

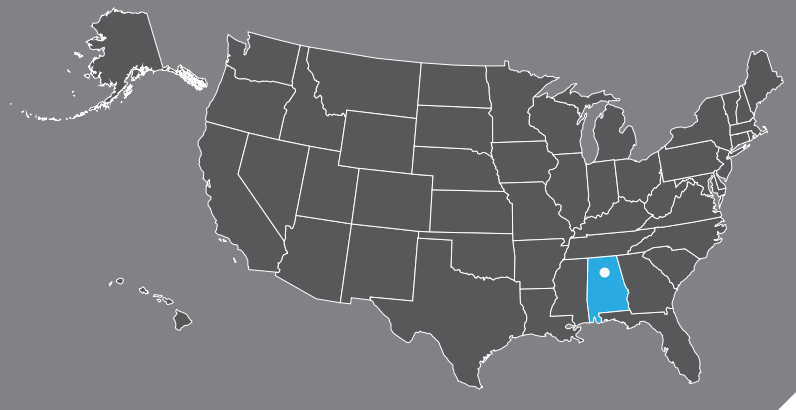
# HUD PD&R Housing Market Profiles

## Birmingham-Hoover, Alabama



### Quick Facts About Birmingham

- Current sales market conditions: slightly tight
- Current apartment market conditions: soft
- The University of Alabama at Birmingham (UAB) Medicine is the eighth largest hospital in the nation and the winner of seven Women's Choice Awards in medical care (UAB Medicine). Four of the 10 largest employers in the Birmingham metropolitan area provide health services. The education and health services sector is the third largest payroll sector and represents 14 percent of all nonfarm payrolls.



Birmingham, Alabama

By Karen M. Ostrye | As of January 1, 2023

### Overview

The Birmingham metropolitan area is conterminous with the Birmingham-Hoover, AL Metropolitan Statistical Area and includes Bibb, Blount, Chilton, Jefferson, St. Clair, Shelby, and Walker Counties in north-central Alabama. The principal city of Birmingham is in Jefferson County and is the largest city in Alabama. The nearby abundance of coal, iron ore, and limestone made Birmingham an iron and steel production center in the early 1900s, but over time it has transformed into a hub for finance and medical care. UAB—which includes the affiliate medical network, UAB Medicine—is the largest employer in the metropolitan area; it provides a stable base of employment and supports growth in the government sector.

- As of January 1, 2023, the estimated population of the Birmingham metropolitan area is 1.18 million, reflecting an average increase of 4,350, or 0.4 percent, annually since 2010. Net in-migration averaged 2,325 people and was accompanied by an average net natural increase of 2,025 people annually.
- From 2010 to 2015, net in-migration of 3,575 and net natural increase of 3,175 resulted in population growth averaging

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6,750, or 0.6 percent, annually (U.S. Census Bureau decennial census counts and population estimates as of July 1). In recent years, population gains have slowed. From 2015 to January 1, 2023, the population grew by an average of 2,675, or 0.2 percent, annually, with net in-migration of 1,450 accompanied by net natural increase of 1,225.

- In 2021, approximately 16.7 percent of all residents in the metropolitan area were aged 65 or older, up from 12.9 percent in 2010 and similar to the portion for the nation,

which rose to 16.8 percent in 2021 from 13.1 percent in 2010 (American Community Survey [ACS] 1-year estimates). This fast-growing cohort contributes to a higher median age in the metropolitan area, which rose from 37.5 in 2010 to 39.4 in 2021, compared with 37.2 in 2010 and 38.8 in 2021 nationally. The Birmingham metropolitan area has abundant outdoor recreation areas, restaurants, and medical facilities and has a cost of living that is below the national average, making it an attractive destination for retirement.

## Economic Conditions

Job losses caused by the impacts of the COVID-19 pandemic were less severe in the Birmingham metropolitan area than in the Southeast/Caribbean region and the nation, and the metropolitan area has recovered all those lost jobs. Payrolls in the metropolitan area had surpassed the prepandemic level by November 2021, compared with November 2022 for the nation (monthly data, not seasonally adjusted). The state transitioned from a “Stay at Home” order to a “Safer at Home” order on April 30, 2020, allowing some businesses to reopen, contributing to a relatively fast economic recovery in the HMA. Nonfarm payrolls increased by 16,900 jobs, or 3.1 percent, during the fourth quarter of 2022 compared with the same period a year ago. The region and the nation had payroll increases of 3.8 and 3.4 percent, respectively, during the same period.

During the fourth quarter of 2022—

- The mining, logging, and construction sector increased by 3,100 jobs, or 10.0 percent, making it the fastest

growing nonfarm payroll sector. Some of that growth can be attributed to the construction of the \$157 million UAB Medicine inpatient rehabilitation center, which broke ground in May 2022 and is expected to be completed in 2025.

- Nonfarm payrolls in the wholesale and retail trade sector increased by 2,900 jobs, or 3.4 percent. The staffing of the Kroger grocery delivery center in Homewood, which opened in late September 2022 and added 160 jobs, is partly responsible for that growth.
- The education and health services sector had the largest numeric gains, increasing by 5,200 jobs, or 7.1 percent. Pack Health recently announced the addition of 200 jobs during the next year, and the sector continues to expand.
- The government sector added 2,200 jobs, or 2.5 percent, helped by growth at UAB and UAB Medicine, which have

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### Eight of the 11 nonfarm payroll sectors in the Birmingham metropolitan area added jobs during the past year.

	3 Months Ending		Year-Over-Year Change	
	December 2021 (Thousands)	December 2022 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	544.1	561.0	16.9	3.1
Goods-Producing Sectors	69.6	73.9	4.3	6.2
Mining, Logging, & Construction	31.1	34.2	3.1	10.0
Manufacturing	38.5	39.7	1.2	3.1
Service-Providing Sectors	474.6	487.1	12.5	2.6
Wholesale & Retail Trade	85.0	87.9	2.9	3.4
Transportation & Utilities	28.7	28.6	-0.1	-0.3
Information	8.7	8.5	-0.2	-2.3
Financial Activities	42.8	43.6	0.8	1.9
Professional & Business Services	71.4	71.2	-0.2	-0.3
Education & Health Services	73.3	78.5	5.2	7.1
Leisure & Hospitality	47.3	48.1	0.8	1.7
Other Services	30.6	31.9	1.3	4.2
Government	86.7	88.9	2.2	2.5
<b>Unemployment Rate</b>	2.6%	2.1%		

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

Source: U.S. Bureau of Labor Statistics

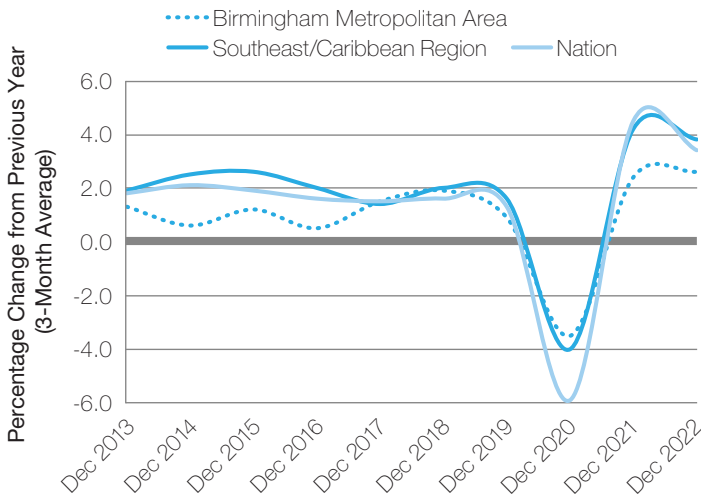


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a combined economic impact of \$8.3 billion on the metropolitan area (UAB).

- The average unemployment rate was 2.1 percent, down from 2.6 percent as of the fourth quarter of 2021.

**Payrolls in the Birmingham metropolitan area have grown at a slower rate than the Southeast/Caribbean region and the nation during the past year.**



Source: U.S. Bureau of Labor Statistics

The unemployment rate decreased because employment growth of 3.2 percent exceeded labor force growth of 2.8 percent during the period.

The metropolitan area is a regional hub for finance and insurance and is home to the headquarters of Regions Financial Corporation, Protective Life Corporation, and Blue Cross and Blue Shield of Alabama. The financial activities sector added 800 jobs, or 1.9 percent, during the fourth quarter of 2022. This sector represents 8 percent of payrolls in the metropolitan area compared with 6 percent nationwide.

### Largest Employers in the Birmingham Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Alabama at Birmingham	Government	23,000
Regions Financial Corporation	Financial Activities	9,000
St Vincent's Health System	Education and Health Services	5,100

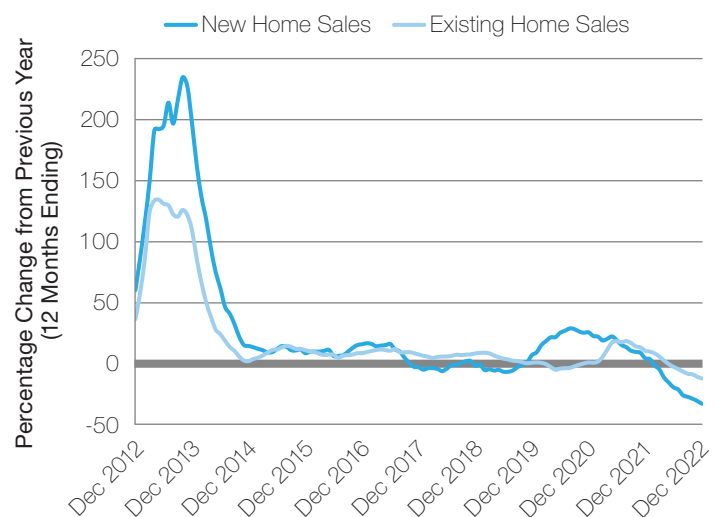
Note: Excludes local school districts.  
Source: Birmingham Business Alliance

## Sales Market Conditions

The Birmingham metropolitan area home sales market is slightly tight, with a current estimated vacancy rate of 1.3 percent, down from 3.0 percent in 2010, when the market was soft. The volume of sales has declined compared with levels during 2020 and 2021 when historically low mortgage interest rates contributed to strong home sales demand and a slightly tight market. Overall sales housing market conditions remain slightly tight because fewer sellers are listing homes. The inventory of unsold homes in December 2022 represented a 2.3-month supply, down from 3.0 months of supply in December 2021 and 3.9 months in December 2020 (UAB Alabama Center for Real Estate). By comparison, the supply of homes for sale was 4.2 months before the pandemic in December 2019, down from a high of 14.0 months of supply in 2011.

During December 2022, 1.7 percent of home loans in the metropolitan area were seriously delinquent or had transitioned into real estate owned (REO) status, down from 2.5 percent a year earlier (CoreLogic, Inc.). The rate in the metropolitan area was the same as the rate for Alabama but higher than the 1.2-percent rate for the nation during December 2022. The rate of seriously delinquent mortgages and REO properties reached 4.7 percent in the metropolitan area during October 2020 because of pandemic-related layoffs, which made it

### New and existing home sales declined in the Birmingham metropolitan area during the past year.



Note: Includes single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc., with adjustments by the analyst

difficult for many homeowners to stay current on their mortgage payments. Since then, the rate has declined because of improved economic conditions.

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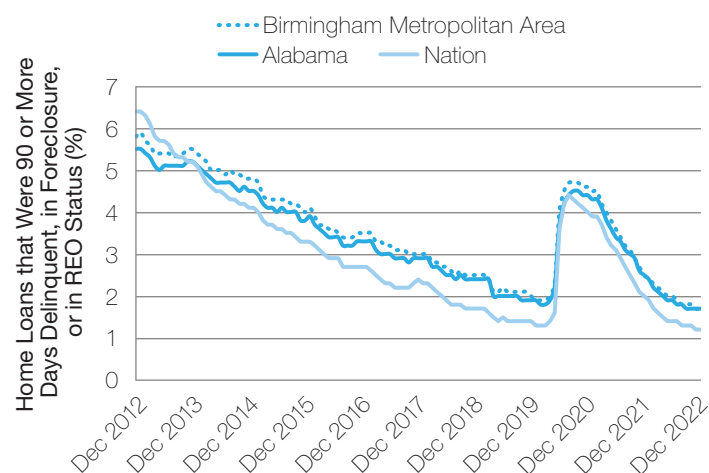
During 2022—

- New home sales totaled 1,925, down 33 percent from 2,875 homes a year ago, after a 4-percent gain in 2021. Existing home sales fell 12 percent to 31,450 during 2022 after a gain of 10 percent during 2021 (CoreLogic, Inc., with adjustments by the analyst).
- The average sales price for a new home was about \$407,300, representing an increase of 18 percent from a year earlier, due in part to rising costs of materials.
- The average price of an existing home was \$241,900, reflecting an increase of 8 percent from a year earlier compared with a 12-percent increase during 2021.
- REO sales represented 2 percent of existing home sales, unchanged from a year ago and the same as the national rate.

Single-family homebuilding, as measured by the number of homes permitted, has been elevated since 2019, although homebuilding slowed in the past year. New single-family homebuilding has been strong along the major interstates in Jefferson and Shelby Counties and in the towns of Margaret and Pell City in St. Clair County.

- The number of single-family homes permitted totaled 3,125 during 2022, down 10 percent from 2021 (preliminary data).
- From 2019 through 2022, single-family home construction averaged 3,325 homes permitted compared with an average of 2,575 homes from 2014 through 2018.
- Steven's Cove offers homes ranging in size from 1,550 to 2,000 square feet, with prices starting at \$240,000. This

The rate of seriously delinquent mortgages and REO properties in the Birmingham metropolitan area has mostly been higher than the rate for the nation since 2013.

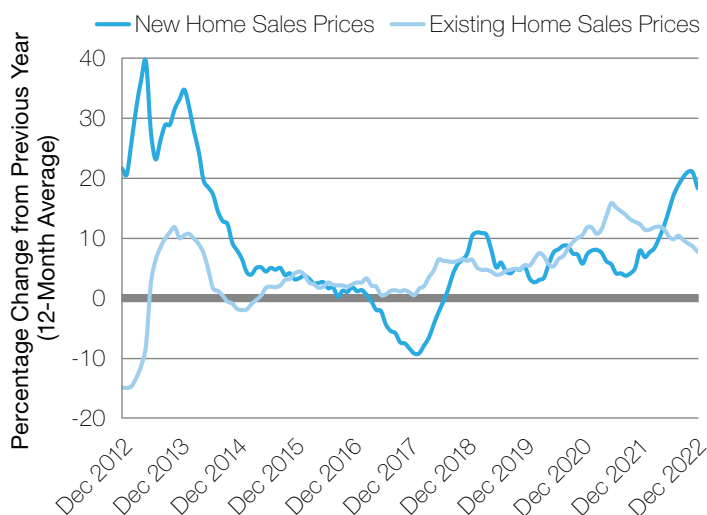


REO = real estate owned.  
Source: CoreLogic, Inc.

community, about 25 miles northeast of Birmingham in Margaret, between Interstates 20 and 59, has completed about 10 of the 68 homes expected at buildout.

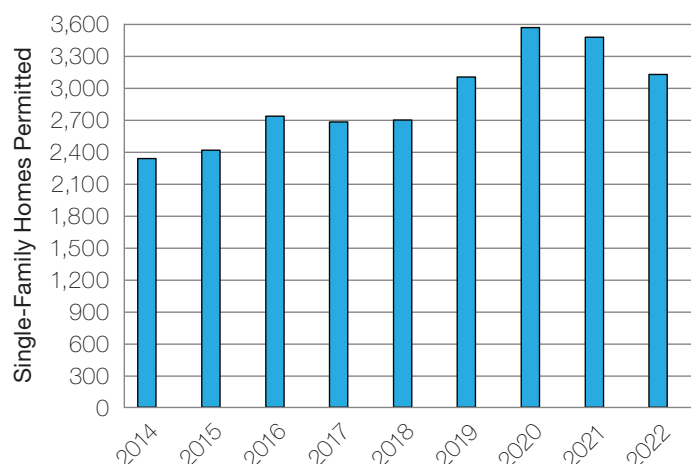
- About 4 homes remain to be built of the 45 expected homes at The Fairway at Cedar Creek. This development, near the Bessemer community, is 2 miles from the Interstates 20 and 459 interchange and 20 miles southwest of Birmingham. The three- to four-bedroom homes range from 1,200 to 2,600 square feet, with prices starting at \$233,000.

Growth in new and existing home prices slowed in the Birmingham metropolitan area in late 2022.



Note: Includes single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc., with adjustments by the analyst

The number of single-family homes permitted in the Birmingham metropolitan area has declined since the recent high in 2020.



Sources: U.S. Census Bureau, Building Permits Survey; 2014–2021—final data and estimates by the analyst; 2022—preliminary data and estimates by the analyst

## Apartment Market Conditions

Apartment market conditions in the metropolitan area are currently soft, with a vacancy rate of 9.8 percent as of the fourth quarter of 2022, up from 8.0 percent a year earlier but below the past decade-high rate of 11.2 percent as of the fourth quarter of 2016 (CoStar Group). The 8.0-percent vacancy rate as of the fourth quarter of 2021 was the lowest rate for any fourth quarter since 2005. The apartment vacancy rate averaged 8.7 percent during the fourth quarter of 2018 through the fourth quarter of 2020. The recent vacancy rate increase occurred partly because more than 800 new apartment units were added to the existing apartment inventory. Conditions are expected to soften further as the estimated 3,200 units under construction are completed and begin to lease.

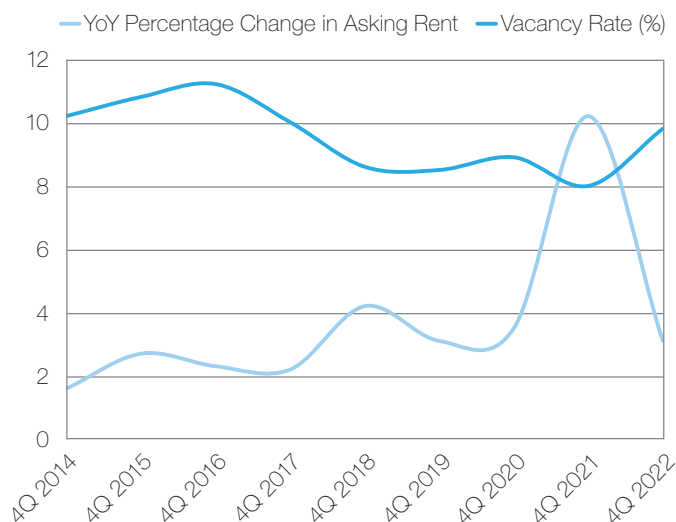
During the fourth quarter of 2022—

- The average apartment rent increased 3 percent, to \$1,149, from a year earlier, following a 10-percent increase during the fourth quarter of 2021.
- The average apartment rent of the largest eight CoStar-defined market areas in the metropolitan area ranged from \$787 in the Center Point market area, which is about 10 miles northeast of the city of Birmingham, to \$1,533 in the Cahaba Heights market area, less than 10 miles southeast of the city of Birmingham and including Grandview Medical Center. The average rent for apartments in the Downtown Birmingham market area, which includes UAB, was \$1,259 as of the fourth quarter of 2022.
- The lowest average apartment vacancy rate of the largest eight market areas was in the Outlying Jefferson County market area, which encompasses suburban areas north and northwest of Birmingham; the vacancy rate was 7.6 percent, up from 6.2 percent as of the fourth quarter of 2021.
- The Shelby County market area, which represents about 15 percent of the apartment units in the metropolitan area, had the highest vacancy rate of 13.2 percent compared with 4.6 percent as of the fourth quarter of 2021. This rate increased because new units were added to the market area, and the rate is expected to remain elevated during the next year as units that are currently under construction begin to lease.

Low levels of apartment construction in the metropolitan area contributed to falling vacancy rates from 2017 through 2019, but apartment construction increased markedly in 2019 and 2020. After a decrease in apartment construction during 2021, developers responded to lower vacancy rates and rising rents by increasing construction during 2022 to the highest level in more than two decades.

- Multifamily construction, as measured by the number of units permitted, totaled 2,875 units during 2022, up from

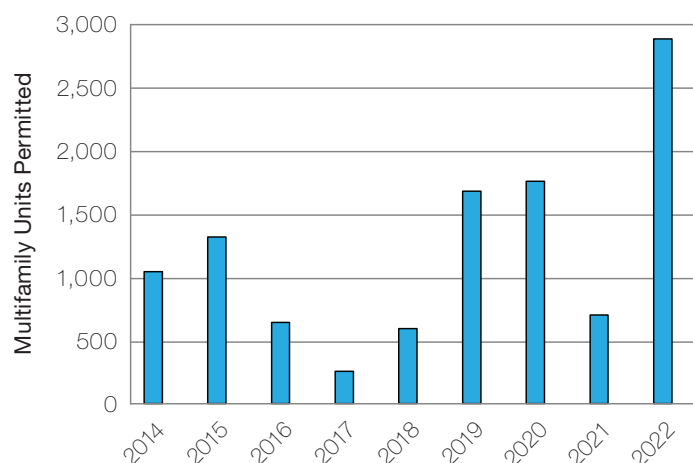
**Apartment rent increases have slowed, and vacancies have increased during the past year in the Birmingham metropolitan area.**



4Q = fourth quarter. YoY = year-over-year.

Source: CoStar Group

**The number of multifamily units permitted in the Birmingham metropolitan area has been elevated in recent years compared with earlier in the decade.**



Sources: U.S. Census Bureau, Building Permits Survey; 2014–2021—final data and estimates by the analyst; 2022—preliminary data and estimates by the analyst

700 units in 2021 (analyst estimates, preliminary data). An average of 1,725 units were permitted annually during 2019 and 2020, up from an average of 500 units annually from 2016 through 2018.

- Of the estimated 3,200 apartments under construction in the metropolitan area, approximately 61 percent are in Jefferson County, most of which are in the Downtown and UAB areas.

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- About 37 percent of the apartments under construction are in Shelby County, southeast of Birmingham, along State Route 280 and Interstate 459. Tributary Rise is a 286-unit apartment complex completed in August 2022 that offers studio, one-bedroom, two-bedroom, and three-bedroom units with rents starting at \$1,489, \$1,816, \$2,093, and \$2,869, respectively.
- The recently completed Citizen is a 140-unit apartment complex two blocks north of UAB Hospital, which is currently leasing and offers furnished studio apartments with rent starting at \$1,150.

## Terminology Definitions and Notes

### A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. 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.
Existing Home Sales	Includes resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Increase	Resident births are greater than resident deaths.
Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
Seriously Delinquent Mortgages	Mortgages 90 days or more delinquent or in foreclosure.

### 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.
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