The Growing Importance of Workforce Housing

By Debo Ayeni
ABR CAPITAL PARTNERS

An analysis of the U.S. housing market shows that since 2019, a severe housing shortage, elevated mortgage rates and rising carrying costs have combined to push homeownership out of the reach of millions of households.[1] As homeownership has grown increasingly difficult to achieve, workforce housing has become an important segment of the housing market. Broadly defined, workforce housing is market-rate housing that is affordable to households earning between 60% and 120% of area median income (AMI). Unlike government-subsidized affordable housing, workforce housing typically serves middle-income renters without formal income restrictions or subsidies. It often includes Class B apartments, garden-style communities, townhome rentals and other housing options that offer attainable rents for middle-income households.

High Homeownership Costs Reinforce Demand for Workforce Housing

Several data points show the extent to which housing affordability has deteriorated since 2019. From 2019 to 2024, the home price-to-household-income ratio increased from 4.1 to approximately 5.0 as real median household income rose by less than 1% while the median home price increased by 30%.[2] Rising insurance costs and escalating property taxes are also keeping households in the renter pool for longer periods of time. For example, from 2010 to 2019, the median age of a first-time homebuyer increased by just three years from 30 to 33, before spiking to 40 in 2025.[3] First-time homebuyers also accounted for just 21% of all buyers in 2025, a record low. Additionally, the spread between the cost of owning and renting a home in the nation's top 50 metro markets grew from $202 in 2019 to $908 in 2025.[4] Lastly, recent data indicates that roughly 75% of U.S. households can't afford a median-priced new single-family home and nearly 60% of households can't afford a $300,000 home.[5] For many households, workforce housing is not a temporary choice but the most realistic long-term option.

Supply Constraints Support Workforce Housing Fundamentals

Despite strong demand, the market continues to undersupply workforce housing. One reason for this is simple economics: it is very difficult to build new apartments economically enough to charge rents that work for middle-income households and also generate acceptable returns.

Construction costs have risen by 40% since the pandemic and many construction inputs remain fixed—limiting the options developers have to reduce costs.[6] These factors encourage the construction of higher-end units where rents can better support the project's cost basis. They also help explain why much of the nation's new rental supply is targeting upper-income households, even though the need is significant in the middle market. A strong indicator of this need is workforce housing's rent growth relative to Class A properties. As of 1Q26, national rent growth fell by 0.4% year-over-year for Class A properties, but grew by 0.7% for workforce housing properties.[7]

A Supply-Demand Imbalance Strengthens Workforce Housing's Investment Thesis

The gap between supply and demand in workforce housing has attracted increased investor interest. While public and private stakeholders are working to expand supply, it is still likely to take years to meaningfully reduce the nation's housing deficit. In the meantime, workforce housing may benefit from durable demand driven by high homeownership costs and limited supply.

1. Harvard Joint Center for Housing Studies, "Housing Costs Strain Owners and Renters Alike; Millions Priced Out of Homeownership," June 20, 2024; CBRE, Fewer Renter Households Can Afford Homeownership, September 15, 2025.
2. Harvard Joint Center for Housing Studies, The State of the Nation's Housing 2025; Federal Reserve Bank of St. Louis FRED, "Real Median Household Income in the United States"; "Median Sales Price of Houses Sold for the United States."
3. National Association of Realtors, 2024 Profile of Home Buyers and Sellers, November 2024; 2025 Profile of Home Buyers and Sellers, November 2025.
4. Xu, Jiayi, and Danielle Hale. "June 2025 Rental Report: Renting Saves Over $900 a Month than Buying a Starter Home." Realtor.com. July 17, 2025.
5. Zhao, Na. "Nearly 60% of U.S. Households Unable to Afford a $300K Home," National Association of Home Builders, March 21, 2025.
6. Federal Reserve Bank of St. Louis FRED, "Producer Price Index by Commodity: Inputs to Industries: Net Inputs to Single Family Residential Construction, Goods."
7. Yardi Matrix, National Multifamily Report, March 2026.