

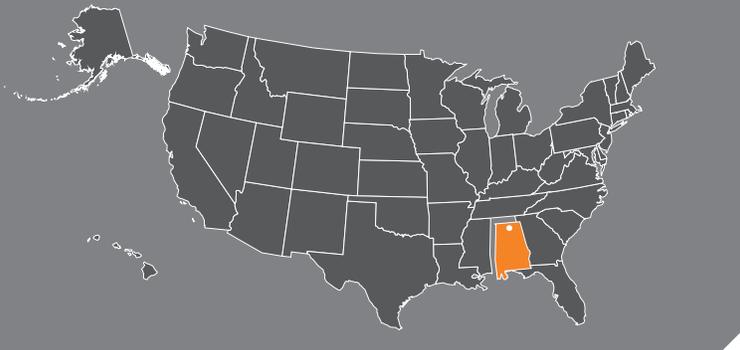
HUD PD&R Housing Market Profiles

Huntsville, Alabama



Quick Facts About Huntsville

- Current sales market conditions: balanced.
- Current apartment market conditions: balanced.
- The metropolitan area is home to Redstone Arsenal, the National Aeronautics and Space Administration's (NASA's) Marshall Space Flight Center, and the University of Alabama in Huntsville (UAH).



By Gareth D. Amon | As of May 1, 2015

Overview

The Huntsville metropolitan area comprises Madison and Limestone Counties in north Alabama, along the state line with Tennessee. Madison County, which includes the city of Huntsville, is the core county and the center of population and economic growth in the metropolitan area. Redstone Arsenal, the largest employer in the metropolitan area, employs 35,500 people—including 1,000 active-duty military, 19,500 government-employed civilians, and 15,000 contractors—has an annual economic impact of more than \$10.5 billion, and generates 55,000 indirect jobs in the metropolitan area and bordering counties (University of Illinois at Chicago). NASA's Marshall Space Flight Center employs 6,000 people and creates 14,000 indirect jobs in Madison County, and it has a \$2.5 billion economic impact on Madison County (NASA).

- As of May 1, 2015, the estimated population of the Huntsville metropolitan area was 444,900, an average gain of 5,375, or 1.3 percent, annually since April 2010. The city of Huntsville is the largest city in the metropolitan area, with a population of 186,400 as of July 2014.

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- The population of the metropolitan area grew by an average of 9,850, or 2.6 percent, annually from 2005 to 2008, when the economy was expanding. Population growth then slowed to an average of 5,425 people, or 1.3 percent, annually from 2010 to 2014 (Census Bureau population estimates as of July 1).
- Net in-migration has averaged 3,050 people, or 67 percent of population growth, since 2010, down from an average of 7,875 people, or 79 percent of population growth, annually from 2005 to 2009.

Economic Conditions

Nonfarm payroll jobs in the Huntsville metropolitan area have increased to record-high levels since recording a loss of 2,850 jobs, or 1.3 percent, annually during 2009 and 2010 as a result of the national economic downturn. The metropolitan area economy surpassed prerecession payroll levels by the end of 2014 and has continued to expand.

During the 3 months ending April 2015—

- Nonfarm payrolls increased by 4,000 jobs, or 1.9 percent, from the same 3-month period a year earlier, to 217,600 jobs. Payrolls in 7 of the 11 sectors increased by a rate of more than or equal to the overall nonfarm payroll increase of 1.9 percent. The professional and business services sector increased by 900 jobs, or 1.9 percent, to become the largest sector in the metropolitan area, slightly surpassing the government sector.
- The greatest growth in nonfarm payrolls occurred in the education and health services sector, which increased by 1,300 jobs, or 6.6 percent, from the same 3-month period a year earlier.

The leisure and hospitality sector increased by 900 jobs, or 4.9 percent, largely stemming from more than 2.8 million visitors to Madison County in 2014, a nearly 5-percent increase from 2013.

- The government sector decreased by 600 jobs, or 1.2 percent, from the same 3-month period a year earlier, as the federal and local government subsectors lost jobs. The Marshall Space Flight Center, Redstone Arsenal, and UAH comprise an estimated 87 percent of the 48,700 government sector jobs in the metropolitan area.
- The average unemployment rate declined to 5.1 percent from 6.6 percent during the same 3-month period a year ago, in part because of a labor force decline.

Redstone Gateway, adjacent to Redstone Arsenal, is a \$1 billion mixed-use development on 468 acres. Construction began in 2010 on 4.6 million square feet of office, retail, and hospitality space. The Redstone Gateway will be built in three phases over the next 20 years. A student services facility is under way on UAH's campus

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Employment increased more than 2 percent in six sectors in the Huntsville area.

	3 Months Ending		Year-Over-Year Change	
	April 2014 (thousands)	April 2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	213.6	217.6	4.0	1.9
Goods-producing sectors	30.6	31.2	0.6	2.0
Mining, logging, and construction	7.6	8.2	0.6	7.9
Manufacturing	23.0	23.0	0.0	0.0
Service-providing sectors	183.0	186.4	3.4	1.9
Wholesale and retail trade	28.5	29.1	0.6	2.1
Transportation and utilities	2.8	3.0	0.2	7.1
Information	2.6	2.7	0.1	3.8
Financial activities	6.3	6.2	-0.1	-1.6
Professional and business services	48.6	49.5	0.9	1.9
Education and health services	19.6	20.9	1.3	6.6
Leisure and hospitality	18.3	19.2	0.9	4.9
Other services	7.1	7.1	0.0	0.0
Government	49.3	48.7	-0.6	-1.2
	(percent)	(percent)		
Unemployment rate	6.6	5.1		

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics



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that comprises a \$24 million investment and is expected to be complete in the spring of 2016. The construction projects at UAH and Redstone Gateway contributed to the growth in the mining, logging, and construction sector, which increased by 600 jobs, or 7.9 percent, during the 3 months ending April 2015 compared with employment during the same 3-month period a year earlier.

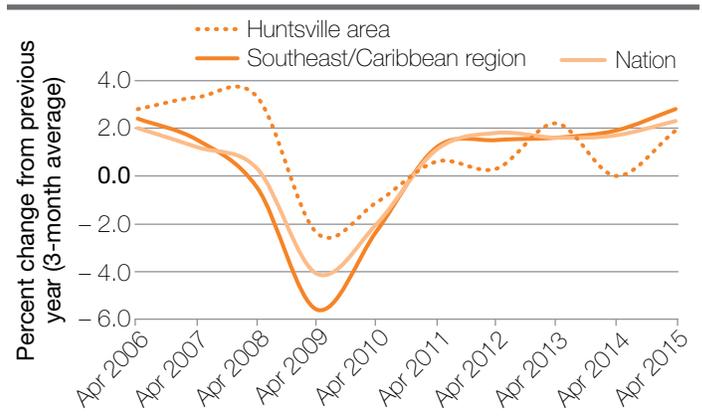
Largest employers in the Huntsville area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Redstone Arsenal	Government	35,500
Huntsville Hospital System	Government	7,125
Marshall Space Flight Center	Government	6,000

Notes: Excludes local school districts. Data for Redstone Arsenal include civilian and active-duty military personnel; however, active-duty military personnel are generally not included in nonfarm payroll survey data.

Source: Chamber of Commerce of Huntsville/Madison County

Since April 2014, nonfarm payroll growth in the Huntsville area has lagged growth in the Southeast/Caribbean region and the nation.



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

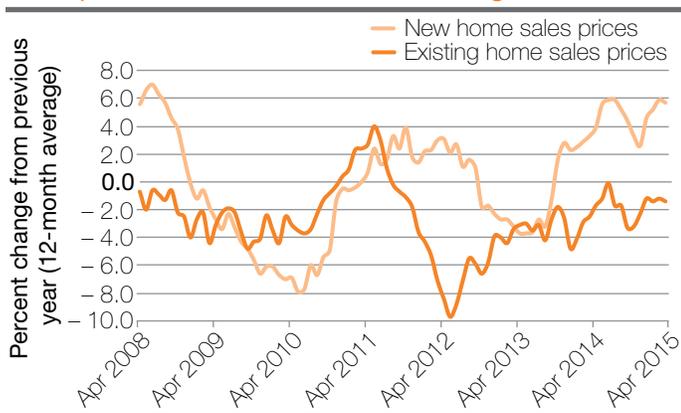
Sales Market Conditions

The sales housing market in the Huntsville metropolitan area is balanced, with a 2.0-percent vacancy rate, down from 2.5 percent in April 2010. During the 12 months ending March 2015, 930 new single-family homes, townhomes, and condominiums (hereafter, new homes) sold, a decrease of approximately 26 percent compared with the number sold a year ago as lower inventory constrained buyers. The average new home sales price increased nearly 6 percent, to \$265,000, because demand for a decreasing inventory drove prices higher (CoreLogic, Inc., with adjustments by the analyst).

During the same period, 8,350 existing single-family homes, townhomes, and condominiums (hereafter, existing homes) sold, a decrease of nearly 5 percent compared with the number sold a year ago. The average existing home sales price decreased 1 percent, to \$150,300, during the same period. The percentage of existing home sales in the metropolitan area that were real estate owned (REO) transactions peaked at 12 percent in the 12 months ending January 2014 and was relatively unchanged during the 12 months ending March 2015.

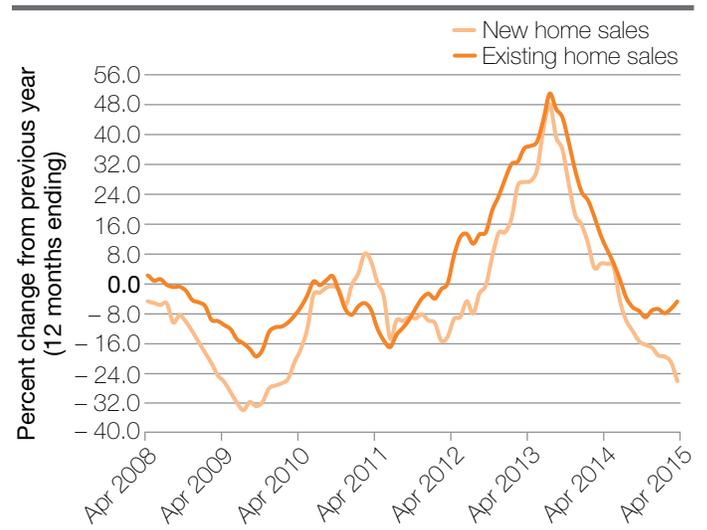
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New home sales prices have increased in the Huntsville area since October 2013; existing home sales prices have decreased since August 2011.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

New and existing home sales decreased in the Huntsville area during the past year.



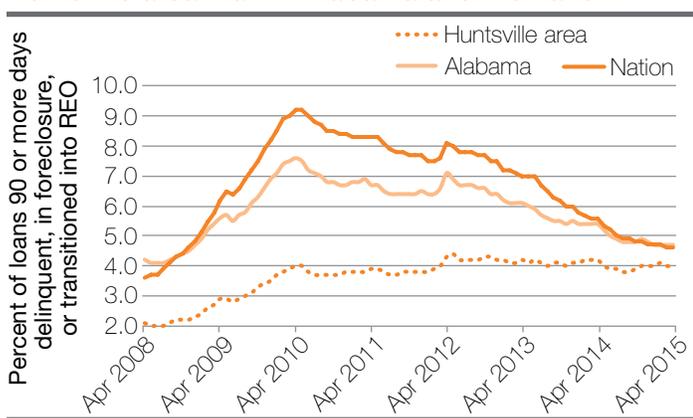
Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst



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- The number of REO homes sold declined to 1,025 during the 12 months ending March 2015, down 4 percent from 1,075 homes during the previous 12-month period.
- During the 12 months ending March 2015, the average sales price of an REO property was \$96,900, up 2 percent from the same 12-month period a year earlier.
- As of April 2015, 3.8 percent of mortgage loans were seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into REO status, down from 3.9 percent a year earlier and the peak of 4.4 percent in February 2012 (Black Knight Financial Services, Inc.). The rate of seriously delinquent loans and REO properties in the metropolitan area is below the 4.3- and 4.2-percent rates for Alabama and the nation, respectively.
- The inventory of unsold homes declined from an 8.0-month supply in April 2014 to a 6.6-month supply in April 2015 (Alabama Center for Real Estate). In April 2015, the average number of days a home was on the market was 100, down from 120 in April 2014.

The percentage of seriously delinquent home loans and REO properties has historically been lower in the Huntsville area than in Alabama and the nation.

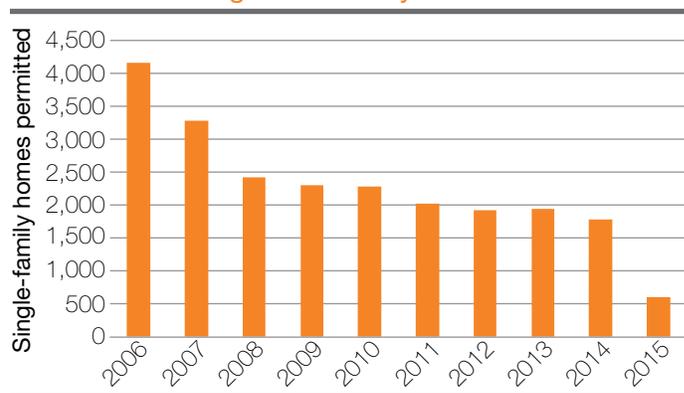


REO = real estate owned.
Source: Black Knight Financial Services, Inc.

Homebuilding activity, which remains low, has declined in 8 of the past 9 years. During the 12 months ending April 2015, permits were issued for approximately 1,800 single-family homes, up 25 homes, or 1 percent, from the number permitted a year earlier as builders have been slow to respond to the increase in new home sales and low supply of existing homes for sale (preliminary data).

- Homebuilding activity was 48 percent less during the 12 months ending April 2015 than during the peak years in 2006 and 2007, when an average of 3,725 homes was permitted annually.
- Homebuilding activity declined from the end of 2006 through 2012 by an average of 370 homes, or 12 percent, annually, to 1,925 homes permitted in 2012. Homebuilding activity increased slightly in 2013, by 25, or less than 1 percent, to 1,950 homes permitted.
- Oakwood at Lake Forest is a 42-lot development currently under construction in Madison County, near Redstone Arsenal, with new single-family home prices ranging from \$161,600 to \$167,100. The development is expected to be complete in the next year.

Single-family home permitting in the Huntsville area has been trending lower for 9 years.



Note: Includes preliminary data from January 2015 through April 2015.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

The apartment market in the Huntsville metropolitan area is currently balanced, because construction of new apartment units has been limited in recent years, with the exception of 2014. UAH, the largest university in the metropolitan area, enrolls 6,800 students and houses 1,600 students in on-campus housing, and the remaining 5,200 students reside off campus. Alabama A&M University and Athens State University, also in the metropolitan area, enroll 5,825 and

3,500 students, respectively. Alabama A&M University houses approximately 1,200 students and Athens State University does not offer housing on campus.

During the first quarter of 2015—

- The apartment vacancy rate in the metropolitan area was 5.3 percent, down from 6.1 percent during the first quarter of 2014 (Reis, Inc.). The apartment vacancy rate has declined from the most recent peak of 9.4 percent in 2011.

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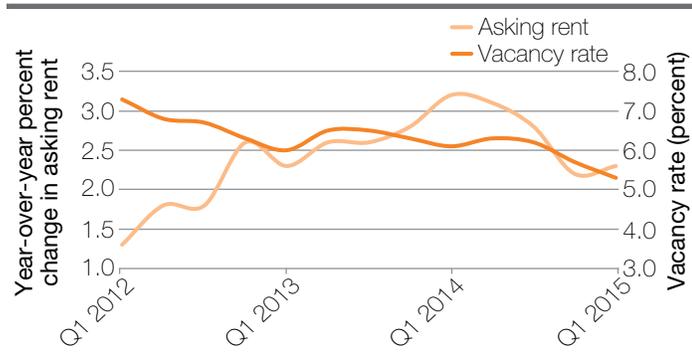
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- The average asking rent in the metropolitan area increased more than 2.3 percent, to \$667, from \$652 during the same quarter a year ago; 2014 was the fifth consecutive year of annual increases in the average asking rent.
- The average asking rents for one-, two-, and three-bedroom units were \$583, \$698, and \$848, respectively.
- Rental concessions averaged \$33 a month, with 26 percent of properties offering concessions (Axiometrics Inc.).

Multifamily construction, as measured by the number of multifamily units permitted, was up in the Huntsville metropolitan area during the 12 months ending April 2015, as builders increased production in response to low vacancy rates and increasing rents.

- During the 12 months ending April 2015, permits were issued for approximately 740 multifamily units, up 160 units, or 27 percent, from the number permitted a year earlier (preliminary data).

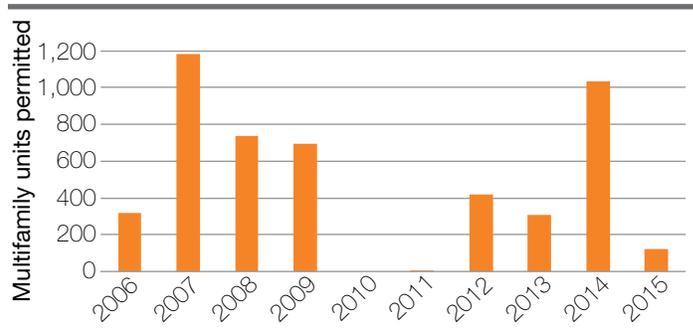
The apartment market in the Huntsville area was balanced during the first quarter of 2015, when vacancy rates declined and rents increased.



Source: Reis, Inc.

- Multifamily permitting activity averaged 720 units annually in 2008 and 2009, down from the peak of 1,175 in 2007. Builders virtually stopped production in 2010 and 2011 to allow for the absorption of completed units.
- In 2012 and 2013, building resumed and the number of units permitted averaged 360 a year. In 2014, permitting increased to 1,025 units. Demand for apartments increased during the past 3 years, coinciding with a decline in the homeownership rate and the preferences of the millennial generation to rent.
- Approximately 775 apartment units are under construction in the metropolitan area, including the 248-unit Legacy at Jones Farms, and the 540-unit Limestone Creek Apartment Homes.
- Construction of Artisan Twickenham Square, a 246-unit market-rate apartment development in downtown Huntsville, was completed in April 2015; rents start at \$897 and \$1,399 for one- and two-bedroom units, respectively.

Multifamily permitting increased in the Huntsville area during the past 3 years as builders responded to improving apartment market conditions.



Note: Includes preliminary data from January 2015 through April 2015.

Source: U.S. Census Bureau, Building Permits Survey

