

HUD PD&R Housing Market Profiles

Birmingham-Hoover, Alabama



Quick Facts About Birmingham-Hoover

- Current sales market conditions: balanced.
- Current apartment market conditions: slightly soft, but improving.
- The University of Alabama at Birmingham (UAB) Health System includes six specialized hospitals in downtown Birmingham. UAB hospital is the third largest public hospital in the nation, and Children's Hospital of Alabama at UAB has been ranked by *U.S. News and World Report* among the top pediatric hospitals nationally for the past 6 years.



By Katharine Auchter | As of May 1, 2016

Overview

The Birmingham-Hoover, AL Metropolitan Statistical Area (hereafter, Birmingham metropolitan area) comprises Bibb, Blount, Chilton, Jefferson, St. Clair, Shelby, and Walker Counties in central Alabama. UAB, including both the university and the hospital system, is the largest employer in the state, with 23,000 employees, and had 18,300 students enrolled in the fall of 2015. Approximately 50 percent of students come from outside the metropolitan area, but students account for less than 2 percent of the metropolitan area population.

- As of May 1, 2016, the estimated population of the Birmingham metropolitan area is 1.15 million, an average annual increase of 3,175, or 0.3 percent, since 2012. Population growth has remained stable since 2009 but is down from the 0.8 percent average annual increase from 2002 to 2009.
- Net natural increase (resident birth minus resident deaths) accounted for 78 percent of population growth, averaging 2,850 people annually, since 2012.
- Net in-migration has averaged 800 people annually since 2012 because of improved economic conditions, reversing net out-migration, which averaged 980 people annually from 2009 to 2012.



Economic conditions have improved gradually in the Birmingham area, with most sectors seeing job growth.

	3 Months Ending		Year-Over-Year Change	
	April 2015 (thousands)	April 2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	511.4	516.4	5.0	1.0
Goods-producing sectors	66.0	66.0	0.0	0.0
Mining, logging, and construction	27.4	28.4	1.0	3.6
Manufacturing	38.6	37.6	-1.0	-2.6
Service-providing sectors	445.4	450.4	5.0	1.1
Wholesale and retail trade	86.5	88.0	1.5	1.7
Transportation and utilities	22.5	22.8	0.3	1.3
Information	8.4	8.0	-0.4	-4.8
Financial activities	42.2	41.9	-0.3	-0.7
Professional and business services	63.7	64.9	1.2	1.9
Education and health services	69.4	71.1	1.7	2.4
Leisure and hospitality	47.6	47.6	0.0	0.0
Other services	23.6	23.8	0.2	0.8
Government	81.5	82.1	0.6	0.7
	(percent)	(percent)		
Unemployment rate	5.3	5.6		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

Economic Conditions

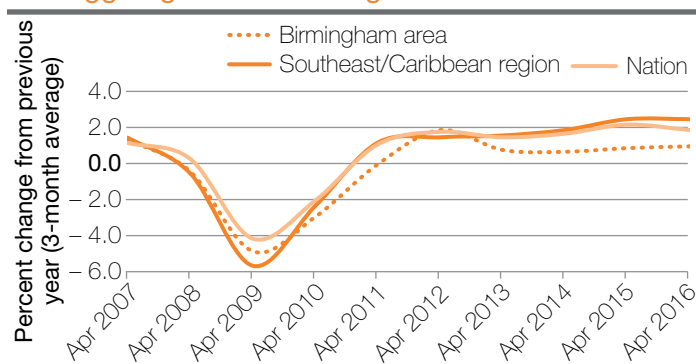
The economy in the Birmingham metropolitan area continues to gradually improve after 3 years of job losses from 2008 through 2010. Despite growth since 2012, however, nonfarm payrolls during the 3 months ending April 2016 remained 2.9 percent below the pre-recession peak, which averaged 531,700 jobs during the 3 months ending April 2007.

During the 3 months ending April 2016—

- Nonfarm payrolls averaged 516,400 jobs, an increase of 5,000 jobs, or 1.0 percent, from the same period a year earlier. The unemployment rate averaged 5.6 percent, up from 5.3 percent a year earlier, because growth in the labor force outpaced resident employment growth.
- The mining, logging, and construction sector had the highest percentage gains, increasing 3.6 percent, compared with the same period a year earlier. Increases in residential construction contributed to the increase in construction subsector employment. Apartment construction in the metropolitan area has been strong since 2012.
- Government payrolls increased by 600 jobs, or 0.7 percent, from a year earlier. Government is the second largest sector in the metropolitan area, behind wholesale and retail trade, accounts for nearly 16 percent of nonfarm payrolls, and includes employment at UAB.

continued on page 3

The Birmingham area has been recovering the number of jobs lost during the recent recession, but job growth has lagged growth in the region and the nation.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Birmingham area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Alabama at Birmingham	Government	23,000
Regions Financial Corp.	Financial activities	7,134
St. Vincent's Health System	Education and health services	4,786

Note: Excludes local school districts.
Source: Birmingham Business Alliance, 2016

continued from page 2

- The greatest gains in number of payrolls were in the education and health services sector, which increased by 1,700 jobs, or 2.4 percent, compared with a year earlier. Grandview Medical Center added about 110 jobs when staff moved to its new hospital in October 2015. HealthSouth Corp., a healthcare services and rehabilitation center, announced plans to add 200 jobs in the city of Birmingham in the spring of 2018.

The metropolitan area is a regional center for financial activity, which accounts for more than 8 percent of nonfarm payrolls, compared

with the national average of less than 6 percent. Regions Financial Corporation, BBVA Compass Bancshares, Inc., and Wells Fargo & Company have global or regional offices in the city of Birmingham. Regions Financial Corporation is the second largest employer in the metropolitan area, with 7,134 employees. Despite recent declines in payrolls, the financial activities sector is expected to contribute to future growth, with the Viva Health, Inc. insurance company and Wells Fargo & Company announcing plans to add 400 and 300 jobs, respectively, during the next 3 years.

Sales Market Conditions

The sales housing market in the Birmingham metropolitan area currently is balanced, supported by relatively affordable sales housing and strong preferences toward homeownership. In 2014, the homeownership rate in the metropolitan area was 67.5 percent, compared with 63.1 percent nationally (2014 1-year American Community Survey [ACS] estimates).

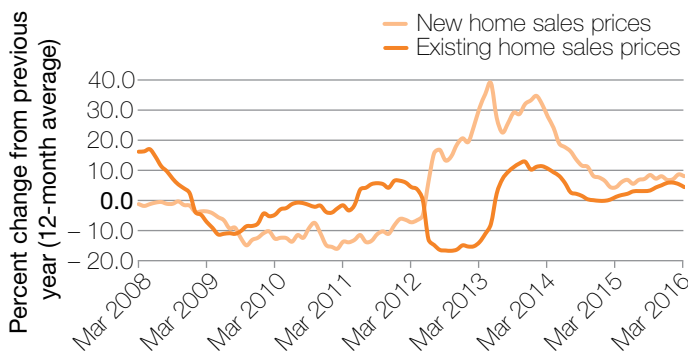
- During the 12 months ending March 2016, 23,800 existing single-family homes, townhomes, and condominiums sold, up nearly 4 percent from a year earlier, and the sales price averaged \$163,650, also up 4 percent from a year earlier (CoreLogic, Inc., with adjustments by analyst). After a low of 6,525 home sales during the 12 months ending March 2012, existing sales in the subsequent 2 years increased 84 percent annually, to 22,000, as economic conditions improved.
- New home sales have been relatively subdued in the metropolitan area during the past 12 months, in part because slow

population growth and more affordable options among existing homes for sale are keeping downward pressure on demand for new homes. About 1,350 new homes sold during the 12 months ending March 2016, down 17 percent from a year earlier. By comparison, 5,975 homes sold during the same period in 2007. When 3 years of net out-migration reversed in 2012 in response to improving economic conditions, demand for new homes quickly increased. From the 12 months ending March 2012 to the same period in 2014, new home sales increased by an average of 620 sales, or 130 percent, annually.

- Increasing home sizes during the past year contributed to the increased sales price of new homes in the metropolitan area. The average size of a new home increased 5 percent to 2,660 square feet, and the price of a new home increased nearly 8 percent to \$300,400 during the 12 months ending March 2016 (Metrostudy, A Hanley Wood Company; CoreLogic, Inc.).

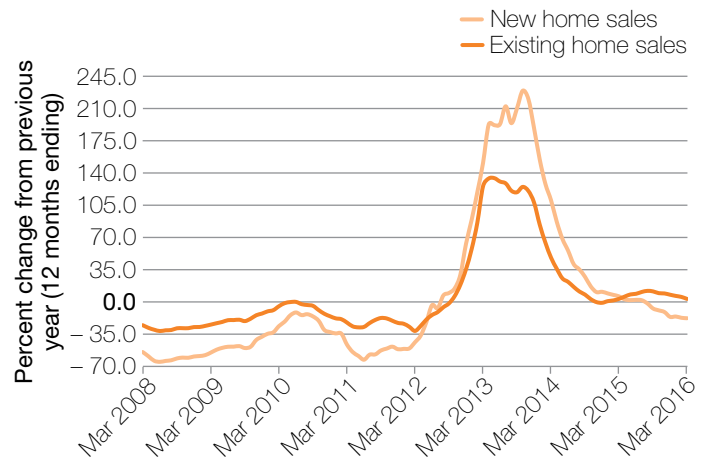
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Growth in new home sales prices in the Birmingham area surged in 2013 and 2014 but slowed to less than 10 percent during the past year.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

After a spike in new and existing home sales in the Birmingham area in 2013 and 2014, growth in existing sales has slowed and new sales have decreased.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

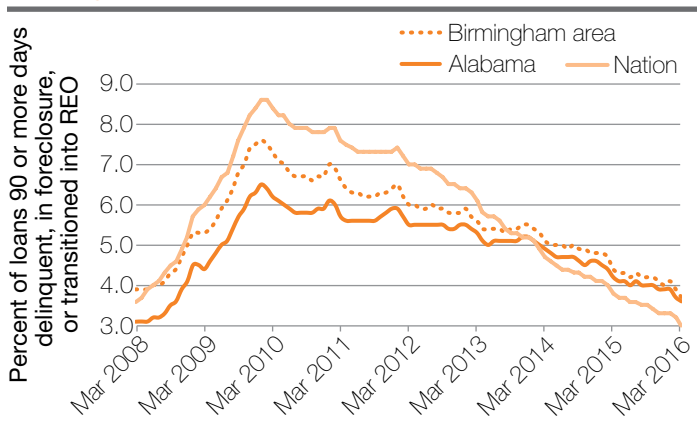


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- In March 2016, 3.7 percent of mortgage loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or had transitioned into real estate owned status, down from 4.4 percent a year earlier (CoreLogic, Inc.). The rate is higher than those of Alabama and the nation, which had rates of 3.6 and 3.0 percent, respectively, in March 2016.

New home construction has been increasing since a low of 1,575 homes were permitted in 2010, but it remains less than the number of homes permitted annually in the previous decade, in part because of the slower population growth. Permitting increased by an average of 180 homes, or 10 percent, annually through 2015.

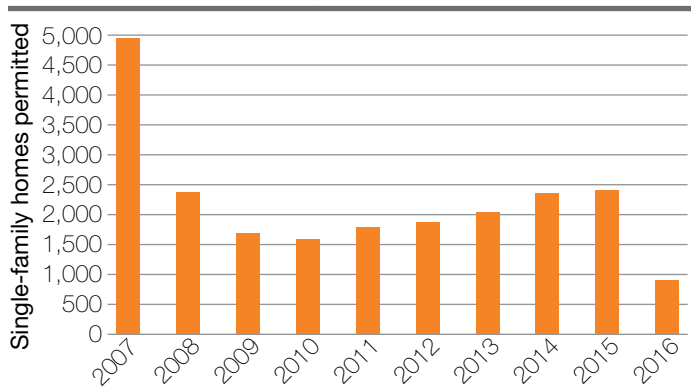
The percentage of seriously delinquent loans and REO properties has declined more gradually in the Birmingham area than in the nation.



REO = real estate owned.
Source: CoreLogic, Inc.

- During the 12 months ending April 2016, 2,550 single-family homes were permitted, up 9 percent from a year earlier (preliminary data).
- Although increasing, the number of units permitted during the past year is still 53 percent fewer than the average number permitted annually from 2002 through 2009, when population growth was stronger.
- Most new construction is infill in existing subdivisions. The third phase at Grants Mill Crossing currently is under way in Irondale, approximately 9 miles east of downtown Birmingham. The first of the 42 townhomes are expected to be available by the end of 2016, with prices starting at \$180,000.

Single-family home construction has gradually increased in the Birmingham area since 2010.



Note: Includes preliminary data from January 2016 through April 2016.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in the Birmingham metropolitan area are slightly soft but improving. Approximately 50 percent of renter households live in multifamily buildings with five or more units, typically apartment complexes, and 46 percent of the renter households live in single-family homes or mobile homes (2014 1-year ACS estimates).

During the first quarter of 2016—

- The apartment vacancy rate was 6.8 percent, down slightly from 6.9 percent a year earlier and down considerably from the 9.5-percent rate from the first quarter of 2011 (MPF Research).
- The average rent in the Birmingham metropolitan area increased 3.7 percent from a year ago, to \$831 a month. Concessions are decreasing in the market, with 4.8 percent of units offering concessions, down from 5.7 percent a year earlier.

- In the MPF Research-defined Central Birmingham and Mountain Brook market area (hereafter, market area), which contains UAB, market conditions are tight, with a vacancy rate of 4.3 percent, nearly unchanged from a year earlier. Average rent increased 5.6 percent, to \$1,004. Beginning in the fall 2016 semester, freshmen must live on campus, and the 750 new dormitory rooms that were recently completed in preparation for the start of the school year will likely ease some of the tight market conditions around the university. In addition, 76 percent of apartment units currently under construction in the metropolitan area are in this market area.
- Rent growth in the Southeast Birmingham market area was the fastest in the metropolitan area, increasing 7.3 percent, to \$892, despite the vacancy rate increasing to 7.5 percent from 6.9 percent a year earlier.

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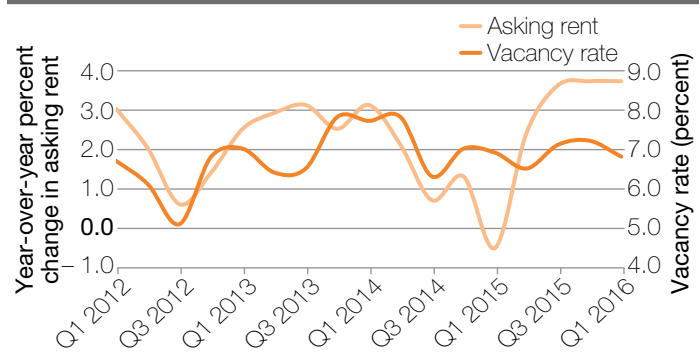


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Despite subdued population growth in the Birmingham metropolitan area, apartment construction has been strong since 2012. An average of 1,150 units were permitted annually from 2012 through 2015, down slightly from the average of 1,200 units permitted annually from 2004 through 2006, when economic and population growth were stronger.

- During the 12 months ending April 2016, nearly 1,275 multifamily units were permitted, up 32 percent from a year earlier.
- The Grand Reserve at Pelham is the newest apartment complex in Shelby County. The 184-unit development in Pelham opened in September 2015, with rents starting at \$1,075, \$1,210, and \$1,290 for one-, two-, and three-bedroom units, respectively.

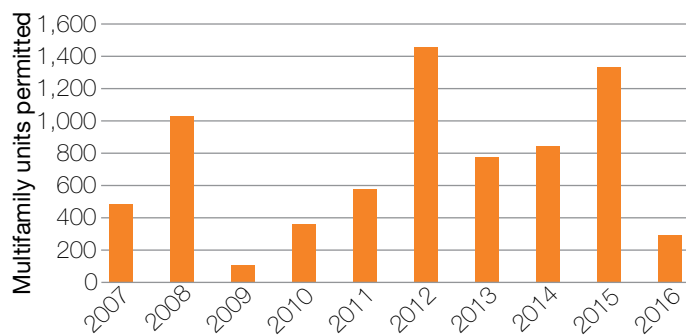
Average rents began to increase in the Birmingham area during the past year despite elevated vacancies.



Source: MPF Research

- The 244-unit LIV Parkside in the city of Birmingham, in Jefferson County, opened in February 2016 and currently is in lease up. Rents for the studio, one-bedroom, and two-bedroom units start at \$1,190, \$1,145, and \$1,695, respectively.
- The 36-unit 20 Midtown, also in the city of Birmingham, opened in February 2016, with rents for the studio and one-bedroom units starting at \$1,195 and \$1,450, respectively. An additional phase with 86 units is nearing completion and expected to open in early summer 2016.
- At the historic Pizitz building in downtown Birmingham, renovations are under way to develop a mixed-use building with 143 apartments, expected to be complete in the fall of 2016. About 30 units will be available to households with incomes at or below 60 percent of Area Median Income.

Despite slightly soft apartment market conditions, multifamily building activity remained strong in the Birmingham area.



Note: Includes preliminary data from January 2016 through April 2016.
Source: U.S. Census Bureau, Building Permits Survey

