

HUD PD&R Housing Market Profiles

Birmingham-Hoover, Alabama



Quick Facts About Birmingham

Birmingham, Alabama

By Marissa Dolin | As of October 1, 2020

- Current sales market conditions: slightly tight
- Current rental market conditions: slightly soft
- The Birmingham area was founded in the late 19th century as a center for coal mining and steel manufacturing—which uses coal in the production process. In 2018, the steel industry had an economic impact of \$21.8 billion and directly and indirectly supported 76,400 jobs in the state of Alabama (American Iron and Steel Institute).

Overview

The Birmingham-Hoover (hereafter, Birmingham) metropolitan area consists of six counties in central Alabama and is within 150 miles, an approximate 2-hour drive, of the cities of Atlanta, Georgia, and Huntsville and Montgomery, Alabama. Historical specializations in coal and steel led to the establishment of the banking and finance industries in the early 20th century when the industrial sectors proved to be profitable. Auto parts manufacturing, which uses steel in the production process, has been a part of the local economy since the late 1990s when Mercedes-Benz U.S. International, Inc. and Honda Motor Company Ltd. opened manufacturing plants immediately outside the metropolitan area. The high-tech industry has grown recently, led by on-demand grocery delivery service Shipt, Inc., which was acquired by Target Corporation in late 2017. Since being acquired, the company has added over 800 jobs at its corporate headquarters in downtown Birmingham and facilitated on-demand contracting opportunities for an estimated 200,000 shoppers nationally in 2020.

- The current population in the Birmingham metropolitan area is 1.09 million, having increased by an average of 2,375, or 0.2 percent, annually since 2017. Population growth

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has moderated compared with the early and mid-2010s when growth averaged 3,400, or 0.3 percent, annually from 2010 to 2017 (Census Bureau and estimates by the analyst).

- A falling birthrate and rapidly growing senior population have led to slower population growth. Net natural increase (resident births minus resident deaths) has averaged 1,775 people annually since 2017, down from 3,150 people annually from 2010 to 2017. Net in-migration is up in recent years, averaging nearly 600 people annually since 2017—above the average of approximately 250 people annually from 2010 to 2017.

- Jefferson County, which includes most of the city of Birmingham, is the most populous county in the metropolitan area but has had a declining population due to net out-migration. Shelby County is the second most populous and fastest growing county, supported by net in-migration to the county. The current county populations are 657,300 and 220,500, respectively, with an average decline of 120 people, or less than 0.1 percent, annually in Jefferson County and an average increase of 2,425 residents, or 1.2 percent, in Shelby County annually since 2010.

Economic Conditions

Economic conditions in the Birmingham metropolitan area have weakened since March 2020, mostly due to the countermeasures enacted to slow the spread of COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020. Temporary business closures during April 2020 resulted in the lowest recorded number of nonfarm payroll jobs on a monthly basis since April 2011 when the economy was beginning to recover from the Great Recession. A portion of jobs lost in April 2020 have returned as restrictions have eased. Statewide, consumer spending ranged from 7 percent below January 2020 levels in early July

to 4 percent above January 2020 levels in late September, recovering from 14 to 30 percent below January 2020 levels in April (Opportunity Insights). The average number of nonfarm payroll jobs in the Birmingham metropolitan area during the third quarter of 2020 was 4.8 percent below the average a year ago. The decline in jobs in the metropolitan area was less severe than in the Southeast/Caribbean region and nation, where payrolls were down 5.1 and 7.0 percent, respectively. Prior to the onset of the pandemic, nonfarm payrolls in the metropolitan area increased by an average of 5,500 jobs, or 1.1 percent, annually from 2011 through 2019.

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Ten of the 11 nonfarm payroll sectors declined compared with the third quarter of 2019.

	3 Months Ending		Year-Over-Year Change	
	September 2019 (Thousands)	September 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	546.9	520.9	-26.0	-4.8
Goods-Producing Sectors	72.4	69.8	-2.6	-3.6
Mining, Logging, & Construction	33.0	32.6	-0.4	-1.2
Manufacturing	39.4	37.2	-2.2	-5.6
Service-Providing Sectors	474.5	451.1	-23.4	-4.9
Wholesale & Retail Trade	84.4	81.3	-3.1	-3.7
Transportation & Utilities	23.2	24.3	1.1	4.7
Information	7.3	6.2	-1.1	-15.1
Financial Activities	42.4	41.9	-0.5	-1.2
Professional & Business Services	70.4	67.8	-2.6	-3.7
Education & Health Services	76.0	72.4	-3.6	-4.7
Leisure & Hospitality	53.9	43.4	-10.5	-19.5
Other Services	31.5	29.9	-1.6	-5.1
Government	85.4	83.8	-1.6	-1.9
Unemployment Rate	2.6%	6.5%		

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



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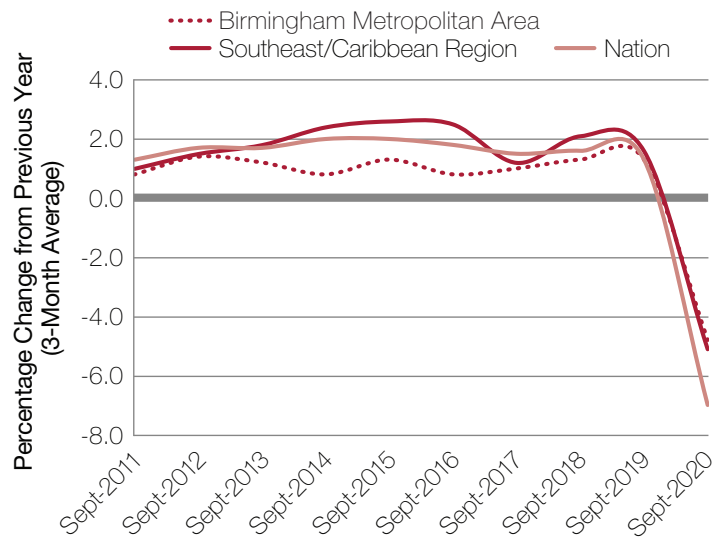
During the third quarter of 2020—

- Total nonfarm payrolls averaged 520,900, down by 26,000 jobs, or 4.8 percent, from a year ago, but up by 12,100 jobs, or 2.4 percent, from the second quarter of 2020. Ten of the 11 employment sectors were down compared with the same quarter a year ago, but 8 of the 11 sectors recovered a portion of the jobs lost during the second quarter of 2020.
- Job declines were greatest in the leisure and hospitality sector, which fell by 10,500 jobs, or 19.5 percent, from a year earlier. Although total consumer spending recovered by late September 2020, spending at restaurants and hotels was down 17 percent and spending on entertainment and recreation was down 50 percent in late September relative to January 2020 levels (Opportunity Insights).
- The only sector with an increase in jobs was the transportation and utilities sector, up by 1,100 jobs, or 4.7 percent, from the same quarter a year ago. An increase in online purchasing, up 37 percent nationally from a year ago, and the opening of an Amazon.com, Inc. fulfillment center in March 2020—with 1,500 jobs—supported the gain.
- The unemployment rate was 6.5 percent, up from 2.6 percent during the third quarter of 2019 but down from 9.3 percent during the second quarter of 2020. In Jefferson County, employment of high wage workers, earning more than \$60,000 annually, was down approximately 1 percent in mid-September compared with January 2020, but employment of low wage workers, earning below \$27,000 annually, was down 28 percent (Opportunity Insights).

The University of Alabama at Birmingham (UAB) is a source of economic growth for the metropolitan area. During the 2019–2020 academic year, the university received \$600 million in research funding from a combination of public and private organizations, up \$75 million from a year earlier, supporting additional academic research jobs. Enrollment at UAB was 22,550 in the fall of 2020, up 2 percent from a year ago, marking the fifth consecutive year of enrollment gains. A 2017 policy change requiring most freshmen to live on campus, many of whom previously lived with family elsewhere in the metropolitan area and commuted to campus, has attracted new businesses to the area. Since 2017, a Publix grocery store, the first full-

service grocery store in the neighborhood, and more than 1,000 apartment units have been built. Approximately 40 percent of the 5,600 degrees awarded during the 2018–2019 academic year were in healthcare and related professions, allowing for job growth in the education and health services sector.

During the third quarter of 2020, nonfarm payrolls in the Birmingham metropolitan area declined at a slower rate compared with the Southeast/Caribbean region and the nation.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Birmingham Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Alabama at Birmingham	Government	20,750
Brookwood Baptist Health (Tenet Healthcare)	Education & Health Services	6,500
Regions Financial Corporation	Financial Activities	6,100

Note: Excludes local school districts.
Source: Birmingham Business Journal

Sales Market Conditions

The home sales market is slightly tight, a change from soft conditions in 2010 and balanced conditions in late 2019. The sales vacancy rate is currently estimated at 1.7 percent, down from 3.0 percent in 2010. Available inventory of homes for sale and mortgage interest rates have affected market conditions.

Since March 2020, some would-be sellers have been reluctant to list homes and make them available for tours, contributing to a low inventory of homes for sale. The inventory was at a two-decade low in September 2020 at only 2.5 months, down from 3.6 months a year earlier (Alabama Center for Real Estate).

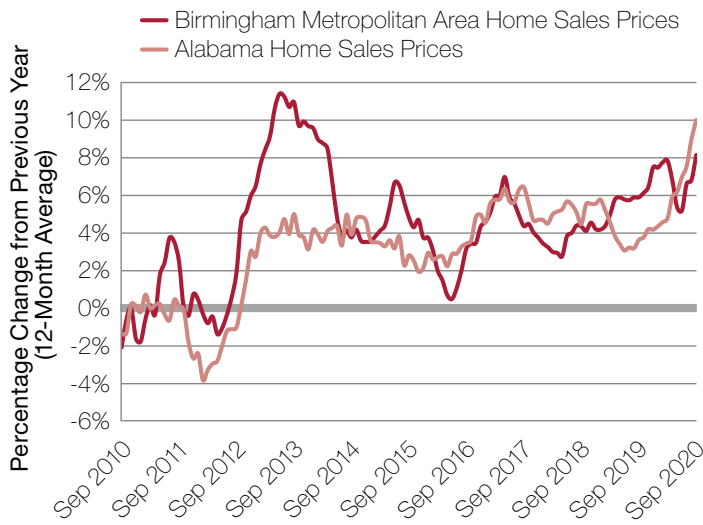
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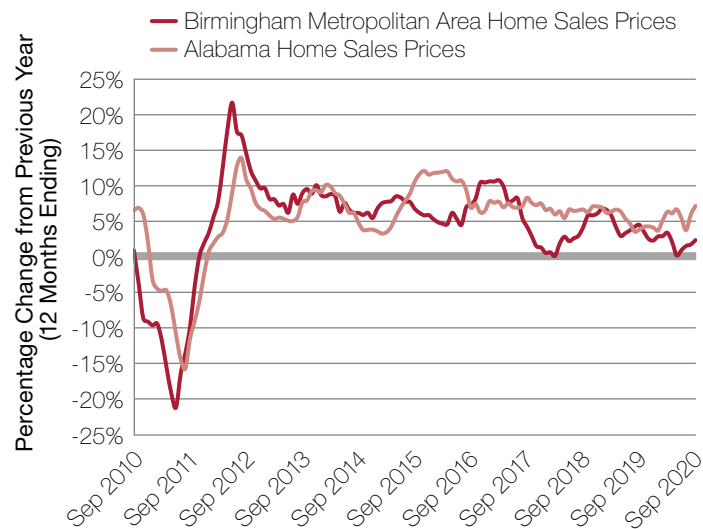
For context, prior to the national housing crisis in the late-2000s, inventory reached a low of 4.8 months in September 2005; 6 months is considered normal when market conditions are balanced. A low mortgage interest rate has incentivized home buying. The interest rate for a 30-year fixed rate mortgage averaged 2.9 percent during the third quarter of 2020, down from an average of 3.7 percent a year earlier (Freddie Mac). During the 2010s, mortgage interest rates fluctuated between 5.2 and 3.3 percent.

Home sales price growth has accelerated in the Birmingham metropolitan area and state of Alabama since July 2020.



Note: Includes new and existing single-family homes, townhomes, and condominiums. Source: Alabama Center for Real Estate

Home sales in the Birmingham metropolitan area have been rising since June 2020.

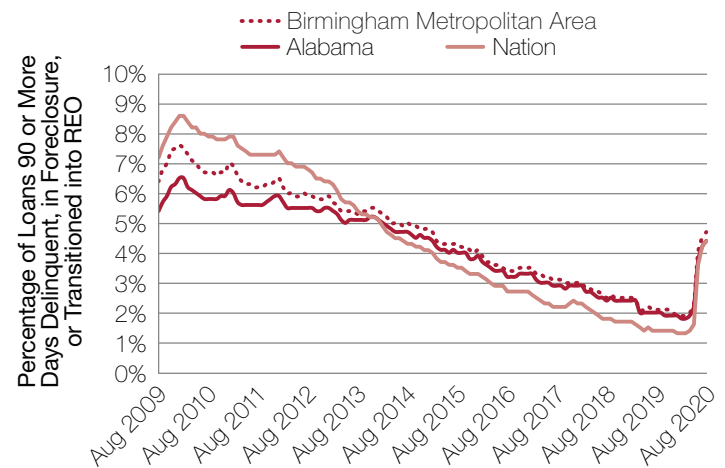


Note: Includes new and existing single-family homes, townhomes, and condominiums. Source: Alabama Center for Real Estate

- The average price for new and existing home sales (hereafter, home sales) was \$276,000 during the 12 months ending September 2020, up 8 percent from the previous 12 months and accelerating from a 6-percent increase during the 12 months ending September 2018 (Alabama Center for Real Estate). From 2014 through 2018, the average home sales price increased an average of 4 percent annually.
- Home sales totaled 16,650 during the 12 months ending September 2020, up 2 percent from the previous 12 months, but slowing from an average annual increase of 4 percent from 2014 to 2018. The recent slowdown in sales growth is partially because of fewer home sales in April and May 2020, when a statewide stay-at-home order was in effect, compared with the same months in 2019.
- The inventory of homes for sale is higher, and the increase in sales and prices are lower, in the Birmingham metropolitan area compared with home sales in Alabama. In September 2020, the inventory of homes for sale statewide was 2.1 months. During the 12 months ending September 2020, home sales in Alabama increased 7 percent from the previous 12 months, and the average home sales price was up 10 percent to \$213,400.
- The rate of seriously delinquent mortgage loans and real estate owned (REO) sales has increased sharply since June 2020, reflecting homeowners who were unable to continue to pay their mortgages in March 2020, becoming 90 days delinquent in June 2020 and continuing to be unable to make payments. The rate in the Birmingham metropolitan area was 4.7 percent in August 2020, up from 2.3 percent in May 2020 and 2.1 percent in August 2019 (CoreLogic, Inc.).

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The share of home loans that were 90 or more days delinquent, in foreclosure, or in REO status in the Birmingham metropolitan area, the state of Alabama, and the nation has increased sharply since May 2020.



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



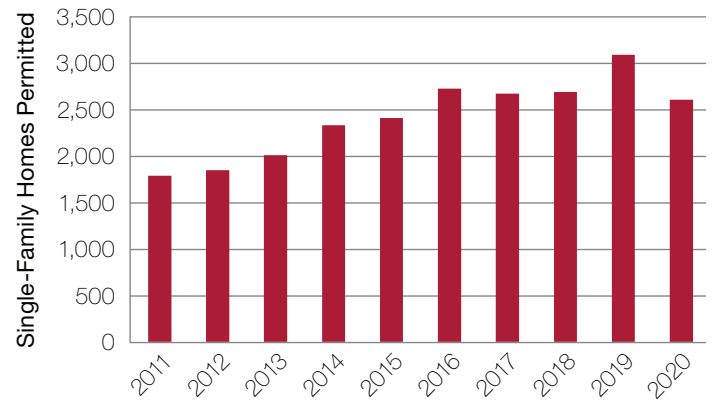
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Single-family home construction, as measured by the number of single-family homes permitted, has been increasing since the early 2010s, supported by economic expansion throughout the decade. In 2020, the limited inventory of homes for sale and low mortgage interest rates have contributed to the continued rise in single-family home construction.

- During the 12 months ending September 2020, single-family home construction totaled 3,325, up 20 percent from the 2,775 homes permitted during the previous 12 months. Single-family home construction was concentrated in Jefferson and Shelby Counties, which accounted for 47 percent and 39 percent, respectively, of homes permitted in the metropolitan area during the most recent 12 months.
- From 2012 through 2019, single-family home construction increased by an average of 160 homes, or 7 percent, annually, rising from 1,800 homes permitted in 2011 to 3,100 homes permitted in 2019.
- Single-family home construction in Shelby County increased at a faster pace compared with Jefferson County from 2011 through 2019. The number of homes permitted in Shelby County increased by an average of 80, or 12 percent, annually, compared with an average annual increase of 60 homes, or 4 percent, in Jefferson County. A larger portion of land in Shelby County is available for single-family home development, which contributed to the faster increase in construction.

- New construction homes are available at prices below the average sales price for the metropolitan area. In unincorporated Jefferson County, the 120-lot Windsor Parc Colonnade subdivision currently has 9 recently completed single-family homes for sale with prices ranging from \$199,700 to \$258,900. In Shelby County, Townside Square, a 160-townhome development in Calera, currently has 11 homes for sale priced between \$177,300 to \$201,500.

Single-family permitting in the Birmingham metropolitan area increased most years from 2011 through 2019.



Note: Includes preliminary data from January 2020 through September 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

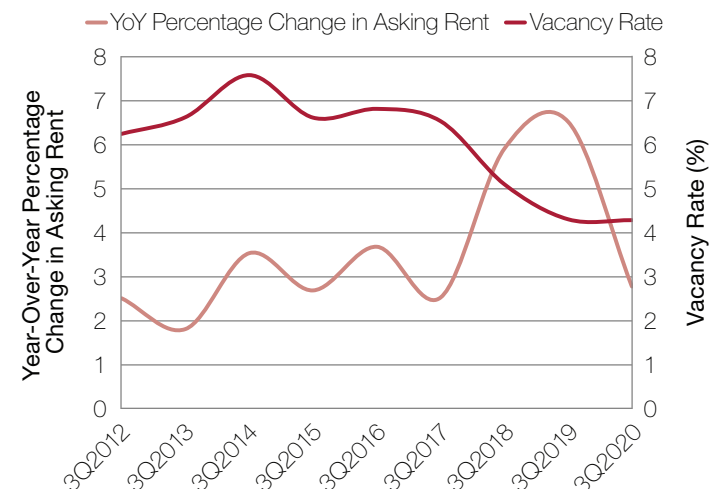
Rental Market Conditions

The rental market is slightly soft, but improving, with an estimated overall vacancy rate of 10.4 percent, down from 12.9 percent in 2010. Rental units in the Birmingham metropolitan area are relatively old, which contributes to the high vacancy rate because older units can be less competitive. Rental units have a median age of 40 years, or 6 years older than the median owner-occupied housing unit (2019 American Community Survey, 1-year data). The median rent for all types of rental units in the metropolitan area was \$1,149 in September 2020, up 5 percent from a year ago and rising faster than the 1-percent increase for the nation (Zillow Rent Index). Renter-occupied single-family homes, townhomes, and buildings with fewer than 20 units, which are generally not captured in commercial apartment market data, account for approximately 75 percent of all rental housing in the Birmingham metropolitan area.

During the third quarter of 2020—

- The apartment market was balanced, with a vacancy rate of 4.3 percent during the third quarter of 2020, unchanged from a

Rent growth slowed and the apartment vacancy rate was stable during the third quarter of 2020 compared with a year ago in the Birmingham metropolitan area.



3Q = third quarter. YoY = year-over-year. Source: RealPage, Inc.

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year earlier (RealPage, Inc.). The vacancy rate has been trending downward since reaching a high of 7.6 percent in 2014, partially because fewer apartments have entered the rental market in recent years compared with the early and mid-2010s.

- The average apartment rent was \$1,040, up nearly 3 percent from a year earlier, slowing from an average annual gain of 6 percent in 2018 and 2019. The current rate of rent growth is the same as the average rate of rent growth from 2012 to 2017.
- The market area with the largest increase in the vacancy rate among the six RealPage, Inc.-defined market areas was the Central Birmingham/Mountain Brook market area, rising 1.6 percentage points from a year ago to 5.3 percent. The increase in vacancies was sharpest among studio and one-bedroom units. The area, which includes downtown Birmingham and the UAB campus, where new apartment construction has been concentrated, also has the highest rent, averaging \$1,315, a 3-percent increase from a year ago.
- The market area with the largest decrease in the vacancy rate was the Homewood/Southwest Birmingham area, down 2.1 percentage points from a year earlier to 4.3 percent. Approximately one-third of the properties surveyed have completed a renovation during the past 3 years, and an additional 20 percent of the properties are undergoing or planning renovations.

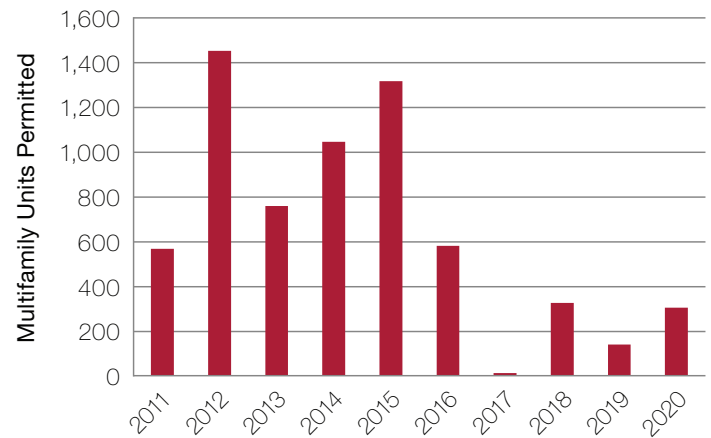
Multifamily construction, as measured by the number of multifamily units permitted, increased during the 12 months ending September 2020 compared with the previous 12 months, partially in response to the downward trend in vacancy rates in the late 2010s.

- During the 12 months ending September 2020, approximately 360 multifamily units were permitted, up from 85 units permitted during the previous 12 months (preliminary data).
- From 2017 through 2019, an average of 160 multifamily units were permitted annually, well below the average of 960 units a year from 2011 through 2016. Multifamily construction

in Jefferson County accounted for 85 percent of the units permitted in the metropolitan area from 2017 to 2019 and 90 percent of the units permitted from 2011 through 2016.

- In central Birmingham, Cortland Vesta apartments, a 318-unit property, opened to residents during the second quarter of 2020. The average rent is \$1,625 for a one-bedroom unit and \$1,937 for a two-bedroom unit. To encourage rapid leasing of units, the property is offering up to two months of free rent and \$500.
- Apartment construction outside of Jefferson County has been very limited in the past 5 years. The Retreat at Greystone, Phase III, opened in 2016 in the Shelby County portion of the city of Birmingham, with one- and two-bedroom units and rents ranging from \$1,470 to \$1,820. In Pelham, a farther-out suburb of Shelby County, the 184-unit The Grand Reserve at Pelham also opened in 2016 and has one-, two-, and three-bedroom units with rents from \$1,220 to \$1,755.

Multifamily permitting in the Birmingham metropolitan area has slowed since 2016.



Note: Includes preliminary data from January 2020 through September 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

