

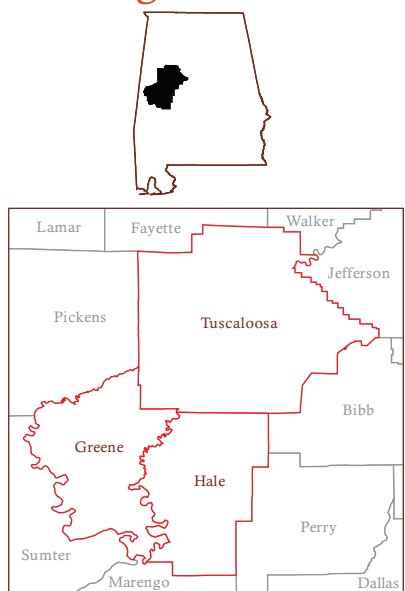


Tuscaloosa, Alabama

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2011

PD&R

Housing Market Area



The Tuscaloosa Housing Market Area (HMA) consists of Greene, Hale, and Tuscaloosa Counties and is coterminous with the Tuscaloosa Metropolitan Statistical Area (MSA). Tuscaloosa is the central city of the HMA and home to the University of Alabama (UA). This pretornado report focuses on housing and economic conditions before the April 27, 2011 tornado destroyed a portion of the HMA.

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Summary

Economy

During the 12 months ending March 2011, nonfarm payrolls increased by 750 jobs, or 0.8 percent, to 93,650 jobs, compared with the number of jobs during the previous 12-month period. The largest sectors in the HMA are government and manufacturing, which provide nearly one-half of all jobs in the HMA. During the next 3 years, nonfarm payrolls are expected to increase by an average of 630 jobs, or 0.7 percent, a year.

Sales Market

The sales housing market in the Tuscaloosa HMA is currently soft, with an estimated vacancy rate of 2 percent. During the 12 months ending March 2011, 1,500 new and existing single-family homes sold, down nearly 11 percent from the previous 12 months, while the average home sales price was down 3 percent to \$163,500. During the 3-year forecast period, demand is estimated for 1,725 new homes (see Table 1). A portion of the estimated 6,425 other vacant units may return to the sales market and satisfy some of the demand.

Rental Market

The rental housing market in the HMA is currently soft, with an overall vacancy rate estimated at 10 percent. According to Rock Apartment Advisors, Inc., during the fourth quarter of 2010, the average effective rent in the HMA was \$650, up 3 percent from a year earlier. During the 3-year forecast period, demand is expected for 1,150 new rental units, a portion of which will be met by the 270 units currently under construction (see Table 1).

Table 1. Housing Demand in the Tuscaloosa HMA, 3-Year Forecast, April 1, 2011 to April 1, 2014

	Tuscaloosa HMA	
	Sales Units	Rental Units
Total Demand	1,725	1,150
Under Construction	160	270

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2011. A portion of the estimated 6,425 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

The economic recovery in the Tuscaloosa HMA has been sluggish during the 12 months ending March 2011 as nonfarm payrolls increased by 750 jobs, or 0.8 percent, to 93,650 jobs, compared with the number of jobs during the previous 12-month period (see Table 2). The current job growth is slow in comparison with the average annual 3.3-percent

increase recorded during 2005 through 2007, but it is better than the average annual loss of 2.6 percent recorded during 2008 through 2009. During the 12 months ending March 2011, the largest nonfarm job gains were in the professional and business services and the education and health services sectors, which increased by 580 and 200 jobs, or 9.3 and 2.8 percent, respectively, and were also the sectors with the largest gains since 2000 (see Figure 1). During the 12 months ending March 2011, the manufacturing sector had the largest number of job losses, with 550 jobs lost, a decrease of 4 percent. Some of the job losses in manufacturing were due to layoffs of approximately 40 employees at JVC America Inc., a compact disc manufacturer. Due to job gains during the 12 months ending March 2011, the unemployment rate averaged 8.6 percent, down from the 9.6-percent rate recorded during the previous 12 months. See Figure 2 for labor market trends since 2000.

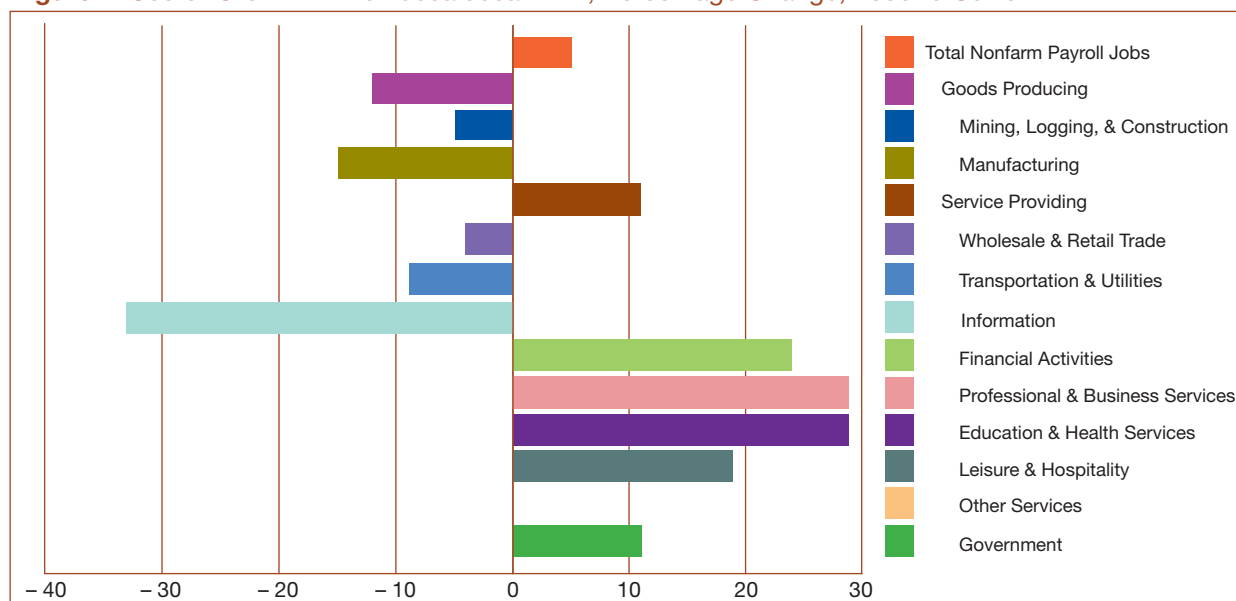
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Tuscaloosa HMA, by Sector

	12 Months Ending March 2010	12 Months Ending March 2011	Percent Change
Total Nonfarm Payroll Jobs	92,900	93,650	0.8
Goods Producing	21,050	20,750	- 1.5
Mining, Logging, & Construction	7,800	8,000	2.7
Manufacturing	13,250	12,700	- 4.0
Service Providing	71,850	72,900	1.4
Wholesale & Retail Trade	12,200	12,250	0.5
Transportation & Utilities	2,375	2,275	- 3.9
Information	930	800	- 13.5
Financial Activities	3,875	3,725	- 3.4
Professional & Business Services	6,375	6,950	9.3
Education & Health Services	7,550	7,750	2.8
Leisure & Hospitality	9,225	9,200	- 0.2
Other Services	3,375	3,400	1.0
Government	26,000	26,500	2.0

Notes: Based on 12-month averages through March 2010 and March 2011. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Figure 1. Sector Growth in the Tuscaloosa HMA, Percentage Change, 2000 to Current



Notes: Current is based on 12-month averages through March 2011. During this period, jobs in the other services sector showed no net change.

Source: U.S. Bureau of Labor Statistics

Tuscaloosa is home to UA, which enrolled 30,250 students in the fall of 2010. UA is the largest employer in the HMA, with 8,625 faculty and staff (see Table 3), and belongs to the largest sector in the HMA—government (see Figure 3). During the 2009-to-2010 school year, UA contributed \$1.4 billion

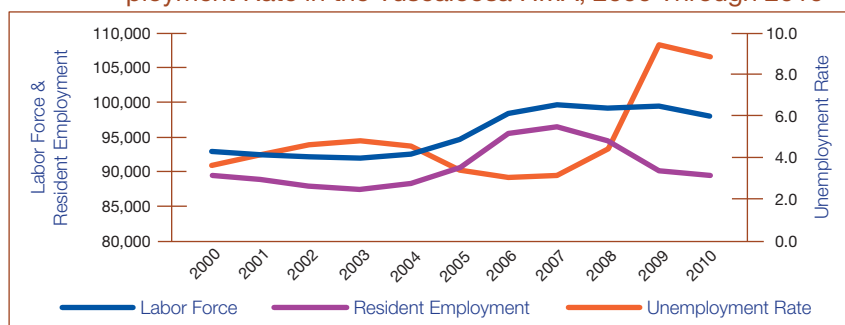
to the economy of the HMA, according to the UA Center for Business and Economic Research.

DCH Regional Medical Center is the second largest employer, with 3,500 employees. The center has expanded since 2000, contributing to the growth of the education and health services sector. The most significant expansion was the construction of a 90,000-square-foot cancer center in 2009, which cost \$30 million to complete.

The third largest employer in the Tuscaloosa HMA is Mercedes-Benz U.S. International (MBUSI), which manufactures luxury vehicles. In 2009, MBUSI announced a \$290 million investment for expansion and new equipment in Tuscaloosa that should be completed by October 2011. A total of 1,400 jobs will be added during the expansion period. As the automotive industry recovers from the recession and MBUSI expands, many auto part suppliers are growing or relocating to Tuscaloosa. Two such suppliers are Brose Tuscaloosa, which is expanding, and Faurecia North America, which is opening a new location. The companies will be investing \$4.1 and \$15 million and creating 30 and 200 jobs, respectively, during 2011.

During the next 3 years, nonfarm payrolls are expected to increase by an average of 630 jobs, or less than 1 percent, a year. With the continued growth of DCH Regional Medical Center and the 1,400 jobs added at MBUSI, the education and health services and manufacturing sectors are expected to lead job growth.

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Tuscaloosa HMA, 2000 Through 2010



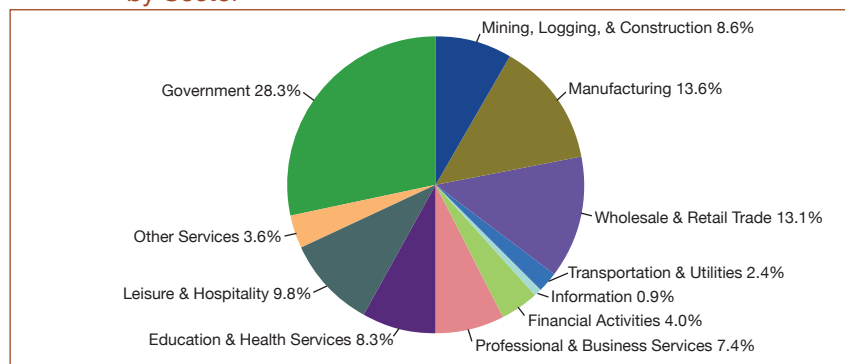
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Tuscaloosa HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The University of Alabama	Government	8,625
DCH Regional Medical Center	Education & Health Services	3,500
Mercedes-Benz U.S. International	Manufacturing	3,000
Jim Walter Resources	Mining, Logging, & Construction	1,475
BF Goodrich Tire Manufacturing	Manufacturing	1,400
Phifer Wire Products	Manufacturing	1,200
Veterans Administration Hospital	Education & Health Services	1,125

Source: The Chamber of Commerce of West Alabama

Figure 3. Current Nonfarm Payroll Jobs in the Tuscaloosa HMA, by Sector



Note: Based on 12-month averages through March 2011.

Source: U.S. Bureau of Labor Statistics

Population and Households

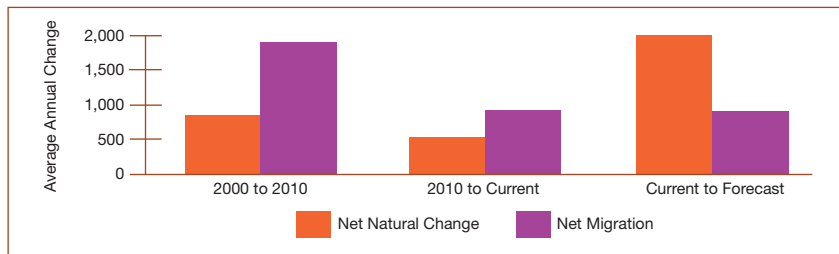
As of April 1, 2011, the estimated population of the Tuscaloosa HMA was 220,900, an increase of approximately 1,450, or 0.7 percent, since the April 2010 Census count of 219,461. The population in Tuscaloosa County represents 89 percent of the current HMA population.

From 2000 through 2005, the population increased by an average of 1,700, or 0.9 percent, annually compared

with an average annual increase of 3,550, or 1.8 percent, from 2005 through 2010. The increase in the population during the latter part of the decade coincides with large increases in student enrollment at UA. From the fall of 2005 to the fall of 2010, enrollment increased by approximately 1,700 students, or 6.6 percent, annually. During this time, net in-migration averaged 2,625 people a year compared with an average of 950 people a year from 2000 through 2005. Since 2010, population growth has slowed due to decreased net migration of 525 a year, which is a result of the weak labor market. As the economy recovers from job losses and enrollment at UA expands at 3 percent annually, net migration is expected to increase to 2,000 people a year during the forecast period (see Figure 4). During this time, the population is estimated to increase by an average of 2,900, or 1.3 percent, annually.

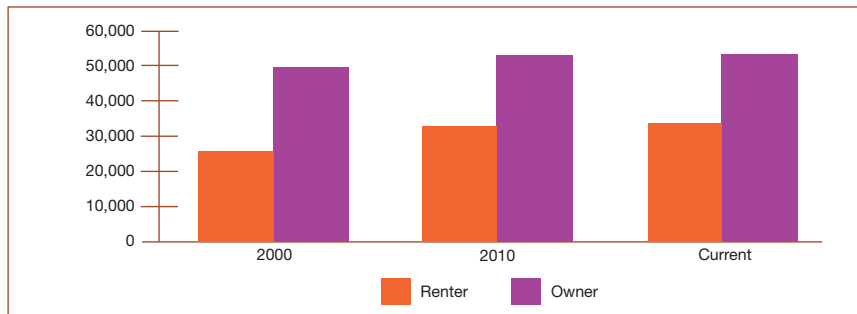
Household growth has slowed along with population growth since 2010. From 2000 to 2010, the number of households in the HMA increased by an average of 1,125, or 1.4 percent, annually (see Table DP-1 at the end of this report). In contrast, from 2010 to the current date, the increase in the number of households slowed to 720, or 0.8 percent, annually to an estimated 86,900 households. Approximately 53,350 households are owners compared with 33,550 renter households (see Figure 5 for the number of households by tenure). During the forecast period, the number of households in the HMA is expected to increase by an average of 1,125, or 1.3 percent, annually, as shown in Figure 6.

Figure 4. Components of Population Change in the Tuscaloosa HMA, 2000 to Forecast



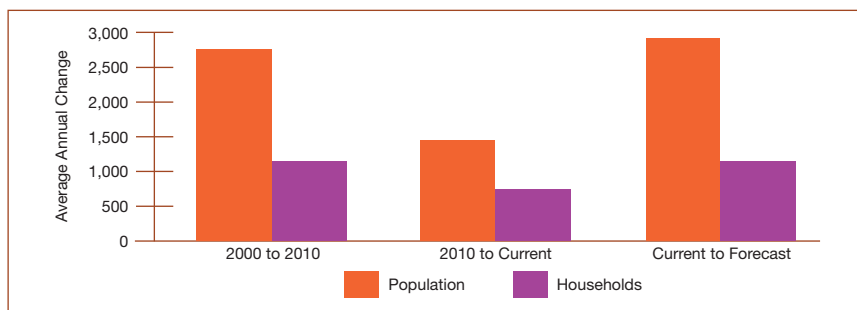
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Number of Households by Tenure in the Tuscaloosa HMA, 2000 to Current



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

Figure 6. Population and Household Growth in the Tuscaloosa HMA, 2000 to Forecast



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

Housing Market Trends

Sales Market

The sales housing market in the Tuscaloosa HMA is currently soft with an estimated vacancy rate of 2 percent, which is the result of tight mortgage lending standards and a weak labor market. Based on data from the Tuscaloosa Association of REALTORS®, during the 12 months ending March 2011, the sale of new and existing single-family homes in the HMA totaled approximately 1,500 homes, a decrease of nearly 11 percent compared with the 1,675 homes sold during the same period a year ago. The average sales price of new and existing homes in the metropolitan area decreased by 3 percent to \$163,500 during the 12 months ending

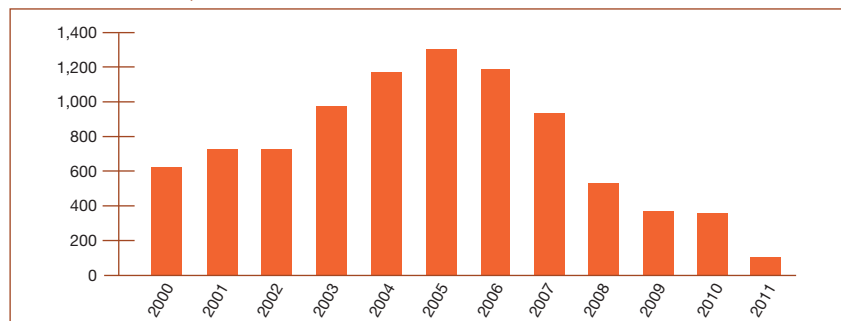
March 2011, down from \$169,100 during the previous 12 months. According to LPS Applied Analytics, as of March 2011, approximately 6.5 percent of mortgage loans were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), a small improvement compared with the 6.6-percent rate reported in March 2010.

During the 12 months ending March 2011, single-family construction activity, as measured by the number of building permits issued, totaled 290 homes, a 22-percent decrease from the 12 months ending March 2010, based on preliminary data (see Figure 7). In comparison, an average of 1,150 single-family homes were permitted annually from 2004 through 2007, when the sales housing market was tight. The city of Tuscaloosa accounts for approximately 50 percent of new home construction in the HMA.

Although condominiums do not make up a significant portion of existing and new home sales in the HMA, since 2004, 10 condominium projects totaling 1,025 units have been built, accounting for 18 percent of total multifamily development since 2004. Because of the popularity of UA football, 410 of these units are considered game-day condos, or seasonal homes, used primarily for football games.

Owner household growth during the next 3 years is expected to support demand for 1,725 new homes (see Table 4). The 160 homes currently under construction, as well as a portion of the estimated 6,425 other vacant units that may reenter the sales housing

Figure 7. Single-Family Building Permits Issued in the Tuscaloosa HMA, 2000 to 2011



Notes: Includes townhomes. Includes data through March 2011.

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

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Tuscaloosa HMA, April 1, 2011 to April 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
75,000	99,999	50	2.9
100,000	149,999	680	39.2
150,000	199,999	370	21.7
200,000	249,999	240	14.2
250,000	349,999	290	16.7
350,000	449,999	80	4.6
450,000	and higher	15	0.8

Note: The 160 homes currently under construction and a portion of the estimated 6,425 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

market, may meet some of the forecast demand (see Table 1). Because of the excess number of vacancies and units under construction, demand for new housing units will be less in the

Rental Market

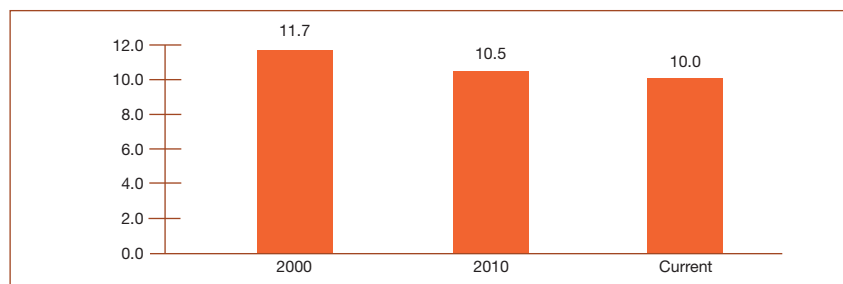
The rental housing market in the Tuscaloosa HMA is currently soft, despite a decrease in apartment construction since the peak in 2006. In March 2011, the overall rental vacancy rate was estimated at 10 percent, down from 10.5 in March 2010 (see Figure 8). According to Rock Apartment Advisors, Inc., during the fourth quarter of 2010 (the most recent data available), the average effective rent in the HMA was \$650, up 3 percent from the fourth quarter of 2009, although the apartment vacancy rate remained virtually unchanged, at 6.6 percent, during the

first and second years of the forecast period. Demand is expected to increase slightly by the third year of the forecast period.

same period. Concessions decreased by 40 percent to \$24 when compared with concessions offered a year earlier. During the 12 months ending March 2011, multifamily construction activity, as measured by the number of units permitted, totaled 240 units, a 38-percent decrease from the 12 months ending March 2010, based on preliminary data (see Figure 9). In comparison, an average of 740 multifamily units were permitted annually from 2004 through 2007, the peak years.

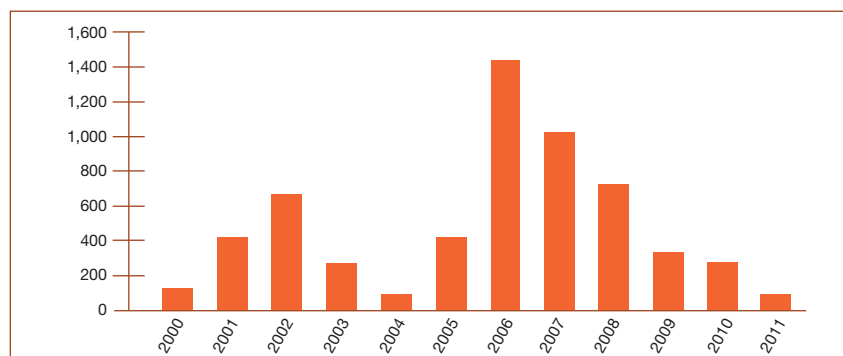
With an enrollment of 30,250 students in the fall of 2010, UA affects the rental housing market in the HMA. UA can house a total of 7,775 students on campus and currently maintains a near-capacity student population. The remaining 22,475 students seek housing in university-approved housing units, market-rate apartments, or single-family rentals. The East Tuscaloosa submarket has had the largest supply of student-oriented housing since 2005, with 550 units added. During a period of high construction from 2005 through 2009, 960 university housing units, consisting of 3,250 beds, were built on campus. North Bluff Residences Hall, a 980-bed facility, is under construction and due to be completed in the fall of 2012. From 2006 through 2010, 1,225 student-oriented housing units were built off campus, which included capacity for 3,910 students. The area surrounding UA has the lowest vacancy rates and the highest monthly rents.

Figure 8. Rental Vacancy Rates in the Tuscaloosa HMA, 2000 to Current



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

Figure 9. Multifamily Building Permits Issued in the Tuscaloosa HMA, 2000 to 2011



Notes: Excludes townhomes. Includes data through March 2011.

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

During the 3-year forecast period, after accounting for the current excess supply of vacant available units, demand is expected for 1,150 new market-rate rental units. The 270 units currently

under construction will meet a portion of this demand in the first year (see Table 1). Table 5 shows demand by number of bedrooms and monthly gross rent.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Tuscaloosa HMA, April 1, 2011 to April 1, 2014

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
450 or more	10	650 to 849	350	800 to 999	430	950 to 1,149	60
		850 or more	120	1,000 or more	140	1,150 or more	60
Total	10	Total	470	Total	570	Total	120

Note: The 270 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profile

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	89,647	89,467	89,750	0.0	1.3
Unemployment Rate	3.7%	8.9%	8.6%		
Nonfarm Payroll Jobs	89,300	93,400	93,650	0.4	1.1
Total Population	192,034	219,461	220,900	1.3	0.7
Total Households	74,863	86,178	86,900	1.4	0.8
Owner Households	49,066	53,237	53,350	0.8	0.2
Percent Owner	65.5%	61.8%	61.4%		
Renter Households	25,797	32,941	33,550	2.5	1.8
Percent Renter	34.5%	38.2%	38.6%		
Total Housing Units	84,302	97,534	98,150	1.5	0.6
Owner Vacancy Rate	1.7%	2.1%	2.0%		
Rental Vacancy Rate	11.7%	10.5%	10.0%		
Median Family Income	\$33,988	\$51,137	\$52,397	4.2	2.5

Notes: Employment data represent annual averages for 2000, 2010, and the 12 months through March 2011. Median family incomes are for 1999, 2009, and 2010.

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

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census

2010: 4/1/2010—U.S. Decennial Census

Current date: 4/1/2011—Analyst's estimates

Forecast period: 4/1/2011–4/1/2014—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.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to http://www.huduser.org/publications/pdf/CMARtables_TuscaloosaAL_12.pdf.

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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.