

# HUD PD&R Housing Market Profiles

## Mobile, Alabama

### Quick Facts About Mobile

- **Current sales market conditions: soft.**
- **Current apartment market conditions: balanced.**
- **The Mobile metropolitan area has been a transportation and manufacturing center since the 18th century and has more recently developed a strong aviation-and-aerospace industry, known as the Gulf Coast Regional Aerospace hub. The city of Mobile is also home to the Port of Mobile, the 12th largest port in the nation by container volume. In 2015 (the most recent data available), the Port of Mobile had an economic value of \$19.4 billion in the state of Alabama.**



### Overview

The Mobile metropolitan area, coterminous with Mobile County, on the Gulf Coast of Alabama, is home to the city of Mobile, the third most populous city in Alabama. The University of South Alabama (USA) and USA Health System; Infirmary Health System, Inc.; and Austal are the largest employers in the metropolitan area, with 6,000, 5,000, and 4,000 employees, respectively, and contribute to the economic stability and growth of the metropolitan area. The Port of Mobile, the only deepwater port in Alabama, ranks 10th in the country for imports and total foreign trade, with a \$10 billion impact on the local economy (Alabama State Port Authority). The metropolitan area is also a prime location for the aerospace industry. The Mobile Aeroplex at Brookley, a transportation and industrial complex and airport in the city of Mobile, is the largest complex of its kind in the Central Gulf Coast, with approximately 70 companies that employ about 3,600 people.

- As of June 1, 2017, the estimated population of the metropolitan area is 415,100, representing an increase of only 300 people, or 0.1 percent, annually since April 2010; all population growth during this time was a result of net natural change (resident births minus resident deaths).
- During the peak growth period from 2005 to 2007, the population increased by an average of 3,400, or 0.8 percent, a year when the economy was strong, and more people moved to the metropolitan area. During this time, net in-migration averaged 1,350 people per year.
- By comparison, from 2000 to 2004, due to weak economic conditions that led to strong out-migration, the population decreased by approximately 530 people, or 0.1 percent, each year.



During the 3 months ending May 2017, nonfarm payroll jobs decreased or remained stable in six sectors in the Mobile area.

	3 Months Ending		Year-Over-Year Change	
	May 2016 (thousands)	May 2017 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	180.2	179.6	- 0.6	- 0.3
Goods-producing sectors	31.1	31.6	0.5	1.6
Mining, logging, and construction	11.8	11.6	- 0.2	- 1.7
Manufacturing	19.3	20.0	0.7	3.6
Service-providing sectors	149.1	148.0	- 1.1	- 0.7
Wholesale and retail trade	28.9	28.3	- 0.6	- 2.1
Transportation and utilities	8.1	7.6	- 0.5	- 6.2
Information	1.7	1.7	0.0	0.0
Financial activities	8.6	9.0	0.4	4.7
Professional and business services	23.2	22.6	- 0.6	- 2.6
Education and health services	26.1	26.8	0.7	2.7
Leisure and hospitality	17.8	18.2	0.4	2.2
Other services	9.5	9.6	0.1	1.1
Government	25.1	24.2	- 0.9	- 3.6
	(percent)	(percent)		
Unemployment rate	6.3	5.6		

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

## Economic Conditions

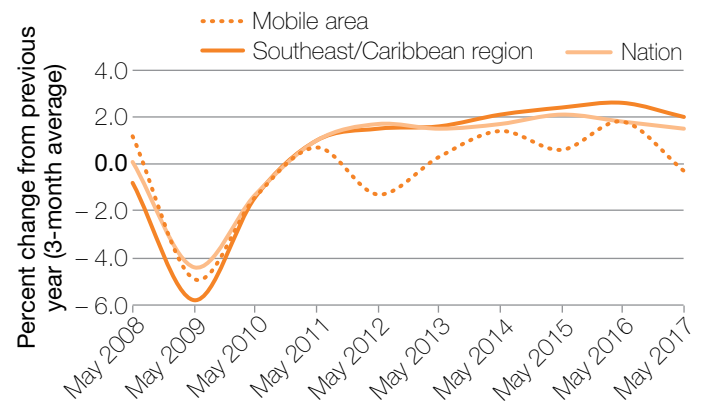
The economy of the Mobile metropolitan area has improved since the 2009-through-2012 period, when the area was losing jobs; however, economic conditions remain somewhat weak, as evidenced by a return of job losses during the past 3 months. Nonfarm payrolls have increased since 2013 by an average of 1,600 jobs, or 1.0 percent, annually after declining by an average 2,900 jobs, or 1.2 percent, annually from 2009 through 2012.

During the 3 months ending May 2017—

- Nonfarm payrolls averaged 179,600 jobs, reflecting a decrease of 600 jobs, or 0.3 percent. By comparison, payrolls increased by 3,000 jobs, or 1.8 percent, during the same period a year earlier, in large part, a result of 2016 expansion projects at the Port of Mobile, which increased container traffic at the port by 19 percent to a record 277,307 20-foot equivalent units.
- The manufacturing and the education and health services sectors led growth, each with an increase of 700 jobs, or 3.6 and 2.7 percent, respectively.
- The largest decline occurred in the government sector, which lost 900 jobs, or 3.6 percent, as a tight state budget led to losses in the state government subsector.

continued on page 3

Since mid-2011, nonfarm payroll growth in the Mobile area has lagged in growth behind the Southeast/Caribbean region and the nation.



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

## Largest employers in the Mobile area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of South Alabama and USA Health System	Education and health services	6,000
Infirmary Health System, Inc.	Education and health services	5,000
Austal	Manufacturing	4,000

Note: Excludes local school districts.  
Source: Mobile Chamber of Commerce

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- The average unemployment rate decreased to 5.6 percent from 6.3 percent during the same period a year ago, as employment growth outpaced labor force growth.

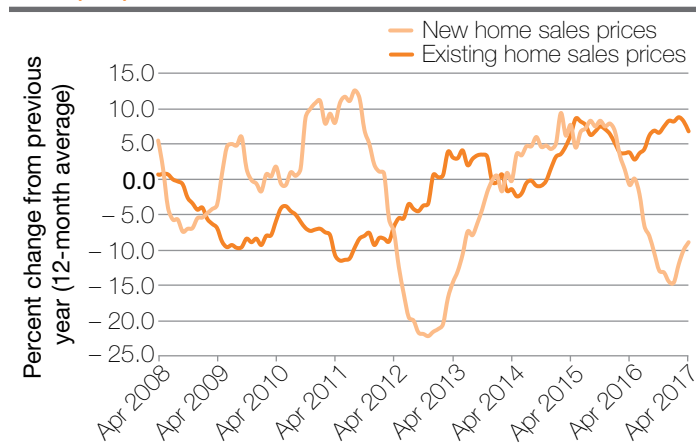
Several recent announcements should have a positive impact on the Mobile metropolitan area economy during the next few years. Wal-Mart Stores, Inc., announced plans in March 2017 to build a 2.5 million-square-foot, \$135 million distribution center in Mobile County. Expected to be complete in 2018, the center is anticipated to create more than 550 local, full-time jobs and increase port traffic by an estimated 10 percent. Austal announced a \$500 million contract to build a 14th littoral combat ship for the U.S. Navy, which is expected to take 4 years to complete. Also in the manufacturing

sector, Continental Motors Group, a global producer of piston aircraft engines, plans to build a new \$60 million, 225,000-square-foot corporate office and manufacturing facility at the Mobile Aeroplex at Brookley, slated to be complete in 2019. Although Continental Motors Group does not plan to increase employment with the completion of the facility, the new development further invests the company's presence in the city of Mobile. Another addition to the Mobile Aeroplex at Brookley was announced in May 2017. The state of Alabama will partner with Airbus S.A.S. to fund a \$6.5 million Aviation Education Center. A development timeline was not released, but the facility will open to the public and teach aviation and classes focused on science, technology, engineering, and math, or STEM.

## Sales Market Conditions

The sales housing market in the Mobile metropolitan area is currently soft, with an estimated 2.9-percent vacancy rate, slightly up from 2.7 percent in April 2010. Despite the soft conditions, the rate of seriously delinquent loans (those 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties has declined in the past year. As of April 2017, 4.3 percent of home loans in the metropolitan area were seriously delinquent or in REO status, down from 5.0 percent a year earlier (CoreLogic, Inc.). By comparison, the rates were 3.0 and 2.3 percent for the state and nation, respectively, down from 3.5 percent for each, a year earlier. From 2008 through 2011, sales of existing single-family homes, townhomes, and condominiums (hereafter, existing homes) declined by an average of 620 homes annually, corresponding to the weak economy during most of this time. Although the economy did not begin to

**Existing home sales prices in the Mobile area began to increase at the end of 2014, due in part to fewer REO properties sold.**



REO = real estate owned.

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

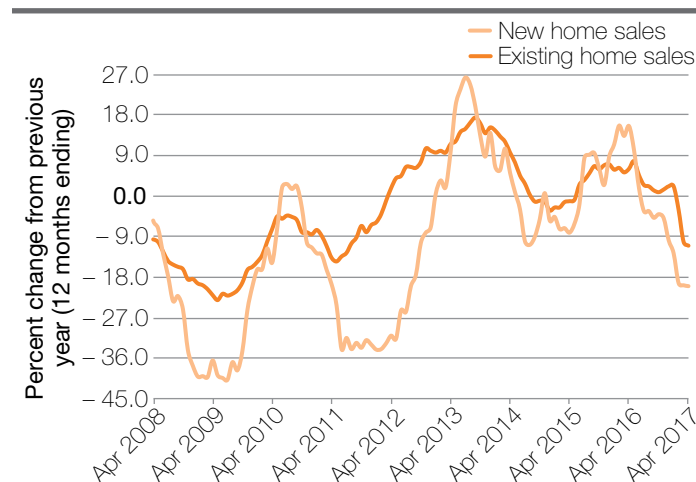
Source: CoreLogic, Inc., with adjustments by the analyst

improve until 2013, existing home sales increased by 650 homes in 2012. After employment began to improve in 2013, existing home sales increased by 100 homes annually, from 2013 through 2015.

- During the 12 months ending April 2017, approximately 7,625 existing homes sold, a decrease of 925 homes, or 11 percent, from the 12 months ending April 2016 (CoreLogic, Inc., with adjustments by the analyst). Despite a decline in sales, the average existing home sales price increased approximately 7 percent, to \$119,600.
- Sales of new single-family homes, townhomes, and condominiums (hereafter, new homes) also declined during the 12 months ending April 2017. During this period, new home sales averaged 380, a decrease of 100 homes, or 20 percent. During this time, the average new home sales price decreased by 9 percent to \$171,200.

continued on page 4

**New and existing home sales in the Mobile area have had similar trends since 2008, although new home sales have been more volatile.**



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

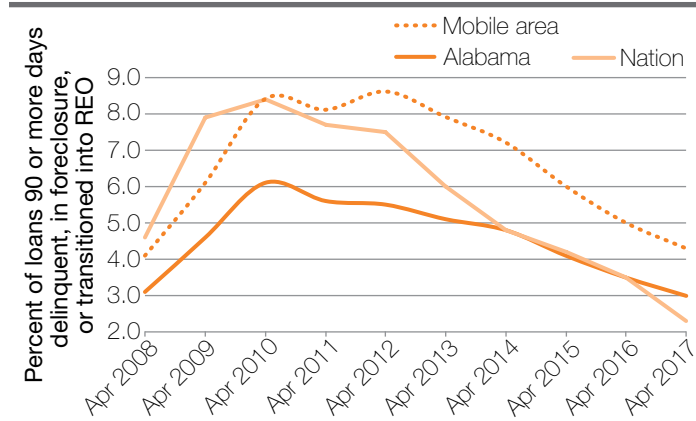
Source: CoreLogic, Inc., with adjustments by the analyst

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Homebuilding, as measured by the number of single-family homes permitted, increased during the 12 months ending May 2017 compared with the number of homes permitted a year earlier, despite low home sales levels.

- Approximately 760 single-family homes were permitted during the 12 months ending May 2017, a 28-percent increase from the 600 homes permitted during the same period a year ago (preliminary data).

The percent of seriously delinquent loans and REO properties in the Mobile area has fallen by half from the peak in April 2012.

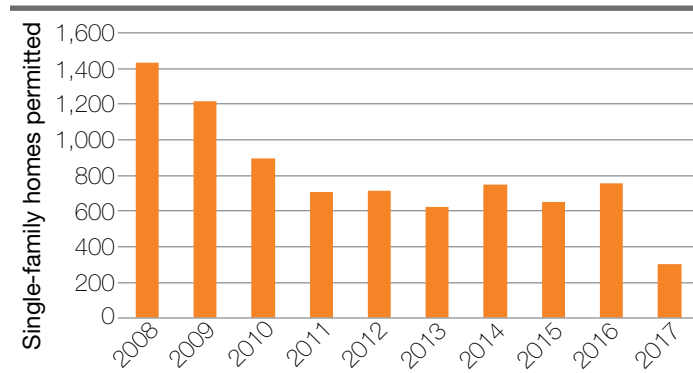


REO = real estate owned.

Source: CoreLogic, Inc.

- An average of 900 homes were permitted annually from 2009 through 2012, when the economy was losing jobs. Although the economy improved in 2013, homebuilding lagged that year, as single-family permitting further decreased to 625 homes, a decrease of 14 percent from 2012.
- Single-family developments under construction in the Mobile metropolitan area include the new Amelia Lakes community in the city of Mobile, which began construction in 2015. The first phase will include 30 homes when complete, and sales prices range from \$256,900 to \$294,900.

Single-family permitting activity decreased from 2008 through 2013 and remained relatively subdued in the Mobile area.



Note: Includes preliminary data from January through May 2017.

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

## Apartment Market Conditions

Apartment market conditions in the Mobile metropolitan area are currently balanced. The apartment market improved during the past 3 years because of low levels of multifamily construction activity since 2010 and increased demand for rental units in the metropolitan area.

During the first quarter of 2017—

- The apartment vacancy rate in the Mobile metropolitan area increased to 5.2 percent from 4.7 percent a year earlier, as the increased number of newly constructed units during the past year are absorbed. By comparison, the apartment vacancy rate was 9.0 percent in 2009, the highest rate recorded since 2005 (Reis, Inc.) as a result of the largest recorded payroll declines during the decade.
- Rent growth in the metropolitan area was modest during the quarter when compared with a year earlier. The average asking rent increased 1.7 percent during the first quarter of 2017, to

\$728. By comparison, the average asking rent was \$716 during the first quarter of 2016, an increase of 4.7 percent from a year earlier.

- The student population greatly affects the apartment market in the metropolitan area. Approximately 17,000 students attend USA, and only about 2,500 reside on campus. The remainder of students resides off campus in the communities surrounding the city of Theodore, the location of the university. The apartment vacancy rate in these communities is currently estimated at 3.5 percent (analyst estimate).

Apartment construction in the past 3 years was concentrated in the southwestern portion of the metropolitan area, including West Mobile, the western part of the city of Mobile, because of easy access to the shopping corridor and a source of retail and office jobs.

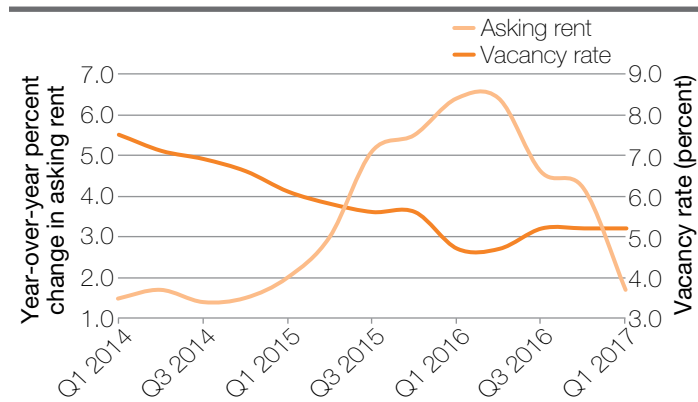
- During the 12 months ending May 2017, 190 units were permitted, compared with 440 units permitted a year earlier (preliminary data), because of the relatively weak economy and slow population growth.

continued on page 5

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- An average of 610 units were permitted annually from 2005 through 2008, a period of economic growth and strong rental demand. In 2009, the economy began to lose jobs, and the apartment market softened. Developers were slow to respond, and multifamily permitting peaked at 1,425 units. Although multifamily permitting levels have varied since 2010, they have generally been lower, averaging 300 units a year from 2010 through 2016, when compared with the previous 5 years.

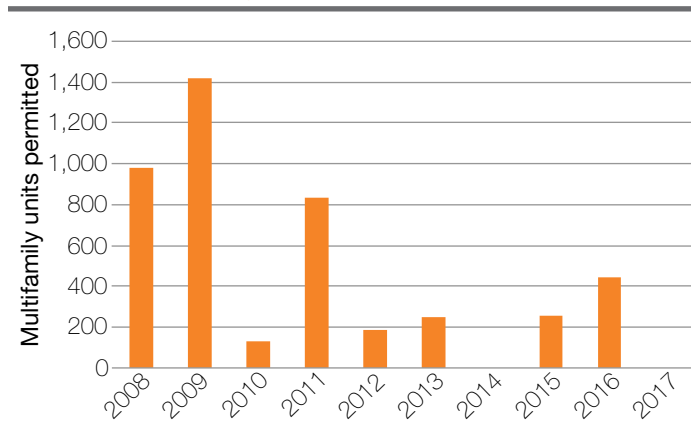
The average asking rent in the Mobile area has increased at least 1.5 percent annually since the first quarter of 2014, and vacancy rates have either declined or remained stable.



Q1 = first quarter. Q3 = third quarter.  
Source: Reis, Inc.

- Construction of Meridian at the Port, a new 265-unit apartment complex in downtown Mobile, started in late 2016. The property, which AL.com reported to be transformative for downtown Mobile, is the first large-scale apartment development built in the downtown area since 1950. Construction is still under way, but rents for studio and one-, two-, and three-bedroom units will range from \$1,000 to \$1,800 per month.

Multifamily construction in the Mobile area remained minimal during the past 4 years despite record-low apartment vacancy rates.



Note: Includes preliminary data from January through May 2017.  
Source: U.S. Census Bureau, Building Permits Survey