

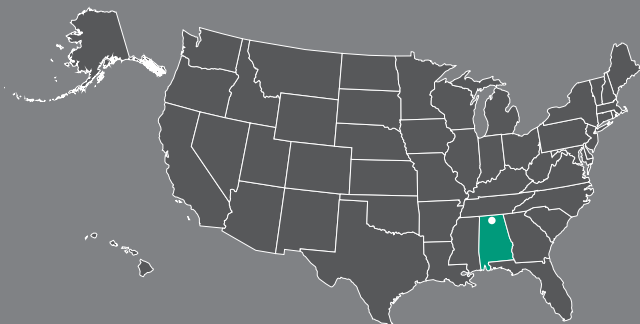
# HUD PD&R Housing Market Profiles

## Huntsville, Alabama



### Quick Facts About Huntsville

- **Current sales market conditions: balanced**
- **Current rental market conditions: balanced**
- **Two of the most important institutions that shaped modern Huntsville are the Redstone Arsenal Army Base, the largest employer in Alabama, with approximately 37,000 personnel, and the George C. Marshall Space Flight Center, which employs 6,500 people.**



By Maciej D. Misztal | As of April 1, 2020

### Overview

The Huntsville metropolitan area consists of Limestone and Madison Counties in north Alabama at the border of Tennessee. The city of Huntsville is known as Rocket City because of the crucial role employers in the area played in the space race. The rocket and missile technology required by the George C. Marshall Space Flight Center (hereafter MSFC) and the Redstone Arsenal Army Base have attracted engineering and manufacturing companies such as The Boeing Company, Science Applications International Corporation (SAIC), Northrop Grumman Corporation, and the Lockheed Martin Corporation to the metropolitan area. MSFC has played a critical part in the designing, testing, and manufacturing of all major NASA (National Aeronautics and Space Administration) rockets, from the Saturn V rockets that launched the Apollo and Skylab missions to the present-day Artemis (twin of Apollo) Space Launch System, which is designed to transport astronauts to the moon. The facilities also created, assembled, tested, and housed the space shuttles and their payloads, including the Hubble Space Telescope, Spacelab, and the American part of the International Space Station. Most employees at Redstone Arsenal and MSFC are civilian contractors. MSFC was built on Redstone Arsenal land

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and started out as an army installation. Only 850 of the 37,000 people employed are active-duty personnel who are tasked with securing the infrastructure, equipment, and civilian contractors, retirees, and families contained in or surrounding the approximately 38,250 acres of army land. The Huntsville metropolitan area also contains Cummings Research Park, the second largest research park in the United States and the fourth largest research park in the world. Adjacent to the University of Alabama in Huntsville, the park contains more than 300 companies, many of which—such as Blue Origin Federation, LLC and Dynetics, Inc.—are associated with the space and defense industries. The city of Huntsville surpassed the city of Montgomery to become the second largest city in Alabama after Birmingham in 2019.

- As of April 1, 2020, the estimated population of the Huntsville metropolitan area is 479,000. Population growth from 2017 to 2019 rose to levels not seen since the 2000s, with annual population growth of 7,975, or 1.7 percent (U.S. Census Bureau population estimates as of July 1). From 2010 through

2017, population growth was lower, with an annual increase of approximately 5,275, or 1.2 percent.

- Nearly 77 percent of the population change since 2010 can be attributed to net in-migration, which corresponds with job growth in the area. The Great Recession caused the metropolitan area to lose jobs through 2010, and this was exacerbated by the phasing out and scaling down of the Space Shuttle Program in preparation for its last flight in 2011. Since then, the economy and net-in migration have rebounded. From 2017 to 2019, net in-migration averaged 6,875 people annually, compared with an increase of 3,700 from 2010 to 2017.
- Since 2010, net natural change (resident births minus resident deaths) has decreased, partially due to an aging population. From 2017 to 2019, net natural change averaged 1,100 people a year, down from an average of nearly 1,550 people a year from 2010 through 2017. The portion of total population change from net natural change declined from 27 percent in 2010 to 19 percent in 2017 and 13 percent in 2019.

## Economic Conditions

After the Great Recession, economic conditions in the Huntsville metropolitan area stabilized in 2011 and have been improving since 2010, with nonfarm payrolls increasing and the unemployment rate decreasing every year. The turn of the decade represents the economic low point for the area; during this period, the economy was weak from the effect of the Great Recession and the scaling down of the Space Shuttle Program prior to the transition to the new Space Launch System. The impact was felt beyond NASA to

the private-sector engineering and manufacturing businesses that were dependent on funding for manned space travel. From 2015 through 2019, nonfarm payrolls increased by an average of 5,450 jobs, or 2.4 percent, annually, compared with an increase of 2,425 jobs, or 1.1 percent, a year from 2012 through 2014. Nonfarm payrolls surpassed the prerecession high of 215,600 jobs in 2013 and are currently 13.5 percent above the previous high.

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**All nonfarm payroll sectors in the Huntsville metropolitan area added jobs during the past year except manufacturing.**

	3 Months Ending		Year-Over-Year Change	
	March 2019 (Thousands)	March 2020 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	242.0	246.2	4.2	1.7
Goods-Producing Sectors	35.3	35.3	0.0	0.0
Mining, Logging, & Construction	9.4	9.4	0.0	0.0
Manufacturing	25.9	25.8	-0.1	-0.4
Service-Providing Sectors	206.7	211.0	4.3	2.1
Wholesale & Retail Trade	31.0	31.8	0.8	2.6
Transportation & Utilities	3.7	3.8	0.1	2.7
Information	2.4	2.5	0.1	4.2
Financial Activities	7.0	7.1	0.1	1.4
Professional & Business Services	58.4	59.7	1.3	2.2
Education & Health Services	21.9	22.4	0.5	2.3
Leisure & Hospitality	22.1	22.7	0.6	2.7
Other Services	8.5	8.6	0.1	1.2
Government	51.7	52.3	0.6	1.2
<b>Unemployment Rate</b>	3.3%	2.6%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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During the first quarter of 2020—

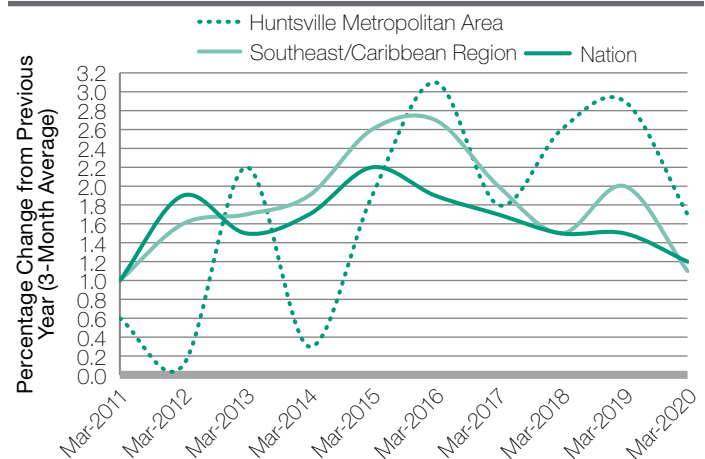
- Nonfarm payrolls averaged 246,200 jobs, an increase of 4,200 jobs, or 1.7 percent, compared with the number of jobs during the first quarter of 2019. By comparison, nonfarm payrolls for the state and the nation increased 0.9 and 1.2 percent, respectively, during the first quarter of 2020.
- The professional and business services and the wholesale and retail trade sectors added the most jobs, expanding by 1,300 and 800 jobs, or 2.2 and 2.6 percent, respectively. Jobs in research and development, information technology, and engineering, which are part of the former subsector, have been driven by government contracts related to the Artemis project. Contributing to growth in the wholesale and retail trade sector is redevelopment of the following mixed-use communities: CityCentre at Big Spring, MidCity District, and Town Madison.
- The unemployment rate averaged 2.6 percent, down from 3.3 percent a year ago. The rate has been dropping since 2010, when it reached a high of 8.6 percent.
- Manufacturing was the only sector to lose jobs, which lost 100 jobs, or 0.4 percent. This is a reversal from the first quarter of 2019, when payrolls in the sector grew by 800 jobs, or 3.0 percent.
- The government sector was the second largest sector in the metropolitan area, with 52,300 jobs, an increase of 600 jobs, or 1.2 percent, from the first quarter of 2019. The Federal Bureau of Investigation (FBI) is building an unofficial HQ2 on 1,600 acres of Redstone Arsenal land, which in 2021 will bring more than 4,000 additional employees to the area to work on state-of-the-art threats, such as cybercrime.

Navistar International Corporation, a leading maker of commercial trucks and buses, broke ground recently on expanded manufacturing facilities at Jetplex Industrial Park. The company announced in July 2019 it would make a capital investment of approximately \$125 million and 145 additional jobs. Toyota Motor Corporation formed a unique joint-venture with the Mazda Motor Corporation that is constructing a new \$1.6 billion, 4,000-job engine plant that is expected to be completed in 2021. Renewed interest in manned space flight has reenergized research, design,

and manufacturing in industries supplying the space program.

Almost \$1 billion in contracts were awarded to three companies to each pursue their vision of a lunar lander, which will be evaluated after 10 months. Two out of three of these contracts were awarded to companies with a presence in the metropolitan area: Dynetics, Inc. (headquartered in the city of Huntsville), and Blue Origin Federation, LLC (which completed a \$200 million rocket-building facility in February 2020).

### The rate of job growth in the Huntsville metropolitan area has exceeded the respective rates for Alabama and the nation since 2017.



Note: Nonfarm payroll growth.

Source: U.S. Bureau of Labor Statistics

### Largest Employers in the Huntsville Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Redstone Arsenal Army Base	Government	37,000
Huntsville Hospital Health System	Government	9,288
George C. Marshall Space Flight Center	Government	6,500

Notes: Excludes local school districts. Redstone Arsenal Army Base includes approximately 850 active duty service members.

Sources: Huntsville/Madison County Chamber of Commerce, Limestone County Economic Development Association

## Sales Market Conditions

The sales housing market in the Huntsville metropolitan area is balanced, with an estimated vacancy rate of 1.7 percent as of April 2020, down from 2.5 percent during April 2010. Both prices and sales rose steadily from 2016 through March 2020. Despite increasing single-family homebuilding, strengthening economic conditions have contributed to a significant decline in available for-sale inventory since the mid-2010s. As of March 2020, 1.8

months of available inventory were for sale in the metropolitan area, up slightly from a two-decade low of 1.7 months a year earlier (Alabama Center for Real Estate). The inventory peaked at 8 months of supply in March 2014, leading to 1,800 homes permitted in 2014, the fewest number of single-family homes permitted since 2002. The current strength of the housing market has led to a decline in seriously delinquent (90 or more days delinquent or

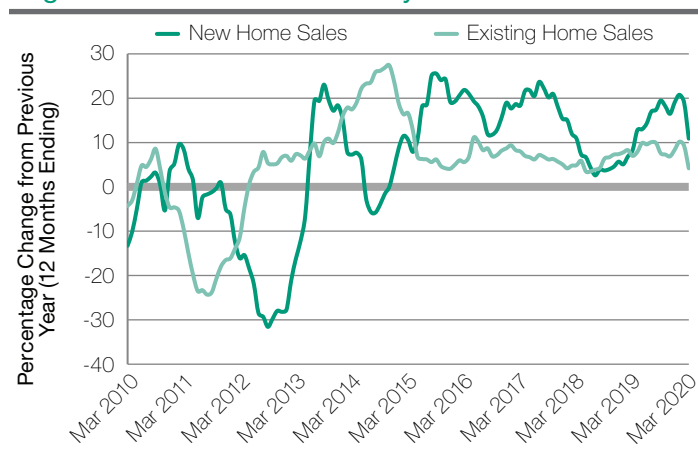
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in foreclosure) home loans and real estate owned (REO) properties. The percentage of home loans in the Huntsville metropolitan area that were seriously delinquent or had transitioned into REO status was 1.0 percent as of February 2020, down from 1.7 percent a year ago and a fraction of the December high of 3.9 percent in 2011 (CoreLogic, Inc.). The current rate for the metropolitan area is slightly lower than the 1.3-percent rate for the nation and well below the 1.8-percent rate for Alabama. The Huntsville metropolitan area has had a lower percentage of delinquent home loans than the state or the nation for more than a decade.

- During the 12 months ending March 2020, 2,675 new homes (including single-family homes, townhomes, and condominiums) were sold, 11 percent more than were sold in the 12 months ending in March 2019 (Metrostudy, A Hanley Wood Company). The average sales price for a new home increased 4 percent to \$303,800.
- Existing home sales totaled 10,850 during the 12 months ending March 2020, a 4-percent increase from the previous 12 months. The average sales price for existing homes increased 2 percent to \$211,900.
- REO sales declined significantly during the 12 months ending March 2020, down 34 percent compared with the previous 12 months, to 310 homes. The average price for REO sales was approximately \$144,100, a 2-percent decrease from the previous 12 months. REO sales accounted for 3 percent of all existing home sales during the 12 months ending in February 2020, down from 5 percent during the previous 12-month period and a fraction of the 17-percent high during 2013.

During the past year, new home sales have increased at a faster rate than existing home sales in the Huntsville metropolitan area, although both rates of growth have slowed recently.



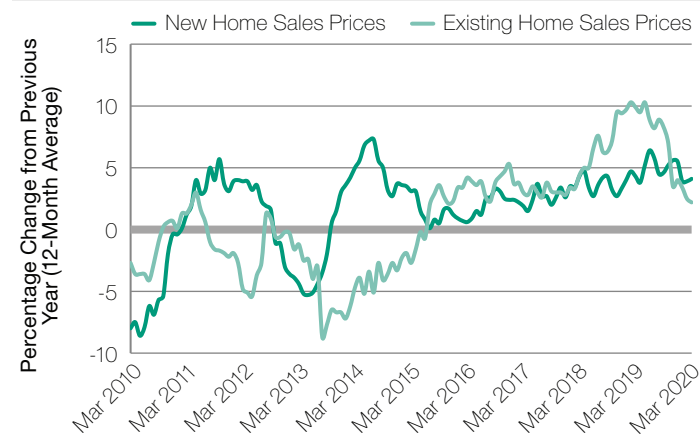
Note: Includes single-family homes, townhomes, and condominiums.  
Source: Metrostudy, A Hanley Wood Company

Single-family homebuilding, as measured by the number of homes permitted, increased each year from 2014 through 2019. In 2019, permitting reached its peak at 3,600 homes permitted, which was still 13 percent less than the prerecession high of 4,150 homes in 2006.

- In the 12 months ending March 2020, 3,700 single-family homes were permitted, down 21 percent from the previous 12 months (preliminary data).

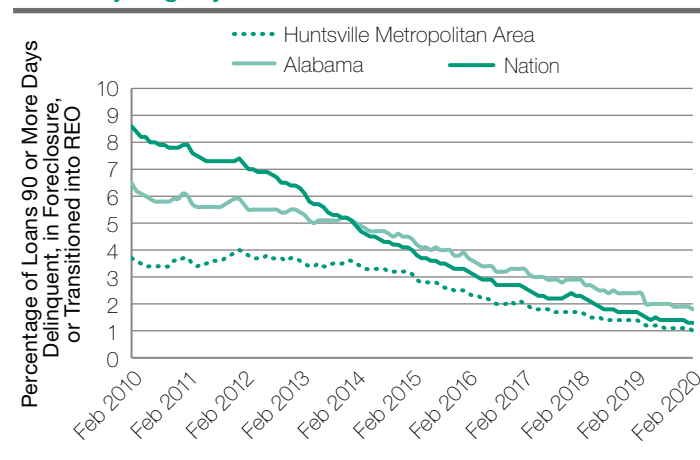
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Prices for both new and existing homes in the Huntsville metropolitan area have been increasing since 2015.



Note: Includes single-family homes, townhomes, and condominiums.  
Source: Metrostudy, A Hanley Wood Company

The rate of seriously delinquent mortgages and REO properties has declined significantly in the Huntsville metropolitan area since the early 2010s and is currently slightly below the rate for the nation.



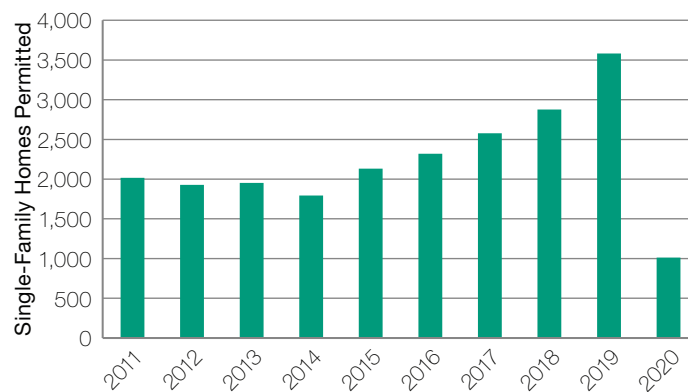
REO = real estate owned.  
Source: CoreLogic, Inc.

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- Homebuilding increased an average of 15 percent a year from 2014 to a high of 3,575 in 2019—a level only topped by the prerecession highs of approximately 3,625 and 4,300 homes in 2005 and 2006, respectively.
- There has been no condominium construction in the metropolitan area since 2008, when 87 units were built—a record year for the metropolitan area. There are currently 48 condominium units being planned.
- In 2019, the census tract containing the Twickenham neighborhood became the first in the metropolitan area with an average home sales price of more than \$1 million. Centrally located near downtown Huntsville, a large portion of Twickenham (the original name of Huntsville) became the first designated historic district in the area and is popular with walking tours of the historic architecture.
- Dublin Farms, in the city of Madison, is a subdivision finishing construction on 98 single-family homes. Homes range from 1,602 to 3,488 square feet, and starting prices range from

\$289,900 to \$389,900. There are four homes currently for sale, and more than 75 percent of the lots have been developed.

### Single-family permitting has been rising since 2015 in the Huntsville metropolitan area.



Note: Includes preliminary data from January 2020 through March 2020.

Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

## Rental Market Conditions

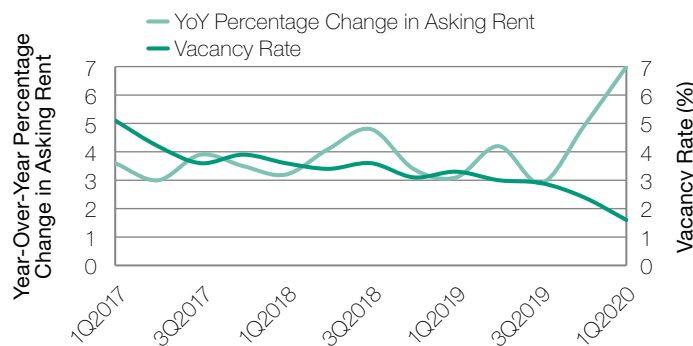
Rental housing market conditions in the Huntsville metropolitan area are currently balanced, with renter household growth contributing to declining vacancy rates and rent growth since the early 2010s. The overall rental vacancy rate is estimated at 6.1 percent as of April 2020, well below the 10.3-percent rate in April 2010. Rental household growth in the metropolitan area has averaged 2.6 percent a year since April 2010, significantly higher than the overall rate of household growth, which averaged 1.6 percent a year. Approximately 39 percent of renter-occupied units in the metropolitan area are single-family homes, compared with 32 percent in 2010 (2010 and 2018 American Community Survey 1-year data).

During the first quarter of 2020—

- The apartment market in the metropolitan area was tight, with a vacancy rate of 1.6 percent, down from 3.3 percent a year ago and a small fraction of the 9.4-percent rate in 2010 (Reis, Inc.).
- The average rent in the metropolitan area increased to \$815, a 7-percent increase from a year ago. By comparison, the average rent for the nation increased 3 percent, to \$1,505.
- Rents for one-, two-, and three-bedroom units averaged \$725, \$849, and \$1,008, compared with average rents for the nation of \$1,292, \$1,507, and \$1,816, respectively.

Multifamily construction in the metropolitan area, as measured by the number of multifamily units permitted, slowed from a recent peak of approximately 1,300 units in 2012 to 785 units in 2018. Multifamily building activity has reached an all-time high, partly due to the strong economy and urban redevelopment.

### Apartment vacancy rates in the Huntsville metropolitan area have dropped, while asking rent growth has increased significantly in the past year.



1Q = first quarter. 3Q = third quarter. YoY = year-over-year.

Source: Reis, Inc.

- During the 12 months ending March 2020, multifamily permitting more than doubled from the previous 12 months to 2,925 units (preliminary data and estimates by the analyst).
- From 2010 through 2018, multifamily permit activity fluctuated significantly. An average of 640 units were permitted annually during the period, with peaks of more than 1,200 units permitted in 2012 and 2014.
- Several mixed-use projects with a rental component have been developed in the metropolitan area during the past 5

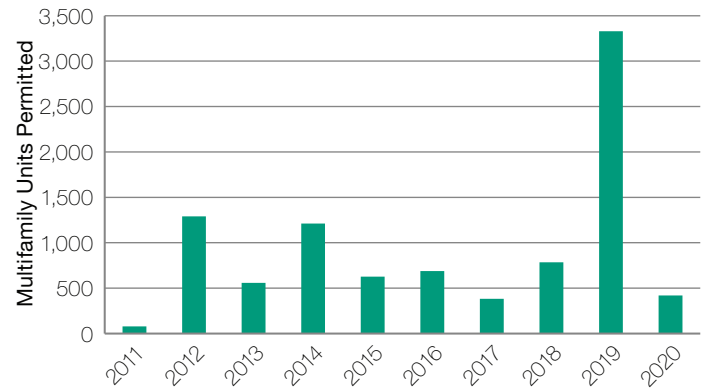
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years. MidCity District, the fourth largest commercial real estate development in the United States, is being developed at the site of the former Madison Square Mall. In addition to 540 apartments, it will include office space, restaurants, stores, recreational businesses, and an open-air performance site. The first phase of apartments is expected to be completed in 2021 and will include Encore MidCity, with 240 luxury apartments. An additional 300 units are also projected to be complete in 2021.

- The Station at Town Madison is a soon-to-be-completed 274-unit apartment complex in the mixed-use development of Town Madison, which includes a new baseball stadium for the local minor league baseball team, the Rocket City Trash Pandas. Rents currently start at \$1,195, \$1,395, and \$1,900 for one-, two-, and three-bedroom units, respectively.

### Multifamily permits set a new record in 2019 in the Huntsville metropolitan area.



Note: Includes preliminary data from January 2020 through March 2020.

Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst