

COMPREHENSIVE HOUSING MARKET ANALYSIS

Montgomery, Alabama

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

As of June 1, 2022



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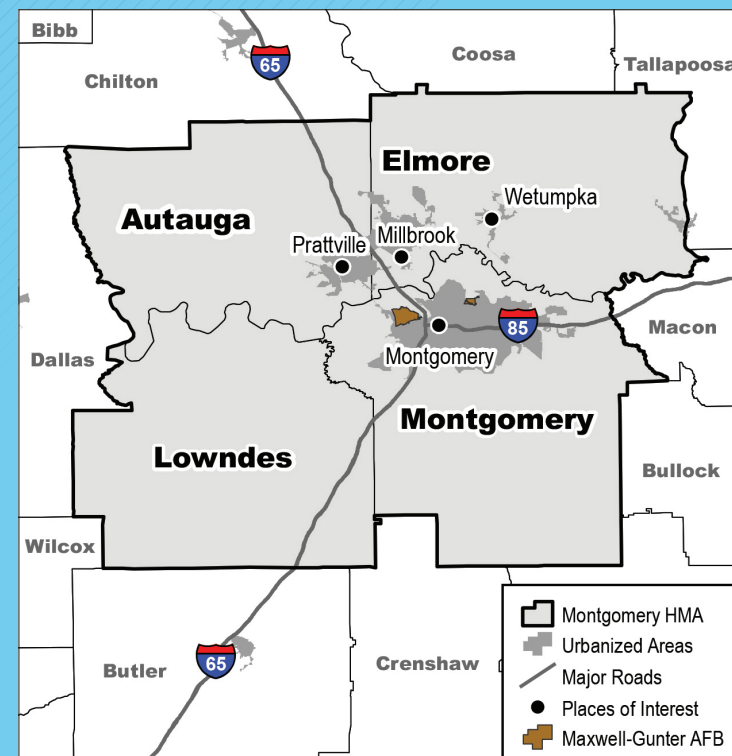


Executive Summary

Housing Market Area Description

The Montgomery Housing Market Area (HMA) includes Autauga, Elmore, Lowndes, and Montgomery Counties in central Alabama and is coterminous with the Montgomery, AL Metropolitan Statistical Area (MSA). The city of Montgomery, the state capital of Alabama, is where the civil rights movement started. Downtown Montgomery, situated along the Alabama River, has a mix of restaurants, retail, and residential housing; it is also a popular civil rights tourist destination and home to the Montgomery Biscuits, a minor league baseball team that is a Double-A affiliate of the Tampa Bay Rays.

The current population is estimated at 386,600.



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



Stable: On a monthly, non-seasonally adjusted basis, nonfarm payrolls in June 2022 had fully recovered from the job losses sustained during April 2020 from the impact of the COVID-19 pandemic.

Economic conditions in the Montgomery HMA have continued to improve following the COVID-19-related downturn. During the 12 months ending May 2022, nonfarm payrolls totaled 174,800 jobs, an increase of 4,400 jobs, or 2.6 percent, from the previous 12 months. Job gains occurred in 9 of the 11 payroll sectors during the past 12 months; the remaining 2 sectors were unchanged. The average unemployment rate was 3.6 percent during the 12 months ending May 2022, down from 6.4 percent a year earlier. During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 0.7 percent annually, similar to the rate before the COVID-19 pandemic.

Sales Market



Balanced: During the 12 months ending May 2022, the average existing home sales price increased 8 percent from the previous year (CoreLogic, Inc.).

The sales market in the HMA is balanced, with an estimated sales vacancy rate of 1.9 percent, down from 2.6 percent in 2010, when conditions were soft. During the 12 months ending May 2022, total home sales were approximately 10,050, reflecting a 5-percent decrease from a year earlier, and the average home sales price rose 8 percent to \$191,900 (CoreLogic, Inc.). During the 3-year forecast period, demand is estimated for 2,100 new homes. The 460 homes under construction are expected to meet a portion of that demand during the first year of the forecast period.

Rental Market



Balanced: The rental vacancy rate is currently estimated at 8.9 percent, down from 12.4 percent in 2010, when the market was soft.

The average apartment rent during the first quarter of 2022 increased 11 percent from a year earlier to \$937. The apartment market is also balanced, with an average vacancy rate of 7.4 percent during the first quarter of 2022, down from 7.9 percent a year earlier and from 12.4 percent during the first quarter of 2010 (CoStar Group). During the forecast period, demand is expected for 320 new rental units. The 10 units under construction are expected to satisfy a portion of that demand during the first year of the forecast period.

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3-Year Housing Demand Forecast			
Montgomery HMA	Sales Units		Rental Units
	Total Demand	2,100	320
	Under Construction	460	10

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 June 1, 2022. The forecast period is June 1, 2022, to June 1, 2025.

Source: Estimates by the analyst



Economic Conditions

Largest Sector: Government

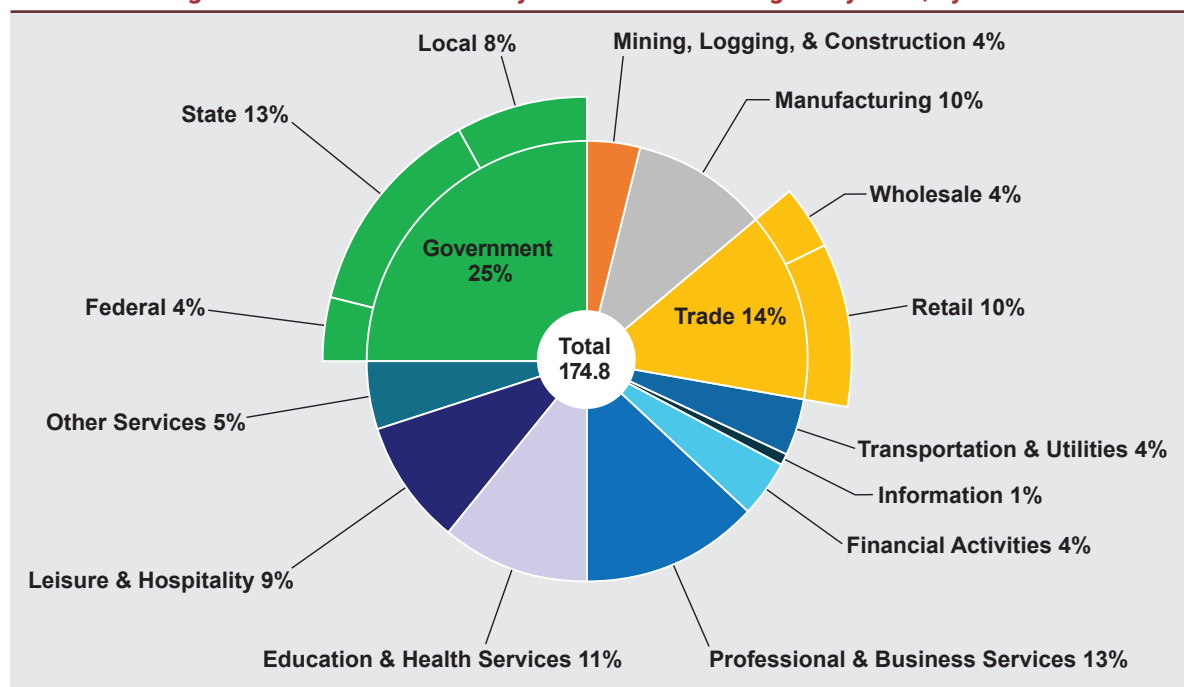
The leisure and hospitality sector has increased 21 percent since 2001 and is the second fastest growing sector in the HMA.

Primary Local Economic Factors

The HMA economy depends heavily on the government sector, the largest nonfarm payroll sector in the HMA, with 43,600 jobs during the 12 months ending May 2022, or 25 percent of all nonfarm payrolls (Figure 1). The city of Montgomery, the state capital, is the second most populous city in Alabama. Maxwell-Gunter Air Force Base (Maxwell AFB), the second largest employer in the HMA (Table 1), is in Montgomery County and employs a combined 4,900 workers, including 3,000 military and 1,900 civilian personnel. The military presence contributes an estimated \$2.6 billion to the HMA economy annually (Montgomery Chamber of Commerce). The HMA is the location of the Air University (AU), the primary professional military education center for the U.S. Air Force and Space Force, with a student throughput population of approximately 34,000 students annually.

The manufacturing sector benefits from the proximity of the HMA to Interstate 65 (I-65) and Interstate 85 (I-85), providing easy access for many transportation equipment and related supply-chain firms. The sector includes 4 of the 10 largest employers in the HMA, including

Figure 1. Share of Nonfarm Payroll Jobs in the Montgomery 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 May 2022. Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Montgomery HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Alabama	Government	11,380
Maxwell-Gunter Air Force Base	Government	4,900
Baptist Health	Education & Health Services	4,300
Hyundai Motor Manufacturing Alabama, LLC	Manufacturing	3,530
Alfa Corporation	Financial Activities	2,568
City of Montgomery	Government	2,500
MOBIS Alabama, LLC	Manufacturing	1,400
Jackson Hospital & Clinic, Inc.	Education & Health Services	1,300
Koch Foods	Manufacturing	1,250
Rheem Manufacturing Company	Manufacturing	1,070

Notes: Excludes local school districts. Employment estimates at Maxwell-Gunter AFB include uniformed personnel, who are not included in nonfarm payrolls. Source: Montgomery Chamber of Commerce

Hyundai Motor Manufacturing Alabama, LLC (HMA), which is the fourth largest employer in the HMA, with 3,530 employees. HMA is the first Hyundai assembly and manufacturing plant in the United States and has approximately 40 product and part suppliers. The presence of the plant and suppliers bolster the manufacturing sector, which accounts for 10 percent of jobs in the HMA. HMA and its suppliers have an annual economic impact of \$4.82 billion on the State of Alabama (Montgomery Chamber of Commerce).

Rising tourism in the state of Alabama, especially in the city of Montgomery, has helped contribute to economic growth in the HMA. The leisure and hospitality sector currently accounts for 9 percent of all nonfarm jobs in the HMA. During 2021, an estimated 28.2 million people visited the state of Alabama and spent an estimated \$19.6 billion, which represents a 47-percent increase in spending compared with 2020 (Alabama Tourism Industry Economic Impact Report 2021). Montgomery County was the fifth most visited county in the state in terms of travel expenditures and visitors in 2021. During that same year, the tourism industry generated \$512 million in visitor spending in the HMA (Montgomery Chamber of Commerce). By the end of 2022, visitor spending in the HMA is expected to have increased because the Montgomery Biscuits hosted the Tyson Foods Black College World Series at Riverwalk Stadium in May 2022. Hosting events throughout the year that draw visitors to the HMA, the Montgomery Riverwalk Stadium is a 7,000-seat facility in

downtown Montgomery, close to Riverfront Park, riverboats, and an amphitheater. Tourists also come to downtown Montgomery to visit the Civil Rights Memorial Center, The National Memorial for Peace and Justice, The Legacy Museum, the Rosa Parks Library and Museum, and other sites where the civil rights movement started. The HMA also has two Wind Creek casinos, one in eastern Montgomery County and the other in the city of Wetumpka. In Alabama, casinos are run by tribal gaming operators; in 2021, casinos supported more than 12,000 jobs statewide and provided \$149.8 million in tax revenue (American Gaming Operators, 2022).

Current Conditions—Nonfarm Payrolls

Nonfarm payrolls in the HMA have increased during the past year as a result of the easing of statewide restrictions that were in place to slow the spread of COVID-19. Economic conditions are improving; as of June 1, 2022, 100 percent of the 19,200 jobs lost during April 2020 had been recovered (monthly basis; not seasonally adjusted). During the 12 months ending May 2022, nonfarm payrolls increased by 4,400 jobs, or 2.6 percent—up from a decrease of 4,200 jobs, or 2.4 percent, during the previous year (Table 2). Job additions were largest in the professional and business services sector, the fastest growing sector in

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

	12 Months Ending May 2021	12 Months Ending May 2022	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	170.4	174.8	4.4	2.6
Goods-Producing Sectors	24.0	24.6	0.6	2.5
Mining, Logging, & Construction	6.6	6.7	0.1	1.5
Manufacturing	17.5	17.9	0.4	2.3
Service-Providing Sectors	146.4	150.2	3.8	2.6
Wholesale & Retail Trade	23.7	24.3	0.6	2.5
Transportation & Utilities	6.4	6.7	0.3	4.7
Information	1.7	1.7	0.0	0.0
Financial Activities	7.4	7.6	0.2	2.7
Professional & Business Services	20.9	22.0	1.1	5.3
Education & Health Services	18.9	19.2	0.3	1.6
Leisure & Hospitality	14.7	15.7	1.0	6.8
Other Services	9.2	9.5	0.3	3.3
Government	43.6	43.6	0.0	0.0

Notes: Based on 12-month averages through May 2021 and May 2022. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

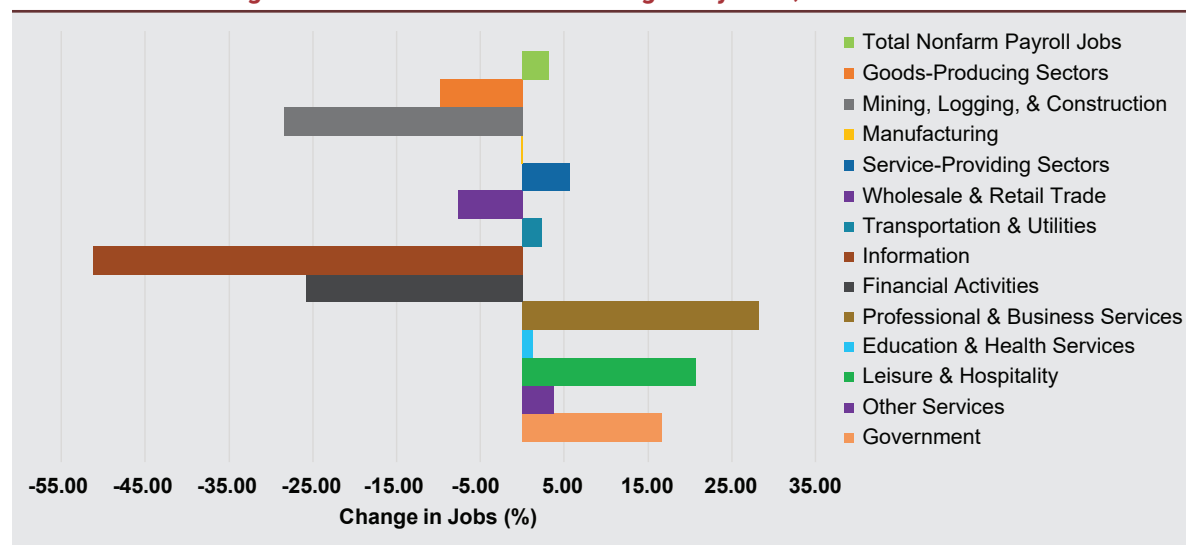


the HMA since 2001 (Figure 2), which increased by 1,100 jobs, or 5.3 percent. Alorica, Inc., a customer knowledge solutions provider, announced in the first quarter of 2021 that it was hiring 400 new employees by the end of 2022. Significant job growth also occurred in the leisure and hospitality sector, which increased by 1,000 jobs, or 6.8 percent, as tourism rebounded in the HMA. The wholesale and retail trade sector added 600 jobs, or 2.5 percent, during the 12 months ending May 2022. SSA Packaging, a wholesaler of shipping and packaging supplies, announced that it is expanding operations and is expected to add 100 new positions by the summer of 2022. Within the government sector, a gain of 200 state government jobs offset losses of 100 jobs in both the local and federal government subsectors.

Job Losses During the COVID-19 Pandemic: 2020

Early in 2020, measures to prevent the spread of COVID-19 caused economic conditions in the HMA to deteriorate rapidly. During April 2020, nonfarm payrolls declined by 19,200 jobs from the peak in March 2020 (monthly data; not seasonally adjusted). Countermeasures implemented to slow the spread of COVID-19 resulted in significant declines in the leisure and hospitality and the professional and business services sectors, which respectively accounted for 32 percent and 22 percent of job losses or more than one-half of all jobs lost in the HMA during April 2020.

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



Note: The current date is June 1, 2022.

Source: U.S. Bureau of Labor Statistics

On an annual basis, nonfarm payrolls in the HMA declined by 8,200 jobs, or 4.6 percent, during 2020, with 10 of 11 sectors losing jobs or adding no jobs, compared with 2019. The scale of job losses following the beginning of the COVID-19 pandemic was smaller in the HMA than in the nation, where nonfarm payrolls fell 5.8 percent during 2020. Job losses in the HMA were largest in the leisure and hospitality sector, which contracted by 2,600 jobs, or 15.0 percent, after indoor dining and many recreational activities were curtailed in mid-March 2020. The second largest decline in payrolls occurred in the professional and business services sector, which fell by 1,700 jobs, or 7.8 percent. As businesses adapted to a telework model following the onset of the COVID-19 pandemic, demand decreased for office services such as building support and janitorial staff, contributing to overall declines in the sector. The next largest decline in payrolls occurred in the education and health services sector, which fell by 1,400 jobs, or 6.9 percent. A moratorium on nonessential medical procedures implemented to preserve healthcare resources and minimize transmission of COVID-19 contributed to the loss of many jobs in this sector. During 2020, the government sector declined by 500 jobs, or 1.1 percent; all of these job losses occurred in the state and local government subsectors, which contracted by 300 and 500 jobs, or 1.3 and 3.5 percent, respectively.

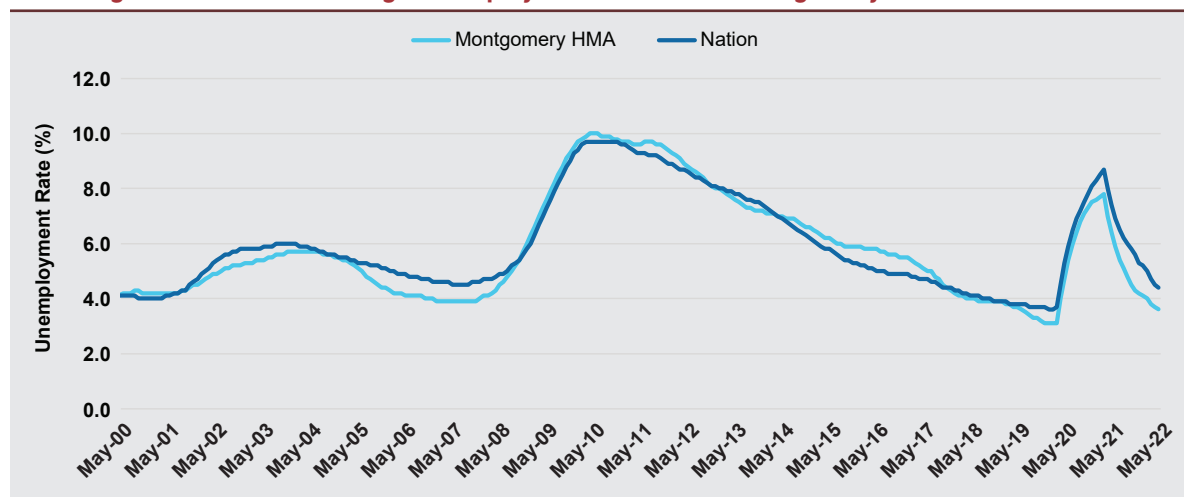
At the state level, reduced tax revenue due to the pandemic led to furloughs and delayed hiring. At the local level, remote learning due to the pandemic reduced the need for staffing.

Current Conditions— Unemployment

The unemployment rate in the Montgomery HMA during the 12 months ending May 2022 averaged 3.6 percent, down from 6.4 percent during the previous 12 months. The unemployment rate has declined rapidly because growth in resident employment has been higher than growth in the labor force. The average unemployment rate during the past 12 months in the HMA was below the national average of 4.4 percent. During the economic downturn brought on by the COVID-19 pandemic, the unemployment rate in the HMA peaked at a lower rate than in the nation. The unemployment rate for the nation peaked at

8.7 percent during the 12 months ending March 2021, whereas the unemployment rate in the HMA peaked at 7.8 percent during the same period. The significance of the government sector in the HMA has lessened swings in the unemployment rate. Figure 3 shows the 12-month average unemployment rate in the Montgomery HMA and the nation since May 2000.

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



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

Economic Periods of Significance

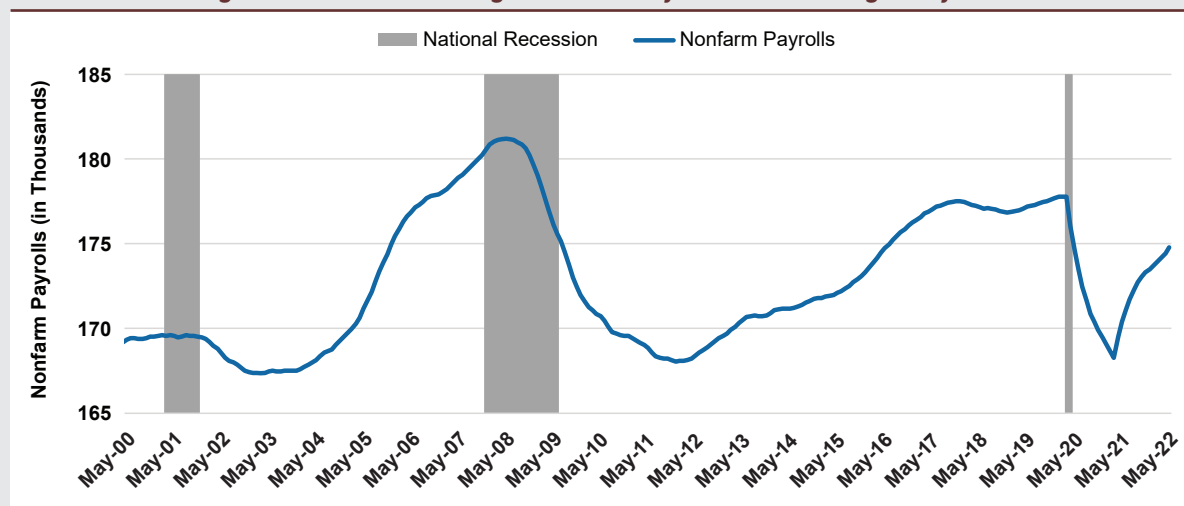
2001 Through 2003

During the early 2000s, the economy in the Montgomery HMA was weak, in large part because of the dot-com recession (Figure 4). From 2001 through 2003, 8 of 11 sectors lost jobs or were unchanged; most job losses occurred in the wholesale and retail trade and the manufacturing sectors. During that period, nonfarm payrolls decreased by an average of 700 jobs, or 0.4 percent, annually, to 167,500. By contrast, jobs in the state of Alabama and the nation fell by respective averages of 1.0 and 0.4 percent annually. In the HMA, the wholesale and retail trade sector decreased by an average of 400 jobs, or 1.7 percent, a year, and the manufacturing sector decreased by an average of 300 jobs, or 1.9 percent, annually. The education and health services sector, however, continued to add jobs, up by an average of 200 jobs, or 1.2 percent, annually.

2004 Through 2007

The HMA economy expanded from 2003 through 2007, and nonfarm payrolls increased by an average of 3,300 jobs, or 1.9 percent, annually, reaching 180,600 jobs in 2007. In Alabama and the nation, jobs grew at slower rates, averaging 1.7 and 1.5 percent annually, respectively. During the 4-year period, the government sector in the HMA added an average of 1,000 jobs, or 2.5 percent, annually—the largest gains of any sector. Within the government sector, the most

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



Note: 12-month moving average.

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

jobs were added by the state government subsector, which added 800 jobs, or 4.0 percent, annually. The professional and business services and the manufacturing sectors also contributed to the economic expansion during this period, adding respective averages of 900 and 800 jobs, or 4.8 and 4.6 percent, annually. In 2006, ArvinMeritor Sejong, LLC, a manufacturer of mufflers and exhaust systems, expanded and added 100 new jobs.

2008 Through 2011

In 2008, economic conditions in the HMA began to weaken because of the national housing crisis and the Great Recession. From 2008 through 2011, nonfarm payrolls in the HMA declined by an average of 3,100 jobs, or 1.8 percent, annually. The average annual declines in Alabama and the nation during that period were 1.7 and 1.1 percent, respectively. During the economic downturn, 9 of the 11 payroll sectors in the HMA lost jobs. The largest nonfarm payroll losses were in the manufacturing sector, which decreased by an average of 800 jobs, or 3.9 percent, a year. In 2009, those losses included approximately 650 layoffs from the Russell Brands, LLC Coosa River Plant, a distribution center for Spalding athletic apparel in the city of Wetumpka. The mining, logging, and construction and the financial activities sectors had respective average declines of 700 and 600 jobs, or 8.8 and 6.9 percent, annually. During the 4-year downturn, the

only sectors to add jobs were the government and the education and health services sectors, which increased by averages of 300 and 100 jobs, or 0.6 and 0.4 percent, a year, respectively.

2012 Through 2016

Economic conditions in the HMA began to improve in 2012 as the national economy started to recover from the effects of the Great Recession. From 2012 through 2016, nonfarm payrolls in the HMA increased by an average of 1,700 jobs, or 1.0 percent, annually. During that 5-year period, jobs in Alabama and the nation grew at a faster rate, averaging 1.1 and 1.5 percent annually, respectively. The leisure and hospitality sector led the HMA in both total jobs added and rate of growth, up by 500 jobs, or 2.9 percent, a year, partially due to the 2014 completion of the 20-story, 283-room Wind Creek Casino & Hotel Wetumpka, which added approximately 600 new jobs. The manufacturing and the professional and business services sectors expanded by 300 jobs each, or 1.6 and 1.4 percent, respectively, annually. In 2012, HMMA added a third shift to accommodate increased car production at its Montgomery assembly plant, which added approximately 800 full-time positions.

Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase at an average rate of 0.7 percent annually, with most sectors expected to add jobs. Strong job growth in the manufacturing sector is expected to continue during the forecast period. HMMA announced in April 2022 plans to expand and add the first Genesis Electrified GV70 SUV production to the Montgomery factory. HMMA plans to invest \$300 million and create 200 new full-time positions by the end of 2022. Premier Tech Ltd., a manufacturing provider, announced that it was building a new \$33 million facility, which is expected to bring 180 new jobs by the summer of 2023. The transportation and utilities sector is expected to contribute to job growth during the forecast period. FedEx Ground Package System, Inc., a provider of small package delivery services,

2017 Through 2019

From 2017 through 2019, job growth in the HMA slowed; job growth accelerated slightly in Alabama and remained steady in the nation. In the HMA, jobs increased by an average of 500, or 0.3 percent, annually, whereas the corresponding annual rates for Alabama and the nation averaged 1.4 and 1.5 percent, respectively. In the HMA, an average of 100 jobs added each year in the mining, logging, and construction sector was offset by an average annual decline of 100 jobs in the manufacturing sector. The decline in the manufacturing sector was due in part to 100 jobs that were eliminated when AG Manufacturing, a manufacturer of electrical components and harnesses for the automotive industry, closed its Wetumpka plant during the fourth quarter of 2017. In the information sector, C2 Technologies, Inc., an IT software development company, opened a location in the HMA, adding approximately 20 new jobs. The professional and business services and the leisure and hospitality sectors each increased by an average of 100 jobs, or 0.5 and 0.6 percent, respectively, annually. In the leisure and hospitality sector, SpringHill Suites opened a new 105-suite hotel in downtown Montgomery in 2019 in a former furniture warehouse that was originally built in 1905.

announced in the second quarter of 2022 that it was expanding its current distribution and logistics center in the city of Montgomery, which is expected to be operational in 2023 and add approximately 150 new positions. Amazon.com, Inc., is building an IxD (inbound cross-docking) facility in the HMA for loading containers onto trucks that are bound for fulfillment facilities. The project is expected to open in 2023, adding 500 jobs, and it will be the first IxD facility in Alabama. The leisure and hospitality sector is expected to add jobs during the forecast period. Currently under construction between Maxwell AFB and I-65 is the \$50 million Montgomery Whitewater, a world-class outdoor recreation and entertainment district. The manmade whitewater rafting and recreational complex is expected to open in the summer of 2023 and is anticipated to have restaurants, shops, an amphitheater, and many other amenities.



Population and Households

Current Population: 386,600

Population growth in the HMA has been steady since 2010, despite out-migration, and remains slower than growth before the Great Recession.

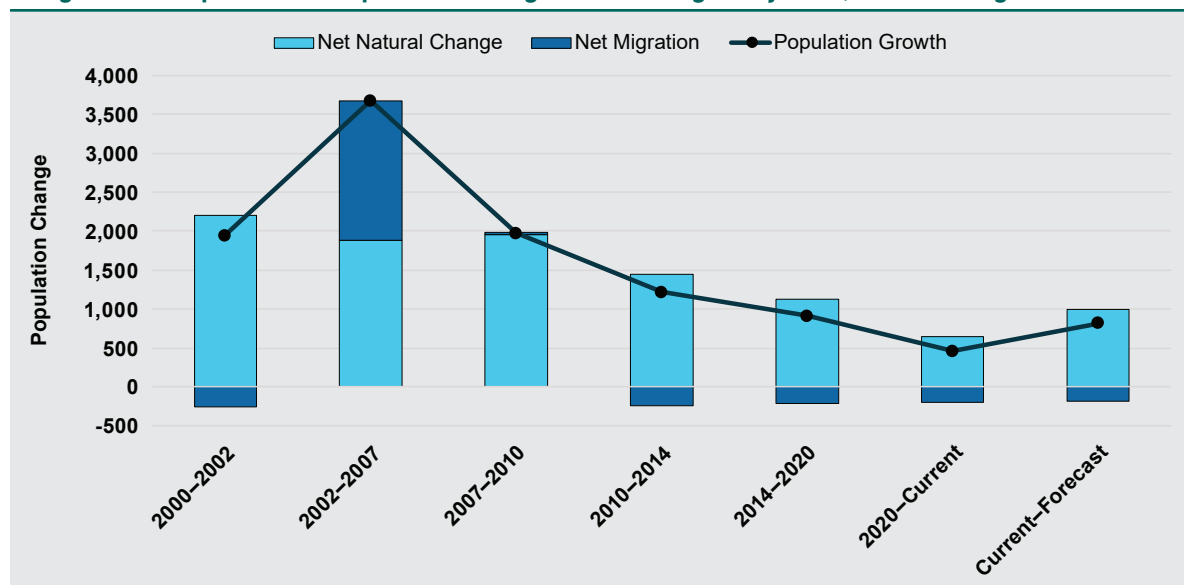
Population Trends

The Montgomery HMA is the fourth most populous MSA in Alabama after the Birmingham-Hoover, Mobile, and Huntsville MSAs. Approximately 61 percent of people residing in the HMA live in Montgomery County. With an estimated population of 198,700, the city of Montgomery is the most populous city in the HMA.

From 2000 to 2003, a period corresponding with a weak economy, the population increased by an average of 1,800, or 0.5 percent, annually. Net out-migration averaged 280 people a year during that period, and net natural change (resident births minus resident deaths) of 2,080 people accounted for all of the annual increase. From 2003 to 2007, in response to generally stronger job growth and the return of military personnel from deployment in Afghanistan, the population of the HMA increased by an average of 4,250, or 1.2 percent, annually. Net in-migration averaged 1,900 people a year, and net natural change

averaged 2,350 people a year. Population growth slowed from 2007 to 2010 during the economic downturn and the initial years of the recovery that followed, and the population increased by an average of 2,000, or 0.5 percent, annually. Net in-migration slowed to an average of 50 people a year, and net natural change averaged 1,950 people annually. From 2010 to 2014, population growth continued to slow despite economic recovery. During the period, the population increased by an average of 1,225, or 0.3 percent, annually; net out-migration fell to 230 people, and net natural change averaged 1,455 people a year. From 2014 to 2020, population growth slowed further, to an average of 920 people, or 0.2 percent, annually, which can be attributed to an increase in out-migration and a slowdown in net natural change. Net out-migration averaged 210 people as residents moved away for improved economic opportunities, and net natural change averaged 1,130 people each year. From 2020 to current, the population increased by 460, or 0.1 percent, annually. During that period, net out-migration slowed to an average of 190 people, and net natural change averaged 650 people a year. Figure 5 shows the components of population change from 2000 through the forecast.

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

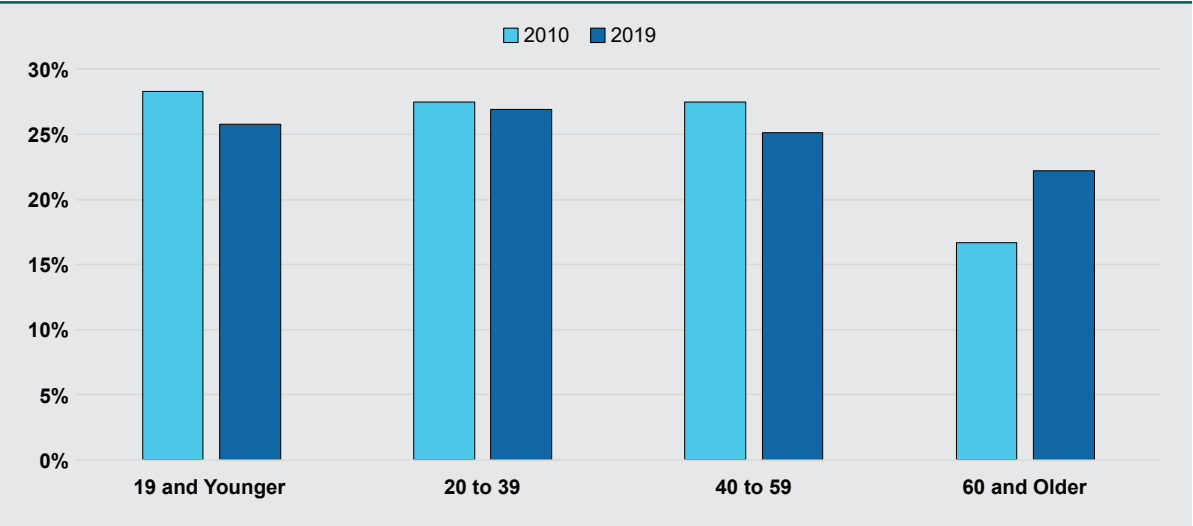


Notes: Data displayed are average annual totals. The forecast period is from the current date (June 1, 2022) to June 1, 2025.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

Age Cohort Trends

The median age in the Montgomery HMA during 2019 was 38.2 years, up from 35.9 years of age in 2010 (2019 and 2010 American Community Survey [ACS] 1-year data). The median age in the HMA is rising at a faster rate than the national median, which went from 37.2 years of age in 2010 to 38.5 in 2019. The share of seniors living in the HMA, generally defined as residents age 60 and older, increased from 16.7 percent in 2010 to 22.2 percent in 2019, whereas the share of all other age cohorts declined (Figure 6). The warm southern climate and relatively affordable housing in the HMA have attracted many retirees, particularly retired military personnel who benefit from services provided at Maxwell AFB. Declining births and a growing number of military retirees are increasing the median age of the HMA. The share of the population age 19 and younger declined the most, from 28.3 percent in 2010 to 25.8 percent in 2019. Declining birth rates and out-migration of people seeking better job opportunities have contributed to the 20-to-39 and the 40-to-59 age cohorts contracting in the past decade. The share of residents age 20 to 39 fell from 27.5 percent in 2010 to 26.9 percent in 2019. The share of the population age 40 to 59 fell from 27.5 percent in 2010 to 25.1 percent in 2019. Both the number and portion of adults in the 20-to-59 age cohorts, which make up most of the labor force, has declined since 2010, partly because of people leaving for job opportunities in the cities of Birmingham, Alabama; Atlanta, Georgia; and Nashville, Tennessee.

Figure 6. Population by Age Range in the Montgomery HMA



Source: U.S. Census Bureau

Household Trends

Household growth in the HMA has generally reflected population growth trends since 2000. As of June 1, 2022, an estimated 152,700 households reside in the HMA, reflecting an average annual increase of 810 households, or 0.5 percent, since April 2010 (Table 3). Household growth has been slightly higher than

Table 3. Montgomery HMA Population and Household Quick Facts

Population Quick Facts	2010	Current	Forecast	
	Population	374,536	386,600	389,100
	Average Annual Change	2,800	990	820
	Percentage Change	0.8	0.3	0.2
Household Quick Facts	2010	Current	Forecast	
	Households	142,855	152,700	154,100
	Average Annual Change	1,325	810	470
	Percentage Change	1.0	0.5	0.3

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 (June 1, 2022) to June 1, 2025. Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

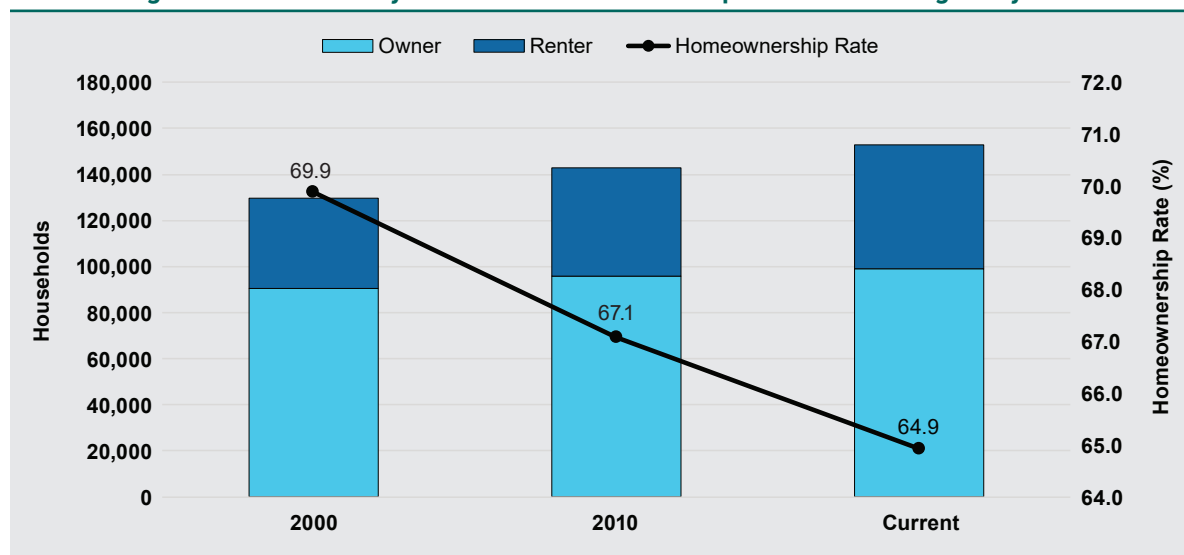


population growth since 2010, partly due to strong growth in the 60-years-and-older cohort, who tend to have smaller households. From 2000 to 2010, the number of households increased by an average of 1,325, or 1.0 percent, annually—slightly higher than the 0.8-percent rate of population growth during the period. As of June 1, 2022, an estimated 64.9 percent of households are homeowners, down from 67.1 percent in 2010 and 69.9 percent in 2000 (Figure 7).

Military Households

Maxwell AFB has a notable impact on the local housing market. Approximately 3,000 active-duty military personnel reside in the HMA, and the base has more than 510 single-family homes and approximately 320 beds for unaccompanied military personnel. The majority of active-duty military personnel and their family members live off base. For those living off base, the military provides a monthly basic allowance for housing, ranging from \$1,220 to \$1,875, and military personnel may use it for rent or to purchase a home. More than 57 percent of active-duty military members in the nation are estimated to be renters (*The Impacts of US Military Service on Homeownership and Income*, Urban Institute, 2020), and troop level fluctuations have historically affected overall rental demand in the HMA.

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



Note: The current date is June 1, 2022.

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

Population and Household Forecast

During the next 3 years, the Montgomery HMA population is expected to increase by an average of 820, or 0.2 percent, annually, to 389,100. The population growth rate is forecast to be lower than the 2010-to-current period. Net out-migration will continue to decrease, to an average of 180 people annually. Net natural change is expected to continue to increase in the near future, despite an aging population, averaging 1,000 people a year during the forecast period. The number of households in the HMA is anticipated to increase at an average rate of 470, or 0.3 percent, a year, to reach 154,100 by the end of the forecast. Household growth is forecast to continue to exceed population growth, partly because the increasing share of the older population are expected to have smaller household sizes.

Home Sales Market

Market Conditions: Balanced

The average sales price of a new home was up nearly 13 percent during the past 12 months (CoreLogic, Inc.).

Current Conditions

The sales housing market in the Montgomery HMA is currently balanced, with an estimated vacancy rate of 1.9 percent (Table 4), down from 2.6 percent in April 2010, when conditions were soft. The for-sale inventory of homes in the HMA decreased from a 2.9-month supply in May 2021 to a 2.1-month supply in May 2022 and was well below the 9.7-month supply in May 2010 (CoreLogic, Inc.). During the 12 months ending May 2022, new and existing home sales in the HMA decreased 5 percent to 10,050. During the same period, the average sales price increased 8 percent, to \$191,900, compared with the same period during the previous year.

New Home Sales

Since 2000, trends in new home sales in the Montgomery HMA have followed the overall trends in the economy, with sales growth reflecting job trends. New

Table 4. Home Sales Quick Facts in the Montgomery HMA

	Montgomery HMA	Nation
Vacancy Rate	1.9%	NA
Months of Inventory	2.1	1.6
Total Home Sales	10,050	7,319,000
1-Year Change	-5%	-22%
New Home Sales Price	\$337,000	\$453,600
1-Year Change	13%	14%
Existing Home Sales Price	\$182,800	\$391,300
1-Year Change	8%	14%
Mortgage Delinquency Rate	2.2%	1.4%

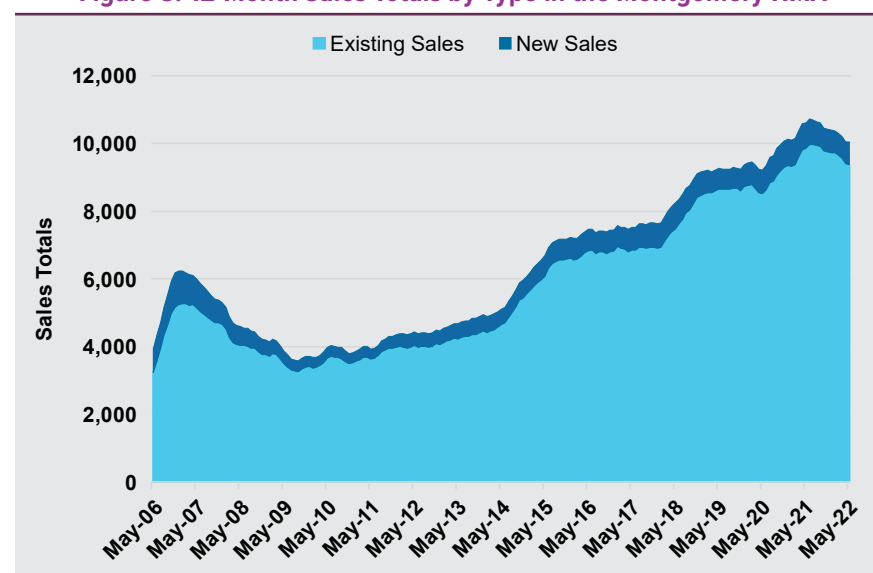
NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending June 2022; and months of inventory and mortgage delinquency data are as of June 2022. The current date is June 1, 2022.

Sources: Vacancy rate—estimates by the analyst; months of inventory, HMA home sales and prices, and national home sales and prices—CoreLogic, Inc.

home sales increased an average of more than two-fold, or by 250 homes, annually, from 2003 through 2006, partly because of elevated in-migration. From 2007 through 2009, new home sales fell sharply, with declines averaging 32 percent, or 230 homes, annually, largely due to the Great Recession and the housing market downturn. The HMA reached a low of 310 new homes sold in 2009. From 2010 through 2015, the number of new home sales increased by an average of 50 homes, or 12 percent, annually, to 610 homes sold in 2015. From 2016 through 2020, despite job losses in 2020, sales of new homes increased by an average of 35 homes, or 5 percent, annually, to 780 homes sold in 2020. Labor shortages, supply chain issues, and limited availability of buildable land have constrained home construction in the HMA. Approximately 670 new homes sold in the HMA during the 12 months ending May 2022, down 11 percent from the 750 sold during the previous year (CoreLogic, Inc., with adjustments by the analyst). Currently, the number of new home sales is approximately 35 percent below the high of 1,025 homes sold during late 2006 (Figure 8).

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



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

Existing Home Sales

Existing home sales in the Montgomery HMA increased sharply during the early to mid-2000s. From 2003 through 2006, a period that included strong population growth, existing homes sales increased by 1,125 homes sold each year, or 63 percent, reaching a high of 5,225 homes in 2006 before the housing market crashed. From 2007 through 2009, the number of existing home sales declined by an average of 610 homes, or 13 percent, annually, to a low of 3,250 homes in late 2009. During that period, REO sales increased by an average of 45 percent annually and peaked at 20 percent of existing home sales in late 2009. In response to improving economic conditions and increased population growth, existing home sales increased from 2010 through 2014. During that period, existing home sales increased by an average of 430 homes sold each year, or 10 percent, annually, as excess REO inventory was cleared during the period. REO sales increased an average of 7 percent a year and accounted for 16 percent of existing home sales in 2014. From 2015 through 2020, existing home sales increased by an average of 630 homes sold each year, or 9 percent, annually; simultaneously, the number of REO sales declined at an average rate of 15 percent annually, accounting for 4 percent of existing sales in 2020. During the 12 months ending May 2022, the number of existing home sales totaled 9,375, a decrease of 5 percent from the 9,850 homes sold during the previous year (CoreLogic, Inc., with adjustments by the analyst). Real estate owned (REO) sales accounted for approximately 1 percent of existing home sales during the 12 months ending May 2022, compared with 3 percent during the previous year.

Seriously Delinquent Mortgages and REO Properties

In May 2022, 2.2 percent of home loans in the Montgomery HMA were seriously delinquent or had transitioned into REO status, down from 4.2 percent in May 2021 (CoreLogic, Inc.). The rate increased from 2.2 percent in March 2020 to 5.4 percent in August 2020 because of a more-than-two-and-a-half-fold increase in the number of home loans that were 90 or more days delinquent.

The increase in the rate during that period was largely attributed to households being unable to make their mortgage payments due to elevated unemployment rates. As jobs continued to be added and the unemployment rate declined, more households caught up on their payments. As a result, the number of home loans that were 90 or more days delinquent has declined 60 percent since August 2020, and the rate of home loans that were seriously delinquent or transitioned into REO status declined in each of the past 21 months. In addition, because of the forbearance programs that helped keep home loans from going into foreclosure, the number of home loans that were in either foreclosure or REO status has generally decreased during the COVID-19 pandemic, continuing a trend that started in 2010. In May 2022, the rate of home loans that were seriously delinquent or had transitioned into REO status in the HMA was higher than the statewide and nationwide rates of 1.9 and 1.4 percent, respectively.

New Home Sale Prices

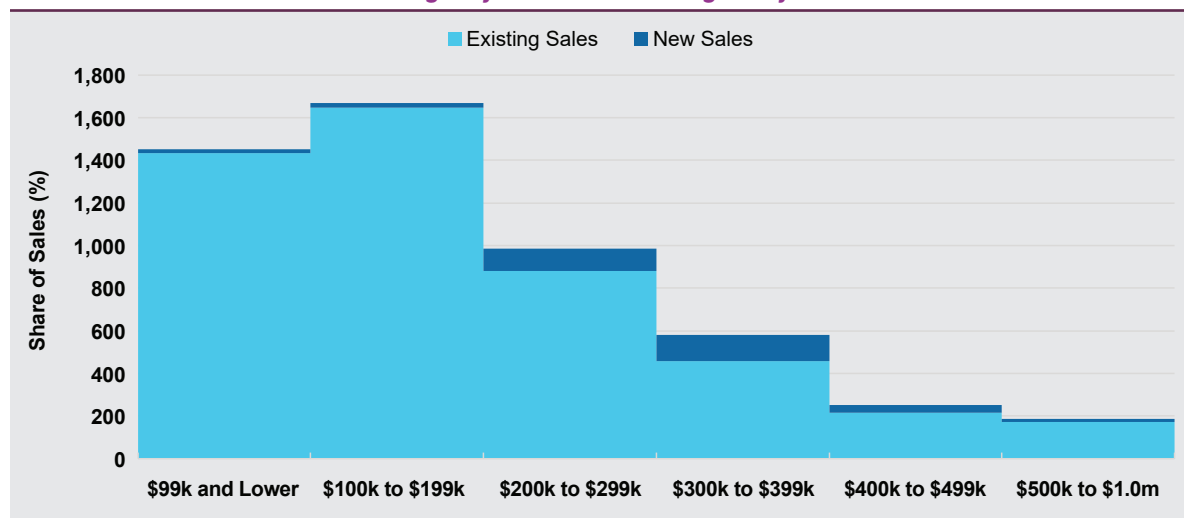
Stronger demand for homes since the onset of the pandemic and lower inventory levels have caused growth in home sales prices in the HMA to accelerate from previous years, and rising construction levels have caused the cost of land, labor, and construction materials to rise. The average sales price for a new home during the 12 months ending May 2022 was \$337,000, an increase of approximately 13 percent, compared with an increase of approximately 10 percent during the previous year. Following the collapse of the dot-com bubble in the early 2000s, new home sales prices increased because of more competition among homebuyers resulting from returning military personnel and job gains in the HMA. From 2003 through 2006, the average sales price for a new home in the HMA rose an average of \$27,900, or 16 percent, annually, near the end of the housing boom, to \$244,800 in 2006. From 2007 through 2009, the average new home price decreased by an average of \$2,975, or 1 percent, annually, to \$235,900 in 2009 because of weakening economic conditions and an excess supply of homes on the market. Annual price growth averaged 2 percent, or \$5,650, a year from 2010 through 2015, to reach \$269,800 in 2015. From 2016 through 2020, new home sales prices continued to rise at a slower rate, an average of 1 percent

annually, to \$283,500 in 2020. Figure 9 shows the share of home sales by price range during the 12 months ending May 2022.

Existing Home Sales Price

The average price of a home increased during the past year as lower levels of for-sale inventory contributed to upward pressure on home sales prices. During the 12 months ending May 2022, the average sales price of an existing home was \$182,800, up 8 percent from the previous year, compared with 17-percent price growth a year earlier. From 2003 through 2006, following strong job and population growth, average existing home prices increased by \$6,900, or 5 percent, annually, to \$146,300 in 2006. Existing home sales prices in the HMA decreased during the period surrounding the Great Recession. From 2007 through 2011, the average existing home sales price decreased by an average rate of 3 percent annually. An increase in REO sales from 2007 through 2011, which sold at a 41-percent discount compared with the average resale home, contributed to declines in existing home prices. The average sales price of an REO property in 2011 was \$73,050, compared with \$135,000 for a resale home (Figure 10). From 2012 through 2015, prices for existing homes increased an average of less than 1 percent, to \$128,400 in 2015, when economic conditions improved, but REO sales continued to be high. Existing home sales prices continued to rise an average of 4 percent, or \$5,750, annually from 2016 through 2020, to \$157,100 in 2020, when the inventory of REO properties had been absorbed.

Figure 9. Share of Overall Sales by Price Range During the 12 Months Ending May 2022 in the Montgomery HMA

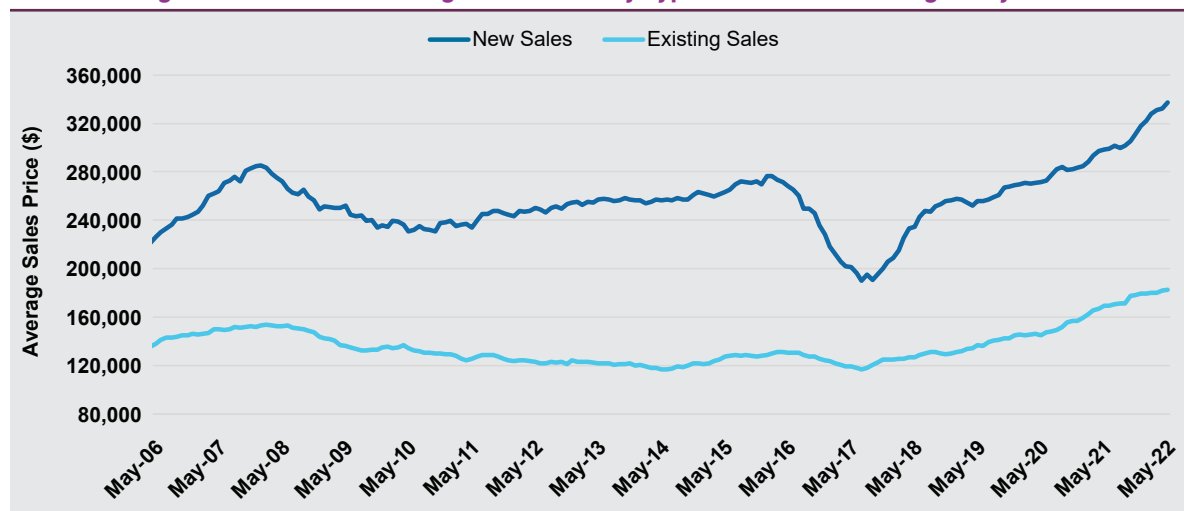


k = one thousand, m = one million.

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

Source: Zonda

Figure 10. 12-Month Average Sales Price by Type of Sale in the Montgomery HMA

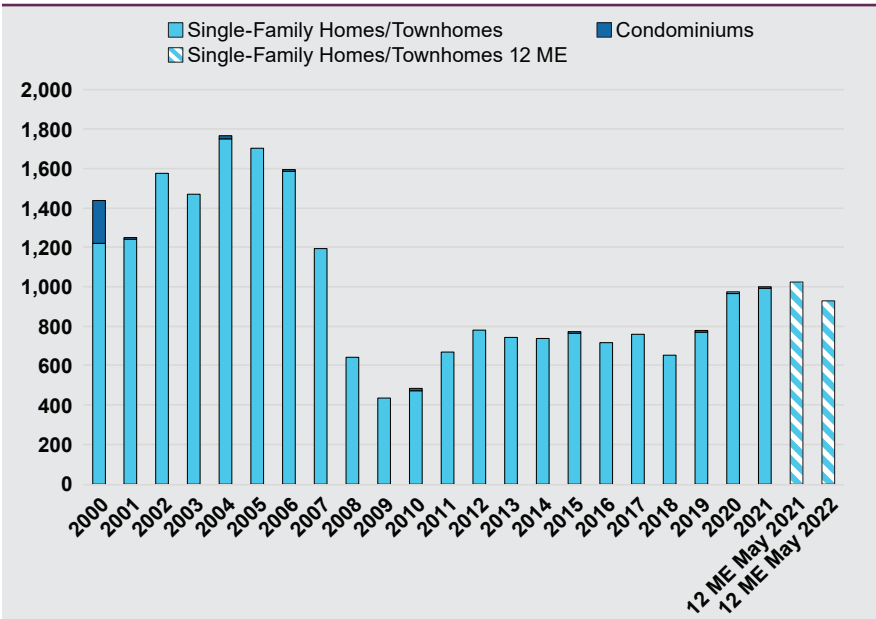


Source: CoreLogic, Inc., with adjustments by the analyst

Sales Construction Activity

The current level of homebuilding—as measured by the number of single-family homes, townhomes, and condominiums permitted (see [building permits](#))—is below the high level of the early to mid-2000s (Figure 11). From 2000 through 2007, an average of 1,500 homes were permitted annually. Elevated home sales activity and rising home sales prices during the early 2000s contributed to growth in housing production during that period. From 2008 through 2011, permitting slowed, with an average of 560 homes permitted annually. Builders responded to improving economic conditions

Figure 11. Annual Sales Permitting Activity in the Montgomery HMA



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

and rising new home sales, and an average of 740 homes were permitted annually from 2012 through 2019. During the 12 months ending May 2022, 930 homes were permitted, a 9-percent decrease from the 1,025 homes permitted during the previous 12 months (preliminary data). The construction of condominiums has not been prevalent in the Montgomery HMA. During 2000, approximately 220 condominium units were permitted; however, since then, fewer than 50 condominium units have been permitted in the HMA.

New Construction Properties

Recent developments in the Montgomery HMA include the 90-home Somerhill development southeast of downtown Montgomery, which has 15 new homes under construction. Home prices in this subdivision start at \$207,900, with two- to four-bedroom homes available. The Haven of Cotton Lakes is a 50-home development northwest of the city of Wetumpka, with home prices ranging from \$209,900 to \$239,900 for three- to five-bedroom homes. Buildout for both developments is expected to be complete by the end of 2022.

Forecast

On the basis of current and anticipated economic and population growth in the Montgomery HMA, demand is estimated for 2,100 new homes during the next 3 years (Table 5), with demand evenly distributed each year of the forecast. The 460 homes under construction are expected to meet a portion of the demand during the first year of the forecast.

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

Sales Units	
Demand	2,100 Units
Under Construction	460 Units

Note: The forecast period is from June 1, 2022, to June 1, 2025.

Source: Estimates by the analyst

Rental Market

Market Conditions: Balanced

The number of rental units permitted has been relatively low during the past 3 years, allowing the market to transition from soft to balanced.

Current Conditions and Recent Trends

Overall rental housing market conditions in the Montgomery HMA are currently balanced, with an estimated rental vacancy rate of 8.9 percent, down from 12.4 percent in 2010, when the market was soft (Table 6). Since 2016, relatively low multifamily construction, except in 2019, and increased rental household growth continuing since the housing crisis contributed to declining vacancy rates and rising rents during much of the period. In 2019, more than 64 percent of renter households in the HMA resided in detached single-family homes, townhomes, mobile homes, and two- to four-unit structures (2019 ACS 1-year estimates). The remainder of renter households resided in multifamily structures with five or more units that are typically apartments. The military presence in the HMA greatly affects the rental market. Nearly 75 percent of Maxwell AFB active duty military personnel live off base in the communities of Millbrook, Prattville, and Wetumpka, and approximately one-half of the personnel living off base are renters.

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

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	12.4	8.9
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	45	44
	Multifamily (2–4 Units)	15	11
	Multifamily (5+ Units)	32	36
	Other (Including Mobile Homes)	8	9

Notes: The current date is June 1, 2022. 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 2019 American Community Survey 1-year data

Single-Family Rentals

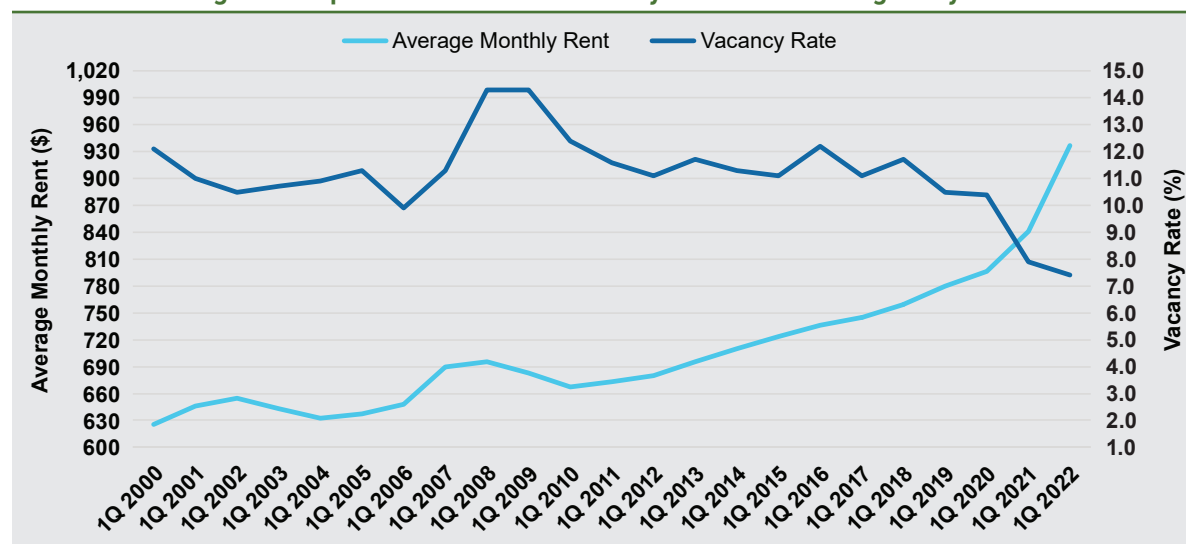
In 2019, an estimated 44 percent of renter households in the HMA resided in single-family homes, down from 45 percent in 2010 (2010 and 2019 ACS 1-year estimates). The market for single-family rental homes is slightly tight, unchanged from a year ago. Vacancy rates for professionally managed single-family rental homes during May 2022 averaged 4.8 percent, up from 2.8 percent a year ago (CoreLogic, Inc.). Vacancy rates by number of bedrooms during May 2022 ranged from 2.8 percent for four-bedroom homes to 7.2 percent for two-bedroom homes. Vacancy rates increased slightly for most unit types from a year ago, except for two-bedroom homes, which declined 0.8 percentage point. The average rent increased the most for four-bedroom homes, approximately 12 percent, whereas two- and three-bedroom homes increased 2 and 4 percent, respectively, from the previous year.

Apartment Market Conditions

During the first quarter of 2022, the apartment vacancy rate in the Montgomery HMA was 7.4 percent, down from 7.9 percent during the first quarter of 2021 and 10.4 percent in the first quarter of 2020 (CoStar Group). The first quarter 2022 vacancy rate represents the lowest rate for a first quarter recorded during the past 22 years (Figure 12). Between the the first quarter of 2021 and the first quarter of 2022, apartment rents rose 11 percent year over year, to \$937, compared with a 6-percent increase between the first quarter of 2020 and the first quarter of 2021 and a 2-percent increase during the prior year. The apartment vacancy rate generally declined, from 12.1 percent in 2000 to 9.9 percent in 2006, and the rent

rose an average of 1 percent annually, to \$648, in response to population growth during the mid-2000s and a return of military personnel from deployment in Afghanistan. By the first quarter of 2007, the apartment vacancy rate rose to 11.3 percent, partially due to out-migration from the HMA. The apartment vacancy rate continued to rise, to a peak of 14.3 percent as of the first quarter of 2009, and the average rent fell 1 percent annually, to \$683, as new apartment units entered the market, partly because of the record level of rental permitting during 2007 and elevated out-migration levels. From the first quarter of 2010, when the vacancy rate decreased to 12.4 percent, through the first quarter of 2015, when the vacancy rate was 11.1 percent, the vacancy rate trended downward. Rents increased an average of \$11, or 2 percent, annually during that period. In 2016, the vacancy rate increased to 12.2 percent as out-migration continued and new apartments units entered the market. For the remainder of the decade, the vacancy rate mostly decreased each year as apartment units were absorbed and more households shifted to renter status. The apartment vacancy rate in the HMA was 10.4 percent during the first quarter of 2020, down from 11.1 percent in the first quarter of 2017. From 2016 through 2020, rent gains were the strongest in more than 20 years, increasing an average of 2 percent, or by \$15, annually. Vacancy rates are generally lowest in the CoStar

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



1Q = first quarter.
Source: CoStar Group

Group-defined Elmore County and Prattville-Millbrook submarkets, with vacancies of 2.4 and 2.7 percent, respectively, during the first quarter of 2022. In the Downtown Montgomery market area, vacancies were highest during the first quarter of 2022, at 15.8 percent. During the first quarter of 2022, rents ranged from \$845 in the Elmore market area to \$1,161 in the Prattville-Millbrook market area.

Rental Permit Activity

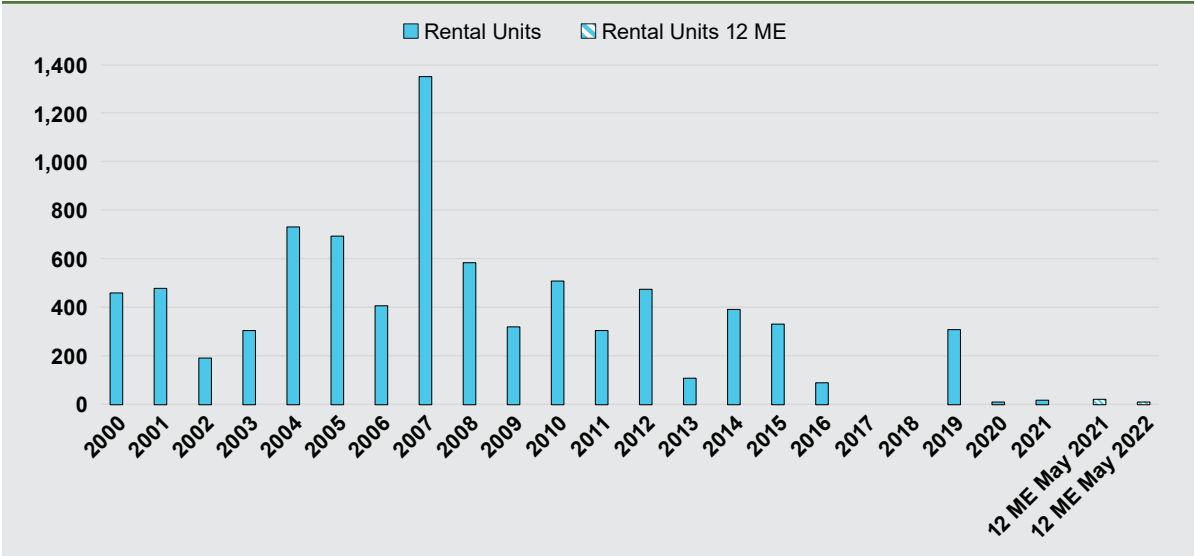
Rental construction activity in the HMA, as measured by the number of rental units permitted, has been generally lower since 2010 than during the 2000s because of slower population growth (Figure 13). Rental construction activity was steady in the early to mid-2000s. From 2000 through 2003, an average of 360 units were permitted annually. From 2004 through 2006, permits increased to 610 units annually as in-migration to the HMA increased. In 2007, permitting in the HMA peaked at 1,350 units as builders responded to the high rate of net in-migration due to stronger job growth and the return of military personnel from deployment in Afghanistan. As the large number of units permitted during that period came online, the rental market softened, and builders pulled back on development. Rental construction

activity averaged 440 units permitted annually from 2008 through 2012. Rental construction activity continued at lower levels and averaged 230 units permitted annually from 2013 through 2016 as new apartment units were absorbed. The market continued to absorb new apartment units, and virtually no units were permitted annually from 2017 through 2018 before the number of units permitted rose to 310 units in 2019 due to improving conditions. From 2020 through 2021, fewer than 50 units annually were permitted in the HMA in response to new units coming online in the rental market.

Recently Completed and Under-Construction Rental Properties

Some recently completed developments in the HMA include the Country Club Estates, an age- and income-restricted apartment community in the city of Montgomery. The 62-unit development opened in 2019 and has one- and two-bedroom units with rents starting at \$520 monthly. The Midtown Row apartments is a 35-unit development that opened in 2020 in downtown Montgomery, with studio, one-bedroom, two-bedroom, and three-bedroom units that rent from \$875 to \$2,300.

Figure 13. Annual Rental Permitting Activity in the Montgomery HMA



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Forecast

During the 3-year forecast period, demand is estimated for an additional 320 rental units (Table 7). The 10 units under construction are expected to meet a portion of the demand. The rental demand is expected to be evenly distributed among each year of the forecast period.

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

Rental Units	
Demand	320 Units
Under Construction	10 Units

Note: The forecast period is June 1, 2022, to June 1, 2025.
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 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.
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 under construction or units in the development pipeline.
Existing Home Sales	Includes resales, short sales, and REO sales.
Forecast Period	6/1/2022–6/1/2025—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.
Resales	Home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party and include short sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.

Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
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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.

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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