Huntsville, Alabama

NOTE: This report was written before the April 27, 2011 tornadoes that impacted the area and does not reflect any tornado damage.

The Huntsville metropolitan area, which comprises Limestone and Madison Counties, is located in northern Alabama along the Alabama-Tennessee border, about 100 miles north of Birmingham. The leading employers in the area are the Redstone Arsenal, a U.S. Army garrison and missile research center, and the National Aeronautics and Space Administration’s Marshall Space Flight Center, with 30,000 and 6,500 employees, respectively. As of April 1, 2011, the population of the metropolitan area is estimated at 426,000, an annual increase of 9,000, or 2.2 percent, since July 1, 2006. These figures represent an increased growth rate when compared with the estimated average annual growth rate of 1.8 percent from April 1, 2000, through July 1, 2006. Relocations to the area because of the 2005 Department of Defense Base Closure and Realignment (BRAC) actions have contributed to increased in-migration and population growth since 2006. The most populous cities in the area are Huntsville and Madison, with 43 and 10 percent of the area population, respectively.

Nonfarm payroll jobs in the metropolitan area have declined since 2009, but the rate of job losses has slowed in recent months. During the 12 months ending February 2011, nonfarm payrolls declined by 200 jobs, or 0.1 percent, to 208,300 jobs compared with a decline of 5,200 jobs, or 2.4 percent, in the previous 12 months. The largest job decrease occurred in the manufacturing sector, which lost 3,100 jobs, or 11.7 percent, partly because of the layoff of more than 1,200 employees at Continental Automotive, Inc., since 2009. The government and the mining, logging, and construction sectors gained 2,600 and 900 jobs, or 5.7 and 12.8 percent, respectively, during the 12 months ending February 2011. Since 2006, the 2005 BRAC plan to relocate about 4,600 jobs (mostly civilian) to Redstone Arsenal during a 5-year period has contributed to increased employment in the government sector. Construction of the $1 billion Redstone Gateway, which will add 4.4 million square feet of office space to Redstone Arsenal, contributed to increased employment in the mining, logging, and construction sector. During the 12 months ending February 2011, the average unemployment rate was 7.6 percent, down from the 7.9-percent rate recorded a year earlier. Dynetics, Inc., is building a new $52 million facility in Cummings Research Park, which is expected to add about 350 jobs over the next 3 years.

The sales housing market in the Huntsville metropolitan area is soft because of recent job losses and tight credit market conditions. According to data from the Alabama Center for Real Estate, during the 12 months ending February 2011, new and existing home sales declined by 6 percent to 4,450 compared with the number sold during the previous 12 months, partly because of the expiration of the first-time homebuyer tax credit. The current number of sales is well below the annual average of 6,275 from 2005 through 2007. During the 12 months ending February 2011, the average sales price increased by 5 percent, to $190,400, a historic high, because of increased construction costs. According to LPS Applied Analytics, during February 2011, the percentage of mortgage loans that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) was 3.9 percent, down slightly from the 4.0-percent rate recorded during February 2010.

Single-family homebuilding activity, as measured by the number of building permits issued, has continued to decline, which is a trend that began in 2007. Based on preliminary data, during the 12 months ending February 2010, single-family building permits were issued for 2,150 homes, down 2 percent from 2,200 homes permitted during the previous 12 months. In comparison, from 2003 through 2007, building permits were issued for an average of 3,475 homes annually. Prices for new three-bedroom, single-family homes start at about $100,000. New developments include McMullen Cove and Burwell Gardens, with plans for about 1,400 and 700 homes and prices starting at $280,000 and $100,000, respectively.

Rental housing market conditions in the metropolitan area are soft, with an apartment vacancy rate of 9.4 percent in the fourth quarter of 2010, according to the latest data available from Reis, Inc. This vacancy rate is up from 8.5 percent during the same quarter a year earlier because of the completion of more than 1,700 units from 2008 through 2009. During the fourth quarter of 2010, average rents were $610, an increase of nearly 4 percent when compared with the average rents recorded during the fourth quarter of 2009. This increase was because of strength in the Class A segment of the apartment market. The average apartment rents by number of bedrooms were $540, $640, and $800 for one-, two-, and three-bedroom units, respectively.
Multifamily construction activity, as measured by the number of units permitted, has declined each year since 2007. Based on preliminary data, during the 12 months ending February 2011, about 30 multifamily units were permitted compared with the 580 units permitted during the previous 12 months. The current level of activity is well below the average of 960 units permitted annually from 2007 through 2008 and below the average of 430 units permitted annually from 2000 through 2006. The newest development, which opened in April 2010 is 18 Watercress Green, where rents for the 324 units start at $760, $1,000, and $1,125 for one-, two-, and three-bedroom units, respectively. The 86-unit Gateway Place is currently under construction in downtown Huntsville at a cost of $10 million.