

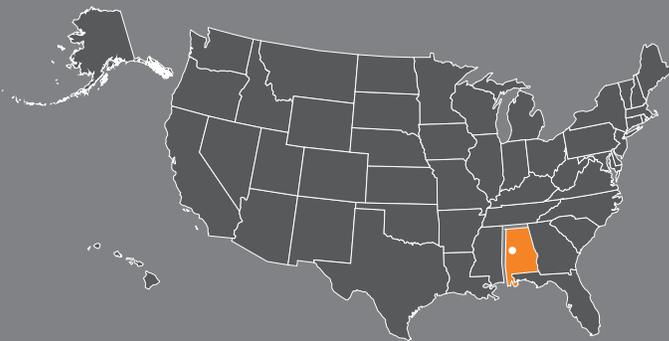
HUD PD&R Housing Market Profiles

Tuscaloosa, Alabama



Quick Facts About Tuscaloosa

- Current sales market conditions: balanced.
- Current rental market conditions: tight.
- The University of Alabama (UA) has a \$1.51 billion annual economic impact on the metropolitan area, 47 percent of which comes from student and visitor expenditures. Visitors for UA football games account for \$119.1 million of the total.



By Gareth Amon | As of April 1, 2013

Overview

The Tuscaloosa metropolitan area consists of Greene, Hale, and Tuscaloosa Counties in Alabama. Tuscaloosa County, which includes the cities of Tuscaloosa and Northport, is the central area for economic activity. UA and Mercedes-Benz U.S. International, Inc. (MBUSI), are the key economic drivers in the metropolitan area. Expansions of UA and MBUSI have led to population and job growth since the mid-2000s. In April 2011, an Enhanced Fujita Scale 4 tornado destroyed 1,250 homes and damaged 3,900 homes, representing more than 5 percent of the metropolitan area's total housing stock. Since the April 2011 tornado, permits have been issued for 290 replacement homes, or 23 percent of the destroyed homes.

- As of April 1, 2013, the estimated population of the metropolitan area was 224,200, which reflects an average annual gain of 1,650, or 0.7 percent, since April 1, 2010.
- Population growth averaged 4,000 people, or 2 percent, a year from 2006 through 2009.
- Tuscaloosa County has an estimated population of 200,000, or 89 percent of the population in the metropolitan area.



PD&R

Nonfarm payrolls by sector in the Tuscaloosa area

	3 Months Ending		3-Month Change (2012-13)	
	March 2012 (thousands)	March 2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	94.2	96.9	2.7	2.9
Goods-producing sectors	20.5	21.1	0.6	2.9
Mining, logging, and construction	7.6	7.9	0.3	3.9
Manufacturing	12.9	13.3	0.4	3.1
Service-providing sectors	73.7	75.8	2.1	2.8
Wholesale and retail trade	12.4	12.5	0.1	0.8
Transportation and utilities	2.6	2.8	0.2	7.7
Information	0.8	0.8	0.0	0.0
Financial activities	3.7	3.7	0.0	0.0
Professional and business services	7.7	8.5	0.8	10.4
Education and health services	7.8	8.0	0.2	2.6
Leisure and hospitality	9.4	9.8	0.4	4.3
Other services	3.5	3.6	0.1	2.9
Government	25.8	26.0	0.2	0.8

Source: U.S. Bureau of Labor Statistics

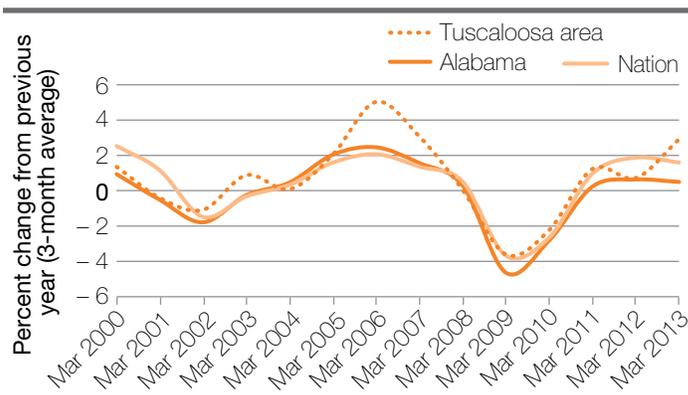
Economic Conditions

From the fourth quarter of 2008 through the first quarter of 2010, economic conditions in the Tuscaloosa metropolitan area were weak as a result of the national economic recession. Economic conditions improved during the past 3 years, however, although the city of Tuscaloosa reported that 120 businesses were destroyed during the April 2011 tornado. Since 2011, 65 of those businesses have reopened, 45 of which relocated within the metropolitan area, but the other 55 have closed.

During the 3 months ending March 2013—

- Nonfarm payrolls in the metropolitan area increased by 2,700 jobs, or 2.9 percent, to 96,900 jobs compared with the number of jobs during the same 3 months a year earlier.
- The professional and business services sector led growth, increasing by 800 jobs, or 10.4 percent. The leisure and hospitality sector increased by 400 jobs, or 4.3 percent, because of increased visitors to UA and to the MBUSI museum and for factory tours.
- The unemployment rate decreased to 7.0 percent from 7.9 percent during the same period a year ago.
- Two major expansions are under way at MBUSI. In January 2012, construction began on a \$255 million sport-utility vehicle production facility that is expected to create 400 jobs when complete in January 2015. In April 2013, construction began on a \$70 million parts consolidation center that is expected to create 500 jobs when complete in February 2014.

Nonfarm payrolls have increased since 2011 in the Tuscaloosa area.



Source: U.S. Bureau of Labor Statistics

Largest employers in the Tuscaloosa area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The University of Alabama	Government	3,825
DCH Regional Medical Center	Education and health services	3,450
Mercedes-Benz U.S. International	Manufacturing	2,925

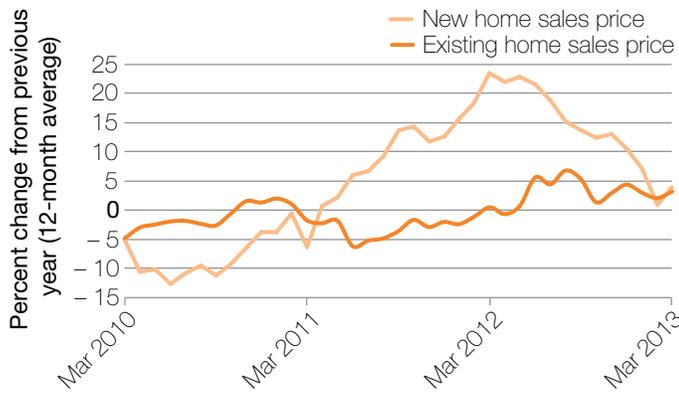
Note: Excludes local school districts.

Source: Tuscaloosa County Industrial Development Authority

Sales Market Conditions

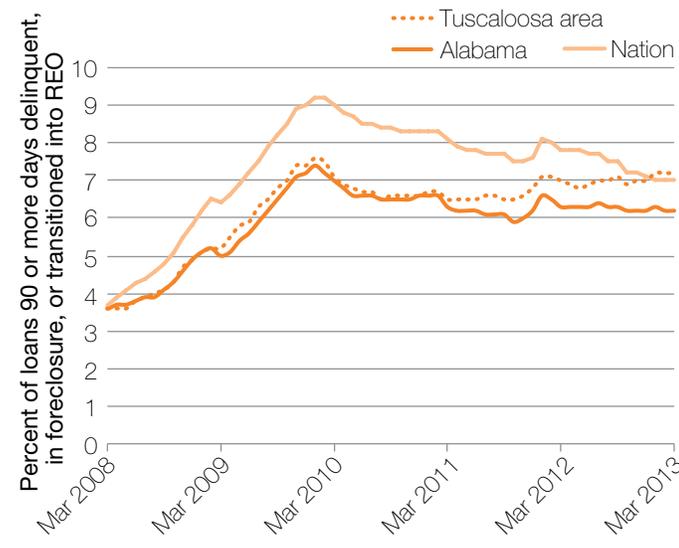
The sales housing market in the Tuscaloosa metropolitan area is balanced. As of April 1, 2013, the sales vacancy rate was estimated to be 1.7 percent compared with the rate of 2.1 percent recorded in April 2010. During the 12 months ending March 2013, the number of existing home sales (including single-family homes, townhomes, and condominiums) decreased 6 percent, to 1,550 homes sold, compared with the number of homes sold during the previous 12 months (Alabama Center for Real Estate). The average existing home sales price increased slightly more than 3 percent, to

New and existing home sales prices increased in the Tuscaloosa area during the past year.



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

The Tuscaloosa area has a higher rate of distressed loans than the state and the nation.



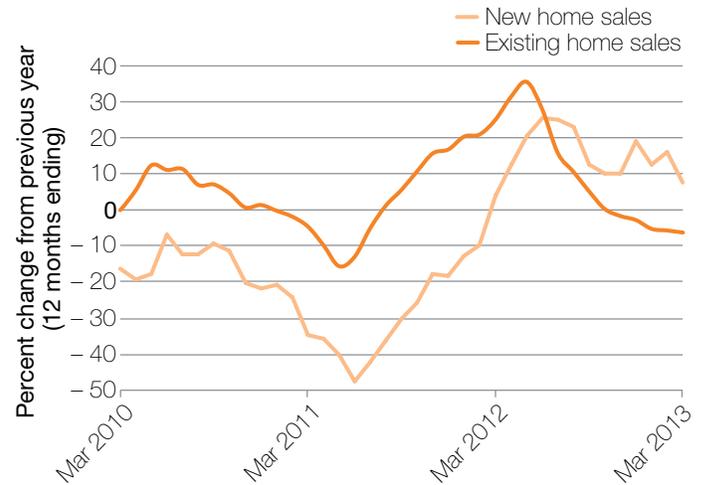
REO = Real Estate Owned.
Source: LPS Applied Analytics

\$166,700, from \$161,600 during the previous 12-month period. During the 12 months ending March 2013, new home sales increased 8 percent, to 215 homes sold, and the average new home sales price increased 4 percent, to \$232,900.

- Existing homes sales averaged 1,450 homes annually from 2010 through 2011, and the existing home sales price averaged \$162,200 during the same period.
- New home sales averaged 210 homes annually from 2010 through 2011, and the new home sales price averaged \$198,100 during the same period.
- Fewer new listings reduced the available inventory of new and existing homes in the metropolitan area to 8.7 months' supply in March 2013 compared with the 10.2 months' supply recorded in March 2012.

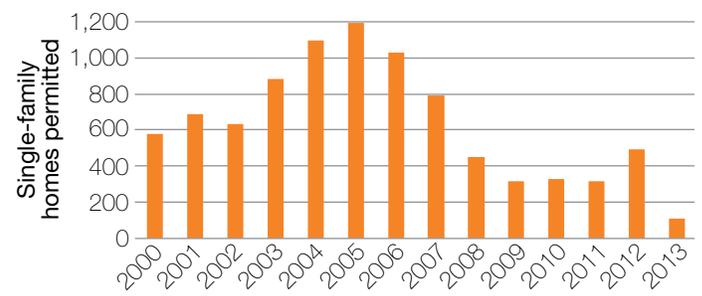
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New home sales increased, but existing home sales declined in the Tuscaloosa area during the past year.



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

Single-family building activity began to increase in the Tuscaloosa area in 2012.



Note: Includes data through March 2013.
Source: U.S. Census Bureau, Building Permits Survey



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- As of March 2013, 7.2 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), up from 7.0 percent in March 2012 (LPS Applied Analytics).

Single-family homebuilding activity, as measured by the number of single-family homes permitted, increased in the metropolitan area during the past year, because builders responded to a lower inventory of homes for sale and because of construction related to rebuilding tornado-damaged areas.

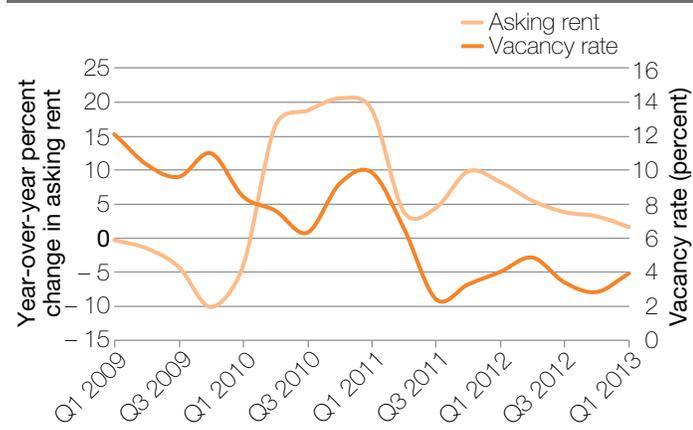
- During the 3 months ending March 2013, single-family permits were issued for 120 homes, up 26 percent from the 95 homes permitted during the same period in 2012 (preliminary data).

Rental Market Conditions

The apartment market in the Tuscaloosa metropolitan area is currently tight. Since 2008, student enrollment at UA has expanded approximately 5 percent a year to reach 33,600 students in the fall of 2012. UA houses 7,800 students, and 25,800 students reside off campus. Students account for an estimated 8,600 households, or 23 percent of the overall rental housing market, and an estimated 28 percent of rental units in the metropolitan area are in the area surrounding UA.

- The apartment vacancy rate in the metropolitan area was 3.9 percent in the first quarter of 2013, virtually unchanged from 4.0 percent in the first quarter of 2012. By comparison, the vacancy rate was 2.8 percent in the fourth quarter of 2012, when most students were enrolled in the fall semester at UA (Axiometrics Inc.).

The rate of apartment rent increase continues to slow, and vacancy rates remain low in the Tuscaloosa area.



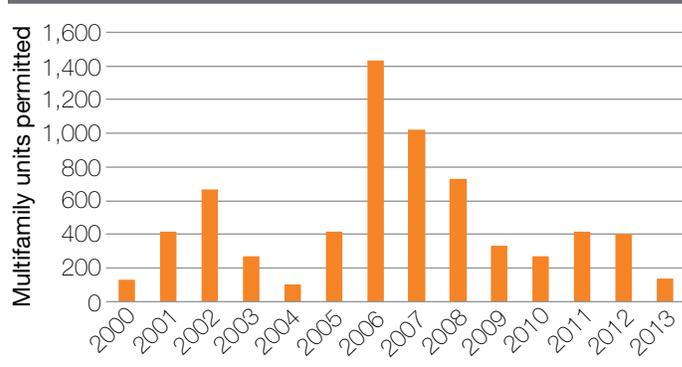
Source: Axiometrics Inc.

- Tornado-related rebuilding continues, as single-family permitting increased 57 percent, to 500 homes permitted, in 2012. An average of 370 homes was permitted annually from 2008 through 2010, and an average of 910 homes was permitted annually during the peak years from 2006 through 2007.
- New home construction has concentrated in the Acadian Place and Townes of North River developments, both northeast of the city of Tuscaloosa, which offer starting prices ranging from \$230,000 to more than \$350,000.

- During the first quarter of 2013, the average rent was \$720, up 2 percent from the first quarter of 2012. In 2010, a shortage of on-campus student housing combined with increased enrollment at UA led to a 20-percent increase in rents (Axiometrics Inc.).
- The Rock Apartment Advisors, Inc. submarket around the UA campus had a vacancy rate of 1.1 percent in the fall of 2012, down from 2.3 percent in the fall of 2010. During the same period, rents increased 14 percent, to \$770 (Rock Apartment Advisors, Inc.).
- Concessions have declined since 2010 because of low vacancy rates, as students absorb most off-campus apartments. In the fall of 2012, approximately 4 percent of surveyed properties offered concessions averaging \$5 monthly compared with the 36 percent of properties that offered concessions averaging \$40 monthly in the fall of 2010 (Rock Apartment Advisors, Inc.).

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Multifamily building activity has remained low in the Tuscaloosa area since 2009.



Note: Includes data through March 2013. Source: U.S. Census Bureau, Building Permits Survey



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Multifamily building activity, as measured by the number of units permitted, increased during the 3 months ending March 2013 as builders responded to increased demand for student housing.

- During the 3 months ending March 2013, 140 multifamily units were permitted, up from 110 units during the same period a year ago (preliminary data).
- The 410 units permitted in 2012 exceeded the average of 300 units permitted annually from 2009 through 2010 but was less than the average of 1,050 units permitted annually during the peak years of 2007 through 2008, when UA enrollment increased by more than 6 percent annually.
- Since 2009, no new conventional apartments have entered the market; off- and on-campus student housing has increased by 1,350 and 970 units, respectively, however.
- East Edge, a recently completed, 337-unit off-campus student housing apartment property, is currently in lease up, with asking rents that start at \$895 per bed for a one-bedroom unit, \$775 per bed for a two-bedroom unit, and \$679 per bed for a three-bedroom unit.
- The on-campus Presidential Village, completed in 2012, houses 971 students. Semester rents are \$5,175 and \$4,700 per person for two- and four-bedroom units, respectively.
- The 1,000 units currently under construction include a mix of 730 off-campus student apartment units, 100 conventional apartment units, and 170 low-income housing tax credit apartment units at Rosedale Apartments, which was destroyed by the April 2011 tornado.