



COMPREHENSIVE HOUSING MARKET ANALYSIS

Birmingham-Hoover, Alabama

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of April 1, 2023



PD&R

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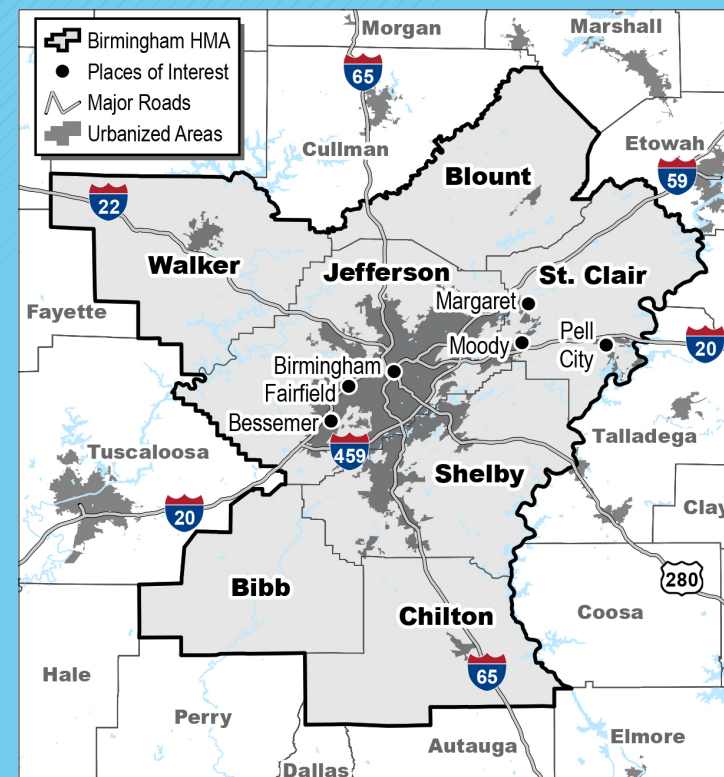
Executive Summary

Housing Market Area Description

The Birmingham-Hoover, Alabama Housing Market Area (hereafter, Birmingham HMA) is coterminous with the Birmingham-Hoover, Alabama Metropolitan Statistical Area (MSA) and includes Bibb, Blount, Chilton, Jefferson, Shelby, St. Clair, and Walker Counties. In the early 20th Century, Birmingham was known as the “Magic City,” because the strength of the iron and steel manufacturing industry led to rapid economic growth. The HMA is centered in the Jones Valley, flanked by mountains with an abundance of natural resources for the manufacture of iron and steel. The previously dominant manufacturing sector now represents a smaller portion of the local economy, which has diversified to include a larger share of jobs in healthcare, higher education, and finance.

The current population of the HMA is estimated at 1.18 million.

The University of Alabama at Birmingham (UAB)—which includes the affiliate medical network, UAB Medicine—is the largest employer in the HMA, with 23,000 employees. During the fall of 2022, the university had an enrollment of approximately 21,650. UAB and UAB Medicine have a combined economic impact of \$8.3 billion on the HMA and \$12.1 billion on the state of Alabama (UAB, 2023).



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).



Market Qualifiers

Economy



Strong: During the 12 months ending March 2023, the professional and business services sector led strong payroll gains, increasing by 2,700 jobs, or 3.7 percent, which exceeded the average growth of 1.9 percent annually from 2014 through 2019 before the pandemic downturn.

During the 12 months ending March 2023, nonfarm payrolls increased 2.1 percent to 556,800 jobs, following a gain of 4.4 percent during the previous 12 months, when the local economy recovered all the jobs lost from the 2020 recession. During the 12 months ending March 2023, the unemployment rate in the Birmingham HMA averaged 2.2 percent, down from 2.8 percent a year earlier. During the 3-year forecast period, nonfarm payrolls are estimated to increase an average of 1.3 percent annually, moderating after strong gains during the recovery from the COVID-19-related recession.

Sales Market



Slightly Tight: Home sales prices increased 6 percent during the 12 months ending March 2023 compared with an 11-percent increase in the previous 12 months, when conditions were tight.

The sales vacancy rate in the HMA is estimated at 1.5 percent as of April 1, 2023, substantially below the 3.0-percent rate in April 2010, when the home sales market was soft. During March 2023, the inventory of unsold homes represented a 2.9-month supply, up from 1.2 months of supply in March 2022 and 1.8 months in March 2021 (UAB Alabama Center for Real Estate). Demand is expected for 8,175 new homes during the forecast period. The 1,350 homes under construction will meet a portion of that demand.

Rental Market



Soft: The rental vacancy rate is currently estimated at 12.1 percent, slightly below the 12.9-percent rate in 2010 in the wake of the Great Recession.

Rental housing market conditions in the HMA are soft. The apartment market is also soft, with a vacancy rate of 11.0 percent as of the first quarter of 2023, up from 8.2 percent a year earlier, while the average apartment rent increased 3 percent to \$1,175 (CoStar Group). Apartment construction has increased markedly since 2019, contributing to soft market conditions. During the forecast period, demand is expected for 2,400 new rental units. The 2,950 units under construction are expected to satisfy all the demand during the forecast period.

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3-Year Housing Demand Forecast			
Birmingham HMA	Sales Units		Rental Units
	Total Demand	8,175	2,400
	Under Construction	1,350	2,950

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2023. The forecast period is April 1, 2023, to April 1, 2026.

Source: Estimates by the analyst



Economic Conditions

Largest Sector: Government

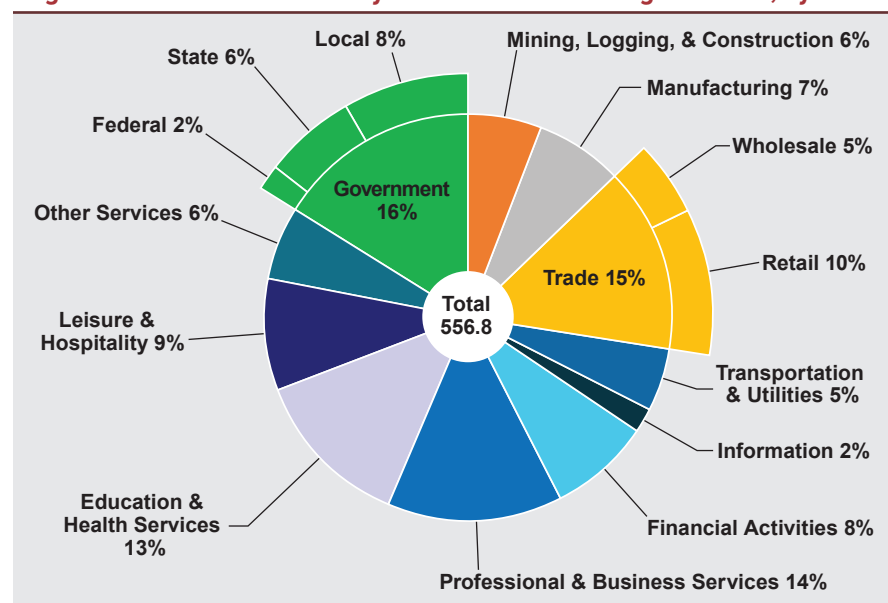
The government sector represents 16 percent of the nonfarm payrolls in the Birmingham HMA and includes UAB and UAB Medicine.

Primary Local Economic Factors

The manufacturing sector in the HMA has benefited from easy access to resources such as dolomite, limestone, iron ore, and coal; proximity to railroad, aircraft, and automobile manufacturing centers; and a well-developed transportation infrastructure that has enabled easy shipment of goods. The HMA became a center for the steel and iron industry in the 1870s to meet the demands of the railroad industry. The iron and steel industries flourished during the early and mid-20th Century, serving the booming automobile and aircraft industries. That growth also supported the coal mining industry in the HMA. Since the 1980s, payrolls in the mining subsector and the manufacturing sector have declined.

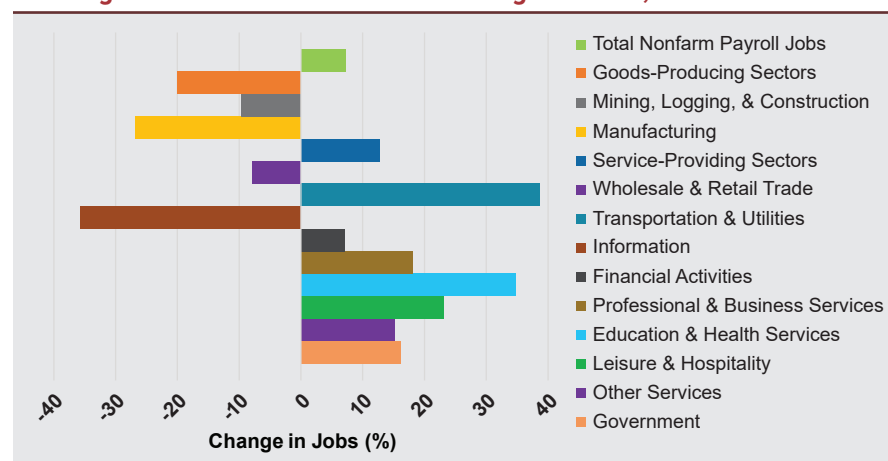
Although the HMA remains a supplier of components to nearby automotive manufacturers, the relative importance of the mining subsector and the manufacturing sector to the local economy has decreased, and service-providing sectors have grown as the local economy continues to diversify. The HMA has abundant outdoor recreation areas and restaurants and a cost of living below the national average, making the HMA attractive to retirees. The aging population supports the education and health services sector—which represents 13 percent of all payrolls, up from 11 percent in 2001 (Figure 1)—and has had the strongest absolute employment growth of all sectors in the HMA, adding 19,000 jobs, or 35 percent, since 2001 (Figure 2). The HMA is a hub for medical services in Alabama. Five of the 10 largest employers in the HMA provide health services (Table 1). UAB Medicine is the eighth largest hospital in the nation and the winner of seven Women’s Choice Awards in medical care (UAB Medicine). As part of The University of Alabama system, UAB Medicine contributes to payrolls in the government sector. The HMA is also a regional center for finance and insurance

Figure 1. Share of Nonfarm Payroll Jobs in the Birmingham HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through March 2023. Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Birmingham HMA, 2001 to Current



Note: The current date is April 1, 2023. Source: U.S. Bureau of Labor Statistics

and home to the headquarters of Regions Financial Corporation, Protective Life Corporation, and Blue Cross and Blue Shield of Alabama. The financial activities sector represents 8 percent of payrolls in the HMA compared with 6 percent nationwide.

Current Conditions— Nonfarm Payrolls

Economic conditions in the HMA are strong, and 10 of the 11 nonfarm sectors added jobs during the past year. However, job gains slowed slightly from the robust economic recovery from the COVID-19 slowdown during the previous year. During the 12 months ending March 2023, nonfarm payrolls increased by 11,400, or 2.1 percent (Table 2), following a gain of 23,200 jobs, or 4.4 percent, during the 12 months ending March 2022. The professional and business services sector led job gains during the 12 months ending March 2023, increasing by 2,700 jobs, or 3.7 percent. The leisure and hospitality and the wholesale and retail trade sectors also had strong job gains, each expanding by 1,800 jobs, or 3.8 and 2.1 percent, respectively. The resumption of construction and infrastructure developments delayed by the pandemic and increased rental construction contributed to job growth in the mining, logging, and construction sector, which added 1,500 jobs, or 4.9 percent. During the 12 months ending March 2023, the manufacturing sector gained 1,200 jobs, or 3.2 percent, following a gain of 1,300 jobs, or 3.5 percent, a year earlier. Small manufacturers

Table 1. Major Employers in the Birmingham HMA

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 & Health Services	5,100
Children's of Alabama	Education & Health Services	5,000
AT&T Inc.	Information	4,525
Brookwood Baptist Health	Education & Health Services	4,450
Blue Cross and Blue Shield of Alabama	Financial Activities	3,100
Alabama Power Company	Transportation & Utilities	3,100
Birmingham VA [Veterans Affairs] Medical Center	Government	2,450
BBVA USA	Financial Activities	2,275

Note: Excludes local school districts.

Source: Birmingham Business Alliance

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Birmingham HMA, by Sector

	12 Months Ending March 2022	12 Months Ending March 2023	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	545.4	556.8	11.4	2.1
Goods-Producing Sectors	68.4	71.1	2.7	3.9
Mining, Logging, & Construction	30.6	32.1	1.5	4.9
Manufacturing	37.8	39.0	1.2	3.2
Service-Providing Sectors	477.1	485.7	8.6	1.8
Wholesale & Retail Trade	84.1	85.9	1.8	2.1
Transportation & Utilities	31.0	28.7	-2.3	-7.4
Information	8.8	9.4	0.6	6.8
Financial Activities	43.2	43.9	0.7	1.6
Professional & Business Services	73.2	75.9	2.7	3.7
Education & Health Services	73.7	74.3	0.6	0.8
Leisure & Hospitality	46.8	48.6	1.8	3.8
Other Services	30.3	31.4	1.1	3.6
Government	86.1	87.6	1.5	1.7

Notes: Based on 12-month averages through March 2022 and March 2023. Numbers may not add to totals due to rounding. Data are in thousands.

Source: U.S. Bureau of Labor Statistics

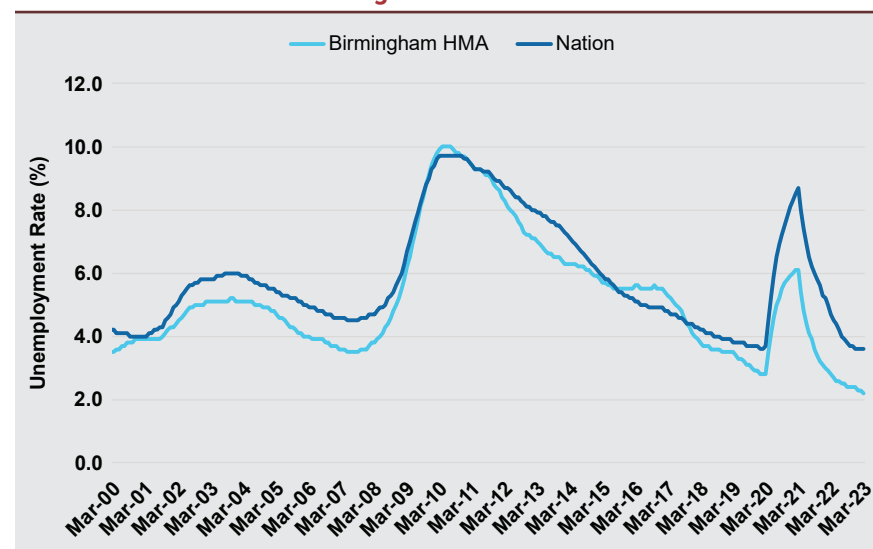
such as SPOC Automation, Inc. and Jones Valley Fabrication, which added 90 and 57 jobs, respectively, during the past year, continue to expand in the HMA. During the 12 months ending March 2023, the education and health services sector increased by 600 jobs, or 0.8 percent, following a gain of 500 jobs, or

0.6 percent, the previous year. Partly offsetting those payroll gains, during the 12 months ending March 2023, the transportation and utilities sector declined by 2,300 jobs, or 7.4 percent, following a gain of 1,200 jobs, or 4.2 percent, the previous year. Strong growth in e-commerce since late 2020, which accelerated during the pandemic, supported growth in this sector, but a recent shift in consumer spending from goods to services has reversed that trend. Despite the recent decline, since 2001, the transportation and utilities sector has led payroll growth in the HMA in percentage terms, expanding 39 percent.

Current Conditions—Unemployment

During the 12 months ending March 2023, the unemployment rate in the HMA averaged 2.2 percent, down from 2.8 percent a year earlier (Figure 3). The unemployment rate rose during the early stages of the COVID-19 pandemic, reaching a high of 6.1 percent during the 12 months ending March 2021, but has since declined. By comparison, the unemployment rate previously peaked at 9.7 percent during 2010 because of the Great Recession. The rate generally declined to a low of 2.9 percent during 2019 as labor market conditions tightened.

Figure 3. 12-Month Average Unemployment Rate in the Birmingham HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

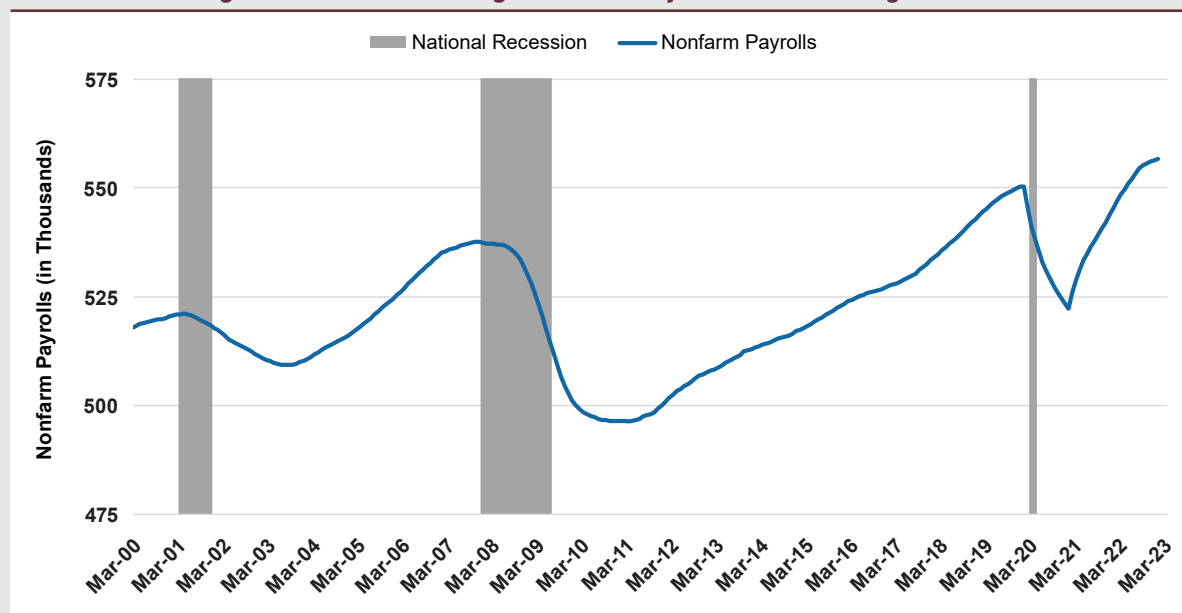
2000 Through 2003: The Dot-Com Bust and Decline in Manufacturing

Nonfarm payrolls totaled 519,800 during 2000 and subsequently declined, partly because of the dot-com recession and weaker manufacturing demand (Figure 4). From 2001 through 2003, nonfarm payrolls decreased by an average of 3,400 jobs, or 0.7 percent, annually, and job losses in the manufacturing sector averaged 3,400 jobs, or 6.8 percent, a year. Growth in the education and health services and the government sectors—which added averages of 1,500 and 1,000 jobs, or 2.6 and 1.3 percent, annually, respectively—mitigated some of the job losses during this period.

2004 Through 2007: The Housing Boom

Economic conditions in the HMA strengthened during the next 4 years with the national housing boom, and in-migration increased. Nonfarm payrolls increased by an average of 7,000 jobs, or 1.3 percent, annually, with increases in 9 of 11 payroll sectors. The professional and business services and the government sectors led job gains, expanding by averages of 1,900 and 1,300 jobs, or 3.0 and 1.6 percent, annually, respectively. Strong residential construction bolstered the mining, logging, and construction sector, adding an average of 400 jobs, or 1.1 percent, from 2004 through 2007. UAB added a faculty office tower and new surgical

Figure 4. 12-Month Average Nonfarm Payrolls in the Birmingham HMA



Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

suites in 2004 and a new biosafety lab in 2006, supporting jobs in the state government subsector, which increased by 600 jobs, or 2.4 percent, annually. The leisure and hospitality and the education and health services sectors gained averages of 1,100 and 1,000 jobs, or 2.7 and 1.6 percent, respectively.

2008 Through 2010: The Great Recession

Job losses were widespread across payroll sectors during the period that included the Great Recession, and nonfarm payrolls decreased by an average of 13,700 jobs, or 2.6 percent, annually from 2008 through 2010 to a low of 496,600 jobs. The mining, logging, and construction sector led job declines with an average loss of 3,400 jobs, or 10.1 percent, each year, partly because single-family home construction declined an average of 33 percent annually from 2008 through 2010. Losses in the manufacturing sector averaged 3,100 jobs, or 7.7 percent, a year, partly because of the long-term decline in manufacturing in the HMA. United States Steel Corporation (U.S. Steel) laid off 1,700 workers when it closed its production facility in the city of Fairfield in 2009. The only payroll sectors to expand from 2008 through 2010 were

the education and health services, the other services, and the government sectors, with average gains of 700, 200, and 300 jobs, or 1.1, 0.6, and 0.4 percent, annually.

2011 Through 2019: Recovery and Expansion

Slow population growth accompanied economic recovery in the HMA, because the rate of job growth lagged behind the national average, and in-migration resumed at a slower rate than during the early 2000s. From 2011 through 2019, nonfarm payroll growth averaged 5,900 jobs, or 1.1 percent, annually. During the same period, national job growth averaged 1.8 percent a year. Gains in the leisure and hospitality and the education and health services sectors led the growth, with an average of 1,200 jobs each, or 2.5 and 1.7 percent, respectively, and the financial activities sector grew moderately from 2011 through 2019, adding 300 jobs, or 0.8 percent, annually. In 2015, Wells Fargo & Company and Viva Health, Inc. added 300 and 400 jobs, respectively. The manufacturing sector partly recovered, increasing by 500 jobs, or 1.4 percent, annually. Some of that growth was related to the addition of 114 jobs by BLOX LLC, a manufacturer of medical modules, in 2016 and the reopening of U.S. Steel in Fairfield in 2019, adding 150 jobs.

Commuting Patterns

Most employed residents of the HMA work in Jefferson and Shelby Counties. Approximately 60 percent of residents work in Jefferson County, home to the principal city of Birmingham; 15 percent work in Shelby County; and less than 10 percent work in each of the other counties in the HMA (U.S. Census Bureau, OnTheMap, 2020). Residents leaving the HMA for work most frequently go to the adjacent Tuscaloosa metropolitan area, followed by the Montgomery and Huntsville metropolitan areas and the Talladega-Sylacauga micropolitan area.

Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 1.3 percent annually. Funding from the Infrastructure Investment

2020 Through 2021: The COVID-19 Pandemic and Economic Recovery

Following 9 years of job gains in the HMA, the economy weakened, and jobs declined in 2020 from countermeasures to slow the spread of COVID-19. During 2020, nonfarm payrolls decreased by 23,400 jobs, or 4.3 percent. The rate of decline was less than that of the nation, which fell 5.8 percent during the same period. In the HMA, the leisure and hospitality sector accounted for 40 percent of the losses during the period, down by 9,400 jobs, or 17.7 percent, from 2019. Pandemic-related shutdowns led to an acceleration in the adoption of e-commerce, as many consumers shopped from the safety of home. The transportation and utilities sector had the largest gains in 2020, adding 2,300 jobs, or 8.6 percent, partially offsetting losses in many other sectors. During 2021, nonfarm payrolls in the HMA increased by 14,600 jobs, or 2.8 percent. The sectors that recovered the most jobs during 2021 were generally the ones that lost the most jobs a year earlier. The professional and business services sector led gains, increasing by 4,700 jobs, or 7.0 percent. Growth in the retail trade subsector was strong, as many consumers returned to in-person shopping, but continued robust e-commerce purchases contributed to a gain of 1,600 jobs, or 5.5 percent, in the transportation and utilities sector.

and Jobs Act of 2021 is projected to contribute to growth in the mining, logging, and construction sector. The U.S. Department of Transportation Reconnecting Communities Pilot Program awarded \$800 million to the city of Birmingham, which will add bridges to connect neighborhoods that rail lines and interstates divide. The \$157 million UAB Medicine inpatient rehabilitation center, which broke ground in May 2022, is expected to be complete in 2025. The education and health services sector is expected to continue expanding during the forecast period. Pack Health, a patient coaching and diagnostics platform, recently announced the addition of 200 jobs during 2023.



Population and Households

Current Population: 1.18 Million

Net natural decline has been partially responsible for the slow population growth in the Birmingham HMA since 2019.

Population Trends

As of April 1, 2023, the population of the HMA is estimated at 1.18 million, representing an average increase of 4,200, or 0.4 percent, annually since April 2010 (Table 3). The population increased by an average of 5,750, or 0.5 percent, annually during the period surrounding the dot-com recession from 2000 to 2003 (Figure 5), when net in-migration averaged 1,850 people annually despite weak economic conditions and net natural increase averaged 3,900 people each year (U.S. Census Bureau decennial census counts and population estimates as of July 1). As economic conditions improved from 2003 to 2007, population growth accelerated in the HMA, increasing by an average of 9,100, or 0.8 percent, annually due to the economic expansion that began in 2004. During that period, net in-migration and net natural increase rose to annual averages of 4,975 and 4,125 people, respectively. From 2007 to 2010, the period that included the Great Recession, the population of the HMA grew by an average of 7,550, or 0.7 percent, annually; net in-migration slowed to an average of 3,125

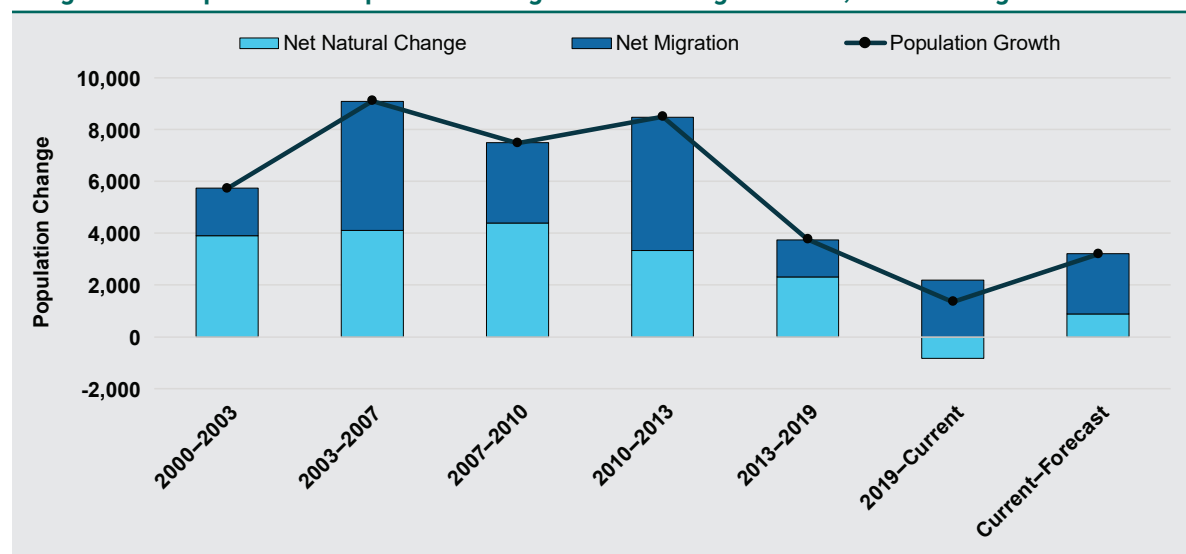
Table 3. Birmingham HMA Population and Household Quick Facts

Population Quick Facts	2010	Current	Forecast
	Population	1,128,047	1,183,000
	Average Annual Change	7,575	4,200
	Percentage Change	0.7	0.4
Household Quick Facts	2010	Current	Forecast
	Households	441,924	472,000
	Average Annual Change	2,950	2,325
	Percentage Change	0.7	0.5

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (April 1, 2023) to April 1, 2026.

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

Figure 5. Components of Population Change in the Birmingham HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (April 1, 2023) to April 1, 2026. Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

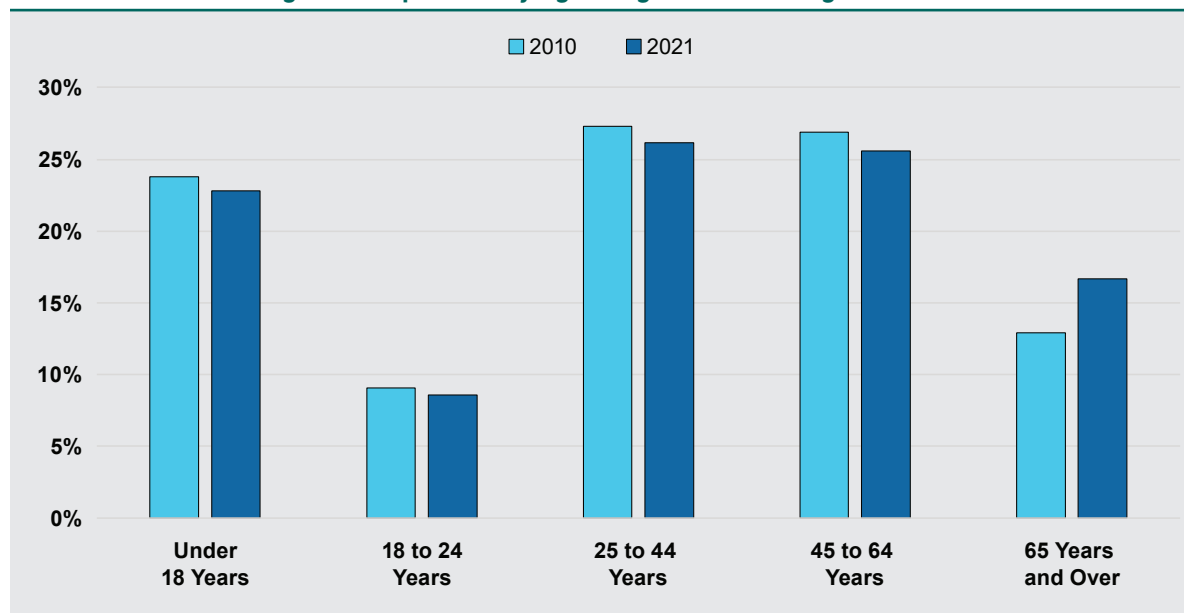
people annually, or less than the net natural increase, which rose to an average of 4,425 people each year. Job growth that began in 2011 contributed to an increase in net in-migration, averaging approximately 4,975 people annually from 2010 to 2013. At the same time, net natural increase slowed to an average of 3,375 people a year, resulting in average population growth of 8,350, or 0.7 percent, annually. From

2013 to 2019, despite a prolonged economic expansion, the population in the HMA grew by an average of only 3,750, or 0.3 percent, annually; net in-migration averaged 1,450 people annually, and net natural increase averaged 2,300 people each year. Since 2019, net natural decline has averaged 820 people each year, partly because of COVID-19-related deaths in the HMA. At the same time, net in-migration has strengthened slightly, averaging 2,175 people each year, causing the population to increase by an average of 1,350, or 0.2 percent, annually.

Age Cohort Trends

Since 2010, the number of residents in the HMA aged 65 and older has grown, whereas the share of the population in all other age cohorts has declined. The median age in the HMA rose from 38 in 2010 to 39 in 2021, similar to the nation, where the median age was 37 in 2010 and 39 in 2021 (American Community Survey [ACS] 1-year estimates). In 2021, approximately 16.7 percent of all residents in the HMA were aged 65 or older (Figure 6), 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. The cohort aged 65 and older grew as more adults aged in place and more retirees moved into the HMA because of relatively affordable housing. The average price of a home in the HMA is 39, 40, and 52 percent less than the nearby Atlanta, Charlotte, and Nashville metropolitan areas, respectively (CoreLogic, Inc.,

Figure 6. Population by Age Range in the Birmingham HMA



Sources: 2010 and 2021 American Community Survey 1-year data

with adjustments by the analyst). Only 7 of the 68 metropolitan areas in the NAHB-defined South Region have more affordable new and existing home sales prices than the Birmingham HMA (National Association of Home Builders).

Geography Trends

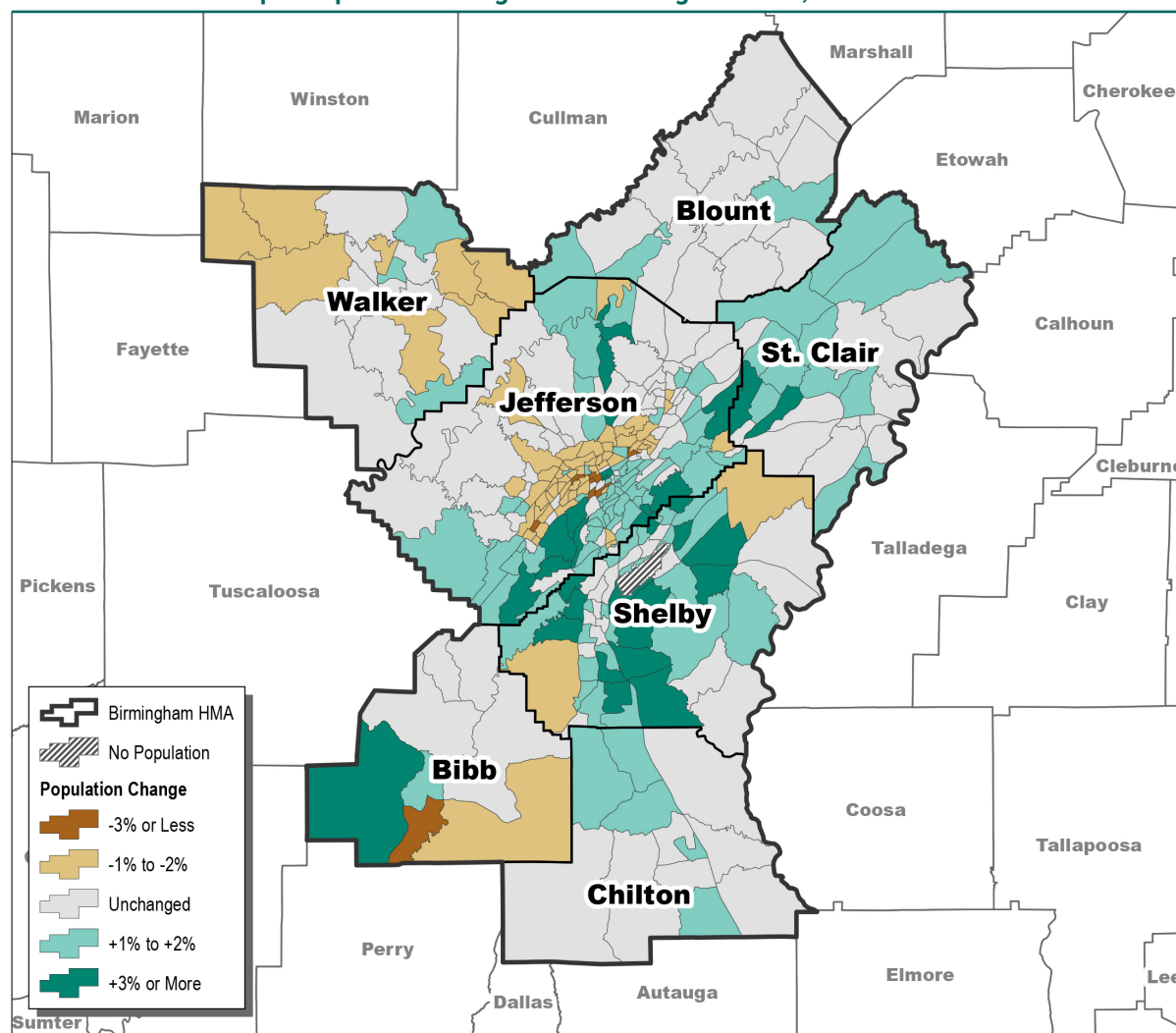
The HMA is the most populous MSA in the state of Alabama. Approximately 57 percent of people residing in the HMA live in Jefferson County, although growth in this county has been slow, with population increasing an average of 0.1 percent annually since 2010. The city of Birmingham is mostly in Jefferson County, but a small portion is in Shelby County. With an estimated population of 196,900, the city of Birmingham is the most populous in the HMA. However, the population declined and is approximately 42 percent less than the previous high of 340,887 in 1960 when manufacturing sector jobs were more prevalent in the city (U.S. Census Bureau decennial census counts and population estimates as of July 1). Birmingham includes the UAB Hospital and the UAB campus, two large employment centers in the HMA. Population growth in the HMA has mostly been in suburban areas around employment centers and near travel arteries, especially

Interstates 459 and 65 south of the city of Birmingham. The strongest growth since 2010 has occurred in Shelby County, which represents about one-fifth of the population in the HMA and is home to Shelby Baptist Medical Center and Ascension St. Vincent's and is close to Grandview Medical Center. Shelby County has grown approximately 1.4 percent annually since 2010. St. Clair County represents nearly 8 percent of the total population in the HMA and has had moderate growth, averaging about 1.0 percent annually, since 2010. This rural county northeast of Birmingham borders Logan Martin Lake and the Coosa River and is within a 2-hour drive from downtown Atlanta, making it an attractive retirement area. The remaining four rural counties represent a combined 15 percent of the total population in the HMA. Map 1 shows the average annual population change by census tract from 2010 to 2020.

Student Households

UAB had an enrollment of approximately 21,650 students in the fall of 2022. After increasing approximately 1 percent annually during the previous 5 years, enrollment fell nearly 3 percent from the fall of 2021 to the fall of 2022. UAB requires first-year students who graduated high school the same year to live on campus. About one-fourth, or 5,400 students, live on campus at UAB. Student households represent about 1 percent of all households in the HMA.

Map 1. Population Change in the Birmingham HMA, 2010 to 2020



Source: 2010 and 2020 Decennial Census, with adjustments by the analyst

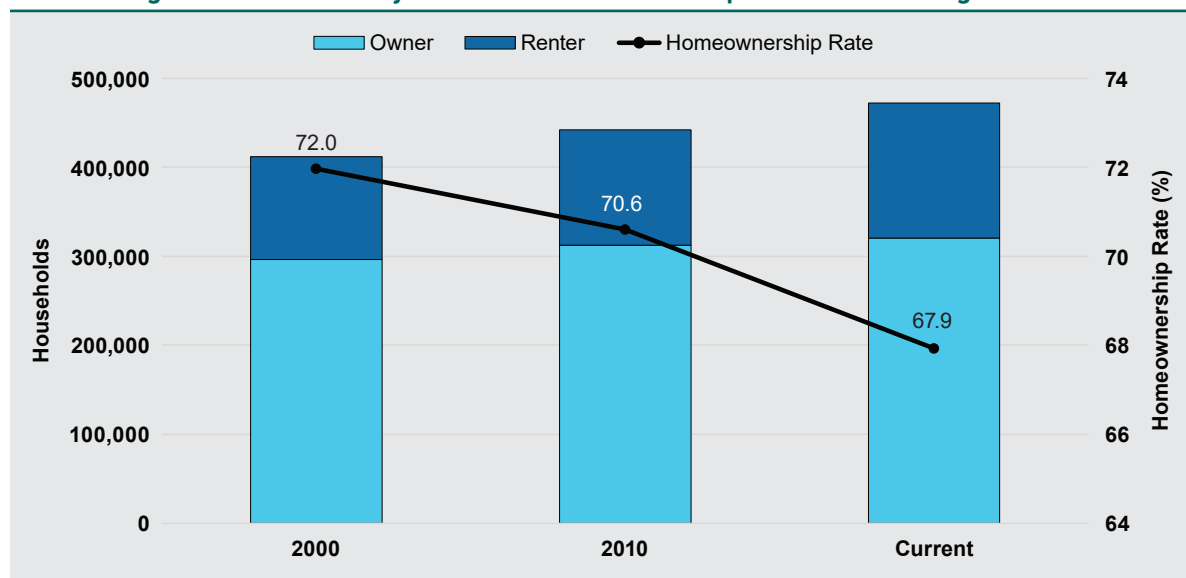
Household Trends

Household growth in the HMA since 2010 has been slower than during the 2000s but the number of households has increased faster than the overall population because of growth in the number of seniors, who tend to have smaller households. The number of households in the HMA is estimated at 472,000, reflecting growth of 2,325, or 0.5 percent, annually since 2010. By comparison, from 2000 to 2010, household growth averaged 2,950, or 0.7 percent, annually. Slow economic recovery limited owner-household growth in the HMA following the housing crisis and a shift in household preference toward renting. Renter households have accounted for 71 percent of all net household growth since 2010 compared with 48 percent during the 2000s, partly because of tighter lending standards since 2008. As a result, the homeownership rate fell to an estimated 67.9 percent as of the current date, down from 70.6 percent in 2010 and 72.0 percent in 2000 (Figure 7).

Forecast

Population growth in the HMA during the next 3 years is expected to result from net natural

Figure 7. Households by Tenure and Homeownership Rate in the Birmingham HMA



Note: The current date is April 1, 2023.

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

increase—which will strengthen as the effects of the pandemic wane—and subdued net in-migration because of relatively slower job growth compared with the recent post-pandemic recovery. During the 3-year forecast period, net natural increase is expected to resume but at a lower level than prepandemic trends, because the continued increase in the share of older residents is expected to lead to lower birth rates. Net in-migration is expected to continue at a modest pace, as the rate of job growth slows and more retirees move to the HMA. As a result, the population is expected to increase to 1.19 million, or an average of 0.3 percent annually, and the number of households is estimated to increase to 477,200, reflecting an average increase of 1,725 households, or 0.4 percent, each year.

Home Sales Market

Market Conditions: Slightly Tight

The amount of for-sale inventory in the Birmingham HMA remains very low, with the supply of homes for sale below the level in 4 of the past 5 years.

Current Conditions

The sales housing market in the HMA currently is slightly tight, with an estimated sales vacancy rate of 1.5 percent, down from the 3.0-percent rate in April 2010, when the market was soft (Table 4). The decline in new home production during the early 2010s contributed to the absorption of excess vacant units after the Great Recession, leading to balanced market conditions by 2016. Historically low interest rates during the recovery from the COVID-19-related slowdown increased demand and led to a tightening in the home sales market in the early 2020s. As of March 2023, the HMA had a 2.9-month supply of for-sale inventory, up from a 1.2-month supply a year earlier when conditions were tight (UAB Alabama Center for Real Estate). The demand for

homes has fallen as mortgage interest rates have increased, but the overall inventory of homes available for sale has remained at low levels, causing the market to remain slightly tight. During the 12 months ending March 2023, home sales decreased 18 percent from a year earlier to 31,400 (CoreLogic, Inc., with adjustments by the analyst). Despite declining sales in the HMA, the average sales price increased 6 percent during the past year to \$251,200.

Home Sales Trends

Existing Home Sales and Prices

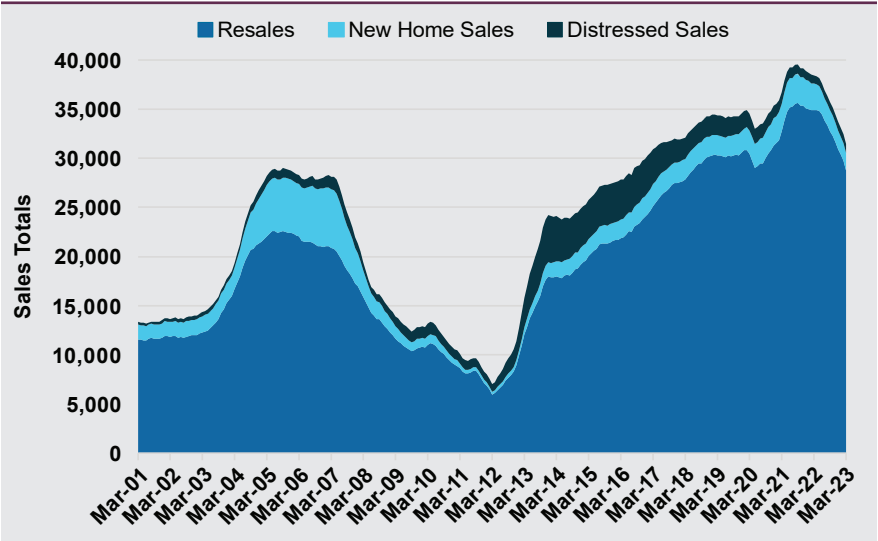
Existing home sales have declined during the past year but remain elevated compared with the boom of the early 2000s. Housing demand remained strong after the dot-com bust in the early 2000s, because population growth was still relatively strong in the HMA, and demand strengthened further as the economy improved. From 2001 through 2005, existing home sales increased by an average of 2,250 homes, or 14 percent, annually to a high of 23,250 homes sold (Figure 8). Distressed sales were 3 percent of existing home

Table 4. Home Sales Quick Facts in the Birmingham HMA

Home Sales Quick Facts	Birmingham HMA		Nation
	Vacancy Rate	1.5%	NA
	Months of Inventory	2.9	2.1
	Total Home Sales	31,400	5,901,000
	1-Year Change	-18%	-23%
	New Home Sales Price	\$410,200	\$495,200
	1-Year Change	16%	12%
	Existing Home Sales Price	\$241,500	\$393,200
	1-Year Change	6%	4%
	Mortgage Delinquency Rate	1.5%	1.1%

NA = data not available.
Notes: The vacancy rate is as of the current date, home sales and prices are for the 12 months ending March 2023, and months of inventory and mortgage delinquency data are as of March 2023. The current date is April 1, 2023.
Sources: Vacancy rate—estimates by the analyst; HMA months of inventory—UAB Alabama Center for Real Estate; national months of inventory, mortgage delinquency rate, and home sales and prices—CoreLogic, Inc.

Figure 8. 12-Month Sales Totals by Type in the Birmingham HMA



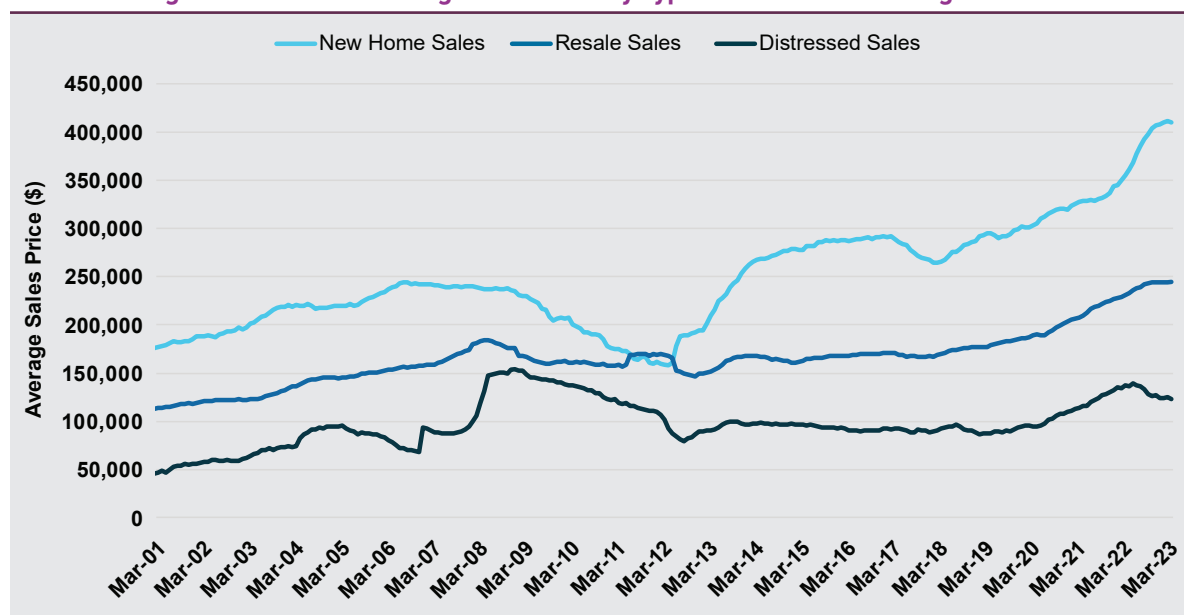
Source: CoreLogic, Inc., with adjustments by the analyst

sales from 2000 through 2005. However, the number of existing home sales then declined for 6 consecutive years, decreasing by an average of 2,550 homes annually, or 16 percent, to a low of 8,000 homes sold during 2011. From 2006 through 2011, the demand for homes decreased because net in-migration into the HMA slowed and lending requirements became more stringent in the wake of the national housing crisis. In addition, the rate of distressed sales more than doubled to an average of 7 percent of existing home sales. From 2012 through 2019, the economy recovered and then expanded in the HMA, and existing home sales increased by an average of 3,050 homes, or 19 percent, annually to 32,350 in 2019. Distressed sales remained elevated for much of the period, peaking at 21 percent of existing home sales during 2013 and falling to 6 percent in 2019. Existing home sales growth slowed to 1 percent during 2020, largely due to fewer sellers willing to show their homes and economic uncertainty in the early stages of the pandemic, resulting in fewer buyers. With the availability of vaccines and historically low interest rates, existing home sales rebounded in the HMA in 2021 and increased by 3,375 homes, or 10 percent. However, the number of existing home sales declined in 2022 because of rapidly rising mortgage interest rates. During the 12 months ending March 2023, existing home sales decreased 17 percent to 29,600 homes sold compared with a year ago, when sales increased

6 percent to 35,750 homes sold. The rate of distressed sales was 3 percent of existing home sales during the 12 months ending March 2023, up slightly from 2 percent a year earlier.

From 2001 through 2008, existing home sales prices increased an average of 6 percent annually to a high of \$174,200, although sales started to decline in 2006 (Figure 9). Beginning in 2009, toward the end of the recession, home sales prices fell as demand decreased because of the weakening economic conditions. From 2009 through 2012, existing home sales prices decreased an average of 5 percent annually to \$138,900 in 2012, partly because of an elevated number of distressed sales in the HMA. After falling in the wake of the Great Recession, existing home sales prices began trending upward, surpassing the previous high in 2019. From 2013 through 2021, existing home sales prices increased an average of 5 percent annually to \$224,400. Some of the price growth was due to a declining inventory, which was further exacerbated during the pandemic. During the 12 months ending March 2023, the average sales price of an existing home increased 6 percent from a year earlier to \$241,500, following a 12-percent increase during the previous 12 months. The low inventory of homes for sale has contributed to continued

Figure 9. 12-Month Average Sales Price by Type of Sale in the Birmingham HMA



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

price increases for existing homes, despite recent increases in mortgage interest rates.

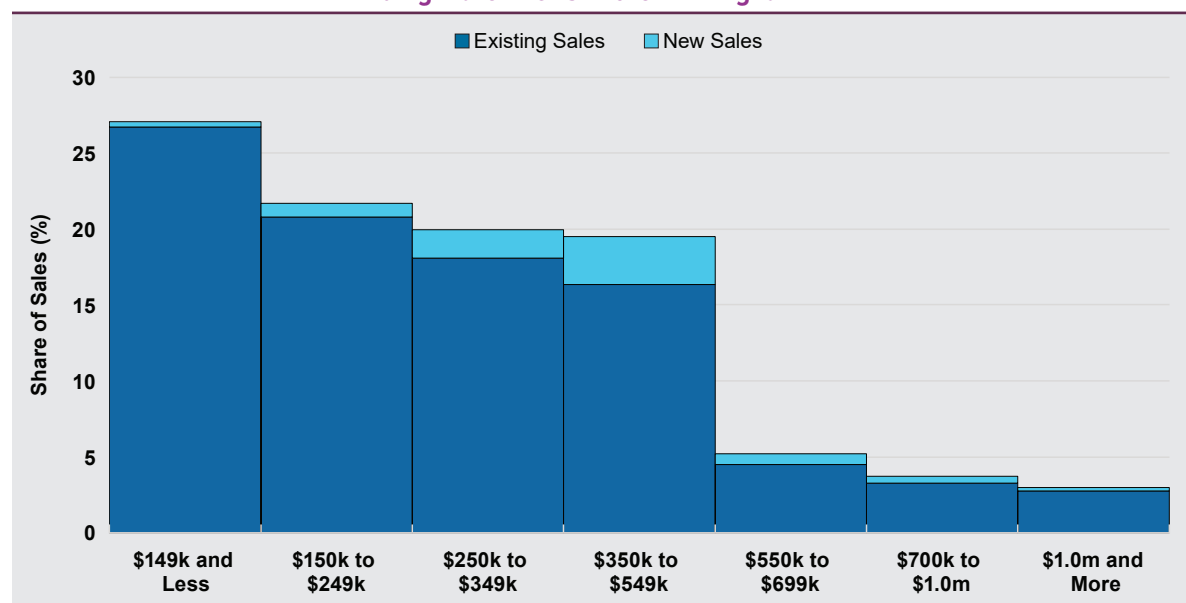
New Home Sales and Prices

From 2001 through 2006, new home sales increased an average of 25 percent annually, but the number of new homes sold fell sharply in the HMA during the early stages of the housing crisis and remained at low levels during the recovery from the Great Recession. New home sales plummeted an average of 44 percent annually from the peak of nearly 5,950 new homes sold in 2006 to 320 sold in 2011 because of weak demand and reduced net in-migration. Following the low in 2011, new home sales mostly trended upward, increasing an average of 25 percent annually to 2,875 new homes sold in 2021. An expanding economy bolstered new home sales for most of the period, and low interest rates supported continued sales in the early 2020s. New home sales declined in the past year after increasing from the late 2010s to early 2020s, partly bolstered by the pandemic and the relative safety of touring unoccupied new homes. New home sales decreased 33 percent to 1,800 homes during the 12 months ending March 2023 compared with 2,700 sold during the 12 months ending March 2022. The rapid increase in mortgage interest rates during early 2022 contributed to that decline.

New home prices are at record-high levels because of low available inventory and elevated construction costs from labor shortages,

particularly in skilled trades, and supply chain disruptions from the global pandemic. During the 12 months ending March 2023, the average price of a new home increased 16 percent from a year earlier to \$410,200 compared with an 8-percent increase during the previous 12-month period, when the average price of a new home was \$355,100. From 2001 through 2006, the average new home sales price rose an average of 6 percent annually to \$241,700 in 2006, before falling 8 percent annually to \$159,500 in 2011 after the Great Recession. From that low, new home sales prices rose from 2012 through 2016, and the average price increased 13 percent annually to \$292,200. Despite strong economic conditions during 2017, the average price of a new home declined 9 percent to \$267,400, partly because construction of lower priced homes increased. A lack of existing-sale inventory accompanied by economic expansion in the HMA, and a decade of subdued homebuilding, created demand for new construction. From 2018 through 2021, new home prices increased an average of 7 percent annually to \$344,300 in 2021. Figure 10 shows new and existing home sales by price range for the 12 months ending March 2023.

Figure 10. Share of Overall Sales by Price Range During the 12 Months Ending March 2023 in the Birmingham HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

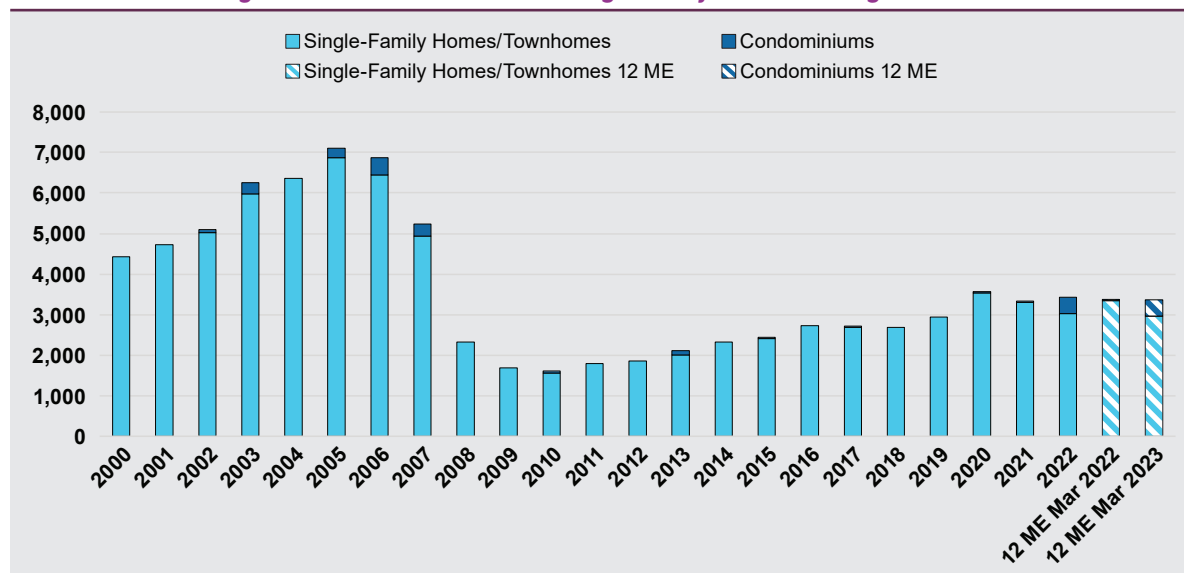
Seriously Delinquent Mortgages and Real Estate Owned Properties

As of March 2023, 1.5 percent of home loans in the HMA were seriously delinquent or had transitioned into real estate owned (REO) status, down from 2.2 percent a year earlier and well below the 7.6-percent rate after the Great Recession in January 2010 (CoreLogic, Inc.). The rate in the HMA was the same as for Alabama but higher than the 1.1-percent rate for the nation during March 2023. The rate of seriously delinquent mortgages and REO properties reached 4.7 percent in the HMA during October 2020 because of pandemic-related layoffs, which made staying current on mortgage payments difficult for many homeowners. Since then, the rate has declined because of improved economic conditions.

Sales Construction Activity

Home sales construction activity, as measured by the number of sales homes permitted, has generally trended upward in the HMA since 2010 but remains below the levels of the early to mid-2000s. From 2001 through 2005, the number of homes built increased 10 percent annually to a high of 7,100 (Figure 11). Home construction decreased precipitously from 2006 through 2010, declining an average of 26 percent annually to a low of 1,600 homes. For the next 9 years, as local economic conditions strengthened, home construction increased an average of 7 percent annually to 2,950 homes permitted in 2019. During 2020 and 2021, an average of 3,275

Figure 11. Annual Sales Permitting Activity in the Birmingham HMA



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

homes were permitted annually, as builders responded to lower inventories of existing homes for sale in the HMA. During the 12 months ending March 2023, approximately 3,350 sales homes were permitted, down slightly from the 3,375 homes permitted in the 12 months ending March 2022 (preliminary data).

New Home Developments

New single-family homebuilding has been strong along the major Interstates 459 and 65 in Jefferson and Shelby Counties and in the cities of Margaret and Moody in St. Clair County. In the Steven's Cove development, 25 miles northeast of Birmingham in the city of Margaret between Interstates 20 and 59 in St. Clair County, about 15 of the 68 homes expected at buildout have been completed. This community offers homes ranging in size from 1,550 to 2,000 square feet, with prices starting at \$240,000. The Fairway at Cedar Creek has about 4 remaining homes of the expected 45 to be constructed. This development, near the city of Bessemer, is 2 miles from the Interstate 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.

Forecast

During the next 3 years, demand is estimated for 8,175 new homes in the HMA (Table 5). Demand is expected to be evenly distributed throughout the 3-year forecast period. The 1,350 homes under construction will satisfy some of the demand during the first year of the forecast period.

Table 5. Demand for New Sales Units in the Birmingham HMA During the Forecast Period

Sales Units	
Demand	8,175 Units
Under Construction	1,350 Units

Note: The forecast period is April 1, 2023, to April 1, 2026.
Source: Estimates by the analyst

Rental Market

Market Conditions: Soft

Increased apartment construction since 2019 has contributed to increasing rental vacancy rates in the Birmingham HMA, because absorption slowed for the many new units that have entered the apartment market since 2022.

Current Conditions and Recent Trends

Rental Market Trends

The rental market is currently soft. The vacancy rate for all rental units—including apartments, senior living units, and renter-occupied single-family homes, townhomes, condominiums, and mobile homes—is currently estimated at 12.1 percent, down slightly from 12.9 percent in 2010 after the Great Recession (Table 6). Improved economic conditions and stronger renter household growth contributed to a decline in the vacancy rate in the late 2010s. Increased apartment construction during the past 4 years has put upward pressure on the vacancy rate, because the new units that entered the market were absorbed more slowly. Single-family homes for rent provide a substitute for large apartments and are a popular alternative to homeownership for some households. As of March 2023, the vacancy rate for rental single-family homes was 4.7 percent, up from 4.5 percent as of March 2022

Table 6. Rental and Apartment Market Quick Facts in the Birmingham HMA

Rental Market Quick Facts	2010 (%)		Current (%)
	Rental Vacancy Rate		12.9
			12.1
	2010 (%)		2021 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached		37
Apartment Market Quick Facts	1Q 2023		YoY Change
	Apartment Vacancy Rate		11.0
	Average Rent		\$1,175
	Studio		\$946
	One-Bedroom		\$1,092
	Two-Bedroom		\$1,197
	Three-Bedroom		\$1,463

1Q = first quarter. YoY = year-over-year.
Notes: The current date is April 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2021 American Community Survey 1-year data; apartment data—CoStar Group

(CoreLogic, Inc.). During 2021, approximately 38 percent of renter households in the HMA lived in single-family homes, up slightly from 37 percent during 2010 (ACS 1-year estimates). The portion of households living in multifamily structures of five or more units, typically apartments, remained unchanged at 43 percent during the same period.

Apartment Market Trends

Apartment market conditions in the HMA are currently soft, with a vacancy rate of 11.0 percent as of the first quarter of 2023, up from 8.2 percent a year earlier and only slightly below the previous peak of 11.4 percent as of the first quarter of 2016, the highest rate since at least 2000 (CoStar Group). The vacancy rate increase during the past year occurred partly because more than 800 new apartment units were completed and were absorbed slowly. The average rent for an apartment was \$1,175 as of the first quarter of 2023—a gain of \$29, or 3 percent, from the first quarter of 2022. Average rents for one-, two-, and three-bedroom apartments in the HMA were \$1,092, \$1,197, and \$1,463, respectively. The 8.2-percent

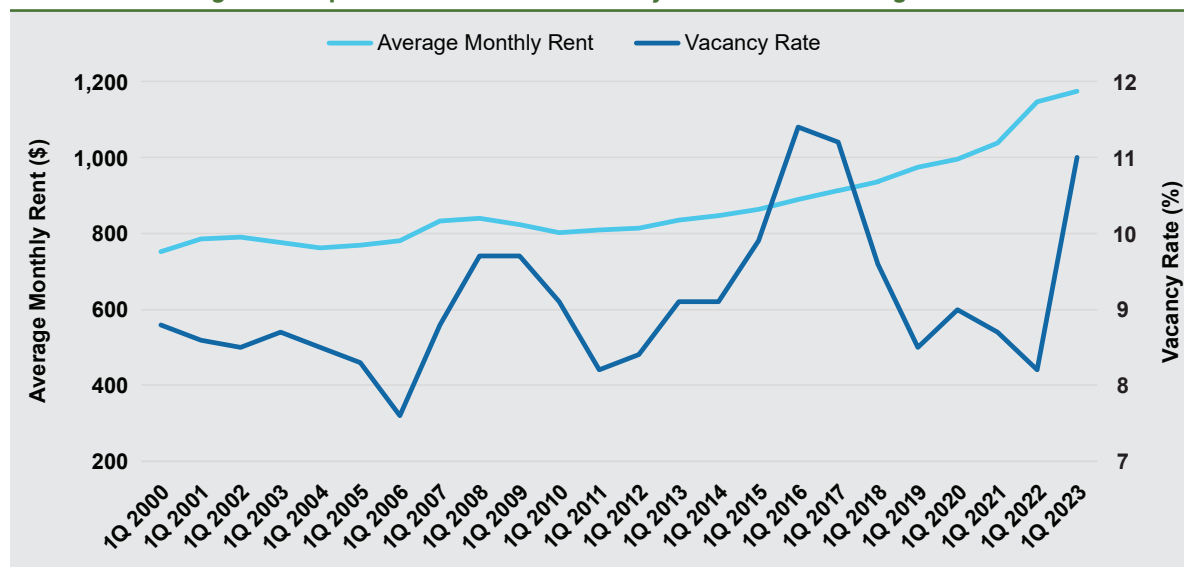


vacancy rate as of the first quarter of 2022 was the lowest rate for any first quarter since 2011 (Figure 12). Rent growth of \$109, or 11 percent, accompanied the fall in the vacancy rate from the first quarter of 2021 to the first quarter of 2022. The apartment vacancy rate declined from the first quarter of 2017 to the first quarter of 2021, averaging 9.4 percent during the period, but rent growth in the HMA averaged just 3 percent a year. From the first quarter of 2011 to the first quarter of 2017, rent growth in the HMA averaged 2 percent a year, a period when the addition of many new units to the rental market caused the vacancy rate to climb from 8.2 to 11.2 percent. By comparison, from the first quarter of 2000 to the first quarter of 2011, rents increased an average of less than 1 percent annually.

Apartment Market Conditions by Geography

The central portion of the HMA, primarily downtown Birmingham and along State Route 280 southeast of downtown, has been in high demand because of its proximity to employment centers. Therefore, rents in those areas are high, and recent rental construction activity has been elevated. In outlying counties, rents are typically lower, because workers must travel farther to the primary job centers in and around the city of Birmingham. The CoStar Group-defined Downtown Birmingham market area includes UAB and had the second highest average rents in the HMA.

Figure 12. Apartment Rents and Vacancy Rates in the Birmingham HMA



1Q = first quarter.
Source: CoStar Group

As of the first quarter of 2023, the average rent increased 2 percent to \$1,300 compared with a year earlier. Approximately 40 percent of the apartment units completed in the HMA during the past 12 months were in this market area, and the vacancy rate increased from 12.1 percent a year ago to 14.4 percent in the first quarter of 2023. The vacancy rate in the Shelby County market area increased from 4.6 percent as of the first quarter of 2022 to 15.0 percent as of the first quarter of 2023. As of the first quarter of 2023, the average rent in the Shelby County market area was \$1,245, a 4-percent increase from the first quarter of 2022. That increase followed a 14-percent increase from \$1,053 as of the first quarter of 2021 to \$1,199 as of the first quarter of 2022. Most of the market areas in the HMA had increases in average asking rents between the first quarter of 2022 and the first quarter of 2023. The average apartment rent of the largest eight CoStar-defined market areas in the HMA ranged from \$793 in the Center Point market area, about 10 miles northeast of the city of Birmingham, to \$1,567 in the Cahaba Heights market area, less than 10 miles southeast of the city. The Cahaba Heights market area has the highest rents partly because of the addition of new, higher rent units near the Grandview Medical Center area in the past 2 years, resulting in an average rent increase of 9 percent annually.

Student Rental Housing

Among the approximately 21,650 students enrolled at UAB during the fall of 2022, an estimated 16,250 lived off campus. Student apartments have accounted for 18 percent of all rental units built in the HMA since 2010 and are mostly in the Downtown Birmingham market area. The vacancy rate among student apartment rental properties was estimated at 10.8 percent as of the first quarter of 2023, up from 8.2 percent a year earlier. The average asking rent increased less than 1 percent from a year earlier to \$956 per bed (CoStar Group). The student apartment vacancy rate was 18.9 percent as of the third quarter of 2020, after UAB canceled in-person classes in mid-March 2020 during the COVID-19 pandemic. The vacancy rate subsequently fell to 6.8 percent as of the second quarter of 2022, as students prepared to resume in-person learning in the fall of 2022.

Senior Rental Housing

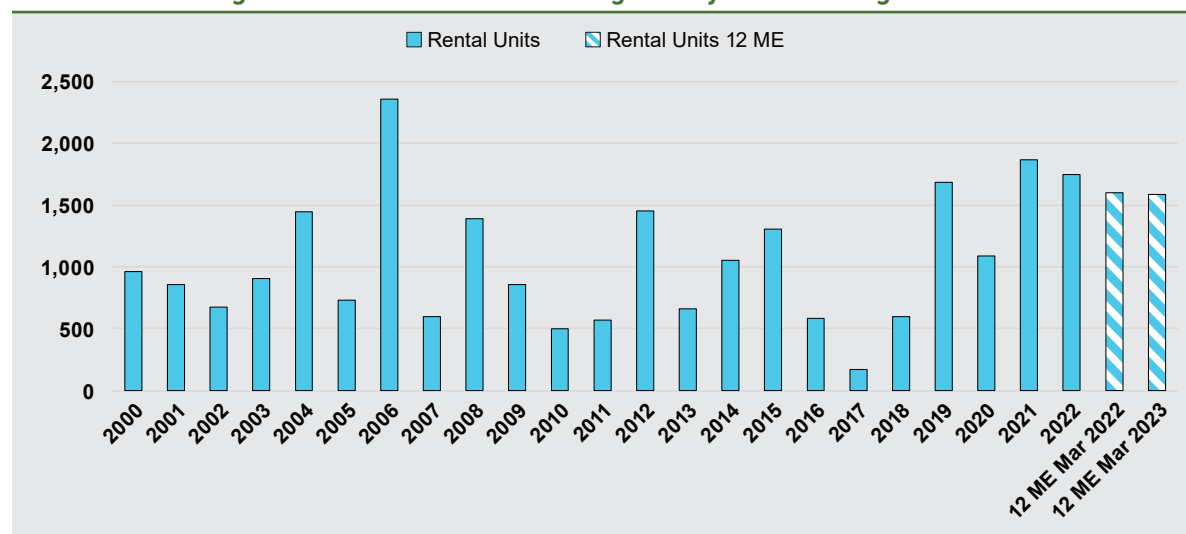
Households headed by persons aged 55 years and older account for approximately 30 percent of all renter households, up from 25 percent in 2010 (ACS 1-year data). Senior housing built to accommodate the growing share of senior renter households has accounted for 8 percent of rental units built in the HMA since 2010 and includes senior apartments and independent- and assisted-living facilities. Most developments were

in Jefferson, Shelby, and St. Clair Counties. Development of this type of housing has slowed recently, and no new senior housing units have been added since 2020.

Rental Construction

After several years of mostly subdued development beginning in 2009, rental construction activity in the HMA, as measured by the number of rental units permitted, has generally been strong since 2019. A decline in apartment vacancy rates, accompanied by higher rents, caused developers to increase apartment construction from 2019 through 2022, and the number of rental units permitted averaged 1,600 a year, surpassing the level of the early 2000s (Figure 13). From 2019 through 2022, rental construction exceeded demand, however, resulting in currently soft market conditions. During the 12 months ending March 2023, the number of rental units permitted was approximately 1,575, down 2 percent from the 1,600 rental units permitted in the 12 months ending March 2022 (preliminary data). By comparison, from 2000 through 2006, rental permitting averaged 1,125 units annually and peaked at 2,350 in 2006. The number of rental units permitted fell to an average of 780 units a year from 2007 through 2011, a period

Figure 13. Annual Rental Permitting Activity in the Birmingham HMA



12 ME = 12 months ending.

Note: Includes apartments and units intended for rental occupancy.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

that included the housing crisis and weak economic conditions resulting from the Great Recession. With the economic recovery from the Great Recession, rental construction activity increased slightly but remained moderate, because the vacancy rate increased during the mid-2010s. From 2012 through 2018, the number of rental units permitted increased slightly compared with 2007 through 2011, to an average of 830 units annually.

Recent Rental Developments

Approximately 67 percent of the estimated 2,950 apartments under construction in the HMA are in Jefferson County, and more than one-half of those units are in the Downtown market area, which includes UAB. A recently completed development in the HMA is The Citizen Birmingham, 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. About 32 percent of the apartments under construction in the HMA are in Shelby County, southeast of Birmingham, with development activity particularly strong along State Route 280 and Interstate 459. Tributary Rise is a 286-unit apartment complex completed in August 2022 that offers studio, one-, two-, and three-bedroom units, with rents starting at \$1,489,

\$1,816, \$2,093, and \$2,869, respectively. Recent construction activity has also included developments for the aging population in the HMA. Village at Rock Springs, a 56-unit affordable community in the city of Moody in St. Clair County, was completed in 2020 and is restricted to seniors with incomes at or below 60 percent of the Area Median Income.

Forecast

During the 3-year forecast period, demand for an additional 2,400 rental units is expected, and the 2,950 units under construction will meet that demand (Table 7). Demand is expected to be evenly distributed during the forecast period. The apartment market is expected to remain soft during the forecast period, because the number of units entering the market will exceed demand.

Table 7. Demand for New Rental Units in the Birmingham HMA During the Forecast Period

Rental Units	
Demand	2,400 Units
Under Construction	2,950 Units

Note: The forecast period is April 1, 2023, to April 1, 2026.
Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in a housing market area. 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 sales and rental building permits.
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.
Distressed Sales	Short sales and real estate owned (REO) sales.
Existing Home Sales	Includes resale sales, short sales, and REO sales.
Forecast Period	4/1/2023–4/1/2026—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Decline/ Net Natural Increase	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.
South Region	The NAHB South region includes Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

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.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	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.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.



D. Photo/Map Credits

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