

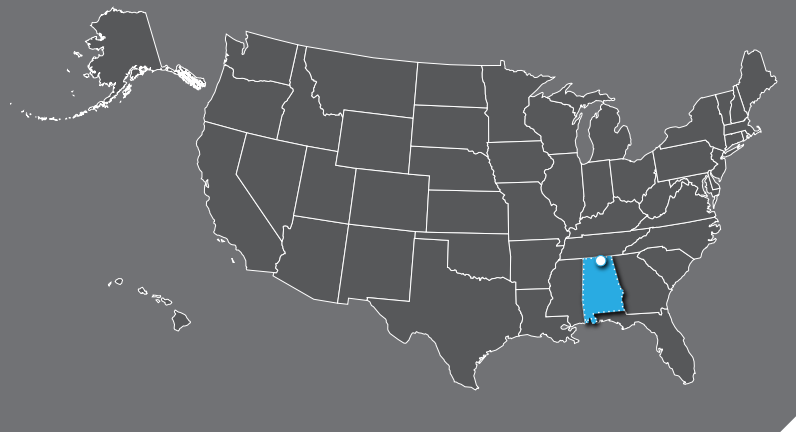
HUD PD&R Housing Market Profiles

Huntsville, Alabama



Quick Facts About Huntsville

- Current sales market conditions: balanced
- Current rental market conditions: very soft
- The U.S. Army Redstone Arsenal is located in the southwest part of the city of Huntsville and has an estimated direct economic impact of \$30.8 billion a year on the state of Alabama. The FBI campus at the arsenal is expanding, with plans to add another 1,000 jobs by 2026 (Federal News Network).



By [Alex M. Remillard](#) | As of January 1, 2024

Overview

The Huntsville, AL Metropolitan Statistical Area (hereafter, Huntsville metropolitan area) consists of Limestone and Madison Counties in northern Alabama. The city of Huntsville is the most populous in the state, with a diversified economy centered around the Redstone Arsenal, Cummings Research Park, and a large manufacturing presence. Although Redstone Arsenal is the largest employer in the area, Huntsville Hospital is the largest private employer, and Cummings Research Park contains more than 300 companies supporting more than 26,000 jobs. Cummings Research Park is the second largest research park in the country and includes The University of Alabama in Huntsville, HudsonAlpha Institute for Biotechnology, and Lockheed Martin Corporation as tenants. The research park generates an economic impact second only to Redstone Arsenal (Fox 54 News).

- As of January 1, 2024, the population of the metropolitan area is estimated to be 533,800, representing an average annual increase of 11,250, or 2.2 percent, since April 2020. By comparison, from July 2017 to April 2020, the average annual increase was 10,450, or 2.2 percent (U.S. Census

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Bureau population estimates as of July 1, U.S. Census Bureau decennial census counts, and estimates by the analyst).

- From April 2020 to January 1, 2024, net natural increase (resident births minus resident deaths) averaged 630 people annually, down from the average annual increase of 1,100 people from July 2017 to April 2020. Net in-migration has averaged 10,600 people a year since April 2020, up from an average of 9,375 people a year from July 2017 to April 2020.

Economic Conditions

Economic conditions in the Huntsville metropolitan area are currently strong, with the largest payroll increases during the past year in the professional and business services and the government sectors. As of the fourth quarter of 2023, nonfarm payrolls averaged 280,900 jobs, up by 8,800 jobs, or 3.2 percent, from the same period in 2022. Payroll growth as of the fourth quarter of 2023 was slower than the increase of 13,800 jobs, or 5.3 percent, a year earlier, but that growth was much greater than the 1.9-percent changes for both the nation and the HUD Southeast/Caribbean region. Nonfarm payrolls in the metropolitan area as of the fourth quarter of 2023 surpassed payroll levels as of the fourth quarter of 2019 by 31,400 jobs, or 12.6 percent—well above the respective percentage increases for the nation and the Southeast/Caribbean region of 3.5 and 6.4 percent.

As of the fourth quarter of 2023—

- The two largest sectors in the metropolitan area are the professional and business services and the government sectors, which both increased by 2,400 jobs compared

with the same period in 2022, representing increases of 3.6 and 4.4 percent, respectively.

- The financial activities and the leisure and hospitality sectors were the fastest growing payroll sectors, both increasing 6.0 percent from the fourth quarter of 2022, or by 500 and 1,300 jobs, respectively. Job growth in the financial activities sector accelerated from 3.7 percent, or 300 jobs, the previous year, due in part to JPMorgan Chase Bank, N.A., and BankFirst Financial Services opening two offices each in the metropolitan area.
- The number of jobs in the transportation and utilities sector decreased by 1,300 jobs, or 17.3 percent, from the fourth quarter of 2022, partly because of the bankruptcy of Yellow Corporation, which closed an office in Madison County, and because of a fire that closed an Amazon distribution center that had employed about 900 full-time workers.

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Most sector payrolls in the Huntsville metropolitan area increased as of the fourth quarter of 2023, but the transportation and utilities and the wholesale and retail trade sectors had fewer jobs compared with the year before.

	Fourth Quarter		Year-Over-Year Change	
	December 2022 (Thousands)	December 2023 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	272.1	280.9	8.8	3.2
Goods-Producing Sectors	43.9	46.0	2.1	4.8
Mining, Logging, & Construction	10.4	10.7	0.3	2.9
Manufacturing	33.5	35.3	1.8	5.4
Service-Providing Sectors	228.2	234.9	6.7	2.9
Wholesale & Retail Trade	34.4	34.0	-0.4	-1.2
Transportation & Utilities	7.5	6.2	-1.3	-17.3
Information	2.7	2.7	0.0	0.0
Financial Activities	8.4	8.9	0.5	6.0
Professional & Business Services	66.6	69.0	2.4	3.6
Education & Health Services	23.3	24.5	1.2	5.2
Leisure & Hospitality	21.6	22.9	1.3	6.0
Other Services	8.9	9.3	0.4	4.5
Government	54.9	57.3	2.4	4.4
Unemployment Rate	1.9%	2.1%		

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

Source: U.S. Bureau of Labor Statistics



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- The labor market in the metropolitan area is tight. The unemployment rate averaged 2.1 percent, up slightly from 1.9 percent during the fourth quarter of 2022. By comparison, the unemployment rate for the nation averaged 3.5 percent during the fourth quarter of 2023, up from 3.4 percent during the same period in 2022.

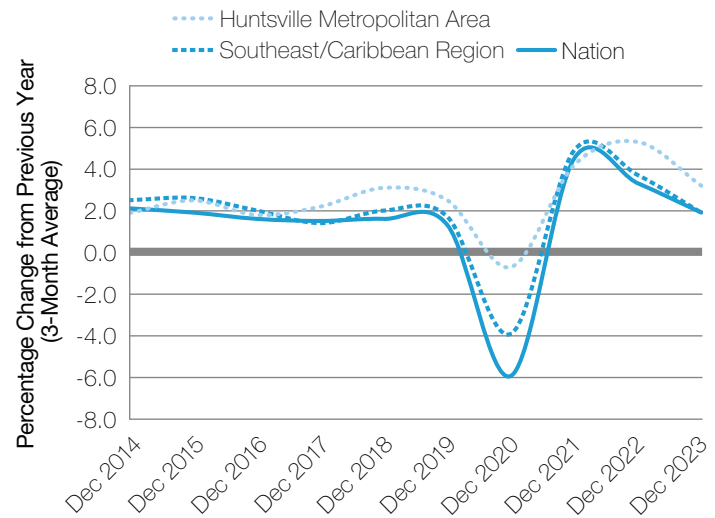
The U.S. Army Redstone Arsenal employs an estimated 38,000 people and is home to Army missile defense and logistics services; NASA space operations, research, development, and test centers; an FBI campus; and homeland security agencies (U.S. Army Redstone Update 2023). Redstone Arsenal is the unofficial “second headquarters” of the FBI, with 1,985 employees as of December 2023, representing 20 of its 30 divisions, and the bureau announced plans in 2021 to increase the number of employees at the arsenal to 5,000 by the end of the decade. Construction is underway to expand the FBI Innovation Center, which will focus on cyber threat intelligence, analytics, and training (*Huntsville Business Journal*). The economic impact of Redstone Arsenal on the Tennessee Valley is heavily concentrated in research and development, which accounted for 42 percent of the Department of Defense (DoD) contracts awarded at the arsenal, compared with 28 percent for architecture and engineering services and 22 percent for aerospace product manufacturing. The focus on scientific research and engineering services is partly responsible for the high levels of educational attainment in the Huntsville metropolitan area, where 44 percent of people older than age 25 had a bachelor’s degree or higher in 2022, compared with 36 and 29 percent for the nation and Alabama, respectively (2022 American Community Survey 1-year data).

Sales Market Conditions

The home sales market in the Huntsville metropolitan area is balanced, with an estimated vacancy rate of 1.4 percent as of January 1, 2024, the same as the vacancy rate in April 2020. During 2020, at the start of the COVID-19 pandemic, the number of sales increased at a moderate pace, and home sales reached a recent high in 2021. During 2021, sales price growth reached the highest point in the past decade, and prices continued to increase through 2023. However, demand for new and existing homes has fallen since 2021, partly because of rising mortgage interest rates. During 2023, sales declined significantly, and price growth slowed significantly. New and existing home sales fell 27 percent to 12,100 homes, and the average home sales price increased 3 percent during 2023, the slowest annual price growth since 2015.

The share of mortgages that were seriously delinquent or had transitioned into real estate owned (REO) status decreased

The rate of nonfarm payroll growth in the Huntsville metropolitan area declined slightly but remained well above the national and regional rates during the fourth quarter of 2023.



Source: U.S. Bureau of Labor Statistics

Major 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	Education & Health Services	10,160
Mazda Toyota Manufacturing, U.S.A., Inc.	Manufacturing	3,500

Note: Excludes local school districts.

Source: Huntsville-Madison County Chamber

to 0.7 percent in December 2023, down from 0.9 percent in December 2022 and well below the 2.9-percent share in December 2020 after the rate increased sharply in the early stages of the pandemic.

During 2023—

- A total of 2,125 new homes were sold in the Huntsville metropolitan area, down 37 percent from the previous year and the lowest number of new home sales since 2,000 new homes were sold during 2016. By comparison, the number of new homes sold decreased by 330 homes, or 9 percent, during 2022 (CoreLogic, Inc., with adjustments by the analyst).
- A total of 9,950 existing homes were sold, down 24 percent from the previous year and the lowest number of existing homes sold since 9,450 existing homes were sold during 2014. The recent decline continued a trend that began during

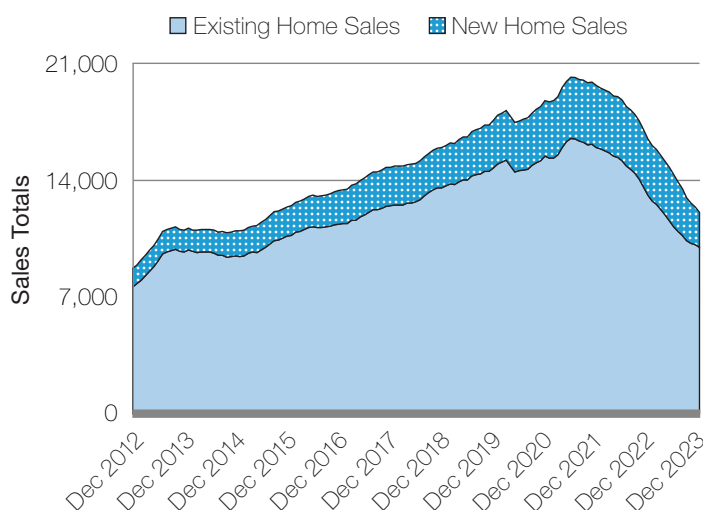
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2022, when the number of existing homes sold decreased by 2,850, or 18 percent, compared with a year earlier.

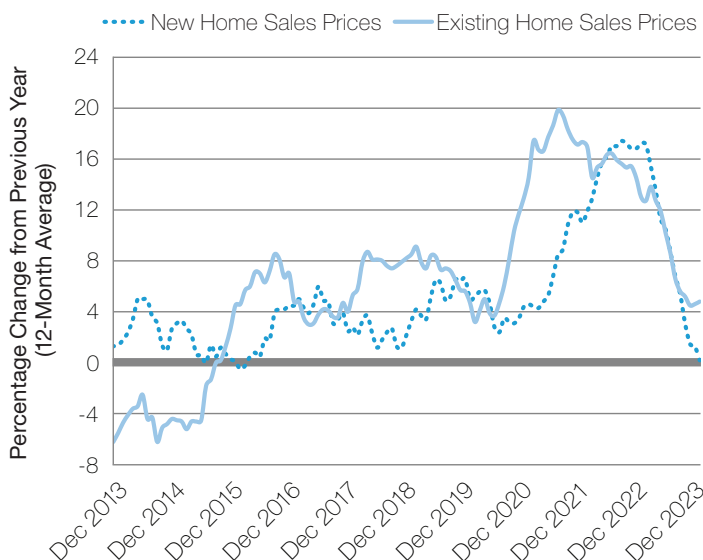
- The average price of a new home increased less than 1 percent compared with the previous year to \$402,500—

Home sales in the Huntsville metropolitan area peaked in 2021 but declined during 2022 and 2023.



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

New and existing home price growth slowed dramatically in the Huntsville metropolitan area during 2023, with new home price growth near zero after reaching the highest rate in the past decade in 2022.



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

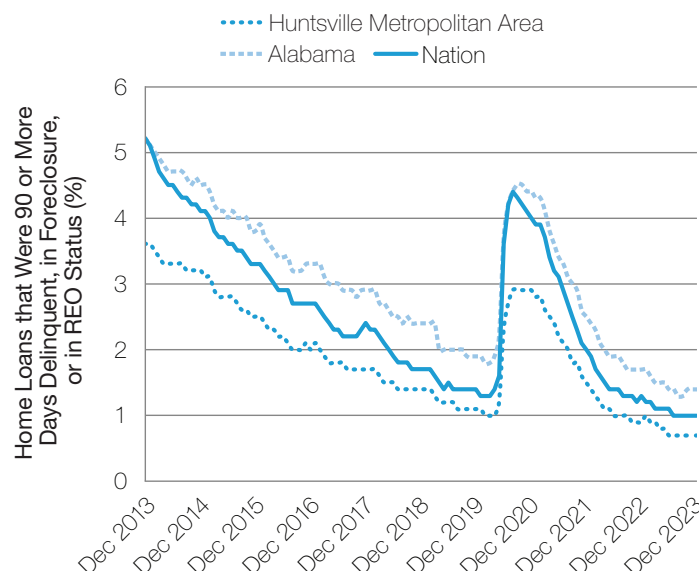
well below the 17-percent increase a year ago. The average price of an existing home increased 5 percent to \$294,500 compared with the previous year—the slowest gain since the 4-percent increase in 2017 and less than one-half the 13-percent increase during 2022.

- Madison County accounted for 9,150 home sales, or 76 percent of total sales in the metropolitan area, and had an average home price of \$318,600, compared with an average home price of \$297,200 in Limestone County. The recent slowdown in price growth, however, occurred primarily in Madison County, where prices increased just 2 percent, slowing from an increase of 17 percent during the previous year. Home sales prices in Limestone County increased 6 percent, slowing from 8 percent during the previous year.

Construction of single-family sales housing in the metropolitan area, as measured by the number of homes permitted, increased beginning in 2018 and reached a recent high in 2021. The number of homes permitted declined in 2022 and continued to decrease during the past year as interest rates increased, price growth slowed, and the market shifted to balanced conditions. During the past year, construction of single-family homes was at its lowest level since 2017.

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The rate of seriously delinquent mortgages and REO properties in the Huntsville metropolitan area has been consistently below the state and national rates and fell below prepandemic levels during 2023.

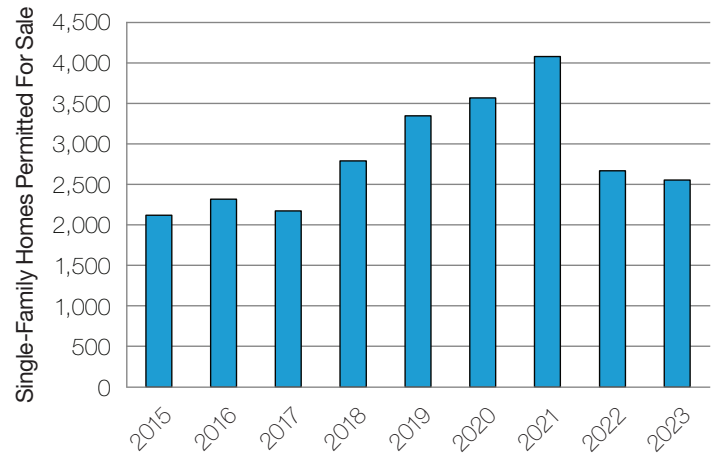


REO = real estate owned.
Source: CoreLogic, Inc.

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- During 2023, approximately 2,550 single-family homes were permitted for sale in the Huntsville metropolitan area, down 5 percent from the 2,675 homes permitted during the previous year (preliminary data, with adjustments by the analyst).
- During 2021, approximately 4,075 homes were permitted for sale, reflecting a significant increase from the average of 2,975 units a year from 2017 through 2020 (annual data, with adjustments by the analyst).
- During 2023, Madison County accounted for 2,300 units, or 90 percent of the single-family homes permitted for sale in the Huntsville metropolitan area. Although 490 single-family homes were permitted in Limestone County, only one-half of those units were permitted for sale; the rest were part of the Parallel 36 at Liberty built-to-rent community.

The number of single-family homes permitted for sale in the Huntsville metropolitan area reached a recent high in 2021 and then decreased significantly as sales demand declined through 2022 and 2023.



Sources: U.S. Census Bureau, Building Permits Survey; 2015–22—final data and estimates by the analyst; 2023—preliminary data and estimates by the analyst

Rental Market Conditions

Rental market conditions in the Huntsville metropolitan area are very soft, largely due to a wave of new apartment construction that began in 2021. As of January 1, 2024, the estimated overall rental vacancy rate is 15.0 percent, reflecting a significant increase from 7.6 percent in April 2020. Continued job growth, including expansions and additions to the list of tenant organizations at Redstone Arsenal, led developers to expect strong renter household growth. Rental housing permitting since 2021 has been at its highest level in more than a decade, partly due to limited barracks housing at the Arsenal. In 2019, the apartment vacancy rate was at the lowest fourth quarter rate in the past decade, but despite overall job gains since 2019, the vacancy rate increased to the highest point in a decade by 2023. The elevated apartment vacancy rate is partially due to a surge in apartment completions that outpaced renter household growth. In 2021, the Air Force announced that Space Command headquarters would relocate to Redstone Arsenal, and at least 1,600 jobs were expected to be transferred to the Huntsville metropolitan area. The decision to relocate Space Command was reversed a year later, contributing to slower-than-expected absorption of new units. Apartment rent growth accelerated rapidly during 2021, with an increase of 7 percent from the fourth quarter of 2020 to the fourth quarter of 2021, due in part to the reduced capacity or closure of dormitories at The University of Alabama in Huntsville and Alabama Agricultural and Mechanical (A&M) University.

During the past year, however, the average apartment rent decreased, partly because of record-high vacancy rates.

As of the fourth quarter of 2023—

- The apartment market was very soft, with a vacancy rate of 16.0 percent, due to the large number of units coming online in recent years. The vacancy rate had increased from 11.9 percent as of the same period in 2022 and the prepandemic rate of 5.6 percent in the fourth quarter of 2019 (CoStar Group).
- The average apartment rent in the Huntsville metropolitan area decreased 2 percent to \$1,243 from the fourth quarter of 2022. The last time fourth quarter rents decreased year over year was in 2009, when rents declined 3 percent.
- Madison County accounted for approximately 90 percent of the apartment units in the metropolitan area and had an average apartment vacancy rate of 14.7 percent, up from 12.4 percent a year before. The increase in the vacancy rate was more dramatic in Limestone County, which had a rate of 27.6 percent, up from 6.9 percent a year earlier, because a small number of new properties had a larger influence on the percentage of units in lease up.
- Limestone County had a higher average apartment rent of \$1,326 compared with \$1,240 in Madison County. In addition, the average apartment rent increased less than

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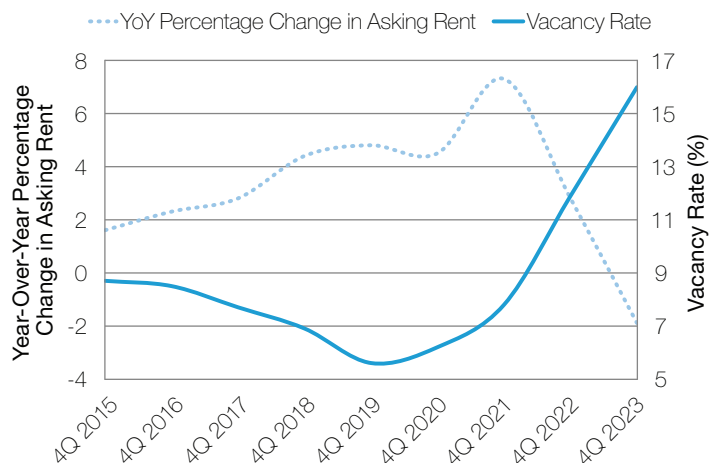
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1 percent from a year earlier in Limestone County, whereas the average rent decreased 2 percent in Madison County during the same period.

Rental construction in the Huntsville metropolitan area, as measured by the number of units permitted, increased during 2023 compared with the year before, continuing a growth trend that began in 2021. The increase in rental permitting during the past 3 years included an increase in the number of single-family homes permitted for rent. During 2022, the number of apartment units permitted decreased compared with the previous year, whereas the number of single-family units permitted for rent increased dramatically during the same period and continued to increase in 2023. The shift in rental construction toward single-family units is partly due to stronger demand for such units, reflected in continued rent growth for those properties compared with apartment rent growth rates, which slowed and turned negative during the past 2 years.

- During 2023, 6,325 rental units were permitted in the metropolitan area, up 13 percent from the 5,575 units permitted during 2022 (preliminary data, with adjustments by the analyst). By comparison, rental permitting averaged 1,600 units annually from 2017 through 2020.
- During 2023, the number of apartment units permitted increased to 4,975 units, up 8 percent from the year before but down 8 percent from the recent high of 5,400 apartment units permitted during 2021.
- During 2023, 1,350 single-family rental units were permitted in the metropolitan area, up 43 percent from the previous year, representing 21 percent of the total rental units permitted in the metropolitan area. By comparison, single-family rentals represented 17 percent of the total number of rental units permitted in the metropolitan area during 2022 and an average of 11 percent from 2020 through 2021.
- Rental construction has been concentrated in Madison County, which accounted for 86 percent of the units permitted during 2023. Madison County had a greater share of apartments and single-family rental units permitted than Limestone County, with 87 and 82 percent of units in the metropolitan area, respectively.

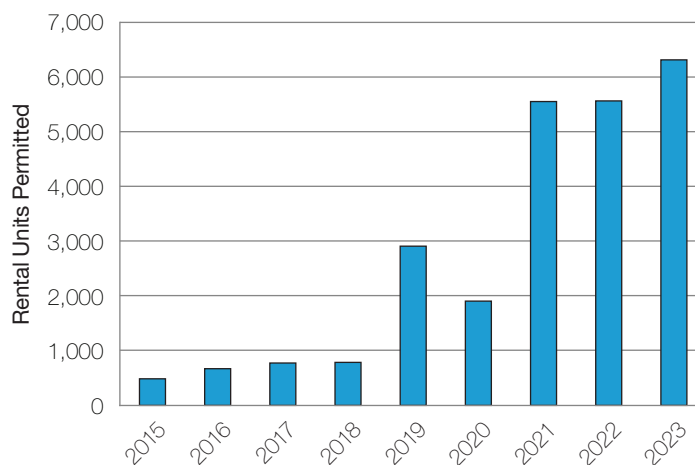
The apartment vacancy rate in the Huntsville metropolitan area reached a recent low in 2019, and strong rent growth continued through 2022, but during the past year, the average rent declined as the average vacancy rate reached a record high.



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

Source: CoStar Group

Rental permitting in the Huntsville metropolitan area increased dramatically in 2021 and continued to increase through 2023 despite rising vacancy rates.



Sources: U.S. Census Bureau, Building Permits Survey; 2015–22—final data and estimates by the analyst; 2023—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Absorption	The net change, positive or negative, in the number of occupied units in a given geographic range.
Apartment Vacancy Rate/Average Monthly Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.
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 real estate owned (REO) sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.
Rental Market/Rental Vacancy Rate	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90 or more 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.
2.	The HUD Southeast/Caribbean region includes Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, and the U.S. Virgin Islands.