

Housing Market Profile

Southeast/Caribbean • HUD Region IV



Montgomery, Alabama

Located in central Alabama, about 90 miles south of Birmingham, the Montgomery metropolitan area includes Autauga, Elmore, Lowndes, and Montgomery Counties. Montgomery is the principal city and state capital. As of April 1, 2010, the metropolitan area population was estimated at 367,700, with approximately 60 percent of the population residing in Montgomery County. The average annual rate of population growth has slowed to nearly zero during the past 2 years, down from an average annual rate of 1.2 percent from 2004 to 2007. About 12,500 military and civilian personnel are employed at Maxwell Air Force Base, Gunter Annex, and the U.S. Air Force Air University that, together, according to the Air University 2008 Education Digest, have an annual \$1.5 billion impact on the metropolitan area economy.

During the 12 months ending March 2010, average nonfarm employment totaled 169,400 jobs, down 4 percent, or 7,100 jobs, compared with average nonfarm employment during the previous 12-month period. The largest declines occurred in the manufacturing and the professional and business services sectors, which decreased by 1,800 jobs, or 9.6 percent, and 1,100 jobs, or 5.2 percent, respectively, compared with the average number of jobs in those sectors during the previous 12-month period. The only sector to add jobs was the government sector, which added 100 jobs, or 0.2 percent. The average unemployment rate increased from 5.8 percent during the 12 months ending February 2009 to 9.8 percent during the 12 months ending February 2010.

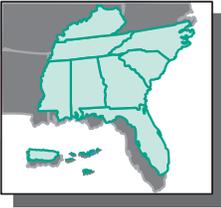
As the home of the state capital, the metropolitan area has 44,000 jobs in the government sector, which represents 26 percent of total nonfarm employment. Baptist Health System, Inc., is the largest private-sector employer in the area, with approximately 3,500 employees. Hyundai Motor Manufacturing Alabama (HMMA), LLC, built a \$1.4 billion manufacturing plant in south Montgomery in 2004 and is now the second largest private-sector employer in the area with approximately 2,700 employees. Beginning in 2002, a number of suppliers followed HMMA to Alabama, invested an additional \$650 million in facilities, and added about 6,000 manufacturing jobs in the metropolitan area and surrounding counties. In 2007, HMMA invested \$270 million in a second engine plant at the Montgomery location. Many HMMA suppliers in the area also serve Hyundai's sister company, Kia Motors Manufacturing,

Inc., which is located in West Point, Georgia, about 80 miles northeast of Montgomery.

The sales housing market in the metropolitan area is slightly soft due to recent job losses, with an estimated vacancy rate of 2.5 percent, but the inventory of unsold homes has declined during the 12 months ending March 2010 compared with the inventory of unsold homes during the previous 12 months. According to the Alabama Center for Real Estate, approximately 3,480 existing homes were sold during the 12 months ending March 2010, a 4-percent decline from the 3,600 homes sold during the 12 months ending March 2009 and 44 percent below the recent peak of 6,200 homes sold during 2005. The average price of an existing home sold during the 12 months ending March 2010 was \$145,700, down about 5 percent from the average price during the previous 12 months. The average inventory of unsold homes for the 12 months ending March 2010 was approximately 3,100, or 6 percent less than the average inventory of unsold homes during previous 12 months. The area has not been significantly affected by foreclosures.

The softer sales market has resulted in decreased single-family construction activity, as measured by the number of building permits issued. According to preliminary and local data, during the 12 months ending February 2010, permits were issued for about 400 single-family homes, down 9 percent compared with the number of permits issued during the previous 12 months. Single-family home construction peaked during 2004 when the HMMA plant was completed, with 1,660 homes permitted, before declining to an average of 1,400 homes permitted for each year from 2005 to 2007. New developments include Grand Park in Millbrook and Woodland Creek in east Montgomery; starting prices for these new homes are \$120,000 and \$400,000, respectively. The Town of Hampstead development is currently under construction in southeast Montgomery, with homes and rowhouses starting at \$162,000; completion of all 1,500 units is expected by 2015.

The overall rental housing market is currently soft, due to recent job losses and increased construction of apartments between 2001 and 2007. According to Rock Apartment Advisors, Inc., the apartment vacancy rate was 12.6 percent in June 2009, up from 10.3 percent in June 2008. The average rent in June 2009 was about \$650, up more than 1 percent from the average rent in June 2008, primarily as a result of higher priced new inventory in Prattville, Millbrook, and east Montgomery. Average rents for new inventory in the Prattville and east Montgomery areas start at \$715 and



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U.S. Housing Market Conditions
1st Quarter 2010

\$800 per month, respectively. According to preliminary and local data, permits were issued for about 400 apartment units during the 12 months ending February 2010 compared with about 120 units permitted during the previous 12 months. In the Montgomery area, average asking rents for one-, two-, and three-bedroom apartment units are about \$580, \$670, and \$830, respec-

tively. New apartment development includes the 272-unit Watermark at Eastchase apartments in east Montgomery, part of the existing Eastchase development, expected to be completed by July 2011. Rents for one-, two-, and three-bedroom units are expected to be \$760, \$850, and \$1,010, respectively.