

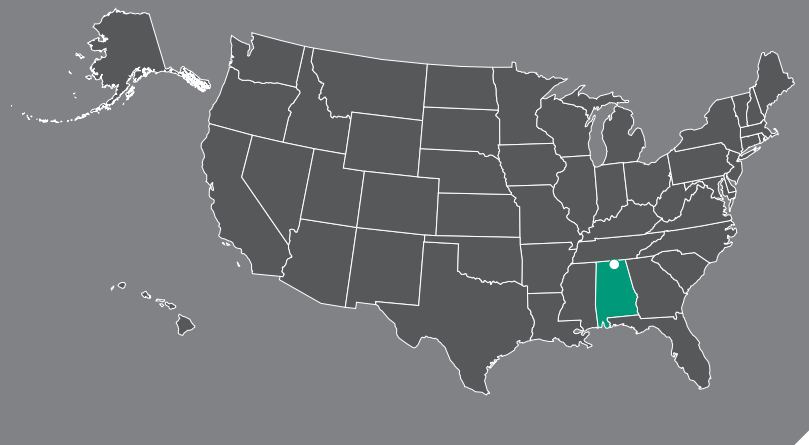
HUD PD&R Housing Market Profiles

Huntsville, Alabama



Quick Facts About Huntsville

- Current sales market conditions: tight
- Current rental market conditions: tight
- The National Aeronautics and Space Administration (NASA) Marshall Space Flight Center (hereafter MSFC) is currently lending support to private space flight companies such as Blue Origin Enterprises, L.P. and preparing the Artemis Space Launch System (SLS) with the goal of crewed lunar exploration.



By Maciej Misztal | As of April 1, 2022

Overview

The Huntsville metropolitan area, in northern Alabama along the border with Tennessee, is conterminous with the Huntsville, AL Metropolitan Statistical Area (MSA). The city of Huntsville, primarily located in Madison County, surpassed the city of Montgomery to become the second largest city in Alabama after Birmingham in 2019. The city is known as Rocket City because of rocket and missile technology utilized by MSFC, part of the Redstone Arsenal Army Base. MSFC was critical in the designing, testing, and manufacturing of all major NASA rockets. The facilities created, assembled, tested, and housed Skylab, the first U.S. space station, as well as the Space Shuttle and its payloads, including the Hubble Space Telescope and the U.S. components of the International Space Station. Cummings Research Park (CRP) houses much of the air and space research and development contracted out to private companies by the U.S. government. The park includes and closely collaborates with The University of Alabama in Huntsville (UAH) on air and space research. UAH consists of 8,025 undergraduate and 1,975 graduate students and is a major employer in the area (UAH). The Port of Huntsville consists of the Jetplex Industrial Park, International Intermodal

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Center, and the Huntsville International Airport, the latter of which serves 1.2 million people annually (Port of Huntsville).

- As of April 1, 2022, the estimated population of the Huntsville metropolitan area is 509,100, reflecting an average annual increase of 7,625, or 1.7 percent, since 2010.
- Population growth averaged 1.4 percent annually from 2010 through 2015, but since 2015, population growth has accelerated to an average of 1.9 percent annually (Census Bureau population estimates as of July 1 and estimates by the analyst). The main contributor to increasing population growth in the metropolitan area has been an increase in net in-migration since 2015, coinciding with stronger nonfarm payroll growth prior to the COVID-19 pandemic.

- The need for skilled labor in the area has attracted a well-educated workforce. Of the population aged 25 and older in 2019, 40.2 percent had a bachelor's degree or higher, compared with 33.1 percent in the nation and 26.3 percent in the state (American Community Survey [ACS] 1-year data).
- The population of the Huntsville metropolitan area has become notably older since 2010; all age cohorts under the age of 55 declined as a share of the total population from 2010 to 2019. As a result, the age cohorts aged 55 and older rose from 22.0 percent of the Huntsville metropolitan area population in 2010 to 29.6 percent in 2019.

Economic Conditions

Economic conditions in the Huntsville metropolitan area have fully recovered from significant job losses following interventions taken in March 2020 to slow the spread of COVID-19. Since the downturn in 2020, economic conditions have improved rapidly, partly due to the stabilizing effect of Redstone Arsenal and the large government sector. During the first quarter of 2022, nonfarm payrolls increased year-over-year by 6,100 jobs, or 2.5 percent, to 253,700 jobs. By comparison, during the first quarter of 2021, payrolls were down by 1,200 jobs, or 0.5 percent, year-over-year. For context, growth of nonfarm payrolls in the metropolitan area averaged 1.7 percent annually from 2014 through 2019.

During the first quarter of 2022—

- All but 3 of 11 economic sectors gained jobs. The greatest gains were in the leisure and hospitality sector, the wholesale and retail trade sector, and the manufacturing sector, which gained 1,900, 1,800, and 1,400 jobs, or 10.1, 5.8, or 5.0 percent, respectively.
- Out of 11 economic sectors, 8 have fully recovered the number of jobs lost due to countermeasures against the pandemic. The leisure and hospitality sector, the education and health services sector, and the other services sector have yet to recover 1,400 jobs, or 43 percent, 1,200 jobs, or

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Out of 11 economic sectors, 3 decreased during the past 3 months in the Huntsville metropolitan area.

	3 Months Ending		Year-Over-Year Change	
	March 2021 (Thousands)	March 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	247.6	253.7	6.1	2.5
Goods-Producing Sectors	38.3	40.2	1.9	5.0
Mining, Logging, & Construction	10.3	10.8	0.5	4.9
Manufacturing	28.0	29.4	1.4	5.0
Service-Providing Sectors	209.3	213.5	4.2	2.0
Wholesale & Retail Trade	31.3	33.1	1.8	5.8
Transportation & Utilities	3.8	3.7	-0.1	-2.6
Information	2.2	2.3	0.1	4.5
Financial Activities	7.4	7.7	0.3	4.1
Professional & Business Services	63.4	62.8	-0.6	-0.9
Education & Health Services	21.6	21.4	-0.2	-0.9
Leisure & Hospitality	18.9	20.8	1.9	10.1
Other Services	8.3	8.6	0.3	3.6
Government	52.4	53.1	0.7	1.3
Unemployment Rate	3.0%	2.3%		

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

Source: U.S. Bureau of Labor Statistics



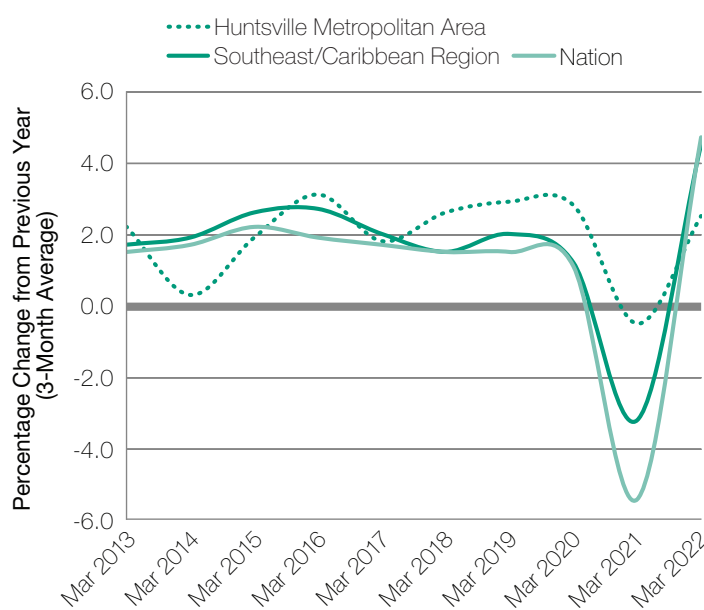
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17 percent, and 100 jobs, or 7 percent, respectively, of jobs lost in March and April 2020. The leisure and hospitality sector is anchored by the U.S. Space and Rocket Center, which laid off 90 percent of their staff in 2020 (U.S. Space and Rocket Center). The various entertainment venues in the mixed-use developments under construction are expected to contribute to future growth in the leisure and hospitality sector.

- The unemployment rate in the Huntsville metropolitan area averaged 2.3 percent, down from 3.0 percent a year ago and the 3.1-percent rate during the 3 months ending February 2020, before the impact of the pandemic. The unemployment rate peaked at 10.2 percent during April 2020 (monthly data; not seasonally adjusted).

The foundations of the economy in the Huntsville metropolitan area are the government sector, which includes Redstone Arsenal, a U.S. Army facility located approximately 5 miles southwest of the city of Huntsville, and the professional and business services sector, which includes a significant number of firms located approximately 10 miles west of Huntsville in CRP. The two sectors currently combine to account for 46 percent of nonfarm payroll jobs in the metropolitan area, most of which are related to space and defense industries. The arsenal reports 800 active-duty army soldiers—who are not included in nonfarm payrolls—and 38,000 government and contracted employees, making it the largest source of employment in the Huntsville metropolitan area. Other organizations that have a significant presence in the arsenal include the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), the Federal Bureau of Investigation (FBI), the Defense Intelligence Agency (DIA), and the U.S. Army Aviation and Missile Command (AMCOM). Among the companies in CRP are The Boeing Company, Northrop Grumman Corporation, ADTRAN, Inc., Science Applications International Corporation (SAIC), along with the headquarters of Dynetics, Inc. The FBI is expanding into a new campus, anchored around an innovation center, which is expected to be complete in 2023, bringing 4,000 jobs to the area.

The COVID-19 pandemic had less of an effect on nonfarm payrolls in the Huntsville metropolitan area than in the state or the nation.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Huntsville Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
U.S. Army/Redstone Arsenal	Government	38,000
Huntsville Hospital Health System ACO, LLC	Education & Health Services	9,350
NASA/Marshall Space Flight Center	Government	6,000

Notes: Excludes local school districts and active-duty military personnel. Redstone Arsenal includes contracted employees.

Sources: Huntsville/Madison County Chamber; Limestone County Economic Development Association

Sales Market Conditions

The sales housing market in the Huntsville metropolitan area is tight, unchanged from a year ago. The sales vacancy rate is currently estimated at 1.0 percent, down from 2.5 percent in 2010 when the market was soft. During the 12 months ending February 2022, new home sales rose less than 1 percent compared with the year before (CoreLogic, Inc.). Existing home sales also rose less than 1 percent, following an increase of 1 percent the previous year. The increase in home sales in the 12 months ending February 2022 coincided with a decline in available inventory to 1.5 months of supply from 2.0 months of

supply a year earlier (Redfin, a national real estate brokerage). The percentage of home loans in the Huntsville metropolitan area that were seriously delinquent or had transitioned into real estate owned (REO) status declined from 2.8 percent in February 2021 to 1.2 percent in February 2022 (CoreLogic, Inc.). The decline in the rate primarily reflects a decline in loans in forbearance from a year earlier when the economic contraction during the COVID-19 pandemic made it more difficult for some homeowners to stay current on their mortgage payments. The current rate of 1.2 percent is significantly below the peak of

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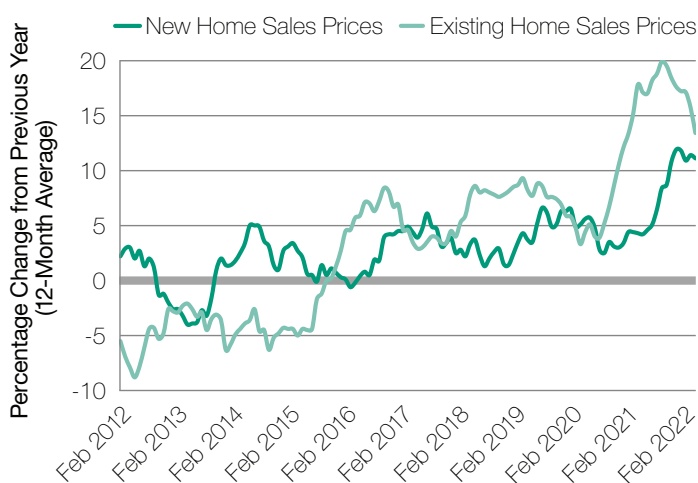
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4.0 percent during January 2012 and less than the current rates of 2.1 percent for Alabama and 1.7 percent for the nation.

During the 12 months ending February 2022—

- New homes sold totaled 3,400, up less than 1 percent from 12 months earlier and significantly higher than the average of 2,250 a year from 2015 through 2019 (CoreLogic, Inc., with adjustments by the analyst).
- Existing home sales totaled 14,950, a slight increase compared with the previous year. Sales of existing homes increased an average of 10 percent a year from 2015 through 2019.

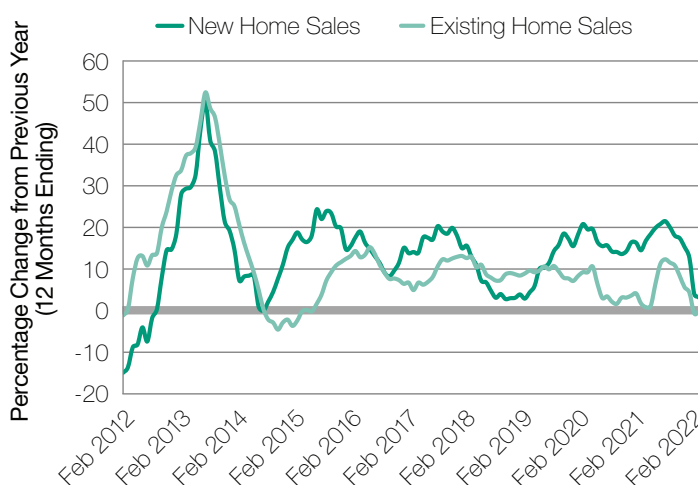
New and existing sales prices in the Huntsville metropolitan area have been rising for the past 5 years.



Note: Includes single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst

Growth of new and existing home sales in the Huntsville metropolitan area has slowed during the past 6 months.



Note: Includes single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst

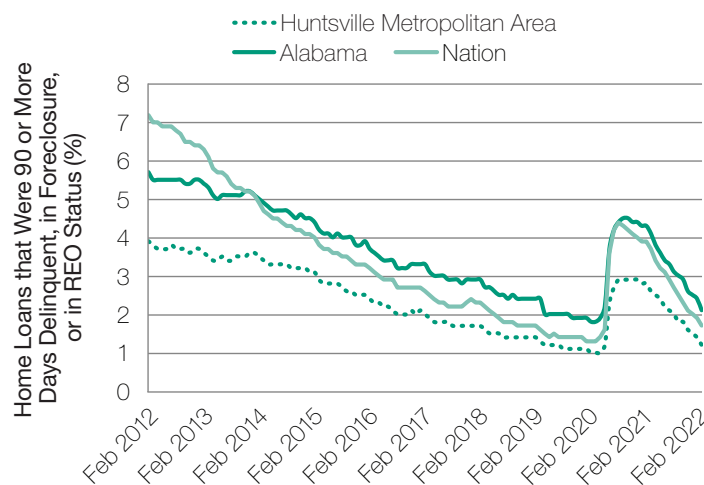
- The average sales price for new homes was \$344,400, up 11 percent from \$310,000 a year earlier and 32 percent higher than the previous peak of \$261,500 in 2007.
- The average sales price for existing homes was \$250,400, an increase of 13 percent compared with the year earlier. The average price for existing homes increased an average of 4 percent a year from 2014 through 2019.

Single-family home construction activity, as measured by the number of single-family homes permitted, has only recently reached levels comparable with the previous peak in 2006. The fewest number of homes were permitted in 2014 as the metropolitan area absorbed excess inventory from the housing crisis, but construction of for-sale homes has increased every year since 2015. Despite the increased homebuilding activity, as measured by the number of single-family homes permitted, the supply of new homes has not met demand, contributing to tight market conditions.

- The number of single-family homes permitted increased to a record 4,275 during 2021, up 1 percent from the number of homes permitted during 2020 (preliminary data). Single-family homebuilding increased an average of 14 percent annually from 2015 through 2019 after the excess housing from the housing crisis of the late 2000s was absorbed.
- During 2021, approximately 89 percent of single-family homes built in the metropolitan area were in Madison County, down from 95 percent in 2013. From 2016 through

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Compared with Alabama and the nation, the Huntsville metropolitan area generally had a lower rate of seriously delinquent mortgages and REO properties since 2012.



REO = real estate owned.

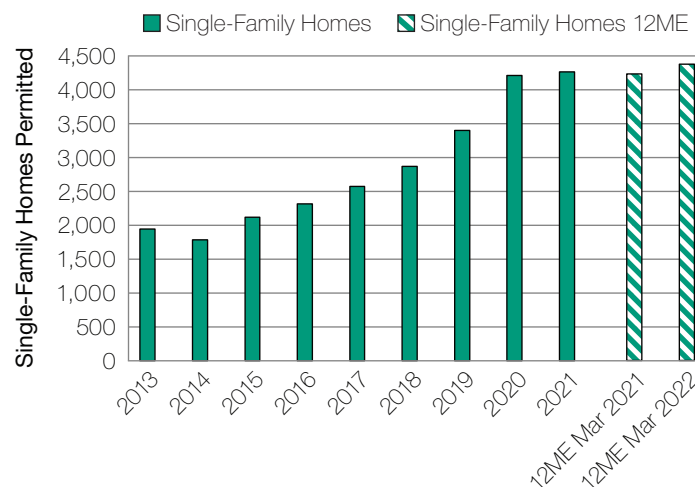
Source: CoreLogic, Inc.

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2020, Limestone County averaged 7 percent of single-family homes built in the metropolitan area.

- The Huntsville metropolitan area has several luxury developments under construction. Among the most recent is Hays Farm-The Forest, a new master-planned single-family home development in the city of Huntsville, with approximately 175 single-family home lots. The development recently began construction, with three-to-seven-bedroom homes priced from \$574,900 to \$654,900.

Single-family homes permitted in the Huntsville metropolitan area have grown each of the past 7 years.



12ME = 12 months ending.

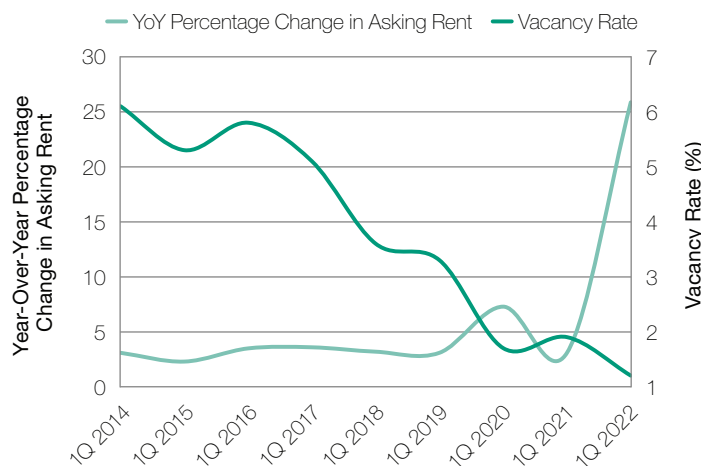
Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Rental Market Conditions

The apartment market in the Huntsville metropolitan area is tight. The vacancy rate increased slightly to 1.9 percent in the first quarter of 2021 before dropping to a historically low rate of 1.2 percent in the first quarter of 2022 (Moody's Analytics REIS). The vacancy rate peaked in 2010 at 9.0 percent when the market was soft. Despite an increase in multifamily construction since 2016, stronger in-migration to the metropolitan area has contributed to the tightening apartment market. From 2016 to 2020, the average apartment rent increased steadily at an average rate of 4 percent a year to \$817. Rents spiked during the past 2 years, increasing an average of 14 percent annually.

- The apartment market is the tightest it has been on recent record. During the first quarter of 2022, the apartment vacancy rate dropped to 1.2 percent, the lowest vacancy rate in at least 15 years (Moody's Analytics REIS).
- During the first quarter of 2022, the average apartment rent increased to \$1,060, a 26-percent increase from the same period a year earlier, the largest year-over-year percentage increase in more than a decade.
- Single-family homes account for a substantial portion of the occupied rental inventory in the metropolitan area. In 2019, approximately 33 percent of renter-occupied units in the metropolitan area were single-family homes—down less than 1 percentage point from 2010 (ACS 1-year data).

Rents in the Huntsville metropolitan area rose while the vacancy rate decreased during the past year.



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

Source: Moody's Analytics REIS

Apartments are becoming more important in the metropolitan area; approximately 48 percent of households lived in buildings with 5 or more units in 2019, up from 41 percent in 2010.

- UAH added housing for 1,400 students in three separate dormitories that were built from 2016 to 2018. First-year

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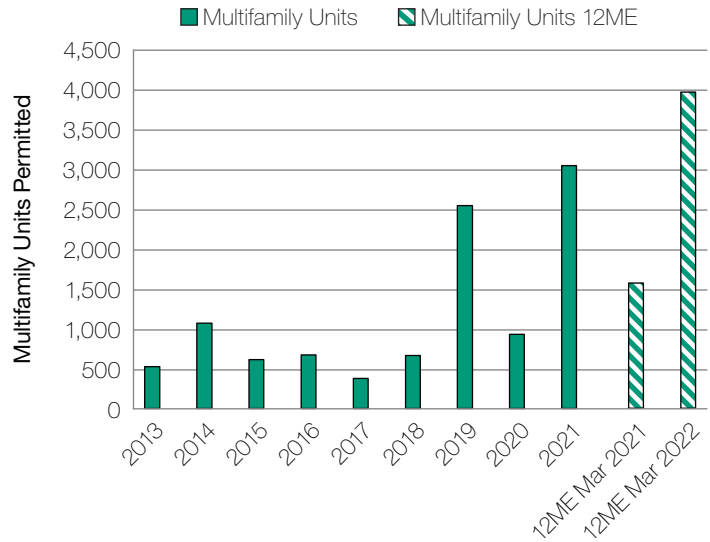
students are required to stay on campus (UAH). The university has no plan to build more housing in the near future. Approximately 7,900, or 79 percent, of students live off-campus and make up an estimated 12 percent of renter households in the metropolitan area.

The Huntsville metropolitan area only recently increased rental-housing production in the form of 2 years of robust multifamily construction activity. From 2015 through 2018, an average of 580 multifamily units were permitted a year. In 2019, 2,550 multifamily units were permitted, up from 670 in 2018. In anticipation of the considerable number of new units under construction, and during the uncertainty due to the pandemic, permitting decreased to 930 multifamily units in 2020. In 2021, the previous record was surpassed as the number of units permitted rose to 3,050, partly in response to the announcement of the FBI expansion at Redstone Arsenal.

- During the 12 months ending March 2022, the number of multifamily units permitted totaled 3,975—an increase of 2,400, units, or 152 percent, from the previous 12 months (preliminary data).
- Out of the 3,600 multifamily units under construction as of April 1, 2022, 74 percent are in the city of Huntsville, and the rest are located in the city of Madison. The most recently completed multifamily development in Limestone County included 56 units and was completed in 2019.
- The city of Huntsville has actively promoted mixed-use developments such as Constellation Huntsville, which is under construction near downtown Huntsville. Rents at

the 220-unit property currently start at \$1,235, \$1,386, \$1,970, and \$2,842 for studio, one-bedroom, two-bedroom, and three-bedroom units, respectively. Several additional large mixed-use properties, including Encore MidCity, Metronome at MidCity, MidCity District, and Novare Madison, are under construction in the city.

Multifamily units permitted in the Huntsville metropolitan area have reached a new high during the 12 months ending March 2022.



12ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

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	Include resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Include single-family, townhome, and condominium sales.
Rental Market/Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
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 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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