



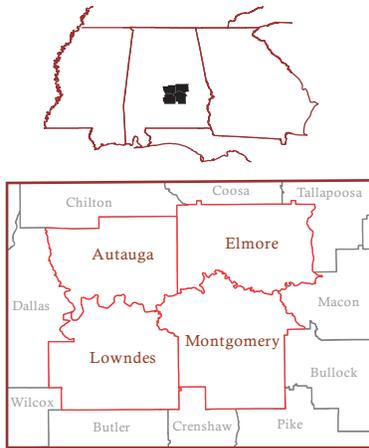
# Montgomery, Alabama

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2010



## Summary

### Housing Market Area



Centrally located in Alabama, along the Alabama River, about 90 miles south of Birmingham, the Montgomery Housing Market Area (HMA) includes Autauga, Elmore, Lowndes, and Montgomery Counties. The HMA is home to the state capital, Maxwell Air Force Base, Gunter Annex, the U.S. Air Force Air University, and Hyundai Motors Manufacturing Alabama, LLC.

### Economy

Jobs in the Montgomery HMA began to decline in 2008, following the onset of the national recession. During the 12 months ending June 2010, average nonfarm payrolls decreased by 5,700 jobs, or 3.3 percent, to 168,600 jobs, compared with the nonfarm payrolls recorded during the previous 12 months. Nonfarm payroll growth is not expected until the third year of the 3-year forecast period. Additional economic and demographic data for the HMA appear in Table DP-1 at the end of this report.

### Sales Market

The sales housing market in the HMA is soft, with an estimated overall vacancy rate of 2.6 percent. During the forecast period, demand is expected for 500 new homes. The 275 homes currently under construction will satisfy most of that demand (see Table 1). In addition, some of the estimated 12,500 other vacant units in the HMA may come back on the market and satisfy a portion of the demand.

### Rental Market

The rental housing market in the HMA is currently soft, with an estimated overall vacancy rate of 12.6 percent. Since 2008, the overall rental market has remained soft because of excess supply and modest household growth in the HMA. During the forecast period, demand for market-rate rental units in the HMA can be satisfied by current excess vacancies.

**Table 1. Housing Demand in the Montgomery HMA, 3-Year Forecast, July 1, 2010 to July 1, 2013**

	Montgomery HMA	
	Sales Units	Rental Units
Total Demand	500	0
Under Construction	275	310

*Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2010. A portion of the estimated 12,500 other vacant units in the HMA will likely satisfy some of the forecast demand.*

*Source: Estimates by analyst*

### Market Details

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## Economic Conditions

Employment in the Montgomery HMA contracted during the past 24 months, with job losses in nearly every sector. Average nonfarm payrolls in the HMA peaked at 180,100 jobs during the 12 months ending June 2008; the average unemployment rate during this period was 4 percent. During the 12 months ending June 2010, average nonfarm payrolls decreased by 5,700 jobs, or 3.3 percent, following a decrease of 5,800 jobs, or 3.2 percent, during the 12 months ending June 2009. During

the 12 months ending June 2010, the largest nonfarm payroll decreases were in the manufacturing and the mining, logging, and construction sectors, which lost 1,400 jobs, or 7.6 percent, and 900 jobs, or 11.5 percent, respectively (see Table 2). The average unemployment rate was 10.1 percent during the 12 months ending June 2010, up from 7.6 percent during the previous 12 months. By comparison, from 2003 to 2007, the unemployment rate averaged 4.1 percent annually (see Figure 1).

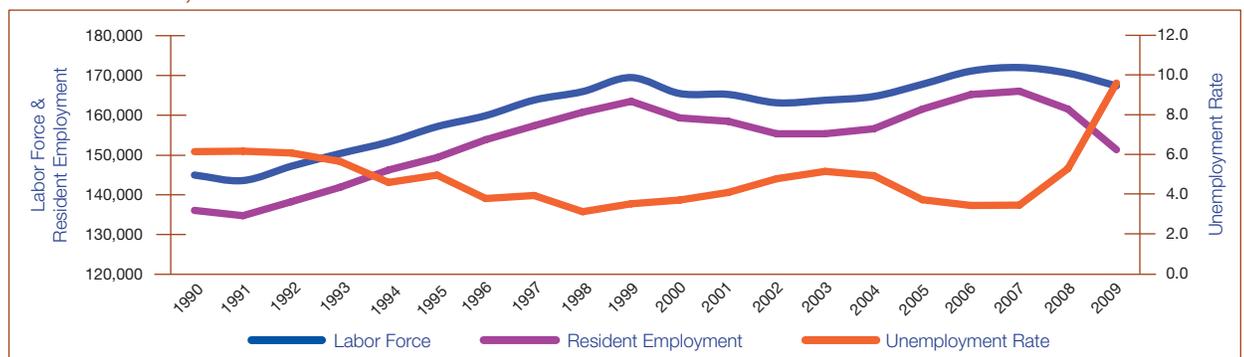
**Table 2.** 12-Month Average Nonfarm Payroll Jobs in the Montgomery HMA, by Sector

	12 Months Ending June 2009	12 Months Ending June 2010	Percent Change
Total Nonfarm Payroll Jobs	174,300	168,600	- 3.3
Goods Producing	26,100	23,900	- 8.4
Mining, Logging, & Construction	7,800	6,900	- 11.5
Manufacturing	18,400	17,000	- 7.6
Service Providing	148,200	144,700	- 2.4
Wholesale & Retail Trade	24,600	23,800	- 3.3
Transportation & Utilities	5,200	5,000	- 3.8
Information	2,100	1,800	- 14.3
Financial Activities	10,200	9,900	- 2.9
Professional & Business Services	20,500	19,900	- 2.9
Education & Health Services	18,200	18,200	0.0
Leisure & Hospitality	15,900	15,100	- 5.0
Other Services	7,400	7,200	- 2.7
Government	44,200	44,000	- 0.5

Notes: Based on 12-month averages through June 2009 and June 2010. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

**Figure 1:** Trends in Labor Force, Resident Employment, and Unemployment Rate in the Montgomery HMA, 1990 to 2009



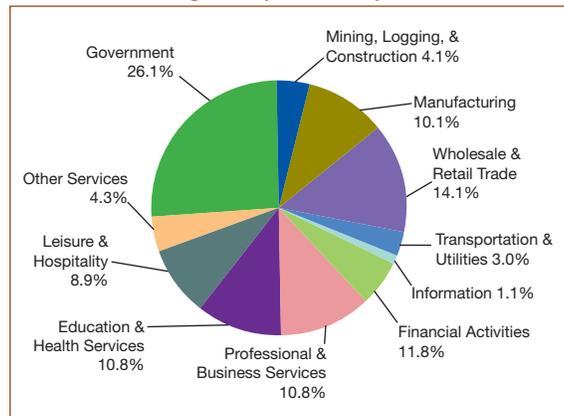
Source: U.S. Bureau of Labor Statistics

The largest employment sector in the HMA is the government sector, which has 44,000 jobs, or 26.1 percent of total nonfarm payrolls (see Figure 2). The leading employer, with approximately 12,500 military and civilian personnel, is the combined Maxwell Air Force Base, Gunter Annex, and U.S. Air Force Air University facilities; according to the Air University Education Digest 2009, this trio has a \$1.5 billion annual economic impact on the HMA (see Table 3).

Baptist Health System, Inc., which is the leading private employer in the area, with approximately 3,500 employees, recently completed the new Crossbridge Behavioral Health, a 42-bed psychiatric care facility in Montgomery.

The HMA's current weak economy follows a period of robust growth initiated in 2002 by the construction of a \$1.4 billion manufacturing plant by Hyundai Motor Manufacturing Alabama (Hyundai Motors), LLC, in Montgomery. As of 2010, Hyundai Motors was the second leading private-sector employer in the area, with 2,800 employees. By 2004, when the plant opened, many of Hyundai Motors' suppliers had also moved to Alabama, resulting in secondary investments totaling \$650 million in new facilities and the addition of about 6,000 manufacturing jobs in the HMA and surrounding counties. In 2007, Hyundai Motors invested \$270 million in a second engine manufacturing plant at the Montgomery location. Despite large declines in the manufacturing sector since 2008, Hyundai Motors has remained a

**Figure 2. Current Nonfarm Payroll Jobs in the Montgomery HMA, by Sector**



Note: Based on 12-month averages through June 2010.  
Source: U.S. Bureau of Labor Statistics

**Table 3. Major Employers in the Montgomery HMA**

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Maxwell Air Force Base, Gunter Annex, Air University	Government	12,500
Baptist Health System, Inc.	Education & Health Services	3,500
Hyundai Motor® Manufacturing Alabama, LLC	Manufacturing	2,800
Alfa Insurance®	Financial Activities	2,600
City of Montgomery	Government	2,500
Jackson Hospital & Clinic, Inc.	Education & Health Services	1,300
Regions Bank	Financial Activities	1,000
GKN Aerospace	Manufacturing	950
Koch Foods, Inc.	Manufacturing	900
Rheem Water Heaters	Manufacturing	800

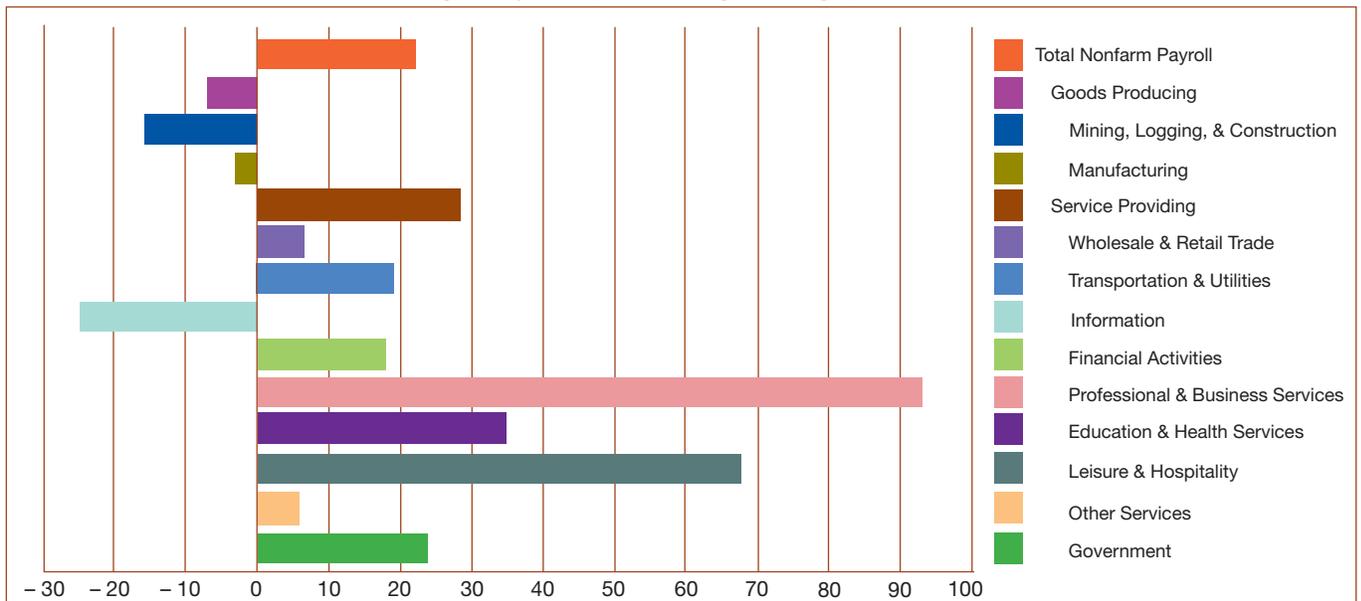
Sources: Montgomery Chamber of Commerce; analyst

stable employer in the HMA. In July 2010, Hyundai Heavy Industries Co., Ltd., announced it would build a \$90 million manufacturing plant in Montgomery that would produce electric transformers; the plant is scheduled to open in December 2011 and employ 1,000 people.

Since 1990, more than 30 percent of the growth in total nonfarm payrolls occurred in the professional and business services sector. As shown

in Figure 3, since 1990, the professional and business services sector grew by more than 90 percent, or by about 9,600 jobs. During the forecast period, employment is expected to increase in the third year, particularly in the administrative and business services and temporary employees industries of the professional and business services sector, as local manufacturers expand production using temporary workers.

**Figure 3. Sector Growth in the Montgomery HMA, Percentage Change, 1990 to Current**



Note: Current is based on 12-month averages through June 2010.

Source: U.S. Bureau of Labor Statistics

## Population and Households

As of July 1, 2010, the population of the Montgomery HMA was estimated at 366,900, with approximately 60 percent of the population residing in Montgomery County. During the 1990s, the population of the HMA grew at an average

annual rate of 1.3 percent, or about 4,100 annually; from 2000 to 2003, that rate dropped to 0.4 percent annually, or 1,550. From 2003 to 2007, when the Hyundai Motors plant was completed, the average annual rate of population growth increased to

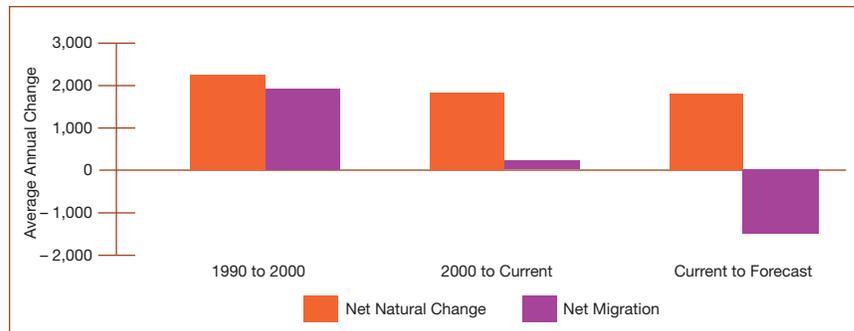
1 percent, or about 3,600 annually. Average population growth since July 1, 2008, has dropped to an estimated 0.1 percent, or 500 annually,

primarily attributed to out-migration caused by the decline in nonfarm payrolls of about 11,400 jobs, or 6.4 percent, since June 2008.

During the next 3 years, it is likely that slow job growth will hamper population gains. Net out-migration is expected to average 1,500 people each year through the forecast period as the local economy recovers. The population of the HMA is forecast to increase by 0.1 percent, or by 300 annually, because of net natural increase (resident births minus resident deaths) of 1,800 a year. Military personnel represent about 3 percent of the total population; this portion is expected to remain unchanged through the forecast period. See Figure 4 for the components of population change in the HMA from 1990 to the forecast date.

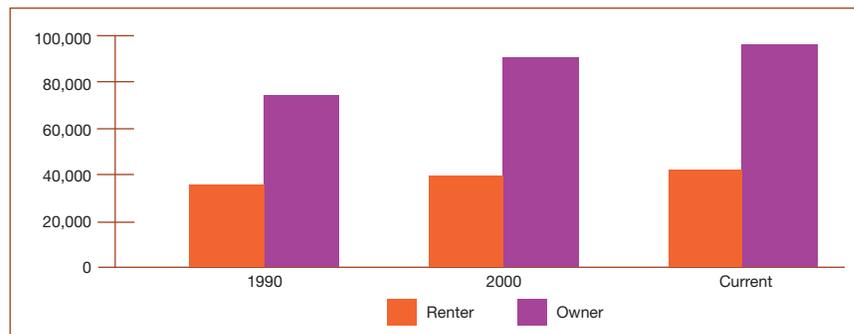
Each year since 2000, the number of households has increased by about 740, or 0.6 percent, compared with an increase of about 2,025, or 1.7 percent, annually during the previous decade. Currently, the HMA has about 137,300 households (see Figure 5); about 69.7 percent are owner households. During the forecast period, the number of households is expected to increase by about 270, or 0.2 percent, annually and total approximately 138,100 by July 1, 2013 (see Figure 6).

**Figure 4.** Components of Population Change in the Montgomery HMA, 1990 to Forecast



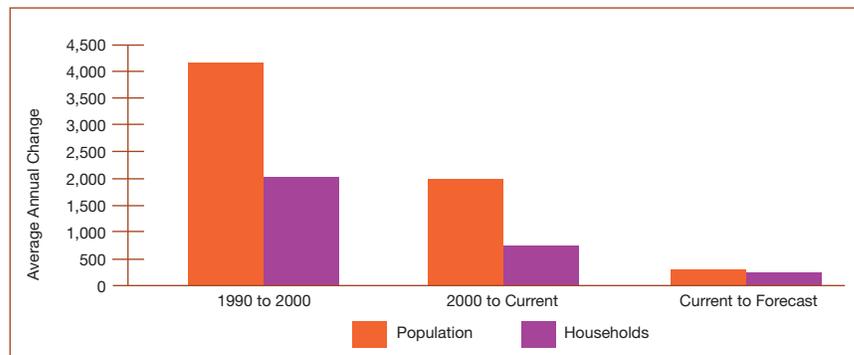
Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

**Figure 5.** Number of Households by Tenure in the Montgomery HMA, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

**Figure 6.** Population and Household Growth in the Montgomery HMA, 1990 to Forecast



Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

# Housing Market Trends

## Sales Market

The sales housing market in the Montgomery HMA is soft, with a current estimated vacancy rate of 2.6 percent, up from the 2.4-percent rate reported in the 2008 American Community Survey (ACS). Since 2008, the market has softened because of decreased demand resulting from slow economic growth; however, sales have increased recently as a result of low interest rates and the first-time homebuyer tax credit program.

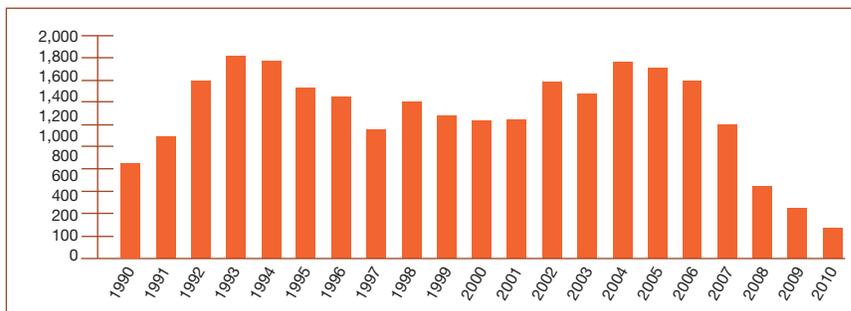
According to data from the Alabama Center for Real Estate for new and existing homes, during the 12 months ending June 2010, home sales increased 9 percent to about 3,700, but the average home sales price decreased 2 percent, to \$145,500, compared with the price recorded during the previous 12 months. During the 12 months ending June 2010, the inventory of unsold homes decreased to about a 10-month supply, down from an average of about a 12-month supply during the 12 months ending June 2009. Between 2003 and 2007, home sales averaged about 5,700

annually, with an average selling price of \$152,600; the average inventory of unsold homes was 5 months. The area has not been significantly affected by foreclosures.

Although homebuilding activity remains at low levels because of the soft market, new home construction, as measured by the number of building permits issued, has begun to increase. During the 12 months ending June 2010, about 450 single-family homes were permitted, 18 percent more than were permitted during the previous 12 months, based on preliminary data. As shown in Figure 7, from 2003 to 2007, building permits issued for single-family homes averaged about 1,500 a year. In southeast Montgomery City, new housing development includes the Town of Hampstead, which began construction in late 2008 and will include up to 1,500 attached and detached homes; prices start at about \$162,000 and \$230,000, respectively.

During the forecast period, demand is estimated for about 500 new homes; much of this demand will be met by the 275 homes currently under construction and by a portion of the 12,500 other vacant units in the HMA. Sales demand includes an estimated 50 mobile homes during the next 3 years. Mobile homes comprise about 10 percent of the housing inventory in the HMA. See Table 4 for a price distribution of estimated demand for new market-rate sales housing (excluding mobile homes).

**Figure 7. Single-Family Building Permits Issued in the Montgomery HMA, 1990 to 2010**



Notes: Includes only single-family units. Includes data through June 2010.

Source: U.S. Census Bureau, Building Permits Survey

**Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Montgomery HMA, July 1, 2010 to July 1, 2013

Price Range (\$)		Units of Demand	Percent of Total
From	To		
75,000	99,999	80	17.8
100,000	149,999	155	34.4
150,000	199,999	100	22.2
200,000	299,999	40	8.9
300,000	349,999	30	6.7
350,000	399,999	35	7.8
400,000	and higher	10	2.2

*Notes: Excludes mobile homes. A portion of the 12,500 other vacant units in the HMA will likely satisfy some of the forecast sales demand.*

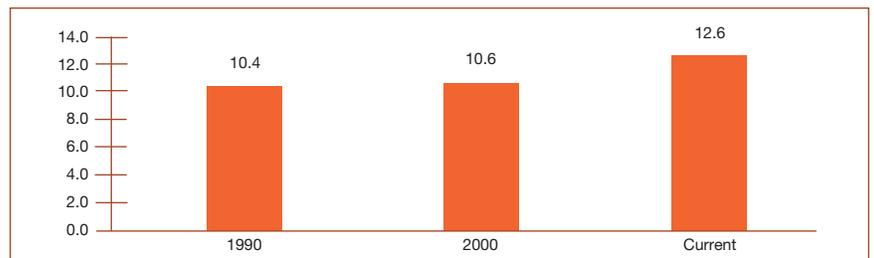
*Source: Estimates by analyst*

## Rental Market

The rental housing market in the Montgomery HMA is soft because of job losses that began in 2008 and that coincided with the completion of an average of about 850 new apartments each year in 2007 and 2008, compared with an average of about 160 new apartments completed each year from 2003 through 2006. The current overall rental vacancy rate is estimated at 12.6 percent (see Figure 8), which is slightly higher than the 12.4-percent rate reported in the 2008 ACS. Although the overall rental market has softened during the past 12 months, the apartment market, which makes up about 35 percent of the rental market in the HMA, has improved. According to Rock Apartment Advisors, Inc., in June 2010, the apartment vacancy rate in the HMA decreased to 11.5

percent from 12.6 percent in June 2009. During the 12 months ending June 2010, 66 percent of properties with more than 60 units offered rent concessions, which averaged \$33 a month, down from 68 percent of properties offering rent concessions averaging \$52 a month during the previous 12 months. In June 2010, the average rent was about \$675, up 3 percent from the average rent in June 2009, primarily as a result of new, higher rent inventory in Prattville, Millbrook, and east Montgomery. The 240-unit Crossings of Millbrook was completed in early 2010; rents for one-, two-, and three-bedroom units are \$680, \$850, and \$940, respectively. Average rents in Prattville and east Montgomery are about \$750 and \$725 a month, respectively.

**Figure 8.** Rental Vacancy Rates in the Montgomery HMA, 1990 to Current



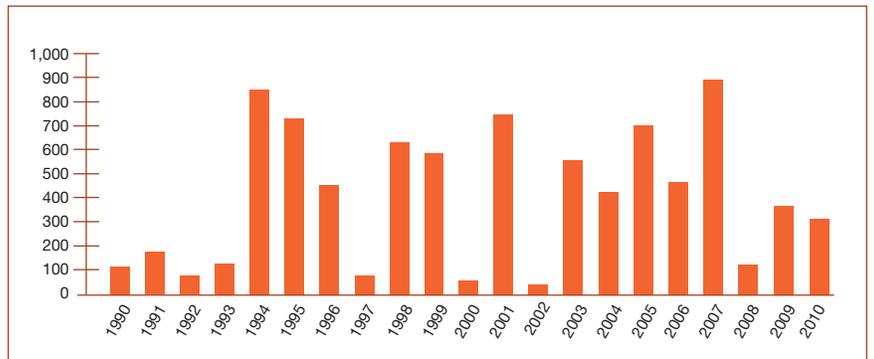
*Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst*

**Housing Market Trends**  
 Rental Market *Continued*

According to preliminary and local data, during the 12 months ending June 2010, building permits were issued for about 475 multifamily units, up 36 percent from the previous 12 months (see Figure 9). About 310 multifamily units are under construction, all of which are apartments, including the 272-unit Watermark at Eastchase in east Montgomery, which is expected

to be completed by October 2011. Rents for one-, two-, and three-bedroom units will be \$760, \$850, and \$1,010, respectively. During the next 3 years, demand for new rental units in the HMA will be met by the units under construction and excess vacancies; no additional new units need to be constructed.

**Figure 9.** Multifamily Building Permits Issued in the Montgomery HMA, 1990 to 2010



Notes: Includes all multifamily units in structures with two or more units. Includes data through June 2010.

Source: U.S. Census Bureau, Building Permits Survey

# Data Profile

**Table DP-1: Montgomery HMA Data Profile, 1990 to Current**

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	136,015	159,060	148,200	1.6	-0.7
Unemployment Rate (%)	6.1	3.7	10.1		
Nonfarm Payroll Jobs	138,200	168,200	168,600	2.0	0.0
Total Population	305,175	346,528	366,900	1.3	0.6
Total Households	109,587	129,717	137,300	1.7	0.6
Owner Households	74,040	90,647	95,700	2.0	0.5
Percent Owner (%)	67.6	69.9	69.7		
Renter Households	35,547	39,070	41,600	0.9	0.6
Percent Renter (%)	32.4	30.1	30.3		
Total Housing Units	121,546	144,633	158,400	1.8	0.9
Owner Vacancy Rate (%)	2.1	2.2	2.6		
Rental Vacancy Rate (%)	10.4	10.6	12.6		
Median Family Income	\$32,048	\$45,182	\$56,400	3.5	2.5

*Notes: Employment data represent annual averages for 1990, 2000, and the 12 months through June 2010. Median family incomes are for 1989, 1999, and 2008.*

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

## Data Definitions and Sources

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1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 7/1/2010—Analyst's estimates

Forecast period: 7/1/2010–7/1/2013—Analyst's estimates

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

**Other Vacant Units:** In HUD's analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Please be aware that the analysis conducted in this study was done before the release of any 2010 Census data.

For additional data pertaining to the housing market for this HMA, go to [www.huduser.org/publications/pdf/CMARtables\\_MontgomeryAL\\_11.pdf](http://www.huduser.org/publications/pdf/CMARtables_MontgomeryAL_11.pdf).

## Contact Information

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Dena L. Reavis, Economist  
Atlanta HUD Regional Office  
314-539-6573  
[dena.l.reavis@hud.gov](mailto:dena.l.reavis@hud.gov)

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

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

For additional reports on other market areas, please go to [www.huduser.org/publications/econdev/mkt\\_analysis.html](http://www.huduser.org/publications/econdev/mkt_analysis.html).