



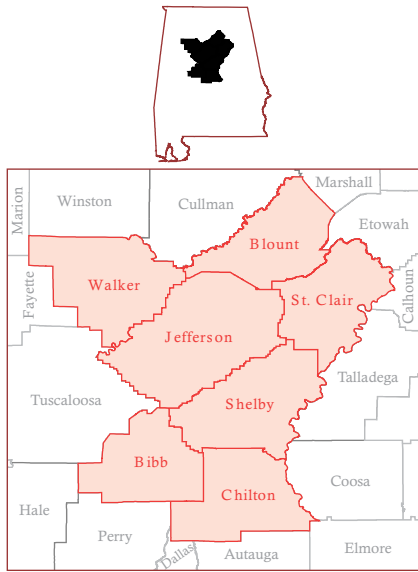
Birmingham-Hoover, Alabama

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2013



Summary

Housing Market Area



The Birmingham-Hoover Housing Market Area (HMA) consists of Bibb, Blount, Chilton, Jefferson, St. Clair, Shelby, and Walker Counties in north-central Alabama. The presence of natural resources and a developed transportation infrastructure has made the HMA attractive to manufacturers and distribution companies. The inter-modal facility that connects the HMA to the Crescent Corridor rail line was completed in October 2012.

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Economy

During the 12 months ending March 2013, nonfarm payrolls in the Birmingham-Hoover HMA increased by 6,000 jobs, or 1.2 percent, to average 501,800 jobs. The professional and business services, manufacturing, and education and health services sectors led job gains during the 12-month period ending March 2013. During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 1.1 percent annually. The largest employers in the HMA are the University of Alabama at Birmingham (UAB), Regions Financial Corporation, and AT&T Inc., with 21,550, 6,000, and 5,750 employees, respectively.

Sales Market

The sales housing market in the HMA is soft. During the 12 months ending March 2013, 2,600 new and existing single-family homes sold, including townhomes, up 11 percent from the previous year, and the average new home sales price was up 11 percent, to \$192,800. During the forecast period, demand is expected for 2,175 new homes. In addition to the 600 units under construction, a portion of the estimated 31,300 other vacant units may come back on the market and satisfy some of this demand (Table 1).

Rental Market

Despite a decline in apartment construction since 2008, the rental housing market in the HMA is soft, with an estimated overall rental vacancy rate of 10.1 percent. During the first quarter of 2013, the average rent in the HMA was \$756, up 3.1 percent from a year earlier (Reis, Inc.). During the forecast period, demand is expected for 580 new rental units. The 1,000 units under construction are more than sufficient to meet this demand during the forecast period (Table 1).

Table 1. Housing Demand in the Birmingham-Hoover HMA, 3-Year Forecast, April 1, 2013, to April 1, 2016

	Birmingham-Hoover HMA	
	Sales Units	Rental Units
Total demand	2,175	580
Under construction	600	1,000

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2013. A portion of the estimated 31,300 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

Nonfarm payrolls in the Birmingham-Hoover HMA have increased since 2011, after an average annual decline of 13,900 jobs, or 2.6 percent, from 2008 through 2010. From 2008 through 2010, every nonfarm payroll sector recorded losses in the HMA except the education and health services, government, and other services sectors. During the 12 months ending March 2013, nonfarm payrolls increased by 6,000 jobs, or 1.2 percent, to average 501,800 jobs (Table 2). The increase in the number of jobs is primarily because of gains in the

professional and business services and the manufacturing sectors, which increased by 2,000 and 1,800 jobs, or 3.3 and 5.1 percent, respectively. The only sectors reporting losses during the 12 months ending March 2013 were the government, information, and wholesale and retail trade sectors, with declines of 1,900, 200, and 100 jobs, or 2.3, 2.2, and 0.1 percent, respectively. During this period, the unemployment rate averaged 6.4 percent, improved from 7.4 percent during the previous 12 months (Figure 1). The unemployment rate averaged 3.9 percent from 2000 through 2008 before increasing to average 9.0 percent in 2009 and 2010.

The professional and business services sector continued to expand during the 12 months ending March 2013 after a decline that ended in 2011. From 2006 through 2010, the sector recorded an average decline of 2,200 jobs, or 3.3 percent, annually. Since the economy began to improve in 2011, the professional and business services sector has grown by an average of 1,700 jobs, or 2.8 percent, annually, accounting for approximately 38 percent of all job growth in the HMA. The administrative and support industry has been responsible for nearly one-half of the increase in jobs in the sector. Accretive Health, Inc., opened a call center in Jefferson County during 2012, adding 250 jobs.

Nearly 30 percent of the payroll growth during the 12 months ending March 2013, or 1,800 jobs, was in the manufacturing sector. Johnson Controls, an automotive parts manufacturer in Chilton County, invested \$14 million in capital and added 400 jobs. Welding assembly manufacturer Kamtek, a subsidiary of Magna International Inc., expanded in Jefferson County, adding

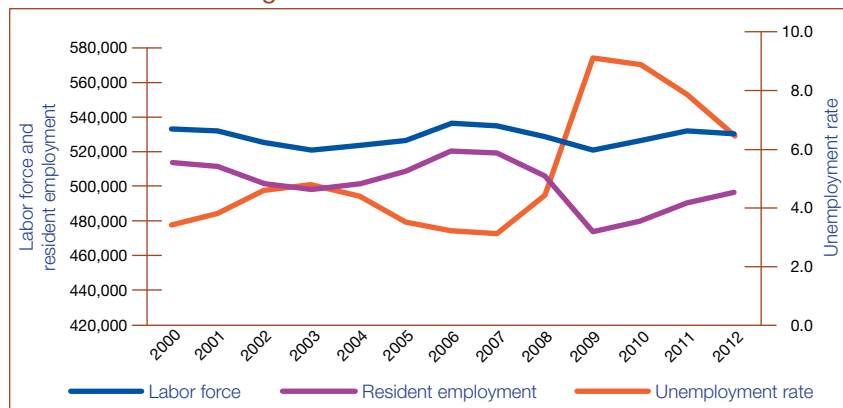
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Birmingham-Hoover HMA, by Sector

	12 Months Ending March 2012	12 Months Ending March 2013	Absolute Change	Percent Change
Total nonfarm payroll jobs	495,800	501,800	6,000	1.2
Goods-producing sectors	63,600	65,700	2,100	3.3
Mining, logging, & construction	28,000	28,400	400	1.4
Manufacturing	35,500	37,300	1,800	5.1
Service-providing sectors	432,200	436,100	3,900	0.9
Wholesale & retail trade	85,300	85,200	- 100	- 0.1
Transportation & utilities	21,000	21,900	900	4.3
Information	9,000	8,800	- 200	- 2.2
Financial activities	40,000	40,800	800	2.0
Professional & business services	61,400	63,400	2,000	3.3
Education & health services	65,900	67,300	1,400	2.1
Leisure & hospitality	43,900	44,600	700	1.6
Other services	23,500	23,800	300	1.3
Government	82,300	80,400	- 1,900	- 2.3

Notes: Based on 12-month averages through March 2012 and March 2013. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Birmingham-Hoover HMA, 2000 Through 2012



Source: U.S. Bureau of Labor Statistics

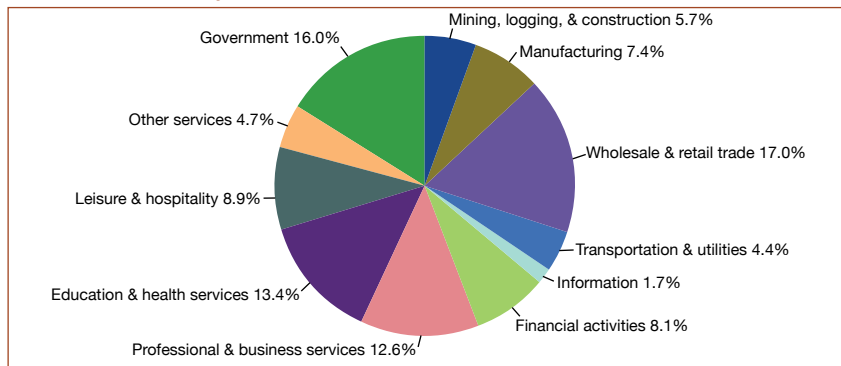
150 jobs. Automotive parts manufacturer Amtex, Inc., a Hayashi Telempu Company subsidiary, expanded in Walker County, adding 110 jobs. Boatright Companies, Inc., which manufactures crossties, expanded in Chilton County, adding 100 jobs.

Employment growth in the education and health services sector continued during the past year, because the HMA serves as a medical hub for the region. From 2000 to 2010, the number of people 62 years old and older, a portion of the population who use a considerable

amount of health services, increased 33 percent, to 182,200. The education and health services sector, which includes three of the six largest private employers, accounts for 13.4 percent of all nonfarm payroll jobs in the HMA (Figure 2). In addition to adding 1,400 jobs, or 2.1 percent, during the 12 months ending March 2013, the sector has added an average of 1,000 jobs, or 1.5 percent, annually since 2000. Figure 3 displays sector growth in the HMA, by percentage change, from 2000 to the current date.

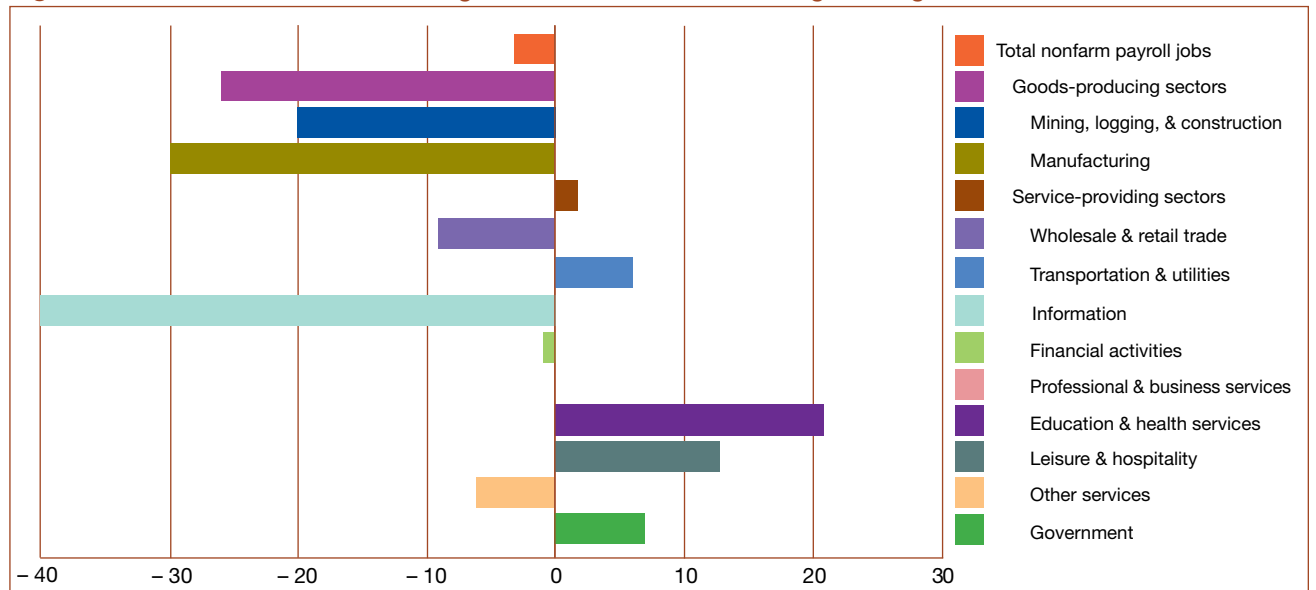
The transportation and utilities sector added 900 jobs during the 12 months ending March 2013. Norfolk Southern Corp. completed the \$97 million Birmingham Regional Intermodal Facility in October 2012, which is expected to create 200 direct jobs during 2013 and more than 8,600 direct and indirect jobs during the next decade, while the Crescent Corridor rail line connecting Louisiana to New Jersey is built. Adding to the number of new facilities in the HMA, Walter Energy

Figure 2. Current Nonfarm Payroll Jobs in the Birmingham-Hoover HMA, by Sector



Note: Based on 12-month averages through March 2013. Source: U.S. Bureau of Labor Statistics

Figure 3. Sector Growth in the Birmingham-Hoover HMA, Percentage Change, 2000 to Current



Notes: Current is based on 12-month averages through March 2013. During this period, jobs in the professional and business services sector showed no net change.

Source: U.S. Bureau of Labor Statistics

Inc., a mining company, built a \$37 million barge-loading facility in 2012 in Walker County, adding nearly 150 jobs to the transportation and utilities sector.

Government sector payrolls have declined in the HMA since 2010. During the 12 months ending March 2013, the government sector declined by 2,000 jobs, or 2.4 percent, to 80,400 jobs. In 2010 and 2011, government sector payrolls declined by 1,400 and 1,800 jobs, respectively, in part because of excessive debt incurred by Jefferson County from financing the county-owned sewer system. In 2011, Jefferson County filed for bankruptcy, seeking

\$4.2 billion in debt relief. The county is in negotiations with creditors in an effort to exit chapter 9 bankruptcy by mid-2013 to late 2013.

The largest employer in the HMA, UAB, which includes the University of Alabama Medical Center, employs 21,550 workers and had an economic impact on the HMA of \$1.6 billion in 2010 (Tripp Umbach, Inc.; Table 3). During the past 2 years, UAB increased payrolls by an average of 1,400 jobs annually and increased enrollment by an average of 400 students annually. UAB plans to continue enrollment growth at the same rate through the next decade.

During the 3-year forecast period, non-farm payrolls in the HMA are expected to increase an average of 1.1 percent annually, increasing from 0.8 percent in the first year to 1.5 percent in the third year. The manufacturing and the education and health services sectors are expected to continue to add jobs, offset by continued losses in the government sector as Jefferson County adjusts to financial constraints.

Table 3. Major Employers in the Birmingham-Hoover HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Alabama at Birmingham	Government	21,550
Regions Financial Corporation	Financial activities	6,000
AT&T Inc.	Information	5,750
St. Vincent's Health System	Education & health services	4,700
Baptist Health System, Inc.	Education & health services	4,000
Children's of Alabama	Education & health services	3,650
Southern Nuclear	Transportation & utilities	3,200
Alabama Power Company	Transportation & utilities	3,000
Blue Cross and Blue Shield of Alabama	Financial activities	3,000
BBVA Compass Bancshares, Inc.	Financial activities	2,800

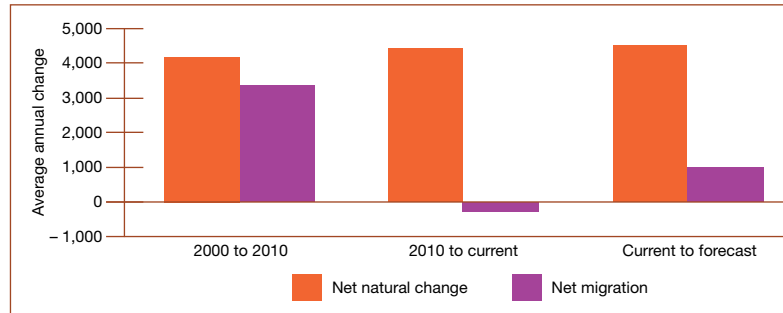
Note: Excludes local school districts.

Source: Birmingham Business Alliance

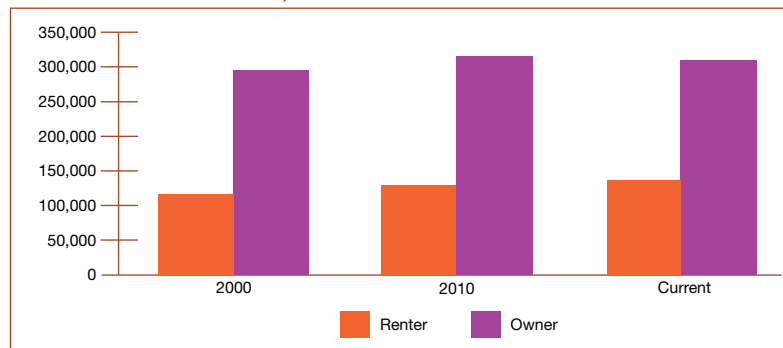
Population and Households

The population in the Birmingham-Hoover HMA has grown steadily since 2000 (Table DP-1 at the end of this report). As of April 1, 2013, the estimated population of the HMA is 1.14 million, which reflects an average annual increase of 4,325, or 0.4 percent, since April 1, 2010. During the previous decade, population growth was strongest from 2005 through 2009, at an average of 9,400 people, or 0.9 percent, annually

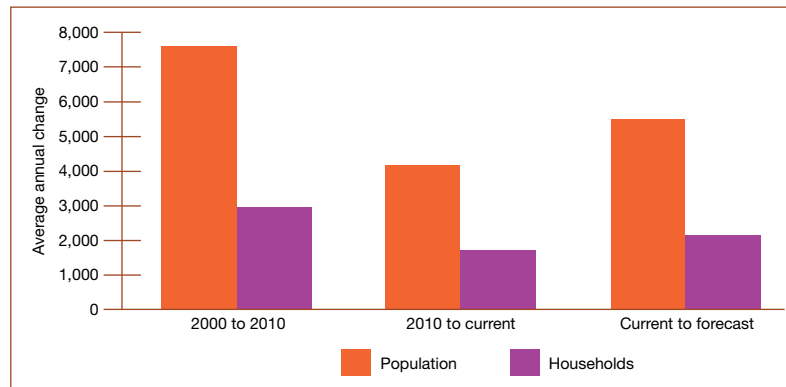
compared with population growth of 6,225 people, or 0.6 percent, during the period from 2000 to 2005. The stronger growth from 2005 through 2009 was partly because of greater employment growth in the mid-2000s. Net in-migration accounted for an estimated 51 percent of the population increase from 2005 through 2009, because people moved to the HMA in search of jobs (Figure 4). Although most people moving into the HMA

Population and Households *Continued***Figure 4.** Components of Population Change in the Birmingham-Hoover HMA, 2000 to Forecast

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Number of Households by Tenure in the Birmingham-Hoover HMA, 2000 to Current

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 6. Population and Household Growth in the Birmingham-Hoover HMA, 2000 to Forecast

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

are from other areas in Alabama, significant migration has also resulted from people relocating from California, Florida, Georgia, and Michigan. From 2010 to the current date, population growth decreased because of net out-migration resulting from the effects of job losses in 2009. As the economy improves during the next 3 years, net in-migration, which resumed in 2012, is expected to continue, and population growth is expected to increase to average 5,325 people, or 0.5 percent, annually.

From 2000 to 2010, the number of households in the HMA increased by an average of 2,950, or 0.7 percent, annually. By contrast, from 2010 to the current date, net out-migration diminished the average annual increase in the number of households to 1,625, or 0.4 percent, to an estimated 446,800 households. Tighter lending standards and worsening economic conditions after the housing crisis made home-ownership more difficult. In April 2013, 69.3 percent of households were owner occupied, down from 70.6 percent in 2010 and 72.0 percent in 2000. Figure 5 shows the number of households by tenure. From the current to the forecast dates, the number of households in the HMA is expected to increase by an average of 2,100, or 0.5 percent, annually (Figure 6).

Housing Market Trends

Sales Market

The sales housing market in the Birmingham-Hoover HMA is soft, with an estimated vacancy rate of 3.0 percent, unchanged compared with the rate recorded in April 2010 but greater than the 1.9-percent rate recorded in April 2000. The high vacancy rate in the HMA is attributable to overbuilding from 2003 through 2006 and the ensuing period of reduced demand caused by net out-migration from 2009 through 2012. During the 12 months ending March 2013, approximately 2,750 new and existing single-family homes, including townhomes, sold, up 14 percent from the 2,425 homes sold during the previous 12 months (Hanley Wood, LLC). By comparison, from 2008 through 2011, an average of 3,850 new and existing single-family homes, including townhomes, sold annually, down significantly from the average of 7,900 sold annually from 2005 through 2007. During the 12-month period ending March 2013, the average sales price of an existing single-family home rose 11 percent, to \$159,400, down significantly from the average of \$208,400 recorded from 2005 through 2008. During the same period, the average sales price of a new single-family home increased 13 percent, to \$193,100, down significantly from the average of \$232,200 from

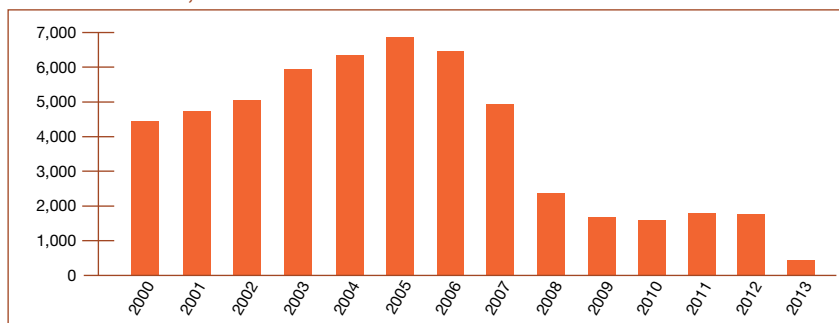
2005 through 2007. Nearly one-third of new homes sold in the HMA are in the city of Chelsea, southeast of Birmingham in Shelby County, where most new homes sell for between \$160,000 and \$200,000. As of March 2013, 6.6 percent of home loans in the HMA were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), an improvement from 6.8 percent in March 2012 (LPS Applied Analytics). The rate of distressed loans in the HMA remains slightly greater than the state rate of 6.2 percent and slightly less than the national rate of 7.0 percent.

Paralleling employment growth patterns since 2000, single-family homebuilding activity, as measured by the number of homes permitted, averaged 5,050 homes annually from 2000 through 2003, increased to average 6,150 homes annually from 2004 through 2007, then declined each year to a decade low of 1,575 homes during 2010 (Figure 7). During the 12 months ending March 2013, 1,800 single-family homes were permitted, unchanged from the previous 12 months (preliminary data).

One of the fastest growing communities in the HMA is Legacy Springs, northeast of Birmingham in St. Clair County. Construction in Legacy Springs began in 2008, and more than 200 homes have been completed. Plans to develop the 135-acre community include as many as 1,000 homes, with prices starting at \$125,000, that are anticipated to be complete during the next decade.

Population and household growth during the next 3 years are expected to support demand for 2,175 new homes (Table 1). The 600 homes under construction and a portion of

Figure 7. Single-Family Homes Permitted in the Birmingham-Hoover HMA, 2000 to 2013



Notes: Includes townhomes. Includes data through March 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Sales Market *Continued*

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Birmingham-Hoover HMA, April 1, 2013, to April 1, 2015

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	149,999	610	28.0
150,000	199,999	1,075	49.0
200,000	249,999	280	13.0
250,000	299,999	150	7.0
300,000	and higher	65	3.0

Note: The 600 homes currently under construction and a portion of the estimated 31,300 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

the estimated 31,300 other vacant units that may come back on the market will likely satisfy some of the forecast demand. New home sales demand is expected to be strongest for homes priced between \$150,000 and \$199,999 (Table 4). Because of the current supply of vacant available homes and homes under construction, additional new homes will not likely be needed until the third year of the forecast period.

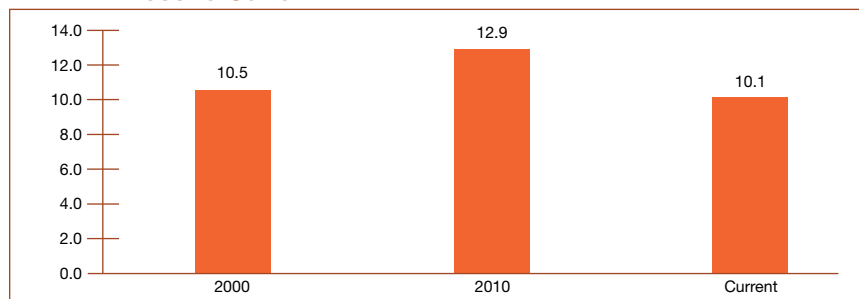
Rental Market

The rental housing market in the Birmingham-Hoover HMA is soft, but it is improving because of reduced apartment construction activity from 2009 through 2011. In March 2013, the estimated overall rental vacancy rate was 10.1 percent, improved from

12.9 percent in April 2010 (Figure 8). From 2004 through 2008, multifamily construction activity, as measured by the number of multifamily units permitted, averaged about 1,225 units a year, more than double the averages of 590 and 510 units permitted annually from 2000 through 2003 and from 2009 through 2011, respectively (Figure 9). During the 12 months ending March 2013, multifamily building permitting activity increased by 140 units, or 17 percent, to 1,000 units permitted compared with the 860 units permitted during the previous 12 months (preliminary data).

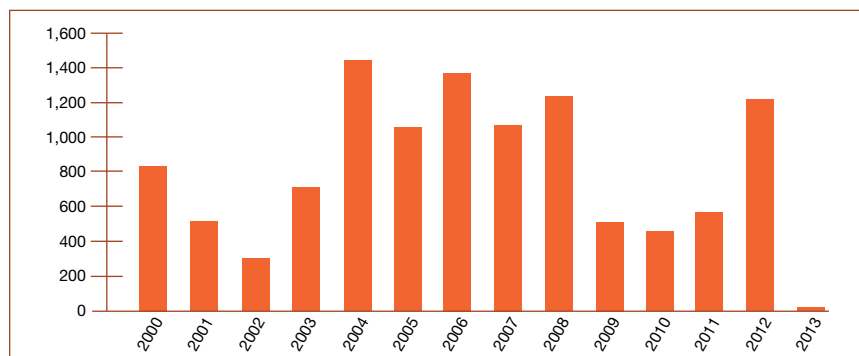
During the first quarter of 2013, the apartment vacancy rate for the HMA was 5.7 percent, improved from 6.6 percent during the first quarter of 2012 (Reis, Inc.). During the first quarter of 2013, apartment rents averaged \$662, \$774, and \$944 for one-, two-, and three-bedroom units, respectively, increases of 3.5, 3.1, and 2.7 percent, respectively, from the average rents reported during the first quarter of 2012, reflecting tightening apartment market conditions (Reis, Inc.). Apartments account for about 40 percent of all rental units in the HMA. UAB

Figure 8. Rental Vacancy Rates in the Birmingham-Hoover HMA, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 9. Multifamily Units Permitted in the Birmingham-Hoover HMA, 2000 to 2013



Notes: Excludes townhomes. Includes data through March 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends
 Rental Market *Continued*

enrolls 18,800 students but provides housing for only about 2,300 students on campus. Although more than 16,500 students live off campus, the rental submarket closest to UAB has the highest apartment rental vacancy rate in the HMA, most likely because of the age and quality of rental properties in the submarket. The submarket surrounding UAB recorded an apartment vacancy rate of 9.4 percent compared with the rate of 5.7 percent for the HMA during the first quarter of 2013.

The Tapestry Park Apartments, a 223-unit property completed in 2012, offers one-, two-, and three-bedroom units with starting rents of \$890, \$1,220, and \$1,500, respectively. The project is the most recently completed apartment

complex in the city of Birmingham. The Hill Apartments in the city of Homewood, also completed in 2012, consists of 122 one-, two-, and three-bedroom units with starting rents of \$1,195, \$1,595, and \$2,195, respectively.

During the 3-year forecast period, after accounting for the current excess supply of vacant available units, demand is expected for 580 additional new market-rate rental units (Table 1). The 1,000 units under construction are more than sufficient to meet the forecast demand for new units in the HMA for the next 3 years (Table 5). Builders should begin construction in the third year of the forecast period to account for anticipated demand during the 12 months ending April 2016.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Birmingham-Hoover HMA, April 1, 2013, to April 1, 2016

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
660 or more	10	740 to 939	110	920 to 1,119	170	990 to 1,189	55
		940 or more	75	1,120 or more	120	1,190 or more	35
Total	10	Total	180	Total	290	Total	90

Notes: Numbers may not add to totals because of rounding. The 1,000 units currently under construction will satisfy the estimated demand.

Source: Estimates by analyst

Data Profile

Table DP-1. Birmingham-Hoover HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	514,714	480,212	496,900	- 0.7	1.5
Unemployment rate	3.4%	8.8%	6.4%		
Nonfarm payroll jobs	517,000	491,800	501,800	- 0.5	0.9
Total population	1,052,238	1,128,047	1,141,000	0.7	0.4
Total households	412,376	441,924	446,800	0.7	0.4
Owner households	296,763	312,004	309,600	0.5	- 0.3
Percent owner	72.0%	70.6%	69.3%		
Renter households	115,613	129,920	137,200	1.2	1.8
Percent renter	28.0%	29.4%	30.7%		
Total housing units	454,338	500,025	503,100	1.0	0.2
Owner vacancy rate	1.9%	3.0%	3.0%		
Rental vacancy rate	10.5%	12.9%	10.1%		
Median Family Income	NA	\$60,900	\$62,000	NA	0.9

NA = data not available.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2013. Median Family Incomes are for 1999, 2009, and 2011.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 4/1/2013—Analyst’s estimates
Forecast period: 4/1/2013–4/1/2016—Analyst’s estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. 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.

For additional data pertaining to the housing market for this HMA, go to http://www.huduser.org/publications/pdf/CMARtables_BirminghamHooverAL_13.pdf.

Contact Information

T. Michael Miller, Economist
Atlanta HUD Regional Office
817–978–9418
timothy.m.miller@hud.gov

This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.