The analysis presented in this report was completed prior to the COVID-19 outbreak in the United States and therefore the forecast estimates do not take into account the economic and housing market impacts of the actions taken to limit contagion of the virus. At this time, the duration and depth of the economic disruption are unclear, as are the extent and effectiveness of countermeasures. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.

COMPREHENSIVE HOUSING MARKET ANALYSIS

Tuscaloosa, Alabama

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of January 1, 2020

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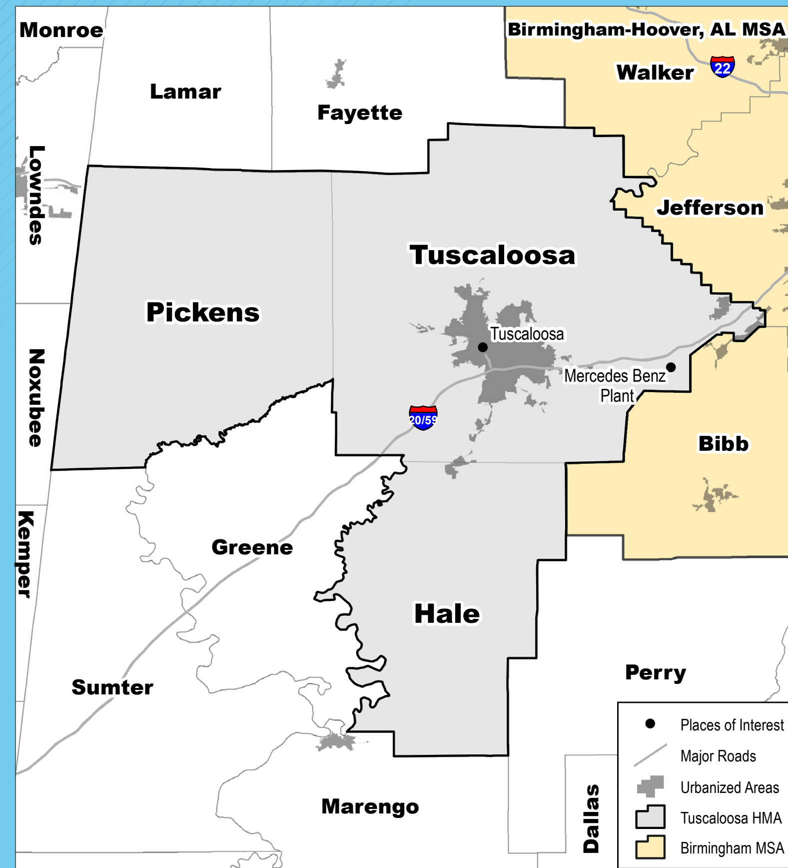

Executive Summary

Housing Market Area Description

The Tuscaloosa housing market area (HMA) is coterminous with the Tuscaloosa, AL Metropolitan Statistical Area (MSA), which is defined as Tuscaloosa, Hale, and Pickens Counties in Alabama. The HMA is home to the University of Alabama (UA), the largest employer in the HMA. UA is partly known for its football team, the Alabama Crimson Tide, which has won 17 national championships since 1925. The HMA is also home to many German manufacturing and logistics companies, including Mercedes-Benz U.S. International, Inc. (hereafter, Mercedes-Benz), the second largest employer in the HMA.

Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Strong: Nonfarm payrolls increased 2.8 percent during 2019.

The professional and business services sector led nonfarm payroll growth during 2019, expanding 13.1 percent, while the manufacturing sector slowed to 0.6 percent. During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 1.7 percent annually. Although down from the 2.8-percent growth in 2019, forecast growth is expected to be similar to the 1.6-percent average annual growth rate during the 2011-to-2018 period. Gains in the government; professional and business services; and mining, logging, and construction sectors are expected to be partially offset by a contraction in the manufacturing sector.

Sales Market

Balanced: Total home sales increased 1 percent during 2019, while home sales prices decreased by 1 percent after increasing 18 percent during 2018.

The sales market is currently balanced, with an estimated vacancy rate of 1.3 percent compared with 2.1 percent in 2010. There was a 2.7-month supply of available inventory during December 2019, compared with 1.6 months during December 2018. During the 3-year forecast period, demand is expected for 1,275 new homes in the HMA. The 140 homes currently under construction will satisfy a portion of the estimated demand during the first year of the forecast period.

Rental Market

Tight: The apartment market is currently tight, with a vacancy rate currently at 2.3 percent, while the overall rental market is slightly tight, with a vacancy rate estimated at 4.0 percent.

The overall rental market vacancy rate is down significantly from the rate of 10.4 percent in 2010, when the market was soft. The apartment market vacancy rate is also down significantly from a peak of 20 percent during 2009. Student apartments that were completed in 2018 achieved full occupancy on completion and remain fully occupied. During the 3-year forecast period, demand is expected for an additional 1,400 rental units. The 690 units under construction will satisfy some of the demand during the first and second years of the forecast.

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3-Year Housing Demand Forecast

		Sales Units	Rental Units
Tuscaloosa HMA	Total Demand	1,275	1,400
	Under Construction	140	690

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2020. The forecast period is from the current date (January 1, 2020), to January 1, 2023.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Government

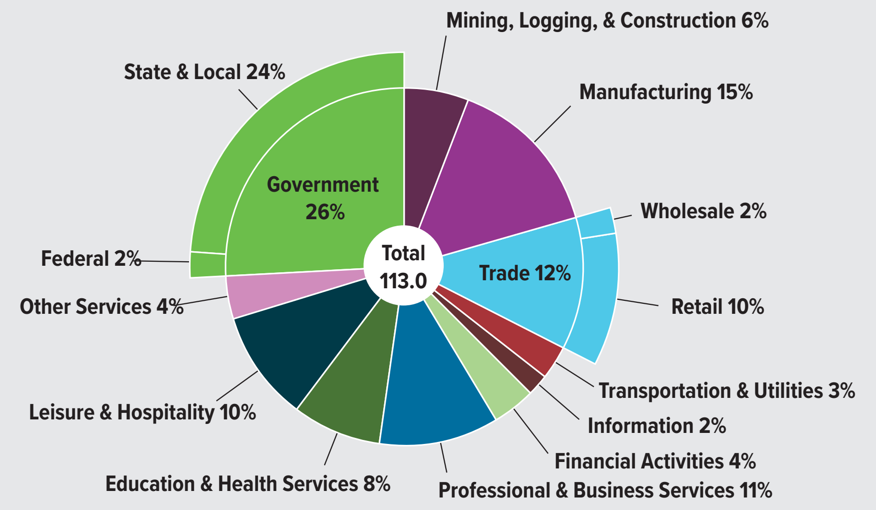
Nonfarm payrolls increased 2.8 percent, or by 3,100 jobs, during 2019. This growth was led by 1,400 jobs added in the professional and business services sector and 400 jobs added in both the information and the mining, logging, and construction sectors.

Primary Local Economic Factors

UA contributes significantly to the economy of the Tuscaloosa HMA, with an economic impact of $2.2 billion during the 2017-to-2018 academic year (CBER, University of Alabama). UA currently employs 7,150, making up roughly 24.6 percent of the government sector. The UA football program, which is among the highest ranked in the country, attracts many new students and visitors and has an estimated average economic impact of $20 million per home game. Since the early 2000s, university expansion has contributed to notable gains in the government and the leisure and hospitality sectors. Enrollment growth has led to steady increases in the leisure and hospitality sector. Sporting events have contributed to leisure and hospitality as well, but also have the added draw of retirees moving into the area, leading to increases in the education and health services sector. (Figure 1).

Mercedes-Benz employs 4,200 people in the HMA although the number of jobs has declined during the past 2 years due to an ongoing switch from combustion engine vehicle production to an all-electric vehicle line of production (Table 1). The production facility supports several logistics companies and original equipment manufacturer (OEM) suppliers in the area that surrounds it, such as ARD Logistics and the BFGoodrich Tires brand of Michelin North America, Inc., who also work with other vehicle manufacturers in the region. These companies draw some labor

Figure 1. Share of Nonfarm Payroll Jobs in the Tuscaloosa HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through December 2019.
Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Tuscaloosa HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The University of Alabama	Government	7,150
Mercedes-Benz U.S. International, Inc.	Manufacturing	4,200
DCH Regional Medical Center	Education & Health Services	3,325
Warrior Met Coal, Inc.	Mining, Logging, & Construction	1,375
SMP Automotive Systems Alabama, Inc.	Manufacturing	1,375
BFGoodrich Tires/Michelin North America, Inc.	Manufacturing	1,350
City of Tuscaloosa	Government	1,300
Veterans Administration Hospital	Education & Health Services	1,275
Phifer Incorporated	Manufacturing	1,200
ARD Logistics	Professional & Business Services	770

Note: Excludes local school districts.
Sources: Tuscaloosa County Industrial Development Authority, University of Alabama

from the adjacent Birmingham-Hoover, AL MSA as well. Approximately 32 percent of workers in the ZIP Code area where these companies are located commute from the neighboring Birmingham MSA (OnTheMap 2017, U.S. Census Bureau), located 15 miles from the Mercedes-Benz factory. Approximately 15 percent of total HMA workers commute from outside the HMA. This steady stream of labor in the form of commuters from the neighboring MSA has helped the manufacturing and the professional and business services sectors maintain steady growth since 2010.

Current Conditions—Nonfarm Payrolls

Job growth accelerated during 2019, led by gains in the government, the information, the mining, logging, and construction, and the professional and business services sectors. During 2019, total nonfarm payrolls increased by 3,100 jobs, or 2.8 percent, from the previous year to 113,000 jobs (Table 2). Growth was higher than the 2,100-job, or 1.9-percent, gain during the previous year. The largest increase in 2019 was in the professional and business services sector, which added 1,400 jobs, or 13.1 percent; UA and Mercedes-Benz contributed to gains in the sector due to increased demand for logistics and management. The mining, logging, and construction sector added 400 jobs, or 6.2 percent, during 2019 due in part to construction of two hotels and a replacement dorm for the university. Camgian Microsystems Corp, an advanced sensing and information processing company that receives grants from the U.S. Department of Defense, contributed to growth in the information sector, which was up by 400 jobs, or 25.0 percent, during 2019. Start-ups and companies looking to expand into the area, many of which are information and professional and business services related, are moving into the HMA. These companies and start-ups are moving to The Edge, a 26,000-square-foot facility near UA that leases office space to companies and assists with promotion of start-ups. In addition, the government sector increased by 300 jobs, or 1.0 percent.

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

	12 Months Ending December 2018	12 Months Ending December 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	109.9	113.0	3.1	2.8
Goods-Producing Sectors	23.6	24.2	0.6	2.5
Mining, Logging, & Construction	6.5	6.9	0.4	6.2
Manufacturing	17.1	17.2	0.1	0.6
Service-Providing Sectors	86.2	88.8	2.6	3.0
Wholesale & Retail Trade	13.3	13.3	0.0	0.0
Transportation & Utilities	3.0	3.2	0.2	6.7
Information	1.6	2.0	0.4	25.0
Financial Activities	4.1	4.1	0.0	0.0
Professional & Business Services	10.7	12.1	1.4	13.1
Education & Health Services	9.3	9.3	0.0	0.0
Leisure & Hospitality	11.6	11.6	0.0	0.0
Other Services	4.1	4.2	0.1	2.4
Government	28.6	28.9	0.3	1.0

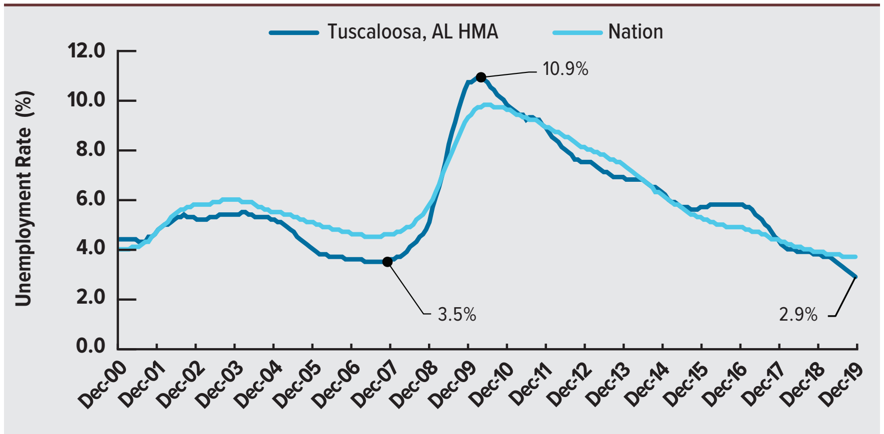
Notes: Based on 12-month averages through December 2018 and December 2019. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

The manufacturing sector slowed significantly, increasing slightly by 100 jobs, or 0.6 percent, during the past year. This slowdown was due in part to layoffs by Mercedes-Benz, which announced 10,000 job cuts worldwide between 2019 and 2022 *(Forbes)*, and other OEMs in the area that cut jobs. The layoffs are largely due to a shift to production of electric vehicles, which require fewer hours to produce—at nearly 4 man-hours versus 6 man-hours for traditional combustion engines (NBC). The change in production has also affected local suppliers of parts specific to traditional Mercedes-Benz vehicles and suppliers that sell parts to other OEMs in the region.

Current Conditions—Unemployment

The average unemployment rate in the HMA was 2.9 percent during 2019, below the pre-recessionary average of 3.6 percent during 2006 and 2007 and lower than the national average of 3.7 percent. During 2018, the unemployment rate averaged 3.7 percent in the HMA (Figure 2). As a result of the Great Recession, the unemployment rate in the HMA peaked at 10.9 percent during the 12 months ending April 2009, compared with a peak of 9.7 percent for the nation during the 12 months ending July 2009.

Figure 2. 12-Month Average Unemployment Rate in the Tuscaloosa HMA and the Nation



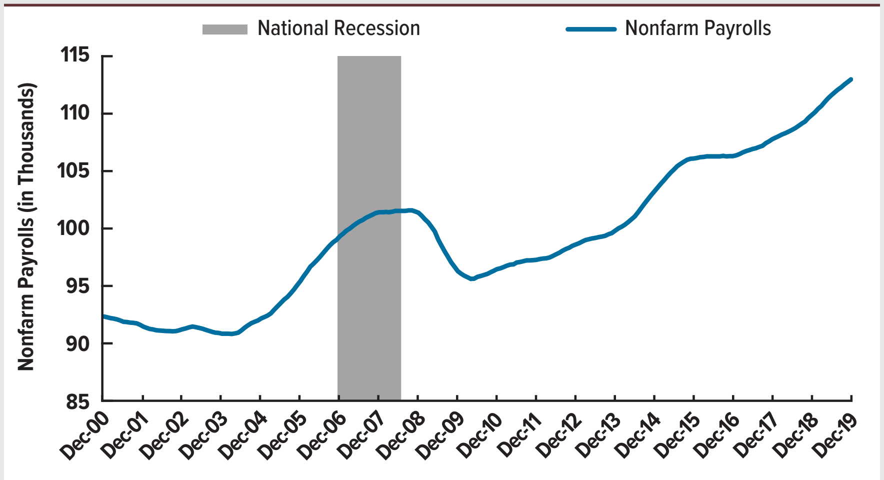
Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

Historic Trends: 2001 through 2003

From 2001 through 2003, nonfarm payrolls declined by an average of 500 jobs, or 0.5 percent, annually (Figure 3). Job losses were concentrated in the manufacturing sector, which declined by an average of 1,000 jobs, or 6.6 percent. Food manufacturing declined by 200 jobs, or 23 percent, during this period (Quarterly Census of Employment and Wages). Losses in the manufacturing sector were partially offset by modest gains in most other sectors, including the mining, logging, and construction sector, which increased by an average of 200 jobs, or 2.3 percent, during this period.

Figure 3. 12-Month Average Nonfarm Payrolls in the Tuscaloosa HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

2004 through 2007

From 2004 through 2007, nonfarm payrolls increased by an average of 2,600 jobs, or 2.8 percent. The manufacturing sector added the highest number of jobs, increasing by an average of 700 jobs, or 5.1 percent, annually. Mercedes-Benz began growing in the HMA with a $600 million expansion in 2004 that led to 2,000 jobs added to the manufacturing sector during the period. The government sector increased by an average of 300 jobs, or 1.3 percent, annually during this period. UA began a strong recruitment campaign in 2003, and by 2007, had increased enrollment by 40 percent. This increase in enrollment led to the rise in full-time faculty from 1,062 to 1,275 from 2004 to 2007, as well as increasing staff by an average of 190 employees, or 4.8 percent, to 6,687 from 2004 to 2015. Enrollment increased by an average of 1,300 students, or 5.9 percent, annually.

With the growth of the university and Mercedes-Benz, the professional and business services sector averaged the highest annual growth of any service-providing sector in the HMA during the period. The sector increased by an average of 600 jobs, or 8.7 percent, annually. The education and health services sector increased by an average of 400 jobs, or 4.7 percent, annually as DCH Regional Medical Center added a $25 million upgrade of facilities that increased the number of outpatients cared for from 36,250 to 41,600 during this period. The leisure and hospitality sector increased by an average of 300 jobs, or 3.6 percent, annually due to the expanding economy and increased enrollment in the university.

2008 through 2010

The Great Recession started in late 2007; however, nonfarm payrolls did not start declining in the HMA until late 2008. From 2008 through 2010, nonfarm payrolls declined by an average of 1,600 jobs, or 1.6 percent, annually. The Mercedes-Benz plant reduced its number of employees by around 1,200 during this period, and the goods-producing sectors were hit hard in the HMA. The manufacturing sector had an average net loss of 800 jobs, or 5.7 percent, annually. The mining, logging, and construction sector lost an average of 500 jobs, or 6.0 percent, annually. The professional and business services sector declined by an average of 400 jobs, or 5.7 percent, annually. Job losses in the HMA were partially offset by gains in the government and the education and health services sectors, which increased by an average of 400 and 100 jobs, or 1.5 and 0.8 percent, respectively, a year. Enrollment at the university rose an average of 1,550, or 5.7 percent, annually during the period, and the university increased full-time faculty to 1,555 by 2010, an increase of 14 percent from 2008.

2011 through 2018

From 2011 through 2018, nonfarm payrolls in the HMA increased by an average of 1,700 jobs, or 1.6 percent, annually. The manufacturing and the professional and business services sectors added the most jobs during this period, an average increase of 500 jobs each, or 3.4 and 5.8 percent respectively, annually. A $2.8 billion expansion at Mercedes-Benz during this period created 2,200 jobs. During 2016, another German company SMP Automotive Systems Alabama, Inc. broke ground on a new manufacturing facility, which created 1,375 jobs in the HMA. The plant, which came online in September 2018, produces interior and exterior automobile parts for OEMs. University enrollment grew by an average of 1,000 students, or 3.0 percent, annually from 2011 to 2018; this increase has partly contributed to growth in the leisure and hospitality sector of 300 jobs, or 3.1 percent, annually. The mining, logging, and construction sector was the only sector in the HMA to lose jobs during the 2011-through-2018 period. The sector declined by an average of 200 jobs, or 2.4 percent, a year due in part to layoffs by Walter Energy, Inc., which laid off 740 employees at two mines in 2015.

Employment Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 1.7 percent, annually, with growth slowing during each year. Although down from the rate during 2019 and 2018 due to the continued slowing of job growth in the manufacturing sector, job growth is still expected to be similar to the 1.6-percent average annual growth rate during the 2011-through-2018 period. The government, the mining, logging, and construction, and the professional and business services sectors are expected to maintain steady growth during the forecast period. A total of 350 jobs are expected to be added by Warrior Met Coal, Inc. by March 2020, which will expand the mining and logging subsector. SWJ Technology LLC has broken ground on a new headquarters in the city of Tuscaloosa, which is expected to create more than 100 engineering jobs during the forecast period. Job losses in the manufacturing sector are expected to continue, however, due to ongoing changes at the Mercedes-Benz plant and the subsequent decrease in demand for components produced by local suppliers.

Population and Households

Current Population: 244,500

> Population growth has moderated since the late 2000s due in part to slowed expansion of enrollment at UA.

Population Trends

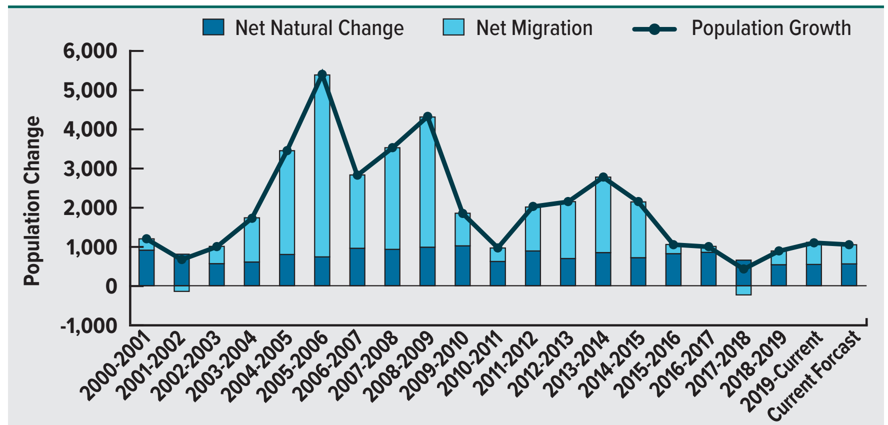
Increased enrollment at UA, particularly by students relocating from other areas, has accounted for a significant share of the population growth in the HMA during the past two decades even when economic conditions were deteriorating. Enrollment growth has moderated since the mid-2010s, however, which has contributed to slowed population growth. As of January 2020, the population of the HMA was estimated to be 244,500, an average annual increase of 1,475, or 0.6 percent, since 2010 (Table 3). By comparison, population growth averaged 2,725 people, or 1.3 percent, annually from 2000 to 2010. A significant decrease in net in-migration has contributed to much of the recent decline in population growth. Net in-migration averaged 3,025 people, annually from 2004 to 2009. During the period, the number of students enrolled at UA who relocated to the Tuscaloosa HMA increased by an average of 1,350 annually and accounted for approximately 45 percent of net in-migration. The growing economy also brought significant in-migration during this period compared with the post-recession period. Population increased by an average of 1.8 percent a year during this period. From 2010 to 2017, net in-migration averaged only 940 people a year. During the period, the number of enrolled students who relocated from outside the HMA increased by an average of 1,175 annually, while migration not associated with the university averaged net outflow of 235 people. While some out-migration during this period can be attributed to the storms in 2011, nonfarm payroll growth was 1.4 percentage points slower than from 2004 through 2007. As a result of the decline in migration, population growth slowed to 0.7 percent from 2010 to 2017. As economic conditions have strengthened since 2017, net migration not associated with the university has become positive at 640 people in 2019. Figure 4 shows the components of population change since 2000.

Table 3. Tuscaloosa HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	Population	230,162	244,500	247,600
	Average Annual Change	2,725	1,475	1,050
	Percentage Change	1.3	0.6	0.4
		2010	Current	Forecast
Household Quick Facts	Households	90,426	98,850	100,600
	Average Annual Change	1,150	860	590
	Percentage Change	1.4	0.9	0.6

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (January 1, 2020), to January 1, 2023.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 4. Components of Population Change in the Tuscaloosa HMA, 2000 Through the Forecast



Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (January 1, 2020), to January 1, 2023.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

2011 Storm

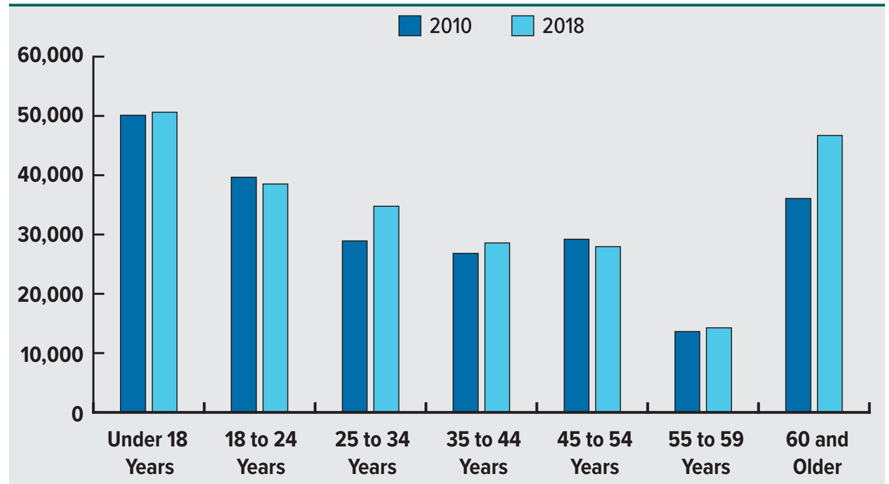
In April 2011, a tornado touched down in the HMA, damaging properties from southeast Tuscaloosa County through downtown and residential areas, and continued northwest until leaving the HMA. Although economic conditions had begun to recover from the recession by the early 2010s, damage from the storm contributed to significant out-migration in 2011 and 2012. Net out-migration, less outside HMA enrollment, averaged 940 in 2011 and 2012, notably larger than the out-migration of 590 non-students in 2010 due to the recession. Since the recession and storm hit, net migration has not yet returned to pre-recession levels.

Age Cohort Trends

The largest age cohort in the HMA is people aged 18 and under, which accounts for 22 percent of the total population (Figure 5). This group increased by only 70 people, or 0.1 percent, annually from 2010 to 2018. The HMA has become an increasingly popular destination for retirees, however, and the largest change among age cohorts from 2010 to 2018 was people aged 60 and older, which increased by an average of 1,325 people, or 3.3 percent, annually and makes up 16 percent of the population. The cohort of people aged 25 to 34 increased by an average of 730, or 2.3 percent, during the period while the number of people aged 18 to 24 and people aged 45 to 54 declined by an average of 140 and 160, or 0.4 and 0.6 percent, annually, respectively.

In the age cohort of people 18 to 24, an estimated 21,250 people, or 57 percent, are students (IPUMS USA, American Community Survey [ACS] 5-year estimates), an increase from 54 percent since 2013. This implies that a decline in this age group shows a greater number of the non-student population is choosing to leave the HMA rather than work or study in the HMA after high school. A draw for the age cohort of people aged 25 to 34 has been the leisure and hospitality and professional and business services sectors. The share of total workers in these sectors for the 25-to-34 age cohort increased from 5.4 percent to 10.1 percent and from 5.1 percent to 8.0 percent, respectively, from 2013 to 2018. By comparison, the share of total workers in the manufacturing sector decreased from 17.7 to 14.7 percent. This age cohort and the retirees entering the HMA are helping population and employment growth continue.

Figure 5. Population by Age Range in the Tuscaloosa HMA

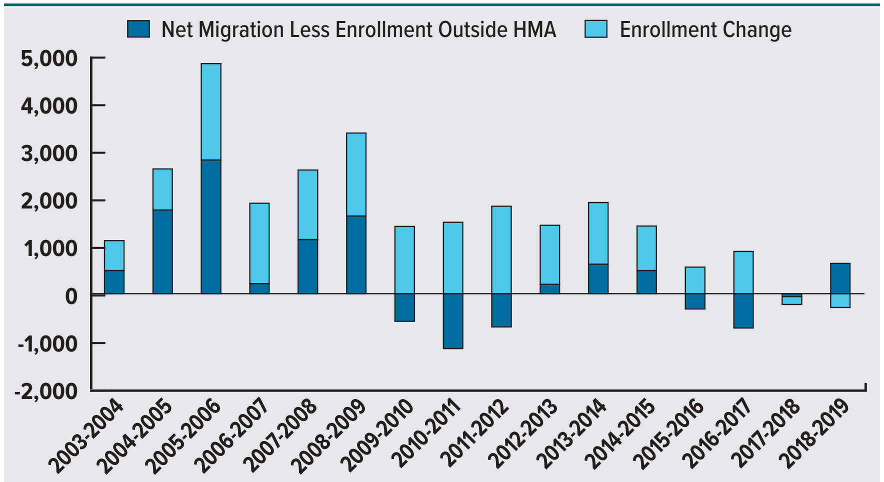


Sources: U.S. Census Bureau, 2010 and 2018 American Community Survey, 5-year estimates

Student Enrollment

Enrollment in UA doubled to 38,563 from 2001 to 2017, although enrollment has declined modestly during the past 2 years to 38,103 during the fall 2019 semester (Figure 6). From 2006 to 2016, change in enrollment increased by an average of 1,600 students, or 5.8 percent, annually. Prior to the recruitment campaign that began in 2004, change in enrollment increased by an average of only 500 students, or 2.5 percent, annually from 2001 to 2004. Students at the university make up 16 percent of the population in the HMA, and as of 2018 approximately 15 percent of renter households are students (IPUMS USA, 2018 ACS, 5-year estimates). At this time, enrollment at the university is not expected to change during the next 3 years.

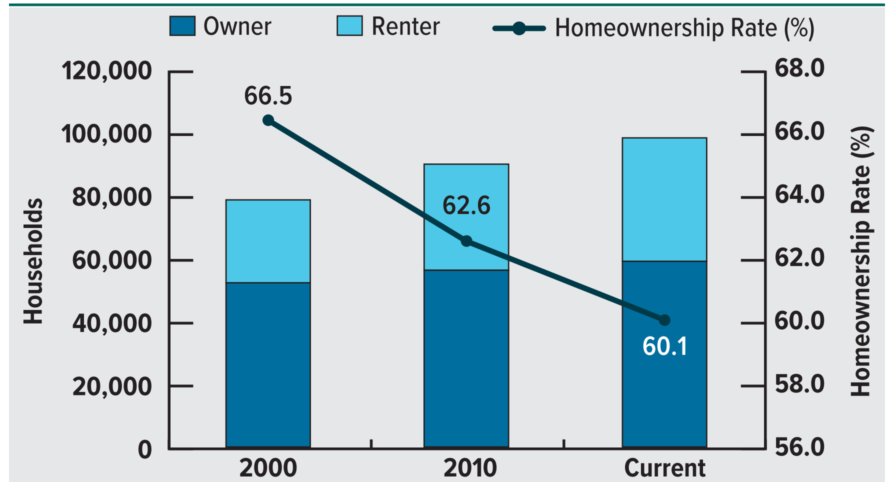
Figure 6. Student Enrollment Change and Net Migration Less Outside HMA Enrollment Trends in the Tuscaloosa HMA



Note: Enrollment change for 2019 does not include net in-migration enrollment change from 2018 to 2019.
Source: U.S. Census Bureau

since 2010, and the current estimated homeownership rate is 60.1 percent (Figure 7).

Figure 7. Households by Tenure and Homeownership Rate in the Tuscaloosa HMA



Note: The current date is January 1, 2020.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Household Trends

Like population growth, household growth in the HMA since 2010 has been slower than during the 2000s. The current number of households in the HMA is estimated at 98,850, reflecting an average annual increase of 860 households, or 0.9 percent, since 2010. By comparison, from 2000 to 2010, the number of households increased by an average of 1,150, or 1.4 percent, annually. The rate of homeownership decreased from 66.5 percent in 2000 to 62.6 percent in 2010 as a result of increasing student enrollment. This downward trend has continued

Forecast

During the 3-year forecast period, population is expected to increase by 1,050, or 0.4 percent, annually. Population will continue to grow due to net in-migration from economic growth but will not exceed the levels from 2010 through 2019. During the 3-year forecast period, households are expected to increase by 590 households, or 0.6 percent, annually. The slowdown in household growth is a continuation of the trend since 2010 due to demographic trends of a simultaneous increase in the young adult population as well as the older age cohorts.

Home Sales Market

Market Conditions: Balanced

Existing home sales and average existing home sales prices increased during the past year while the number of new home sales and the average new home sales price both decreased.

Current Conditions

The home sales market in the Tuscaloosa HMA is currently balanced, with an estimated sales vacancy rate of 1.3 percent, improving from soft conditions in 2010, when the vacancy rate was 2.1 percent (Table 4). The inventory of available homes for sale was 2.7 months during 2019, up from 1.6 months during the previous year (CoreLogic, Inc.). Existing home sales totaled 3,875 during 2019, up 1 percent from 2018. The average existing home sales price was relatively unchanged at $199,500 during 2019 after an 18-percent increase during 2018.

Table 4. Home Sales Quick Facts in the Tuscaloosa HMA

		Tuscaloosa, AL HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	1.3%	NA
	Months of Inventory	2.7	2.2
	Total Home Sales	4,100	6,287,000
	1-Year Change	1%	-2%
	New Home Sales Price	$248,800	$386,500
	1-Year Change	-7%	2%
	Total Home Sales Price	$197,700	$300,000
	1-Year Change	-1%	3%
	Mortgage Delinquency Rate	2.4%	1.4%

NA = data not available.
Notes: The vacancy rate is as of the current date (January 1, 2020); home sales and prices are for the 12 months ending December 2019; and months of inventory and mortgage delinquency data are as of December 2019.
Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company

New home sales declined 18 percent to 230 homes during 2019, down from 290 a year ago. The average new home sales price declined from $268,300 in 2018, to $248,800 during 2019, a decrease of 7 percent. New and existing home prices are above the pre-recession peaks.

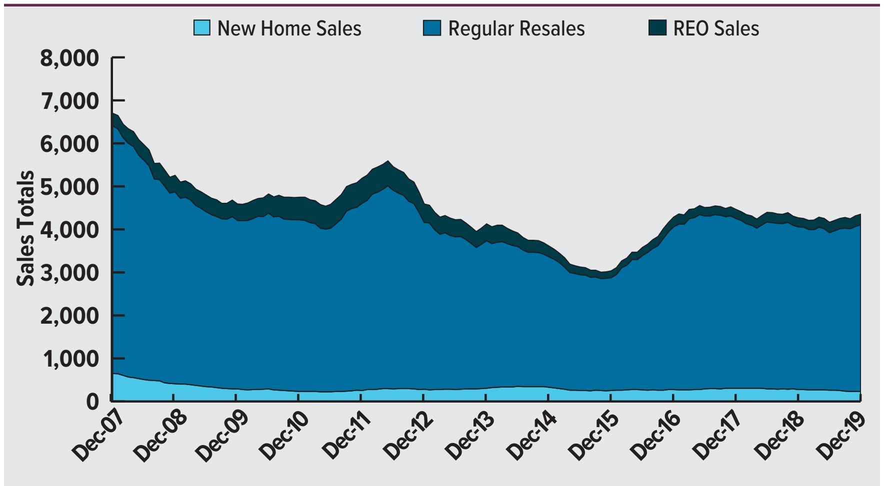
2011 Storm

The tornado in April 2011 destroyed an estimated 12 percent of the housing stock in the city of Tuscaloosa (Tornado Recovery Action Council of Alabama), including 2,375 single-family homes and 150 apartment units in the HMA (University of Alabama). An additional 1,975 homes were severely damaged in the HMA. Total home sales increased by 1,025 homes, or 25 percent, from the 12 months ending May 2011 to the 12 months ending May 2012 and then decreased by 1,400 the following 2 years. As total home sales decreased from May 2012 to May 2014, average total sales prices increased by an average of $20,650, or 14 percent. From 2012 to 2013, sales units permitted also increased by an average 120 units, or 29 percent, annually as the HMA recovered from the damage.

Home Sales

From 2008 through 2010, when the economy was weak, home sales (new and existing homes) declined by an average of 730 homes, or 13 percent, to 4,225 (Figure 8). The average annual inventory of available homes increased during this period from 3.5 to 4.4 months. From the 12 months ending May 2011 to the 12 months ending May 2012, home sales increased following the storm in April 2011. During the same period, home sales increased by 1,025 homes, or 25 percent, and months of available inventory decreased from 4.4 to 3.0 months. Due to limited supply, the number of home sales declined during each of the following 3 years, however, to a May 12-month average low of 2,975 in 2015, a figure which was 40 percent below the high of 5,025 during the 12 months ending May 2012. Months of available inventory decreased to 1.9 by December 2015.

Figure 8. 12-Month Sales Totals by Type in the Tuscaloosa HMA



REO = real estate owned.
Sources: CoreLogic, Inc., with adjustments by the analyst

In 2016, after 2,425 total manufacturing jobs had been announced in 2015 and 2016, home sales increased by an average of 1,175 homes, or 41 percent, from the previous year to 4,075, and months of available inventory decreased from 1.9 to 1.3 months. Home sales have fluctuated since 2017, increasing an average of 5 percent in 2017, decreasing 5 percent in 2018, and increasing 1 percent in 2019. Since 2017, months of available inventory have increased from 1.2 to 2.7 months in 2019.

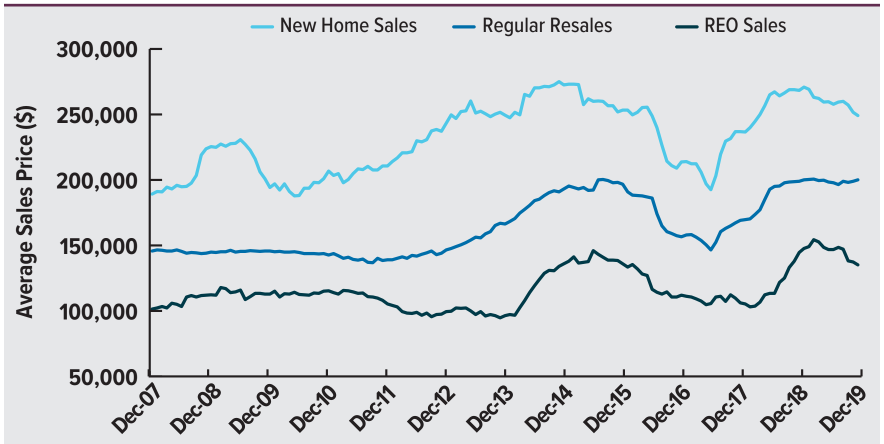
New home sales currently represent 7 percent of total home sales, down from a peak of 10 percent in 2007 and early 2008. Since then, new home sales have remained relatively unchanged, averaging 7 percent of total sales annually. Real estate owned (REO) sales represented 5 percent of total resales in 2007. In 2011, REO sales share of the market was at its highest during the 2008-to-2019 period, accounting for 13 percent of resales. This was due to an increase in REO sales at the same time as a decrease in regular resales due to the storm. REO sales returned to the 2007-rate of 5 percent in 2015 and has remained flat since then.

Home Prices

Home sales prices declined from 2008 to 2010 by an average of $1,875, or 1 percent, annually (Figure 9). Slowing migration and the recession kept prices down until after the storm. From the 12 months ending May 2011 to the 12 months ending May 2013, sales prices increased from an average of $138,100 to $154,600, or 6 percent, annually. New home sales prices had the largest increase, an average of $27,800, or 13 percent, annually to $259,900 during this period. From 2013 to 2015, when construction and economic activity was increasing following the storm, new and existing home sales prices increased by an average of $17,100, or 11 percent, to $197,600. Regular resale home prices increased by $16,850, or 10 percent, to $196,000 during this period. New home sales prices increased slightly, with an average annual increase of 1 percent during this period to $252,900.

During 2016, home prices began to decrease as net migration began declining due to increased layoffs in the mining industry. The average home sales price

Figure 9. 12-Month Average Sales Price by Type of Sale in the Tuscaloosa HMA



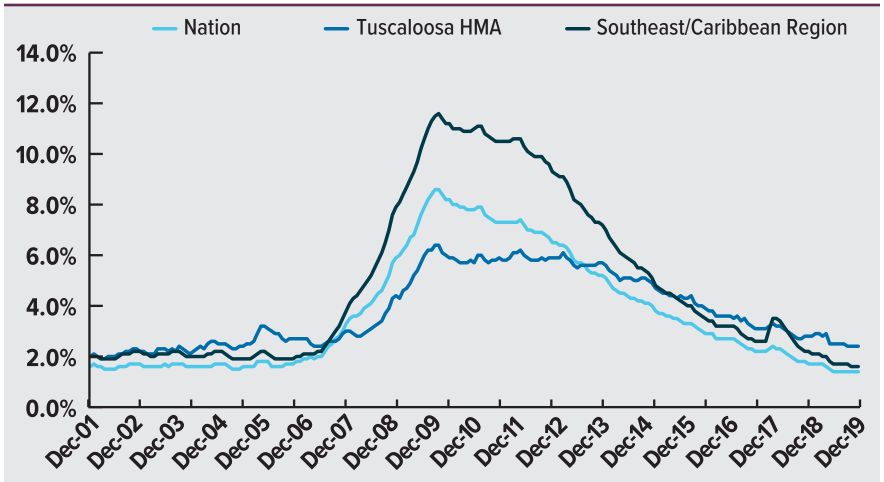
REO = real estate owned.
Sources: CoreLogic, Inc., with adjustments by the analyst

declined by $40,750, or 21 percent, in 2016. As economic conditions strengthened and the SMP Automotive Systems Alabama, Inc. factory came online from 2017 through 2018, regular resale prices began recovering from the decline, increasing by an average of $21,250, or 13 percent, to $198,200. New home sales also recovered, increasing by an average of $27,500, or 12 percent, to $268,800.

Seriously Delinquent Mortgages

During the Great Recession, the rate of seriously delinquent mortgages and REO properties in the HMA was lower than both the Southeast/Caribbean region and the nation (Figure 10). The delinquency rate peaked in the HMA at 6.4 percent in February 2010, while the nation and region peaked at 8.6 and 11.6 percent, respectively, that same month. As of December 2019, the rate of seriously delinquent mortgages and REO properties in the HMA was 2.4 percent, compared with 1.4 percent for the nation and 1.6 percent for the region.

Figure 10. Percentage of Loans 90 or More Days Delinquent, in Foreclosure, or Transitioned to REO in the Tuscaloosa HMA, Southeast-Caribbean Region, and Nation



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

Sales Construction Activity

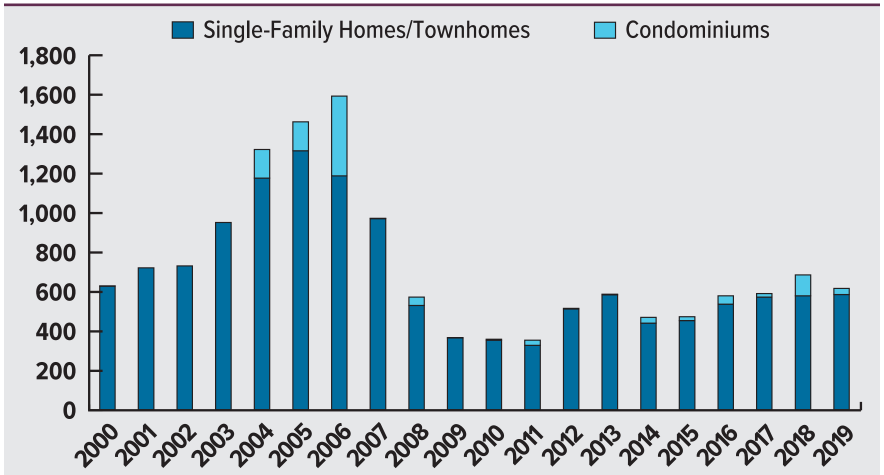
The general trend of strengthening economic conditions and recovery from the 2011 storm has contributed to an increase in sales construction in the HMA since the mid-2010s, but reduced net in-migration, particularly by non-students, has limited permitting activity to below the high levels of the mid-2000s. Sales construction activity, as measured by the number of single-family homes, townhomes, and condominiums permitted, has averaged 560 homes annually since 2012. That figure is higher than the average of 360 homes permitted annually from 2009 through 2011, when economic and housing market conditions were weak, but notably lower than the average of 1,325 homes a year from 2003 through 2006 during the housing boom (Figure 11). In 2019, approximately 620 homes were permitted, down slightly from 690 in 2018.

Condominiums accounted for only 5 percent of overall sales construction activity in 2019 and are usually close to the UA football stadium. Condominium activity was much higher from 2004 through 2006 during a period of higher population growth, accounting for 16 percent of total sales units permitted during this period. Condominium permitting activity averaged 230 units from 2004 to 2006, but after this period, slower population growth and increased demand for rental units has limited further condominium permitting.

Notable developments currently under construction include Highgrove, with around 800 lots and prices from $300,000 to $1 million. Higher end homes in the planned community of Waterfall feature 12 townhouses and 20 duplexes in the $200,000-to-$300,000 range, 46 garden-style homes in the $300,000-to-$450,000 range, 12 medium-sized homes priced between $500,000 and $1 million, and 28 lakefront houses ranging from $750,000 to $2 million

(Tuscaloosa News). Recently completed in 2017, the development of Pinnacle Park at Northriver includes 72 townhomes with an average price of $250,000. These developments are north of downtown across the Black Warrior River in the Lake Tuscaloosa area.

Figure 11. Average Annual Sales Permitting Activity in the Tuscaloosa HMA



Note: Includes single-family homes, townhomes, and condominiums.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst; 2019—preliminary data and estimates by the analyst

Forecast

During the 3-year forecast period, demand is expected for 1,275 new homes in the HMA (Table 5). Demand is expected to be higher at the beginning of the forecast period because the rate of population growth is expected to decline during the forecast. The 140 homes currently under construction will satisfy a portion of the estimated demand during the first year of the forecast period.

Table 5. Demand for New Sales Units in the Tuscaloosa HMA During the Forecast Period

	Sales Units
Demand	1,275 Units
Under Construction	140 Units

Note: The forecast period is from the current date (January 1, 2020), to January 1, 2023.
Source: Estimates by the analyst

Rental Market

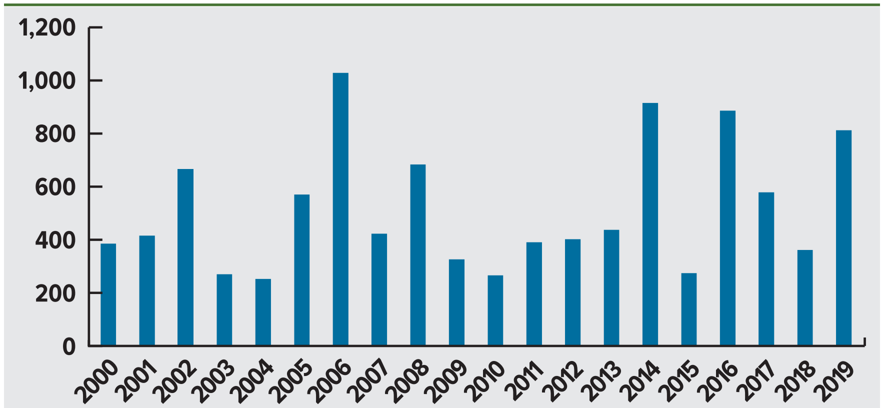
Market Conditions: Tight

Rental construction has increased since the mid-2010s; much of the increase has been of student apartments, however, and rising demand for traditional apartments has tightened the overall rental market.

Current Conditions

Rental market conditions in the Tuscaloosa HMA are currently tight with absorption of rental units outpacing rental construction since 2010 (Figure 12). The overall rental market vacancy rate (including single-family homes, townhomes, multifamily units, mobile homes, and apartments) is currently estimated at 4.0 percent, down from 10.4 percent in 2010 when market conditions were soft

Figure 12. Average Annual Rental Permitting Activity in the Tuscaloosa HMA



Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst; 2019—preliminary data and estimates by the analyst

(Table 6). As of 2018, single-family homes made up roughly 35 percent of the occupied rental units in the HMA.

Table 6. Rental Market Quick Facts in the Tuscaloosa HMA

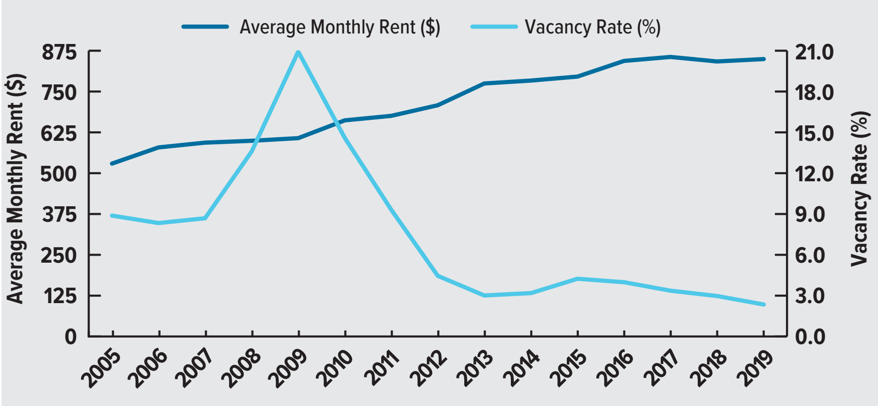
		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	10.4	4.0
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	33.0	35.0
	Multifamily (2–4 Units)	16.0	16.0
	Multifamily (5+ Units)	40.0	40.0
	Other (Including Mobile Homes)	11.0	9.0

Sources: 2010 and 2018 American Community Survey, 5-year data

Apartment Market Conditions

Apartment market conditions are also currently tight. The apartment vacancy rate in the HMA dropped to 2.3 percent during 2019, down from 2.9 in 2018 (RealPage, Inc.) (Figure 13). Vacancy has been relatively low since 2013, with a slight increase in the vacancy rate to 4.1 percent in 2015 following a significant increase in construction in 2014. A large increase in the vacancy rate during the recession was preceded by a large increase in construction during 2006, causing the vacancy rate to increase to 20.3 percent in 2009 from 8.4 percent during 2006. Increasing enrollment at the university allowed a quick recovery, and the vacancy rate declined to 2.9 percent by 2013, much lower than the pre-recession low of 8.1 percent in 2006. The average apartment rent increased 1 percent to \$850 during 2019, up from \$840 a year ago and an average increase of 3 percent annually since 2010 (RealPage, Inc.). Average rents in the RealPage, Inc.-defined Downtown/University market area, where demand by off-campus students is particularly high, increased 3 percent, to \$950, from the fourth quarter of 2018 to the fourth quarter of 2019. The vacancy rate in the HMA declined from 1.6 to 1.5 percent during the same period. Outside the Downtown/University market area, average rents increased 1 percent, to $820, during the fourth quarter of 2019, while the vacancy rate decreased from 3.5 to 2.5 percent.

Figure 13. Apartment Rents and Vacancy Rates in the Tuscaloosa HMA



Source: RealPage, Inc.

Student Housing

UA offers 8,262 beds as on-campus living space in dormitories and, as of 2018, were 88.7 percent occupied, or 7,325 students lived on campus. In fall 2013, 7,964 beds were available and were 96.3 percent occupied, or 7,667 students lived on campus (University of Alabama). An estimated 28,300 students live off-campus, however, which has contributed to the tight market conditions in the HMA.

Rents for students are generally higher and have increased at a faster rate than for other renters in the HMA. Students in the HMA, which make up 15 percent of total renter households, paid a median rent of $940 in 2018, a 25-percent increase from $750 in 2013 (IPUMS USA, ACS 5-year estimates). By comparison, non-student renters paid a median rent of $810 in 2018, a 14-percent increase from $710 in 2013. Student apartments tend to be newer and have more amenities compared with their traditional counterparts, leading to a steady increase in rent paid by students.

Rental Construction Activity

Rental construction activity, as measured by the number of rental units permitted, has been generally high in the HMA since 2014, compared with lower levels of construction in the late 2000s and early 2010s. A total of 810 rental units was permitted during 2019, up from 360 units permitted during 2018 (preliminary data, with adjustments by the analyst). From 2014 through 2017, the number of rental units permitted averaged 660 units annually. An average of 360 units were permitted annually from 2009 through 2013. Rental permitting spiked to 920 units in 2014 due in large part to redevelopment associated with the tornados in 2011, which resulted in the loss of 150 rental units in the northeast section of the city of Tuscaloosa. By comparison, from 2005 through 2008, the number of rental units permitted averaged 680 units annually, up from the average annual 400 units from 2000 to 2004.

Rental construction activity has focused on purpose-built student apartments instead of traditional apartments. One of the newest student apartments, The Crescent, contains 29 units and is fully occupied with asking rent for one-bedroom units at $1,300. A larger complex, Hub on Campus Tuscaloosa, with 430 beds that was built in 2018 is fully occupied with rent at $990 per bed. A traditional 264-unit complex, Landmark Apartments, was built during 2019 and is currently fully occupied.

Forecast

During the 3-year forecast period, demand is expected for an additional 1,400 units (Table 7). Demand is expected to be evenly distributed during the forecast. The 690 units under construction are expected to satisfy much of the forecast demand during the first 2 years of the forecast.

Table 7. Demand for New Rental Units in the Tuscaloosa HMA During the Forecast Period

	Rental Units
Demand	1,400 Units
Under Construction	690 Units

Note: The forecast period is from the current date (January 1, 2020), to January 1, 2023.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

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 classified as commercial structures 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.
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.
Forecast Period	01/01/2020–01/01/2023—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Other Vacant Units	In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), 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.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.

Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
Southeast/ Caribbean Region	Includes Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	The National Association of Homebuilders Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.

2.	This analysis has been prepared for the assistance and guidance of 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.
3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.
Cover Photo	iStock

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