



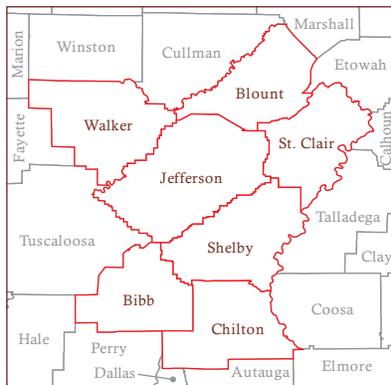
Birmingham-Hoover, Alabama

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2011



In late April 2011, multiple tornadoes touched down in Alabama, Arkansas, Georgia, Mississippi, Tennessee, and Virginia. Several of the tornadoes significantly impacted the Birmingham-Hoover Housing Market Area. This report reflects housing market conditions before the impact of the tornadoes.

Housing Market Area



The Birmingham-Hoover Housing Market Area (HMA) consists of seven counties in north-central Alabama: Bibb, Blount, Chilton, Jefferson, St. Clair, Shelby, and Walker. The presence of natural resources and an extensive transportation infrastructure have made the HMA attractive to manufacturers and distribution companies. Construction has begun on the Birmingham Regional Intermodal Facility that will connect the HMA to the Crescent Corridor rail line.

Summary

Economy

During the 12 months ending March 2011, nonfarm payrolls in the Birmingham-Hoover HMA decreased by 4,100 jobs, or 0.8 percent, to an average of 489,100 jobs, continuing the decline that began in 2007. The education and health services, government, and transportation and utilities sectors were the only sectors reporting job gains during the 12-month period ending March 2011. During the 3-year forecast period, nonfarm payrolls are expected to continue to decline before recovering to the current level by 2014.

Sales Market

The sales housing market in the HMA is currently soft. During the 12 months ending March 2011, 1,475 new and existing single-family homes sold, down 42 percent from the previous year, but the average home sales price was up 4 percent, to \$210,300. During the forecast period, demand is expected for 7,250 new homes (see Table 1). In addition to the 550 units currently under construction, a portion of the estimated 31,750 other vacant units may come back on the market and satisfy some of this demand.

Rental Market

Despite a decline in apartment construction since 2008, the rental housing market in the HMA is currently soft, with an overall rental vacancy rate estimated at 12.9 percent. According to Reis, Inc., during the first quarter of 2011, the average rent for an apartment in the HMA was \$730, up nearly 1 percent from a year earlier. During the next 3 years, the current vacant available units and the 410 units currently under construction are expected to meet demand (see Table 1).

Table 1. Housing Demand in the Birmingham-Hoover HMA, 3-Year Forecast, April 1, 2011 to April 1, 2014

	Birmingham-Hoover HMA	
	Sales Units	Rental Units
Total Demand	7,250	0
Under Construction	550	410

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2011. A portion of the estimated 31,750 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

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Economic Conditions

Nonfarm payrolls in the Birmingham-Hoover HMA have been declining since 2007, with the largest annual loss of 29,700 jobs occurring in 2009. During the 12 months ending March 2011, nonfarm payrolls decreased by 4,100 jobs, or 0.8 percent, to average 489,100 jobs (see Table 2). Job losses in the mining, logging, and construction and the manufacturing sectors, which declined by 1,600 and 1,350 jobs, or 6.1 and 3.7 percent, respectively, primarily account for the decrease in payrolls in the HMA. The education and health services, government, and

transportation and utilities sectors increased by 1,000, 350, and 200 jobs, or 1.5, 0.4, and 1 percent, respectively. Those were the only three sectors to gain jobs during this period. The unemployment rate averaged 8.7 percent, an improvement from the 9.5-percent rate recorded during the previous 12 months. See Figure 1 for trends in the labor force, resident employment, and unemployment rate from 2000 through 2010.

Although the manufacturing and the mining, logging, and construction sectors have reported job losses each year since 2006, some local manufacturing companies are expanding and several nonlocal companies are relocating to the HMA. According to the McGraw-Hill Construction Pipeline database, contracts for future commercial projects exceeded \$240 million in March 2011, up from the \$43 million reported in March 2010. Amtex, Inc., a subsidiary of Hayashi Telempu, is constructing a \$12.8 million plant and will hire 60 workers in 2011 to manufacture parts for the Toyota plant near Tupelo, Mississippi. Dollar General Corporation is constructing a \$100 million distribution facility that will employ 650 workers when completed in the fall of 2011. Adding to the growth in the transportation and utilities sector, Norfolk Southern Corp. is currently constructing the \$98 million Birmingham Regional Intermodal Facility on the Crescent Corridor rail line that will connect New Jersey to New Orleans and is expected to employ 200 workers upon completion. Norfolk Southern Corp. estimates the facility will create or preserve 8,600 jobs in central Alabama over the next 10 years.

Employment in the education and health services sector continued to increase during the past year. The

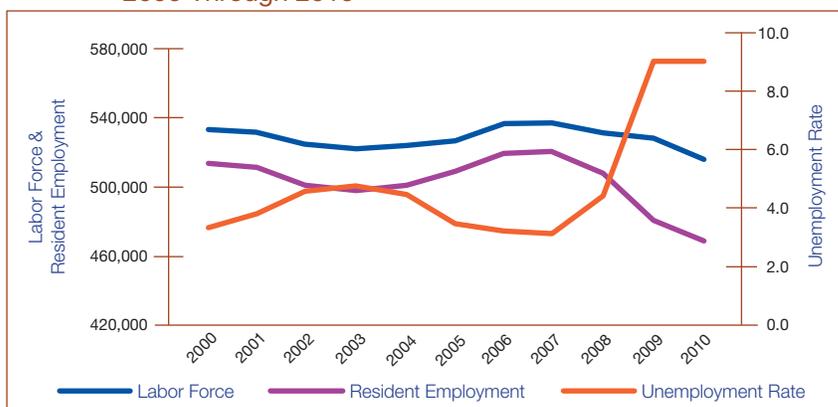
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Birmingham-Hoover HMA, by Sector

	12 Months Ending March 2010	12 Months Ending March 2011	Percent Change
Total Nonfarm Payroll Jobs	493,200	489,100	- 0.8
Goods Producing	64,450	61,600	- 4.4
Mining, Logging, & Construction	28,550	27,050	- 5.3
Manufacturing	35,900	34,550	- 3.7
Service Providing	428,700	427,500	- 0.3
Wholesale & Retail Trade	86,200	85,450	- 0.8
Transportation & Utilities	20,150	20,350	1.0
Information	9,950	9,325	- 6.4
Financial Activities	37,700	36,850	- 2.2
Professional & Business Services	59,400	59,350	- 0.1
Education & Health Services	65,150	66,150	1.5
Leisure & Hospitality	42,800	42,300	- 1.1
Other Services	23,750	23,700	- 0.3
Government	83,700	84,050	0.4

Notes: Based on 12-month averages through March 2010 and March 2011. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Birmingham-Hoover HMA, 2000 Through 2010

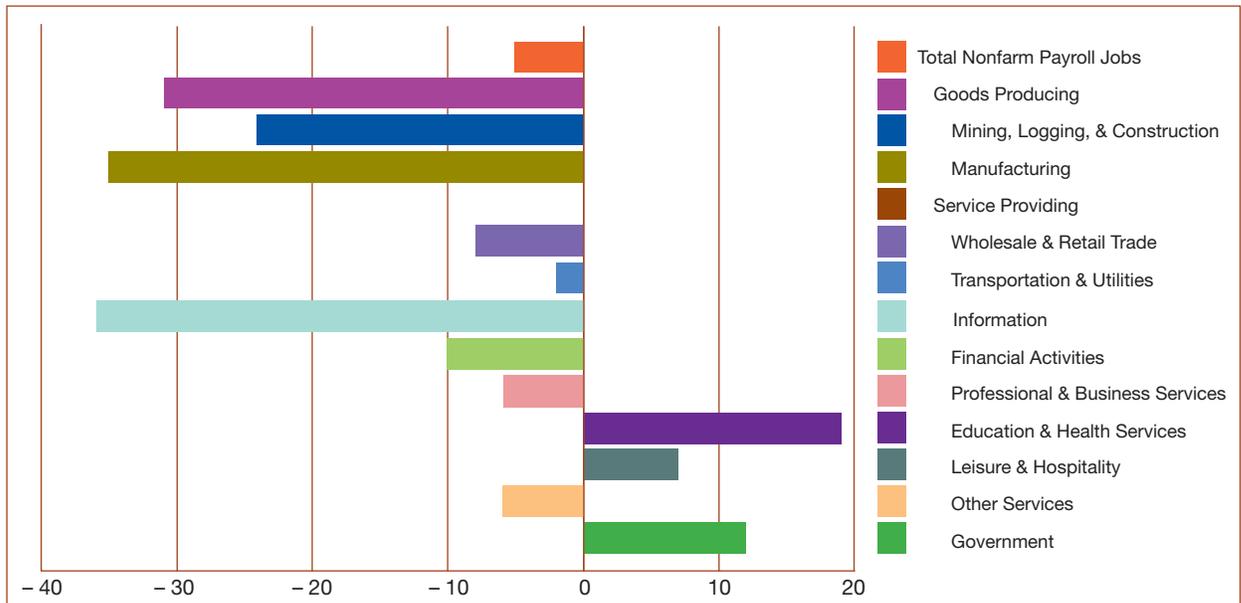


Source: U.S. Bureau of Labor Statistics

sector added 1,000 jobs, an increase of 1.5 percent, during the 12 months ending March 2011 and has increased by an average of 950 jobs, or 1.6 percent, annually since 2000 (see Figure 2). The growing population of people 62 or older, which increased by 33 percent, to 182,200, between 2000 and 2010, supported employment growth in the sector. The education and health services sector includes three of the

six largest private employers in the HMA and accounts for nearly 14 percent of all nonfarm payroll jobs (see Figure 3). The largest employer in the HMA, The University of Alabama at Birmingham (UAB) employs 18,750 workers and had a \$1.6 billion economic impact on the HMA in 2010, according to a study by Tripp Umbach, Inc. (see Table 3).

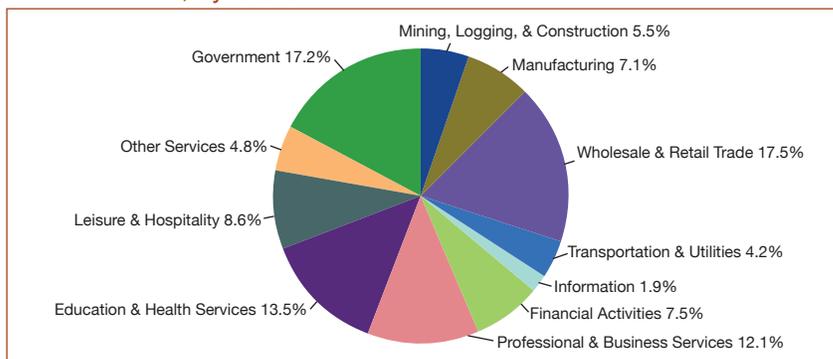
Figure 2. Sector Growth in the Birmingham-Hoover HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through March 2011.

Source: U.S. Bureau of Labor Statistics

Figure 3. Current Nonfarm Payroll Jobs in the Birmingham-Hoover HMA, by Sector



Note: Based on 12-month averages through March 2011.

Source: U.S. Bureau of Labor Statistics

Nonfarm payrolls in the HMA are expected to continue declining during the next 12 months, then increase back to the current level by the end of the 3-year forecast period. The transportation and utilities and the education and health services sectors are expected to continue adding jobs during the forecast period, many of which will be offset by continued losses in the mining, logging, and construction sector.

Table 3. Major Employers in the Birmingham-Hoover HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The University of Alabama at Birmingham	Education & Health Services	18,750
Regions Financial Corporation	Financial Activities	6,000
AT&T Inc.	Information	5,750
St. Vincent's Health System	Education & Health Services	4,700
Honda Manufacturing of Alabama, LLC	Manufacturing	4,500
Baptist Health Systems, Inc.	Education & Health Services	4,000
Mercedes Benz U.S. International, Inc.	Manufacturing	3,500
Children's Health System	Education & Health Services	3,200
Wells Fargo and Company	Financial Activities	3,100
Alabama Power Company	Transportation & Utilities	3,000

Note: Excludes local school districts.

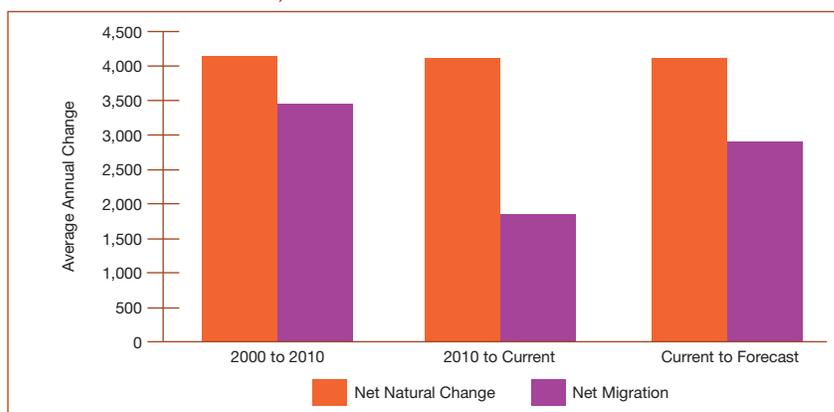
Source: Birmingham Business Alliance

Population and Households

The population in the Birmingham-Hoover HMA has grown steadily since 2000 (see Table DP-1 at the end of this report). As of April 1, 2011, the population of the HMA is estimated at 1,134,000, which reflects an average annual increase of 5,950, or 0.5 percent, since April 1, 2010. During the previous decade, population growth was strongest from 2005 through 2008, with an average annual increase of 10,600 people, or 1 percent, compared with a gain of 6,625 people, or 0.6 percent, a year

from 2000 to 2005. The stronger growth since 2005 was partly because of the higher employment growth in the mid-2000s. Net in-migration accounted for an estimated 55 percent of the population increase from 2005 through 2008, because people moved to the HMA in search of jobs. Although most people moving into the HMA are from other areas in Alabama, significant numbers of people also relocate from California, Florida, Georgia, and Michigan. From 2009 to the current date, population growth slowed to an average annual increase of 3,925 people, or 0.4 percent, due to net out-migration resulting from the effects of job losses in 2009. As the economy improves during the next 3 years, population growth is expected to increase to an average of 7,000 people, or 0.6 percent, annually. See Figure 4 for the components of population change in the HMA from 2000 to the forecast date.

From 2000 to 2010, the number of households in the HMA increased by an average of 2,950, or 0.7 percent,

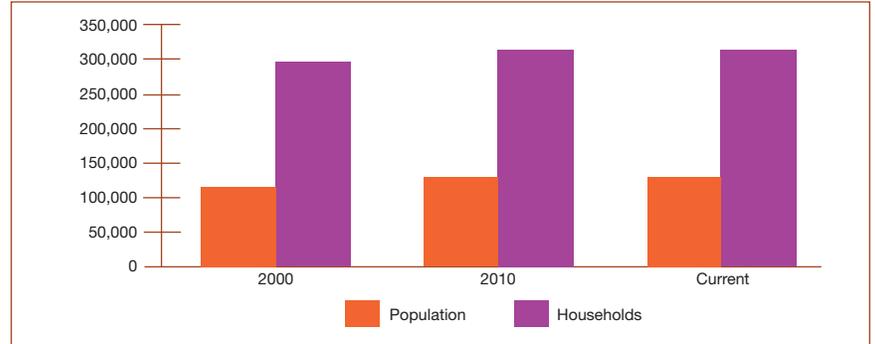
Figure 4. Components of Population Change in the Birmingham-Hoover HMA, 2000 to Forecast

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

annually. In contrast, from 2010 to the current date, net out-migration slowed the average annual increase in the number of households to 580, or 0.1 percent, to an estimated 442,500 households. Figure 5 shows

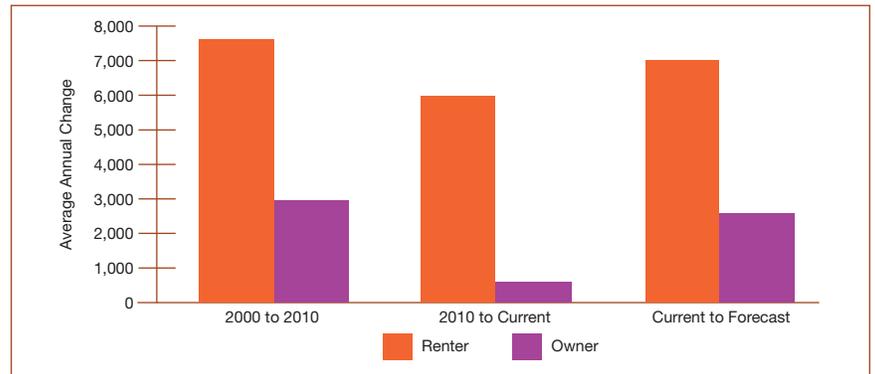
the number of households by tenure. During the forecast period, the number of households in the HMA is expected to increase by an average of 2,525, or 0.6 percent, annually (see Figure 6).

Figure 5. Number of Households by Tenure in the Birmingham-Hoover HMA, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 6. Population and Household Growth in the Birmingham-Hoover HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Housing Market Trends

Sales Market

The sales housing market in the Birmingham-Hoover HMA is currently soft, with an estimated 2.9-percent vacancy rate, a slight improvement compared with the 3-percent rate recorded in April 2010. The high vacancy rate in the HMA is the result of overbuilding from 2003 through

2006. According to data from Hanley Wood, LLC, during the 12 months ending March 2011, approximately 1,475 new and existing single-family homes sold, down 42 percent from the 2,550 homes sold during the previous 12 months. During the 12-month period ending March 2011, the average

Housing Market Trends
Sales Market *Continued*

sales price of an existing single-family home rose 4 percent to \$210,300, in part because of an increase in sales of higher priced homes. During the same period, the average sales price of a new single-family home declined 10 percent to \$161,700, down significantly from the average of \$238,200 from 2005 through 2007. According to LPS Applied Analytics, as of March 2011, approximately 7.1 percent of total mortgage loans were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), an improvement compared with the 8-percent rate reported in March 2010.

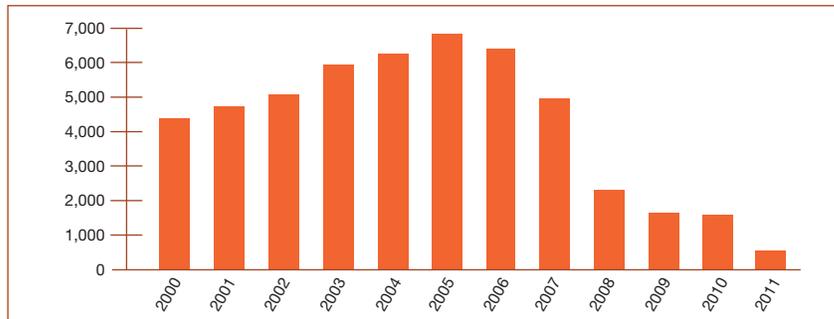
Single-family homebuilding activity, as measured by the number of building permits issued, has paralleled employment growth patterns since 2000.

Building activity averaged 5,050 homes permitted from 2000 through 2003, then increased to average 6,150 homes annually from 2004 through 2007 (see Figure 7). The level of building activity has declined every year since 2007, down to 1,400 homes permitted during the 12 months ending March 2011, a 26-percent decrease compared with the number of homes permitted during the previous 12 months, based on preliminary data.

During the past 12 months, more than 20 percent of new single-family homes in the HMA have been built in eight subdivisions south of the city of Birmingham, in Calera and Pelham, with about 60 percent of sales in those subdivisions priced between \$149,000 and \$199,000. An additional eight subdivisions northeast of Birmingham, in Moody and Odenville, also account for approximately 20 percent of new home sales, with prices ranging from \$120,000 up to \$249,900.

Population and household growth during the next 3 years is expected to support demand for 7,250 new homes. The 550 homes currently under construction and a portion of the estimated 31,750 other vacant units that may come back on the market will satisfy some of the forecast demand (see Table 1). New home sales demand is expected to be strongest for units priced between \$150,000 and \$199,999 (see Table 4). Because of excess vacancy and homes under construction, limited demand is expected for additional new homes until the second year of the forecast period, when demand is estimated for 2,950 homes, accelerating to 3,500 homes by the third year of the forecast period.

Figure 7. Single-Family Building Permits Issued in the Birmingham-Hoover HMA, 2000 to 2011



Notes: Includes townhomes. Includes data through March 2011.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Birmingham-Hoover HMA, April 1, 2011 to April 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
95,000	149,999	1,825	25.0
150,000	199,999	2,175	30.0
200,000	249,999	1,450	20.0
250,000	299,999	1,100	15.0
300,000	349,999	580	8.0
350,000	and higher	150	2.0

Note: The 550 homes currently under construction and a portion of the estimated 31,750 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market

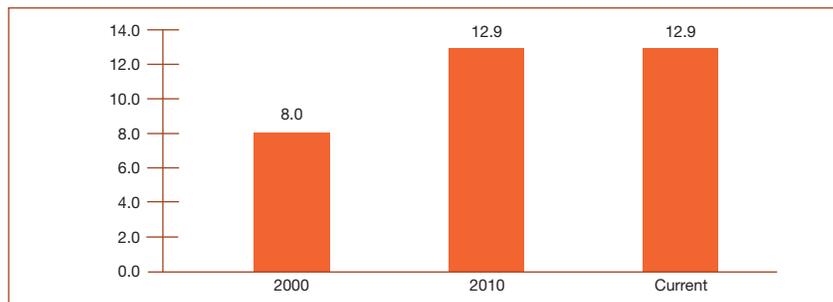
The rental housing market in the Birmingham-Hoover HMA is currently soft, despite a decrease in apartment construction since 2008. The current estimated overall rental vacancy rate of 12.9 percent is unchanged from April 2010 (see Figure 8). From 2004 through 2008, multifamily construction activity, as measured by the number of multifamily units permitted, averaged about 1,050 units a year, nearly double the average of 550 units permitted annually from 2000 through 2003 (see Figure 9). During the 12-month period ending March 2011, multifamily building activity, as measured by the number of units permitted, increased to 380 units compared with activity during the previous 12 months, when about 110 units were permitted, based on preliminary data. Approximately 410 multifamily units are under construction as of

the current date. Despite the recent increase, permitting activity for the past 12 months remains at about one-half the annual average for the 2000s.

According to Reis, Inc., during the first quarter of 2011, the average apartment rent in the HMA was \$730, up nearly 1 percent from a year earlier. Apartment rents averaged approximately \$620, \$730, and \$930 for one-, two-, and three-bedroom units, respectively. The apartment vacancy rate for the HMA was 8.3 percent, an improvement from the 10.4-percent rate in the first quarter of 2010. Apartments account for about 40 percent of all rental units in the HMA. UAB enrolls 18,700 students but provides on-campus housing for only about 2,100 students. Although more than 16,000 students live off campus, Homewood—the rental submarket closest to UAB—has the highest apartment vacancy rate in the HMA. According to Rock Apartment Advisors, Inc., in mid-2011, the apartment vacancy rate in the Homewood submarket was 13.3 percent compared with 7.7 percent for the HMA. More than 700 multifamily rental units have been constructed in Homewood since 2000, contributing to the higher vacancy in the submarket.

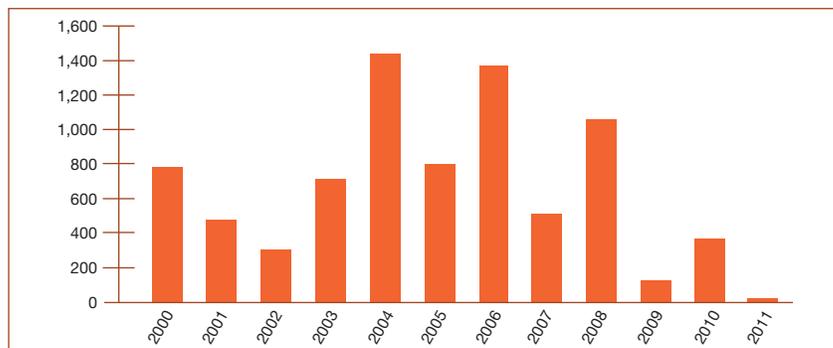
The city of Birmingham has been working to renew the downtown area, including housing, retail, and cultural attractions. CiTTYVILLE Block 121, a 225-unit property completed in 2010, with an average asking rent of \$1,225 for a two-bedroom unit, is the most recently completed apartment complex in Birmingham. Crowne on 10th, also completed in 2010 in Birmingham, consists of 107 apartments, with an average asking rent of \$1,325 for a two-bedroom unit. Parc at Grandview

Figure 8. Rental Vacancy Rates in the Birmingham-Hoover HMA, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 9. Multifamily Building Permits Issued in the Birmingham-Hoover HMA, 2000 to 2011



Notes: Excludes townhomes. Includes data through March 2011.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Rental Market *Continued*

is scheduled for completion in the fall of 2011 and will include 334 units, with an average asking rent of \$1,275 for a two-bedroom unit.

During the 3-year forecast period, after accounting for the current supply of vacant available units, no demand is expected for additional

new market-rate rental units. The 410 units currently under construction and the large number of vacant units are expected to be more than sufficient to meet the rental demand in the HMA for the next 3 years. The construction of additional units would only prolong soft market conditions.

Data Profile

Table DP-1. Birmingham-Hoover HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	514,714	469,816	469,800	- 0.9	0.0
Unemployment Rate	3.4%	9.0%	8.7%		
Nonfarm Payroll Jobs	516,900	489,500	489,100	- 0.5	- 0.3
Total Population	1,052,238	1,128,047	1,134,000	0.7	0.5
Total Households	412,376	441,924	442,500	0.7	0.1
Owner Households	296,763	312,004	312,300	0.5	0.1
Percent Owner	72.0%	70.6%	70.6%		
Renter Households	115,613	129,920	130,200	1.2	0.2
Percent Renter	28.0%	29.4%	29.4%		
Total Housing Units	437,273	500,025	502,800	1.4	0.6
Owner Vacancy Rate	1.2%	3.0%	2.9%		
Rental Vacancy Rate	8.0%	12.9%	12.9%		
Median Family Income	\$51,100	\$61,700	\$62,000	1.9	0.2

Notes: Employment data represent annual averages for 2000, 2010, and the 12 months through March 2011. Median family incomes are for 1999, 2009, and 2011.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census

2010: 4/1/2010—U.S. Decennial Census

Current date: 4/1/2011—Analyst's estimates

Forecast period: 4/1/2011–4/1/2014—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In HUD's analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units are classified as commercial structures and are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

Multiple tornadoes struck the Birmingham-Hoover HMA on April 27 and April 28, 2011. The 2-day storm caused the loss of 32 lives, injuries to 261 people, and power loss to more than 170,000 people in the HMA. Damage to infrastructure, commercial buildings, and housing units significantly impacted the economy and housing market of the HMA. The current statistical data used in this analysis has an as-of date of April 1, 2011, and excludes the impact of the tornadoes.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_BirminghamAL_12.pdf.

Contact Information

T. Michael Miller, Economist
Fort Worth HUD Regional Office
817-978-9405
timothy.m.miller@hud.gov

This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.