015

Year	1 unit	2 units	3-4 units	5+ units	Total
2001	727	0	4	108	839
2002	707	0	0	0	707
2003	798	2	0	0	800
2004	703	0	0	0	703
2005	706	0	0	0	706
2006	506	0	0	98	604
2007	289	0	0	15	304
2008	105	0	0	0	105
2009	106	0	0	0	106
2010	151	0	0	0	151
2011	169	0	0	0	169
2012	164	2	0	0	166
2013	266	2	0	0	268
2014	267	0	0	0	267
2015	200	0	0	0	200
Total	5,864	6	4	221	6,095
Annual Average	391	0	0	15	406

* Includes permits issued by Fauquier County and the Town of Warrenton
Source: Census Building Permits Survey, Estimates With Imputation

While the pace and location of new housing has varied considerably over time, new housing in Fauquier County has continued to be dominated by single-family units. Between 2001 and 2015, there were 6,095 building permits issued in the County for new housing units; of these, 5,864 (96 percent) were for single-family units. In fact, since 2007, there have been no permits issued in the County for any multi-family developments of more than two units.

Summary: Households and Housing Stock

Fauquier County has a diverse inventory of households and housing units. Only 30 percent of the County's households have children under 18 living in them, and just 24 percent of households are comprised of two married adults with minor children. More than half of the County's households are either married couples with no minor children or adults living alone.

About 78 percent of Fauquier County's households own their homes, and homeowners in the County generally have far higher incomes than do renters. Homeownership rates in Fauquier vary by age, with the highest homeownership rate being among householders age 65 to 74. The highest median household income level in the County is among those headed by a person in the 45 to 64 age range.

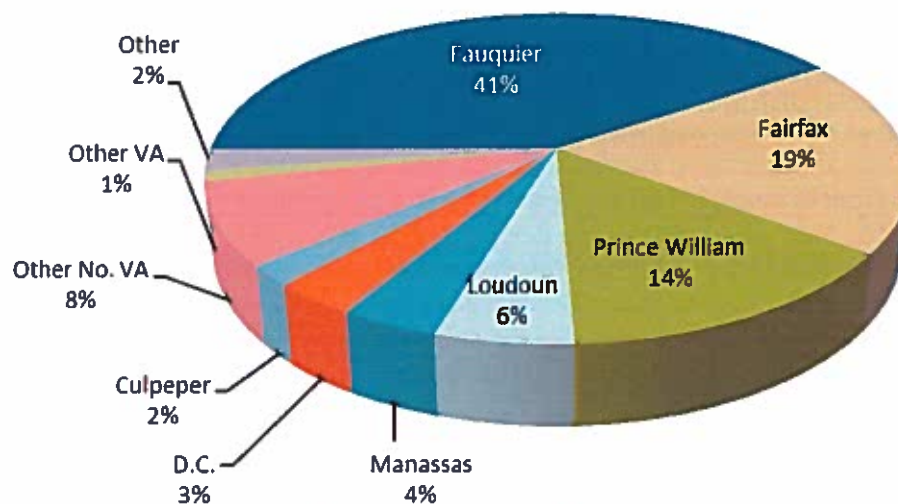
More than 83 percent of Fauquier's existing housing stock is comprised of single-family detached homes. This dominance has been reinforced the fact that 96 percent of new units added since 2001 have been single-family homes. More than half of the County's housing units were built between 1960 and 1999. After peaking in the early 2000s at about 750 new units per year, the pace of housing development in Fauquier County has slowed considerably over the past decade, averaging just 179 units per year since 2008. Over both the medium-term (since 2000) and longer-term (since 1980), the County has averaged about 400 new housing units per year.

Housing Market Overview

Fauquier County's Three Housing Markets

The housing market in any area is dictated by the location of jobs where its residents can work. Most workers who live in Fauquier County commute to workplaces outside of the County. According to the 2009-2013 five-year average data from the American Community Survey¹, about 13,000 of the 33,000 people in Fauquier County's resident workforce (41 percent) are employed within the County, while the remaining 59 percent commutes to jobs in other locations.

Figure 8: Place of Work of Fauquier County Residents, 2009-2013 Averages



Source: American Community Survey, 5-year averages, 2009-2013

Among out-commuters who live in Fauquier County, nearly all travel to other Northern Virginia counties, particularly Fairfax, Prince William, and Loudoun. Just three percent of Fauquier residents commute to the District of Columbia, and only three percent are employed outside of either Northern Virginia or D.C. In total, more than 18,000 Fauquier residents currently travel to locations to the north or east to go to work. Although exact statistics are not available on commuting routes, most of these commuters must travel out of Fauquier County on US 15/29 or VA Route 28 in order to get to work each day.

The appeal of Fauquier County as a place to live is far different to those employed locally than it is to those who commute to jobs in other parts of Northern Virginia. This difference is clearly illustrated by the large gap in wages paid by jobs in Fauquier County as opposed to wages paid by jobs elsewhere in Northern Virginia. As of the second quarter of 2015 data from Economic Modeling Specialists, Inc. (EMSI) showed that the average annual wage for all jobs located in Fauquier County was \$51,372, while the average wage for all jobs in the Washington metro area was \$82,396. This wage spread of 60 percent illustrates the difference of Fauquier's appeal to each type of worker. For those employed locally, proximity to work is

¹ The ACS dataset contains 2009-2013 five-year average figures on county-to-county worker flow. This information is collected via household surveys. This dataset differs from commuting data reported by the Census' Longitudinal Employer-Household Dynamics (LEHD) program, which is assembled from a mix of surveys and administrative data.

most important. Conversely, for those employed in more distant locations, Fauquier County offers more reasonable home prices (see Figure 10 below) and a desirable lifestyle within commuting distance to higher-paying jobs.

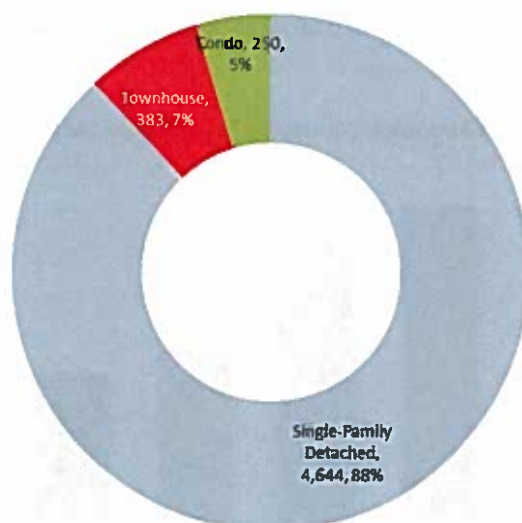
There are clearly two distinct housing markets among working-age residents of Fauquier County: 1) a lower-cost market for those who work nearby; and 2) a higher-cost market for those who are willing to commute to jobs located in Fairfax County and other more central locations in the Washington metro area. There is also a third generator of housing demand in Fauquier: seniors and retirees. At present an estimated 16 percent of the County's residents are aged 65 or older, compared with about 11 percent for the entire Washington metro area. The County's senior population is relatively mobile, as 6.9 percent of those who had migrated to Fauquier County in 2014 in the preceding 12 months were at least 65 years old.

For-Sale Housing Market Performance

Data on the for-sale housing market in Fauquier County and the surround region were obtained from Metropolitan Regional Information Systems, Inc. (MRIS) and RealEstate Business Intelligence, Inc. (RBI). The following information comes from those sources.

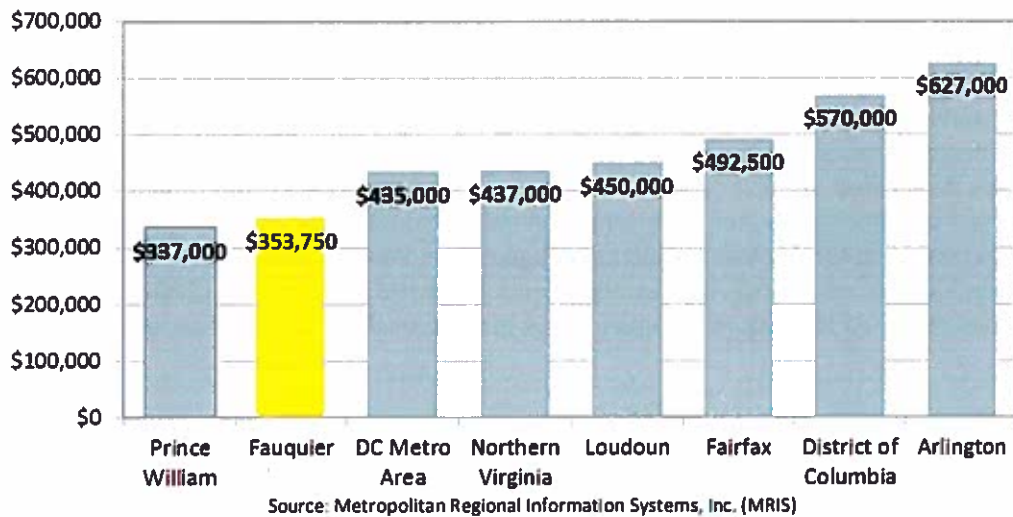
Between January 2011 and July 2016, there were 5,277 recorded home sales in Fauquier County, which represents an average sales pace of 960 units per year. Of these sales, 4,644 (88.0 percent) were of single-family detached homes, 383 (7.3 percent) were of townhouses, and the remaining 250 (4.7 percent) were condominium units. Over this period, the median home sale price in the County was \$325,000. The median price for single-family detached homes was highest, at \$344,700, while the medians for townhouses (\$226,750) and condos (\$150,000) were considerably lower.

Figure 9: Home Sales by Unit Type in Fauquier County, January 2011 to July 2016



Source: Metropolitan Regional Information Systems (MRIS)

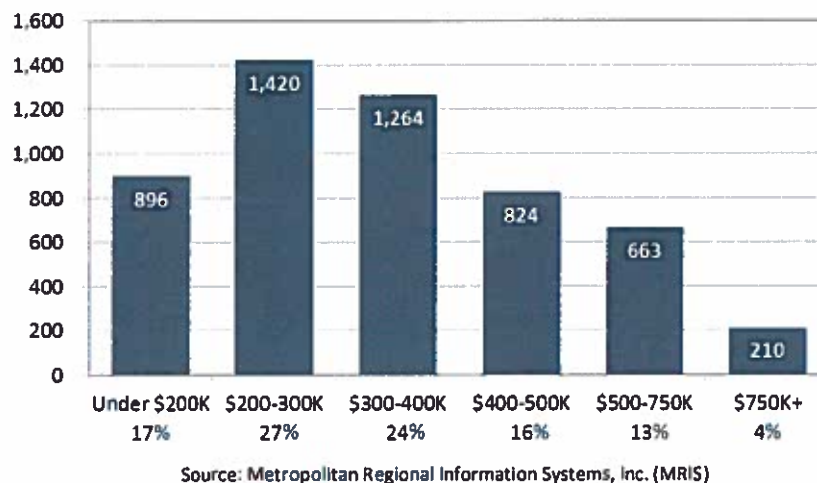
Figure 10: Median Home Sale Prices, July 2016



As of July 2016, the median home sale price in Fauquier County was \$353,750; this is 23 percent below the DC metro area median of \$435,000 and 24 percent below the Northern Virginia median of \$437,000. The median price in Fauquier is further below the median prices in closer-in jurisdictions such as Loudoun County (27 percent), Fairfax County (39 percent), the District of Columbia (61 percent) and Arlington County (77 percent).

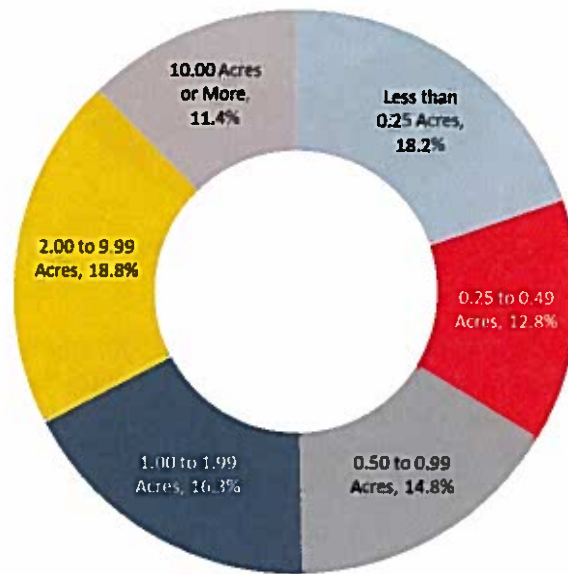
Of note, Fauquier's median price is actually five percent higher than the closer-in Prince William County's median price of \$337,000. This can be explained at least in part by the differences in the two counties' housing inventories. During 2015, 42 percent of sales in Prince William County were of attached units (townhouses and condos), compared with just 12 percent for Fauquier County. The higher concentration of attached units undoubtedly kept down the overall median in Prince William.

Figure 11: Units Sold in Fauquier County by Price Range, January 2011 to July 2016



The home sales market in Fauquier County has shown a great deal of variation by price range over the past five years. Since January 2011, more than half (51 percent) of units sold in the County were priced in the range of \$200,000 to \$400,000, and the sub-\$200,000 market accounted for another 17 percent of sales. At the higher end, 16 percent of sales were between \$400,000 and \$500,000, and 13 percent were in the \$500,000 to \$750,000 range. Just four percent of recent sales in Fauquier County were priced above \$750,000.

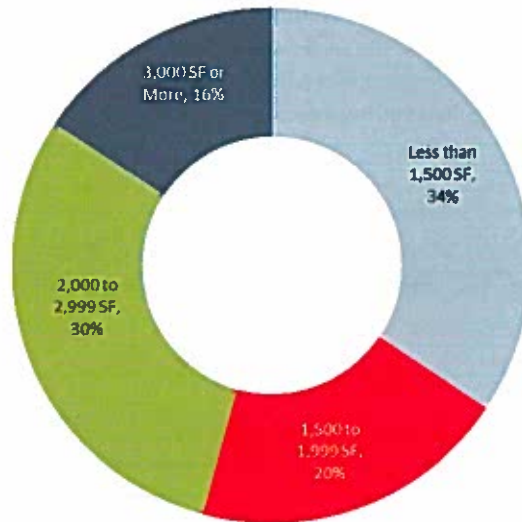
Figure 12: Units Sold in Fauquier County by Lot Size, January 2011 to July 2016



Source: Metropolitan Regional Information Systems, Inc. (MRIS)

Fauquier County's housing market is mainly geared towards large-lot homes; this is at least in part a reflection of the County's land use patterns. Among all homes sold in the County over the past five years, just 18 percent were on lots of less than 0.25 acres, and 30 percent of sales were on lots of at least two acres. Home sizes are more modest, though: 34 percent of homes sold since 2011 contained less than 1,500 SF of living area, and just 16 percent contained more than 3,000 SF.

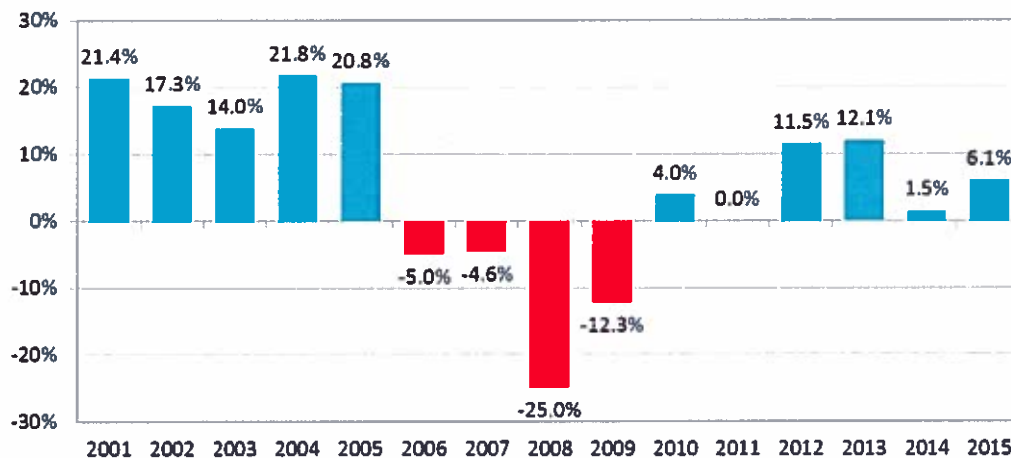
Figure 13: Units Sold in Fauquier County by Home Square Footage, January 2011 to July 2016



Source: Metropolitan Regional Information Systems, Inc. (MRIS)

The median home price in Fauquier County for 2015 was \$350,000, which is up substantially from the post-recession trough of \$250,000, but still 17 percent below the 2005 “bubble” level of \$419,176. The bubble came on the heels of an increase of 139 percent between 2000 and 2005. Over the next four years, the median price dipped by 40 percent before bottoming out in 2009. Since 2009, median price growth has been uneven, with growth in excess of 10 percent during 2012 and 2013, but far weaker during the recovery’s other years.

Figure 14: Annual Change in Median Sale Price in Fauquier County, 2001-2015



Source: RealEstate Business Intelligence, Inc. (REBI)

Home Sales Patterns by Location

As a geographically large jurisdiction with many distinct communities, the patterns of home sales vary greatly by location within Fauquier County. For the purposes of this review, the County is divided into three major areas: North, South, and Warrenton. The North and South areas are further divided into sub-areas, as follows:

- The **North** area includes Delaplane, Marshall, and The Plains/Broad Run
- The **South** area includes Bealeton/Remington and Catlett/Calverton

The boundaries of the major areas and sub-areas are shown on Figure 15. Figures 16 and 17 display sales and median prices by ZIP code, area, and sub-area within Fauquier County. The information below is based on MRIS sales data for Fauquier County from January 2011 through July 2016.

Warrenton

Warrenton has been the most active area of the County over the past five years, with 2,706 sales (51 percent of all sales) occurring in this area since 2011. Warrenton has also been the location of the majority of attached home sales, as 67 percent of all townhouses and condominium units sold in the County have been concentrated here. Even so, single-family detached sales dominate this area, with 84 percent of all sales being of this home type. The median home price in Warrenton in 2015 was \$369,950, which was up 30 percent from the 2011 level of \$285,000.

WARRENTON AREA SUMMARY

2,706 sales from 1/2011 to 7/2016
2015 Median Price: \$369,950
2011-2015 Median Price Change: 30%
84% Single-Family Detached Sales

South Area

The South area has also been active, with 1,638 sales since 2011 (31 percent of all sales) – about 70 percent of the sales in the South area have been concentrated in the Bealeton/Remington sub-area, where there were 1,138 sales. The Catlett/Calverton area was far less active, with 500 sales since 2011. About 89 percent of sales in the South Area were of single-family detached units, and all of the attached units were in the Bealeton/Remington subarea. The median home price in the South area in 2015 was \$289,950, by far the lowest of the three areas, though it did increase the fastest from 2011 to 2015 (40 percent). Bealeton/Remington's median price of \$269,900 was by far the lowest among all subareas, but the fastest growing, at 49 percent.

SOUTH AREA SUMMARY

1,638 sales from 1/2011 to 7/2016
2015 Median Price: \$289,950
2011-2015 Median Price Change: 40%
89% Single-Family Detached Sales

North Area

The North area has been the least active part of the County, with just 933 sales since 2011 (18 percent of all sales). Marshall has been the most active sub-area with 481 sales, followed by The Plains/Broad Run with 242, and Delaplane with 210. Nearly all homes sold in the North area were single-family detached: there were just 31 sales of townhouses and no condominium sales at all. The 2015 median price in the North area was \$427,450, which is the highest of the three areas, but the slowest growing as well (up 16 percent from 2011). The 2015 median price in the Marshall sub-area was the lowest in the North, at \$361,000. This is far below the median prices in Broad Run (\$450,000), Delaplane (\$506,000), and The Plains/Broad Run (\$500,128).

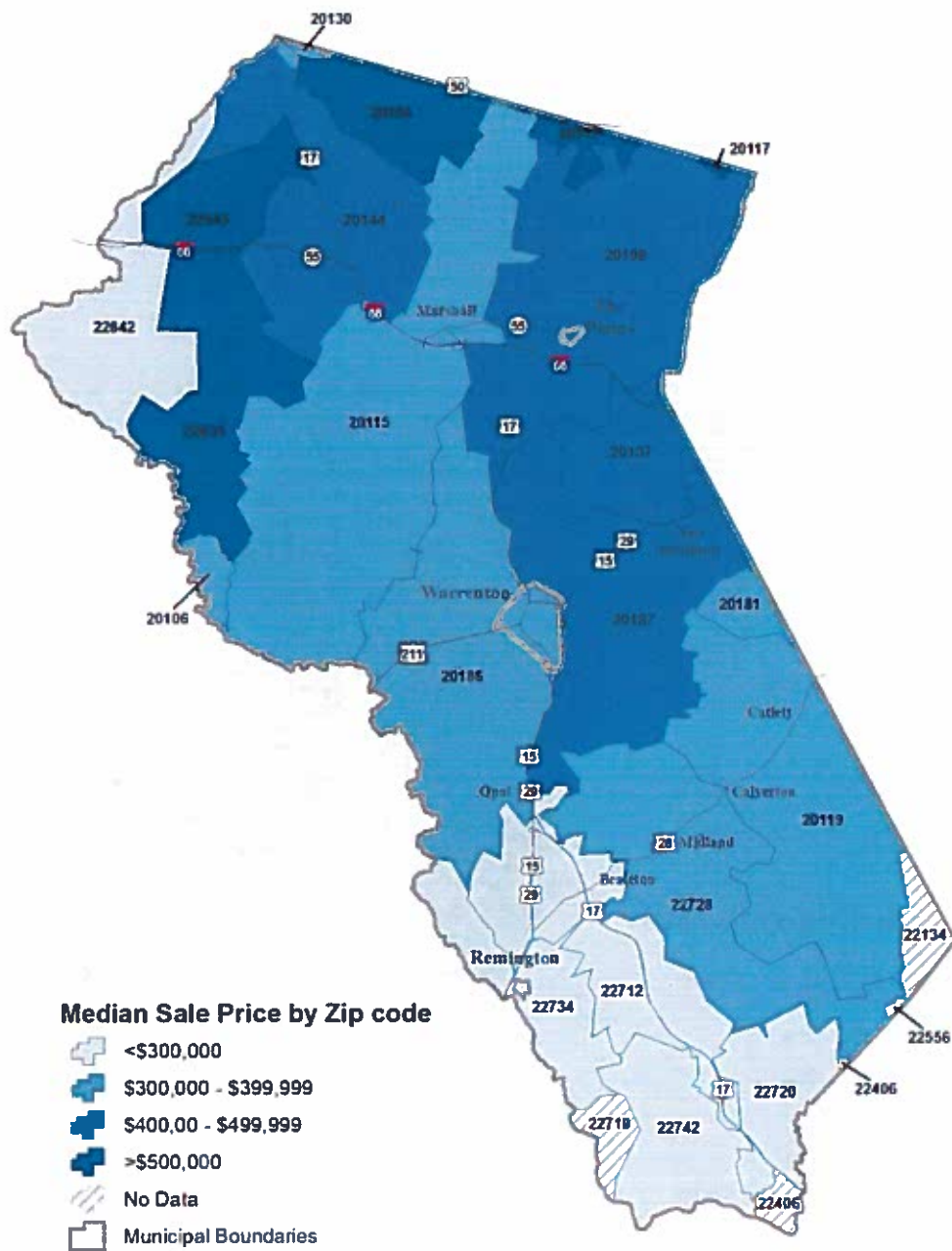
NORTH AREA SUMMARY

933 sales from 1/2011 to 7/2016
2015 Median Price: \$427,450
2011-2015 Median Price Change: 16%
97% Single-Family Detached Sales





Figure 17: Median Home Sale Price by ZIP Code in Fauquier County, January 2011 to July 2016

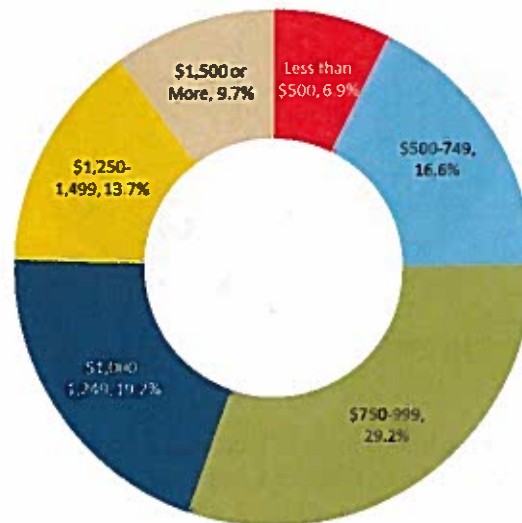


Source: Metropolitan Regional Information Systems, Inc. (MRIS)

Rental Housing Market

According to data from the American Community Survey there were 5,247 renter households in the County as of 2014, with a rental vacancy rate of 6.7 percent. One-year averages for contract rents were not reported by ACS, so five-year averages from 2010 to 2014 are used instead. Over this period, the median contract rent for all units in the County was \$974 per month.

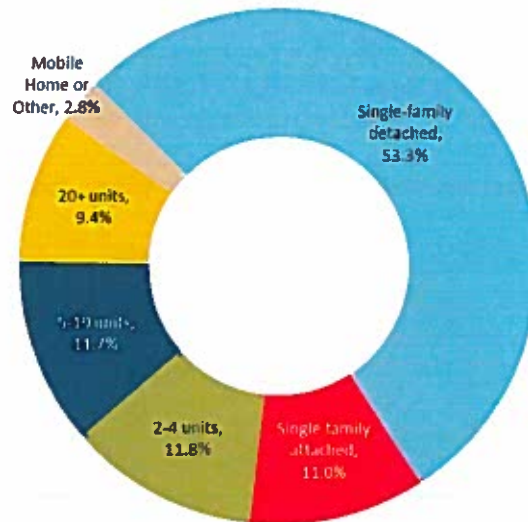
Figure 18: Contract Rent for Units in Fauquier County, 2010-2014 Averages



Source: American Community Survey, 5-year averages, 2010-2014

About half of the rental units in Fauquier County (48.4 percent) rented in the range of \$750 to \$1,250 per month. Another 16.6 percent were rented in the range of \$500 to \$749 per month, while just 6.9 percent were rented for less than \$500 per month. There is also a fairly substantial higher-end rental market in the County, as 23.4 percent of units were rented for more than \$1,250 per month, and 9.7% were rented for more than \$1,500 per month.

Figure 19: Rental Housing Stock by Units in Structure, 2010-2014 Averages



Source: American Community Survey, 5-year averages, 2010-2014

More than 64 percent of the renter households in Fauquier County live in single-family units; most of these (53.3 percent) occupy single-family detached units. Most of the County's renters who occupy multifamily units live in buildings fewer than 20 units – only 9.4 percent of renter households live in buildings with 20 or more units. Based on this information, it is clear that Fauquier County's rental market is currently driven by the availability of individually owned homes and small apartment buildings, rather than larger apartment complexes.

Although there are no commercially produced market research products that track the rental market in Fauquier County, a recent market study produced for a proposed affordable multifamily development in the County² did profile the existing stock of rental housing in the area. The market area used in this study included properties in Warrenton and the northern half of Fauquier, as well as properties in adjacent sections of Prince William, Loudoun, and Warren Counties. This study found that there were 1,567 multifamily rental units in the market area, of which just 388 (25 percent) were market rate units. Occupancy for rental units in the area is very high: 96 percent for market-rate units, and 95 percent for subsidized/income-restricted units. The average monthly rent for two-bedroom market rate units in the area was reported to be \$1,349 per month. However, since most of the supply in the market area is subsidized or income-restricted, the overall weighted average monthly rental rate for all units is about \$950.

² "Market Study: Washburn Place," produced by Allen & Associates Consulting, Inc., February 2015.

Summary: Housing Market Overview

Fauquier County's housing market is comprised of three very different groups: 1) local area workers; 2) commuters to Northern Virginia; and 3) seniors and retirees. Each of these groups has different needs and wants in regard to housing.

- **Local workers** represent about 40 percent of the County's resident workforce and earn an average annual wage of about \$48,000.
- **Northern Virginia commuters** represent about 60 percent of the County's resident workforce. The average annual wage for all jobs in the region is about \$70,000, but it is even higher in certain areas, particularly Fairfax County (\$86,000).
- **Seniors and retirees** currently account for 16 percent of Fauquier County's resident base and have been a relatively mobile population group.

While for-sale housing in Fauquier County is considerably less expensive than in closer-in areas of Northern Virginia, the County's market remains active at all price points and for both large- and small-lot units. The local market is dominated by single-family detached sales, though, as 88 percent of recent sales have been of this home type. The County's overall median sale price as of 2015 was \$350,000, which is still 17 percent below the 2005 "bubble" peak of \$419,176, and recent price growth has been uneven.

Within Fauquier County, there are multiple distinct housing markets. Warrenton is the most diverse and active part of the County. The South area, particularly Bealeton, is the lowest-priced portion of the County, but has also been active and has seen strong price appreciation in recent year. The North area is the highest-priced area within the County and has been the least active as well.

The rental housing market in Fauquier County is primarily a lower-cost market, though there is a significant share of renters who pay higher rents for their units. Most of the existing rental stock is contained in single-family units or small apartment buildings. Less than 10 percent of the County's renter households live in apartment buildings or complexes with 20 or more units.

Future Housing Forecasts

Introduction and Methodology

This section presents forecasts of future housing demand in Fauquier County. These forecasts originate from a 2015 baseline and go out 25 years to 2040. For each five-year period during this time frame, forecasted housing demand is presented for rental and for-sale units by price range.

This set of forecasts is primarily employment driven and is based on employment forecasts prepared by the Metropolitan Washington Council of Governments (MWCOC) and EMSI, a leading national economic forecasting firm. Employment forecasts by major employment sector and five-year period to 2040 were assembled for Fauquier County and surrounding jurisdictions and these forecasts were then translated to future housing demand by applying the following assumptions:

- The commuting patterns of Fauquier residents will remain the same over time, so the shares of the resident workforce that commutes to each jurisdiction will remain constant to 2040 – 41 percent of residents will work in Fauquier, 19 percent in Fairfax, 14 percent in Prince William, etc.;
- Real median earnings (not adjusted for inflation) for each jurisdiction and major employment sector will remain constant to 2040;
- The current ratio between employed residents and households in Fauquier County of 1.76 will increase incrementally over time to 1.84 by 2040 to account for the expected influx of Millennials with multiple income earners in their households; and
- The share of households with at least one income earner will decline from its current level of 85 percent to 82 percent by 2040 to account for the expected increase in age 65+ residents.
- The average household size will decrease steadily from its current level of 2.91 to 2.81 in 2040 – this will be driven by lower fertility rates for married couples and by the continued in-migration of seniors.

In addition to the employment-driven forecasts, additional demand is forecasted for the retiree market. Several assumptions are made regarding this market:

- Households are headed by a person aged 65 or older;
- No employed adults live in these households;
- The 65+ population's share of the in-migration rate will double from its share of in-migrants according to the 2014 ACS data – at present, 6.9 percent of new in-migrants are age 65+, so this rate will double to 14 percent; and
- The share of owners and renters among the 65+ population will remain the same as it is now.

These forecasts of housing demand for rental and for-sale housing were then segmented by price point by making the following assumptions:

- The shares of homeowners and renters by income range will remain constant to 2040. For example, among households earning between \$50,000 and 74,999 per year, 74.4 percent own their homes and 25.6 percent are renters – these shares will continue to 2040;
- For households with more than one income, the second income in the household will be, on average, 60 percent as much as the first income;
- The maximum monthly housing payment that a household can afford is equal to 30 percent of its gross income;

- The monthly cost for a mortgage (principal, interest, taxes, and insurance, or PITI) or rent is equal to 75 percent of the total monthly housing costs to a household – the remainder is for utilities and related expenses;
- The mortgage (principal and interest only) represents about 80 percent of the total PITI for a typical homeowner;
- The average down payment amount for a household purchasing a home is 10 percent; and
- The average mortgage loan will be taken out with a 4.0 percent annual interest rate and a term of 30 years; and
- Households headed by a person aged 65+ will have more cash and/or equity on hand than other households, so they will be able to purchase or rent a more expensive home relative to income.

Using these assumptions housing demand was segmented into the following price ranges (all prices are in constant 2015 dollars):

For-Sale Housing (Sale Price)	Rental Housing (Monthly Rent)
Under \$250,000	Under \$1,250
\$250,000-299,999	\$1,250-1,499
\$300,000-399,999	\$1,500-1,999
\$400,000-499,999	\$2,000-2,499
\$500,000 or More	\$2,500 or More

Resident Employment Forecasts by Major Sector

The employment forecasts for the region by the Metropolitan Washington Council of Governments project a net increase of 1.36 million jobs added to the greater Washington area between 2015 and 2040. This includes a net gain of about 8,000 jobs in Fauquier County, 669,000 jobs in the balance of Northern Virginia, and 742,000 jobs in the District of Columbia and Suburban Maryland. Assuming that Fauquier County's commuting patterns remain consistent over time, this would translate to an increase of 12,780 additional jobs for residents of Fauquier County to 2040 (Table 2).

**Table 2: Net New Jobs by Sector for Fauquier Residents
2015-2040, by 5-Year Period**

	2015-20	2020-25	2025-30	2030-35	2035-40	Totals
Construction	101	101	101	78	75	455
Manufacturing	35	36	36	38	38	184
Retail Trade	257	263	262	249	248	1,278
Finance and Insurance	56	56	56	48	47	264
Real Estate and Rental and Leasing	42	43	43	42	42	211
Prof., Sci., and Tech. Services	752	760	758	638	626	3,535
Administrative and Support Services	124	124	124	99	96	568
Educational Services	122	123	123	102	100	570
Health Care and Social Assistance	539	545	543	463	456	2,546
Arts, Entertainment, and Recreation	36	36	36	28	27	164
Accommodation and Food Services	256	258	258	214	210	1,197
Other Services	288	293	292	258	255	1,387
Government	70	73	73	76	78	370
Unclassified	11	11	11	10	10	52
Net Job Growth per Period	2,689	2,723	2,715	2,343	2,309	12,780
Average per Year	538	545	543	469	462	511

Source: Metropolitan Washington Council of Governments, EMSI, American Community Survey, and David E. Versel, AICP

Table 3: Forecasted Employment Growth and Median Wage by Employment Sector

Sector	Employment Change, 2015-2040		Median Wage, Q2 2016	
	Net Change	Share of Growth	Jobs in Fauquier	All DC Metro Jobs
Construction	455	3.6%	\$52,533	\$64,936
Manufacturing	184	1.4%	\$48,546	\$99,666
Retail Trade	1,278	10.0%	\$38,086	\$37,904
Finance and Insurance	264	2.1%	\$89,527	\$131,521
Real Estate and Rental and Leasing	211	1.7%	\$57,532	\$77,165
Prof., Sci., and Tech. Services	3,535	27.7%	\$87,029	\$122,170
Administrative and Support Services	568	4.4%	\$31,367	\$52,573
Educational Services	570	4.5%	\$33,933	\$51,765
Health Care and Social Assistance	2,546	19.9%	\$49,998	\$63,119
Arts, Entertainment, and Recreation	164	1.3%	\$24,901	\$39,436
Accommodation and Food Services	1,197	9.4%	\$20,122	\$26,764
Other Services	1,387	10.9%	\$29,200	\$58,775
Government	370	2.9%	\$71,590	\$110,279
Unclassified	52	0.4%	\$65,513	\$85,912
Net Job Growth per Period	12,780	100.0%	\$51,872	\$82,396

Source: Metropolitan Washington Council of Governments, EMSI, American Community Survey, and David E. Versel, AICP

Future job growth for Fauquier residents will be spread across multiple employment sectors. The top sector – Professional, Scientific, and Technical Services – represents about 28 percent of growth. These jobs, which form the core of the Washington area economy, tend to be high paying, with an average regional wage of more than \$122,000. However, most of the other sectors that will contribute the most to the job growth are far lower paying, including: Health Care and Social Assistance (\$63,119), Other

Services (\$58,775), Retail Trade (\$37,904), and Accommodation & Food Services (\$26,764). This disparity underscores the diversity of the future demand for housing in Fauquier County.

Total Housing Demand Forecasts

Table 4 displays forecasts for housing demand in Fauquier County by source and whether it is for ownership or rental housing.

Table 4: Housing Demand Forecasts in Fauquier County by Five-Year Period, 2015-2040

	2015-20	2020-25	2025-30	2030-35	2035-40	Totals
Demand from Employed Residents						
Owner Occupied Housing	1,325	1,341	1,337	1,146	1,128	6,277
Rental Housing	474	481	479	422	417	2,272
<i>Subtotal</i>	<i>1,799</i>	<i>1,822</i>	<i>1,817</i>	<i>1,568</i>	<i>1,545</i>	<i>8,550</i>
Demand from Senior Population						
Owner Occupied Housing	271	275	274	237	233	1,290
Rental Housing	21	22	22	19	18	102
<i>Subtotal</i>	<i>293</i>	<i>297</i>	<i>296</i>	<i>255</i>	<i>251</i>	<i>1,392</i>
Total Demand						
Owner Occupied Housing	1,597	1,616	1,611	1,382	1,361	7,567
Rental Housing	495	502	501	440	435	2,374
Total Demand	2,092	2,118	2,112	1,823	1,796	9,941
<i>Demand per Year</i>	<i>418</i>	<i>424</i>	<i>422</i>	<i>365</i>	<i>359</i>	<i>398</i>

Source: Forecasts by David E. Versel, AICP

In total there will be demand for 9,941 new housing units in Fauquier County between 2015 and 2040, an average of 398 new units per year. This would represent a 38 percent increase above the existing housing stock of 26,225 units. An estimated 8,550 units will be needed to house working individuals and families—this represents 86 percent of future demand. About 1,400 units will be needed to house seniors/retirees over the next 25 years.

An estimated 7,567 units (76 percent) of new housing in Fauquier will need to be for homeowners, compared with 2,374 units for renters. This breakdown does not necessarily correlate directly with housing unit types, as some owner-occupied units could be townhouses or condominiums, and some rental units could be single-family detached units.

The amount of demand is expected to fluctuate throughout the 25-year period, as employment growth will be uneven over time. The period 2020 to 2025 is expected to have the greatest housing need, with an average of 424 units per year needed to meet demand. Growth is then expected to slow somewhat from 2025 to 2040, with an average of 382 units per year over that period.

Housing Demand Forecasts by Price Point

Table 5 displays forecasts for owner and rental housing demand in Fauquier County by price point.

Table 5: Housing Demand in Fauquier County by Price Point, 2015-2040

	2015-20	2020-25	2025-30	2030-35	2035-40	Totals	Share
Owner Occupied Housing							
Under \$250K	604	614	612	552	547	2,930	29.5%
\$250-300K	380	381	380	301	292	1,734	17.4%
\$300-400K	167	173	172	174	175	861	8.7%
\$400-500K	61	62	62	56	56	297	3.0%
\$500K+	384	385	385	300	291	1,745	17.6%
Subtotal	1,597	1,616	1,611	1,382	1,361	7,567	76.1%
Rental Housing							
Under \$1,250	212	217	216	206	206	1,058	10.6%
\$1,250-1,499	74	75	74	59	58	340	3.4%
\$1,500-1,999	101	101	101	82	80	465	4.7%
\$2,000-2,499	33	34	34	35	35	172	1.7%
\$2,500+	75	75	75	58	56	339	3.4%
Subtotal	495	502	501	440	435	2,374	23.9%
Total Demand	2,092	2,118	2,112	1,823	1,796	9,941	100.0%

Source: Forecasts by David E. Versel, AICP

There will be significant amounts of demand for housing in Fauquier County at multiple price points, though demand will be most concentrated at the lower and upper ends of the price scale. The largest amount of demand (2,930 units, 29.5 percent of total) will be for owner occupied units priced below \$250,000. There will also be significant demand for high-end owner occupied housing priced above \$500,000: 1,745 units, or 17.6 percent of demand.

Most demand for rental units in Fauquier will be for units with rents below \$1,500 per month. About 59 percent of rental demand (1,398 units) will fall in this price range. There will be demand for about 500 units of luxury rental housing priced above \$2,000, though.

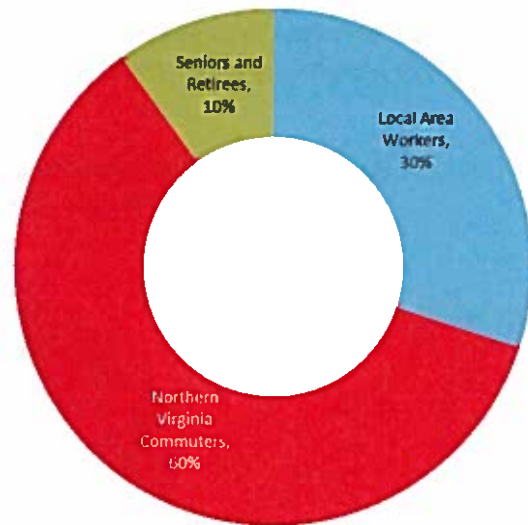
Summary of Future Housing Needs

The character of the housing needed in Fauquier County over the next 25 years will reflect the diverse and evolving makeup of the families and individual residents who do—and will—make their homes in the County. There is currently at least some level of mismatch between the current population of Fauquier County and its housing stock: while 83 percent of existing units are single-family detached homes, just 24 percent of households are “traditional” families of two married adults with children living at home. The housing that will be added in the County to 2040 will need to address this growing mismatch.

The future housing market in Fauquier County will need to respond to the distinct needs of three different types of households:

1. **Local area workers:** These households typically have annual incomes below \$75,000 and their occupants live in Fauquier County because they have jobs in the local area. Most of these households will only be able to afford for-sale housing units priced below \$300,000 or rental units with lease rates below \$1,250 per month. This segment is the most likely to be willing to live in smaller-lot homes, townhomes, multi-family units, or other “nontraditional” housing types. *This segment represents about 30 percent of future demand.*
2. **Northern Virginia commuters:** These households have at least one worker who is employed in Fairfax, Loudoun, or other closer-in counties, and typically have annual incomes greater than \$75,000, with many earning above \$100,000. These households will primarily be seeking newer single-family homes, mostly smaller-lot homes in the Town of Warrenton, or in planned developments in the other areas of the county, with prices in the \$300,000 to \$500,00 range. The appeal of Fauquier County to these buyers is its lower price relative to closer-in locations such as Prince William or Loudoun counties – the phrase “drive ‘til you qualify” applies to this buyer type. This group also includes more affluent households that prefer larger lot homes in more rural sections of the county with prices above \$500,000. There will be rental housing demand from Northern Virginia commuters at a variety of price points, including luxury units priced above \$2,500 per month. *This segment represents about 60 percent of future demand.*
3. **Seniors and retirees:** Fauquier County is an attractive area with a mix of small town, suburban, and rural settings located within an hour’s drive of Washington, DC. These factors have already helped make the County an attractive destination for older adults. With the Baby Boomer generation now reaching retirement age, Fauquier will become even more attractive to this market. The types of housing that appeal to seniors and retirees will vary depending on where future homebuyers live now. Those who already live nearby will mostly be looking to trade down

Figure 20: Sources of Future Housing Demand in Fauquier County



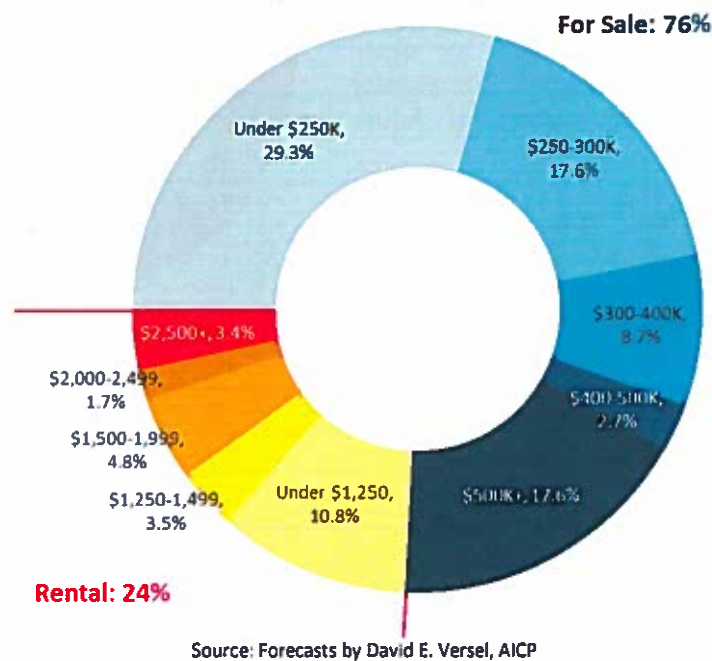
Source: Forecasts by David E. Versel, AICP

their older units for newer, smaller units priced below \$250,000. Those who are selling more expensive homes in more urban locations will likely come to Fauquier seeking homes priced at \$400,000 or more. There will also be a modest amount of rental demand from seniors at both low-cost and luxury price points. *This segment represents about 10 percent of future demand.*

Forecasts for future growth in these market segments will drive demand for an average of 389 new housing units each year between 2015 and 2040, or a total of about 9,700 units over the next 25 years. This would represent a 37 percent increase in the County's overall housing stock from its current base of 26,225 housing units. Although this pace of housing growth is about double the pace of the last decade, it is actually in line with longer-term trends. The overall average number of housing permits issued in the County from 2001 to 2015 was 406 per year, and the number of units built in the County since 1980 has averaged 397 per year.

Figure 21 displays future demand for housing in Fauquier County by tenure (for-sale vs. rental) and price point. These forecasts are predicated on expectations of household profile, future income levels, and housing type preferences for the three segments that comprise the County's housing market.

Figure 21: Sources of Future Housing Demand in Fauquier County, 2015-2040
All Figures in Current (2016) Dollars



Between 2015 and 2040, an estimated 76 percent of demand for housing in Fauquier County will originate from those seeking for-sale housing. Demand for for-sale units will be concentrated at the lower and higher ends of the markets. More than 60 percent of for-sale demand will be for units priced below \$300,000, and much of this demand will be for units priced below \$250,000. Conversely, there is also strong demand for upmarket homes priced above \$500,000. There is comparatively little demand for mid-

market housing priced in the middle range, however, with the smallest share of demand being for units priced between \$400,000 to \$500,000.

The future market for rental housing in Fauquier County will be more geared to higher-end units than it has been in the past. While there will still be strong demand for lower-cost units, the majority of rental demand in the County will be for units priced above \$1,250 per month, and there will be some demand for luxury rental units priced above \$2,500 per month.

These forecasts point to a future housing market in Fauquier County that continues to shift towards having two distinct levels. One level will be for moderately-priced units selling for less than \$300,000 or renting for less than \$1,250, that serve individuals and families who earn their livings in Fauquier County or nearby locations. The other will be for a high-end housing market with homes priced above \$500,000 that appeal to Northern Virginia commuters and affluent retirees. There will be little demand for housing serving the mid-range housing market (\$300,000 to \$500,000). There will also be significant demand for larger numbers of rental units, particularly luxury units, than currently exists in the County.

Given the diversity of housing units that will be needed in Fauquier County in the future, different types of housing development will be needed in distinct parts of the county:

- **Warrenton** will mainly serve Northern Virginia commuters, particularly in areas to the east of the Town proper. Most demand in this area will be for units priced in the range of \$250,000 to \$400,000. There will also be strong demand for rental housing in Warrenton, with a need for units at all price levels.
- The **South Area**, given its more remote location from I-66, will continue to be less expensive than the other areas, with strong demand for entry-level housing priced below \$300,000.
- The **North Area** will see demand for more diverse housing than currently found in this section of the county. While there will still be demand for high-end homes on large lots in rural settings, development pressure will continue to build for commuter housing priced around \$400,000, particularly in the vicinity of Marshall.

It is unlikely that a significant amount of the demand for rental housing priced below \$1,250 per month will be met via market rate housing. The economics of new housing construction makes it difficult to deliver new units at these prices, and there is simply not enough existing multi-family supply in Fauquier County for older units to meet the needs of this market segment. In order to provide housing for these households, the County would need to take proactive steps to provide these units through regulatory means, partnerships, subsidies, or other mechanisms.

