

Economic Conditions

The Birmingham HMA has become a regional center for education, health care, and financial activities. The service sectors have increased in significance as the manufacturing sector has generally contracted since 2000. During the 12 months ending April 2016, nonfarm payrolls increased by 5,100 jobs, or 1.0 percent, to average 517,200 jobs, compared with nonfarm payrolls a year earlier (Table 2). Job growth in 8 of 11 sectors offset notable losses in the manufacturing sector, with the professional and business services and the education and health services sectors leading growth and expanding by 1,400 jobs each, or 2.2 and 2.0 percent, respectively. Grandview Medical

Center added about 110 jobs when its new hospital opened in October 2015. By contrast, the manufacturing sector lost 1,100 jobs, or 2.8 percent, essentially all of which occurred when U.S. Steel Corporation closed its blast furnace facility in Fairfield in November 2015. The unemployment rate averaged 5.6 percent during the 12 months ending April 2016, down slightly from the 5.7-percent rate averaged a year earlier, primarily because the number of people categorized as unemployed decreased at a faster rate than did resident employment. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2015.

The economy in the HMA has contracted twice since 2000, with the manufacturing sector declining during each period. From 2001 through 2003, nonfarm payrolls decreased by 3,600 jobs, or 0.7 percent, annually, to average 506,200 jobs. Job losses in the manufacturing sector led declines, contracting by an average of 3,400 jobs, or 6.8 percent. Contributing to those losses were 300 jobs in 2001 at the ABC-NACO Inc. railroad product manufacturing plant in Calera and 490 jobs in 2003 at the Gold Kist Inc. poultry processing plant in Trussville. From 2004 through 2007, the HMA recovered the number of jobs lost during the previous period as nonfarm payrolls increased by an average of 6,800 jobs, or 1.3 percent, annually. The professional and business services sector led job growth, adding an average of 1,900 jobs, or 3.0 percent, annually. Wachovia Corporation, now Wells Fargo & Company, added 200 jobs in 2006 at its call center in the city of Birmingham. Infinity Insurance Company added 600 jobs

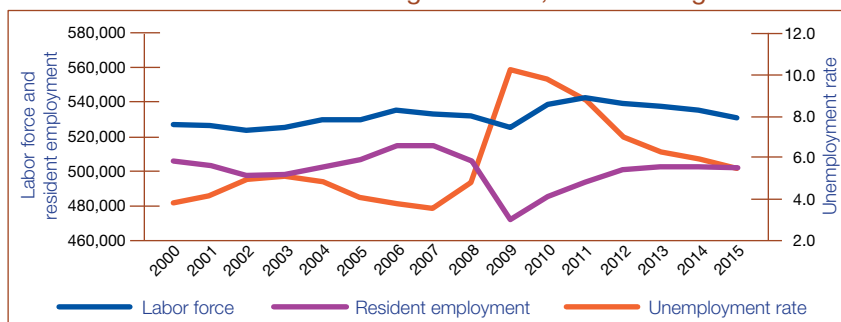
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Birmingham HMA, by Sector

| | 12 Months Ending | | Absolute Change | Percent Change |
|----------------------------------|------------------|------------|-----------------|----------------|
| | April 2015 | April 2016 | | |
| Total nonfarm payroll jobs | 512,100 | 517,200 | 5,100 | 1.0 |
| Goods-producing sectors | 66,400 | 66,200 | -200 | -0.3 |
| Mining, logging, & construction | 27,600 | 28,500 | 900 | 3.3 |
| Manufacturing | 38,800 | 37,700 | -1,100 | -2.8 |
| Service-providing sectors | 445,700 | 451,000 | 5,300 | 1.2 |
| Wholesale & retail trade | 86,900 | 88,200 | 1,300 | 1.5 |
| Transportation & utilities | 22,500 | 22,800 | 300 | 1.3 |
| Information | 8,400 | 8,200 | -200 | -2.4 |
| Financial activities | 42,200 | 42,200 | 0 | 0.0 |
| Professional & business services | 63,500 | 64,900 | 1,400 | 2.2 |
| Education & health services | 69,200 | 70,600 | 1,400 | 2.0 |
| Leisure & hospitality | 48,100 | 48,600 | 500 | 1.0 |
| Other services | 23,700 | 23,900 | 200 | 0.8 |
| Government | 81,300 | 81,700 | 400 | 0.5 |

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through April 2015 and April 2016.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Birmingham HMA, 2000 Through 2015



Source: U.S. Bureau of Labor Statistics

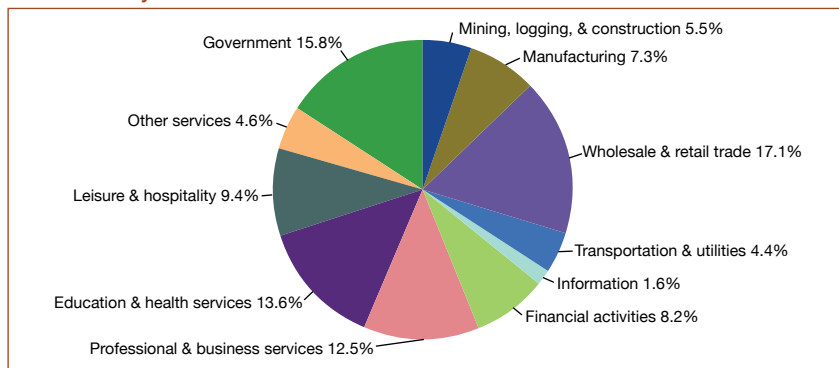
in 2007 when it also opened a new call center in the city of Birmingham.

The HMA again lost jobs from 2008 through 2010 because of the national recession. Nonfarm payrolls decreased by an average of 13,900 jobs, or 2.7 percent, annually during the period. The mining, logging, and construction; the wholesale and retail trade; and the manufacturing sectors lost the most jobs, decreasing by averages of 3,400, 3,400, and 3,100 jobs, or 10.1, 3.7, and 7.7 percent, annually, respectively. The HMA added jobs each year from 2011 through 2015, with nonfarm payrolls increasing by an average of 4,700 jobs, or 0.9 percent, annually. The leisure and hospitality sector led job growth during that period, expanding by an average of 1,200 jobs, or 2.7 percent, annually.

In 2013, Westin Hotels & Resorts opened The Westin Birmingham adjacent to the Birmingham-Jefferson Convention Complex (BJCC) with 260 employees. The Uptown Entertainment District, also located next to BJCC, was completed in 2014, with bars, coffee shops, and restaurants. Tourism to the Birmingham HMA increased 6.1 percent in 2015 from a year earlier to approximately 4.4 million overnight visitors (Greater Birmingham Convention and Visitors Bureau 2016 report). Nearly 60 percent of the visitors were business travelers, and the remaining 40 percent were vacationers.

Government has become an increasingly important part of the economy in the HMA and is currently the second largest sector, with 15.8 percent of nonfarm payrolls, up from 14.5 percent in 2000 (Figure 2). Gains in state government payrolls have contributed to most of the increases in the government sector. State government accounts for 36 percent of government payrolls and includes UAB, which is the largest employer in the state, at 23,000 jobs (Table 3). The university, which enrolled 18,300 students in the fall of 2015, had an estimated annual direct economic impact of \$1.7 billion on the HMA (2010 Tripp Umbach report, with updated estimates by the analyst). Government payrolls added 400 jobs, or 0.5 percent, during the 12 months ending April 2016, to average 81,700 jobs. When total nonfarm payrolls were declining from 2001 through 2003, the government sector added 1,000 jobs annually, or 1.3 percent. Of those gains, 70 percent were in the state government subsector, in part because of increased staff at UAB to accommodate increased student enrollment. State government made up 50 percent

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



Note: Based on 12-month averages through April 2016.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Birmingham HMA

| Name of Employer | Nonfarm Payroll Sector | Number of Employees |
|---------------------------------------|-----------------------------|---------------------|
| University of Alabama at Birmingham | Government | 23,000 |
| Regions Financial Corporation | Financial activities | 7,134 |
| St. Vincent's Health System | Education & health services | 4,786 |
| Baptist Health System, Inc. | Education & health services | 4,633 |
| Children's of Alabama | Education & health services | 4,543 |
| AT&T Inc. | Information | 4,517 |
| Alabama Power Co. | Transportation & utilities | 3,982 |
| Blue Cross and Blue Shield of Alabama | Financial activities | 3,570 |
| U.S. Postal Service | Government | 2,800 |
| BBVA Compass Bancshares, Inc. | Financial activities | 2,765 |

Note: Excludes local school districts.

Source: Birmingham Business Alliance, 2016

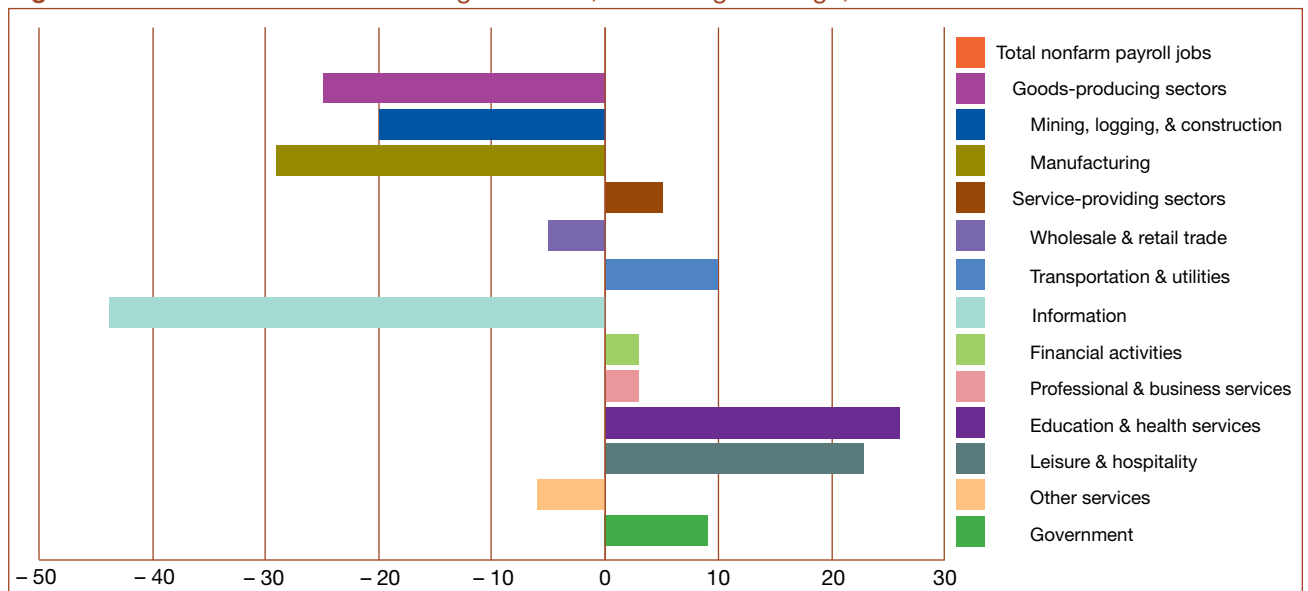
of the average annual increase of 1,300 jobs from 2004 through 2007. From 2008 through 2010, the government sector averaged an increase of 300 jobs, or 2.9 percent, annually, partially offsetting losses in other sectors that resulted from the national recession. None of the jobs were in the state or local government, in part because Jefferson County was accumulating excessive debt from financing the county-owned sewer system. In 2011, Jefferson County filed for bankruptcy for \$4.2 billion in debt relief. From 2011 through 2015, the government sector declined by an average of 500 jobs annually, or 0.6 percent. The average increase of 300 jobs annually in the state government subsector could not offset the average decline of 700 jobs annually in the local government subsector, while Jefferson County dealt with the effects of the bankruptcy.

The education and health services sector has been the fastest-growing sector in the HMA since 2000, averaging an increase of 1,000 jobs,

or 1.5 percent, annually to meet the healthcare needs of the population (Figure 3). The sector averaged 70,600 jobs, or 13.6 percent of total nonfarm payrolls, during the 12 months ending April 2016, a 2.0-percent increase from the previous 12 months. In 2012, the hospital Children's of Alabama underwent a \$400 million, 760,000-square-foot expansion that added about 100 patient beds and created nearly 2,000 jobs, including those in construction. In late 2015, Brookwood Health Services Inc. opened a \$19.5 million, 23,000-square-foot freestanding emergency department in Hoover, which added about 75 jobs. HealthSouth Corporation, a healthcare services and rehabilitation provider, announced plans to add 200 jobs in the city of Birmingham in the spring of 2018.

The HMA also is a significant hub for financial activity, which accounts for 8.2 percent of nonfarm payrolls compared with the national average of 5.6 percent. Regions Financial Corporation, which is the second largest employer in the HMA, with

Figure 3. Sector Growth in the Birmingham HMA, Percentage Change, 2000 to Current



Notes: Current is based on 12-month averages through April 2016. During this period, total nonfarm payrolls showed no net change.
Source: U.S. Bureau of Labor Statistics

7,134 employees; BBVA Compass Bancshares, Inc.; and Wells Fargo & Company all have either global or regional offices in the city of Birmingham. Despite stagnant payrolls during the past year, the financial activities sector is expected to contribute to future economic growth, with Viva Health, Inc. insurance company and Wells Fargo & Company announcing plans to add 400 and 300 jobs, respectively, during the next 3 years.

During the 3-year forecast period, nonfarm payrolls are forecast to increase by an average of 5,775 jobs, or 1.1 percent, annually. The HMA is expected to recover the number of jobs lost during the most recent economic downturn by mid-2019. The education and health services, financial activities, and manufacturing sectors are expected to contribute significantly to future

job growth. Despite recent declines in manufacturing employment, several companies have announced expansion plans. Of particular note, automotive manufacturing suppliers in the HMA are expected to benefit from centralized access to the Mercedes-Benz U.S. International, Inc. factory in the Tuscaloosa metropolitan area to the west; the Honda Manufacturing of Alabama, LLC's plant in the Talladega-Sylacauga metropolitan area to the east; the Hyundai Motor Manufacturing Alabama, LLC facility in the Montgomery metropolitan area to the south; and other automobile manufacturing companies throughout the southeast region. During the next 3 years, Flex-N-Gate Alabama, LLC, plans to hire an additional 110 people, Kamtek will hire approximately 355 and YOROZU Automotive Alabama will hire 300.

Population and Households

As of May 1, 2016, the population of the Birmingham HMA is estimated to be 1.15 million, an average annual increase of 3,275, or 0.3 percent, since 2010. Although recent job growth has contributed to an increase in net in-migration, population growth remains in line with the late 2000s and early 2010s because of lower-than-usual net natural change (resident births minus resident deaths). From 2000 to 2003, net in-migration was subdued because the HMA was in an economic downturn. During that period, the population increased by an average of 5,750 annually, or 0.5 percent, with 68 percent of population

growth the result of net natural change, which averaged 3,900 people annually (Census Bureau intercensal population estimates as of July 1). Net in-migration averaged 1,850 people during the period. From 2003 to 2009, population increased by an average of 9,075 people annually, or 0.8 percent. Net in-migration averaged 4,725 people annually and accounted for 52 percent of population growth. Net out-migration occurred as economic conditions weakened as a result of the most recent recession, however. From 2009 to 2012, the population increased by an average of 0.3 percent annually, with all the population growth resulting

from average net natural change of 3,875 people a year and net out-migration averaging 980 people. Net in-migration to the HMA averaged 950 people annually, or 25 percent of population growth, from 2013 to 2015, when the economy recovered some of the jobs lost during the recession. Population growth remained unchanged during that time, at 0.3 percent annually, however, when net natural change declined to an average of only 2,925 people a year.

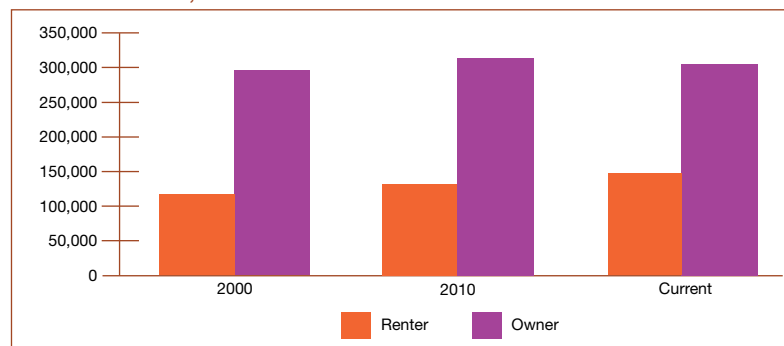
With an estimated population of 212,450 in 2015, the city of Birmingham is the largest in the HMA and the state. Despite overall population growth throughout the HMA, the population of the city decreased by an average of 2,950, or 1.3 percent, annually from 2000 to 2010; however, since 2010, the city has begun to attract new residents, partly through the creation of amenities. Revitalization projects since 2010 include the 19-acre Railroad Park, which opened in downtown Birmingham in 2010; the relocation of the Birmingham Barons minor league baseball team from the city of Hoover and the completion of the team's ballpark, Regions Field, in the spring of 2013; and the development of the Uptown Entertainment District. The population decline

slowed to 450 people, or 0.2 percent, annually from 2010 to 2012 and then reversed from 2013 to 2015, when the population increased by an average of 420, or 0.2 percent, annually.

The university contributes to net in-migration, even though the student population is only 2 percent of the HMA population, in part because approximately 50 percent of the students come from outside the HMA. Enrollment at UAB decreased 4 percent, to 11,800 students, in the fall of 2015 compared with enrollment from a year earlier. Despite the decline during the past year, enrollment expanded during most of the previous 14 years, increasing by an average of 140 students, or 1 percent, annually from 2000 to 2014 (UAB Office of Institutional Effectiveness and Analysis). Growth in student enrollment was strongest during the two periods of economic downturn, averaging 630 students, or 6 percent, annually from 2001 to 2003 and 400 students, or nearly 4 percent, annually from 2008 to 2010.

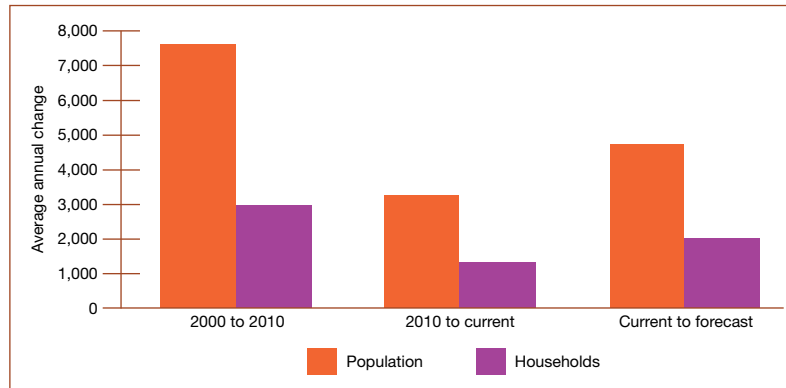
Reflecting population growth in the Birmingham HMA, household growth was stronger during the previous decade but has since slowed. From 2000 to 2010, the number of households increased by an average of 2,950, or 0.7 percent, annually. Household growth slowed to an average annual increase of 1,300, or 0.3 percent, since 2010 to 449,800 households as of May 1, 2016 because population growth also was subdued during the national recession and subsequent recovery. Figure 4 shows the number of households by tenure in the HMA since 2000. Although the homeownership rate has decreased since 2000, it remains higher than the national average. In 2014, the homeownership

Figure 4. Number of Households by Tenure in the Birmingham HMA, 2000 to Current



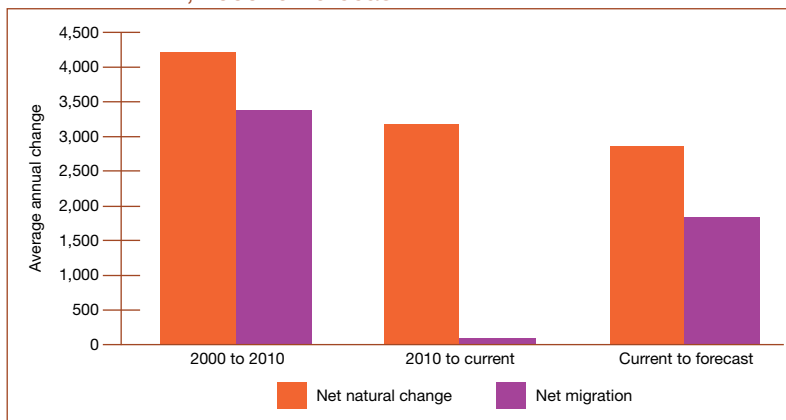
Note: The current date is May 1, 2016.

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

Population and Households *Continued***Figure 5.** Population and Household Growth in the Birmingham HMA, 2000 to Forecast

Notes: The current date is May 1, 2016. The forecast date is May 1, 2019.

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

Figure 6. Components of Population Change in the Birmingham HMA, 2000 to Forecast

Notes: The current date is May 1, 2016. The forecast date is May 1, 2019.

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

rate in the HMA was 67.5 percent compared with 63.1 percent nationwide (2014 ACS 1-year estimates). The homeownership rate in the HMA decreased from 70.6 percent in 2010. Table DP-1 at the end of this report has additional demographic information about the HMA.

During the next 3 years, the population and number of households are expected to increase by an average of 0.4 percent per year. As the economy continues to improve, net in-migration is expected to account for an increasing share of population growth, averaging 38 percent. Student enrollment at UAB is expected to increase by approximately 1 percent annually. Figure 5 shows population and household growth, and Figure 6 shows the components of population change in the HMA from 2000 through the forecast period.

Housing Market Trends

Sales Market

The sales housing market in the Birmingham HMA currently is balanced, with an estimated sales vacancy rate of 2.0 percent, down from the 3.0-percent rate from April 2010 and similar to the 1.9-percent rate recorded in April 2000. The decline in new home production and improving economic conditions contributed to the absorption of

excess vacancies and to the balanced market conditions. As of April 2016, the HMA had a 5.6-month supply of for-sale inventory, up slightly from a year earlier (Alabama Center for Real Estate). During the 12 months ending April 2016, 25,100 new and existing homes, townhomes, and condominiums were sold, an increase of nearly 2 percent from a year earlier. The

Housing Market Trends

Sales Market *Continued*

average sales price increased nearly 4 percent, to \$171,300 (CoreLogic, Inc., with adjustments by the analyst). Approximately 95 percent of total home sales are existing home sales.

Existing home sales have returned to levels similar to the previous peak in 2005, but the share of real estate owned (REO) homes sold remains elevated. Despite declining nonfarm payrolls in the early 2000s, population growth was still relatively strong in the HMA, contributing to housing demand, which continued as the economy and population growth strengthened. From 2000 through 2005, existing home sales increased by 2,250 homes, or 14 percent, annually, to a high of 23,200 homes sold. REO sales were 3 percent of existing home sales from 2000 through 2005. The number of existing home sales then declined for 6 consecutive years, however, decreasing by an average of 2,550 homes annually, or 17 percent, to a low of 7,825 homes sold during 2011. During that period, the demand for homes decreased because of the declining nonfarm payrolls, net out-migration from the HMA, and more stringent lending requirements. In addition, the rate of REO sales doubled to an average of 6 percent of existing home sales from 2006 to 2011. The market for existing homes has recovered as economic conditions have improved. From 2012 through 2014, existing home sales increased by an average of 4,800 sales, or 42 percent, annually; however, REO sales peaked at 15 percent of existing home sales from 2012 to 2014. Home sales moderated during the past year, when the sales market returned to a balanced state, and, during the 12 months ending April 2016, existing home sales increased 3 percent to

average 23,775 homes sold. The percentage of REO sales remains high, at 12 percent of existing home sales, unchanged from a year earlier.

The average sales price for existing homes peaked in 2008, although sales had started to decline in 2006. Existing home sales prices have been increasing, recovering some of the declines that occurred during the national recession; however, the average existing home sales price remains below the 2008 peak. From 2000 through 2008, the average price for existing homes increased 6 percent annually, to a high of \$174,600. During the recession, home prices decreased as demand decreased because of the weakening economic conditions and slow population growth. Beginning in 2009, the average price for an existing home decreased 7 percent annually, to \$133,000 in 2012, in part because of increasing REO sales in the HMA. When job opportunities and net in-migration increased in the HMA, demand for housing put upward pressure on prices again. In 2013 and 2014, the average price of an existing home increased 7 percent annually, to \$153,100. During the 12 months ending April 2016, the average price increased 4 percent from a year earlier, to \$163,850. In part because of elevated REO sales, existing home prices remain 6 percent below the peak in 2008.

The rate of home loans that are seriously delinquent (90 or more days delinquent or in foreclosure) or have transitioned into REO status is declining in the HMA more slowly than in the nation as a whole. The rate in the HMA was 3.6 percent in April 2016, down from the peak of 7.6 percent in January 2010. By comparison, the

national rate decreased from a peak of 8.6 percent in January 2010 to 2.9 percent in April 2016.

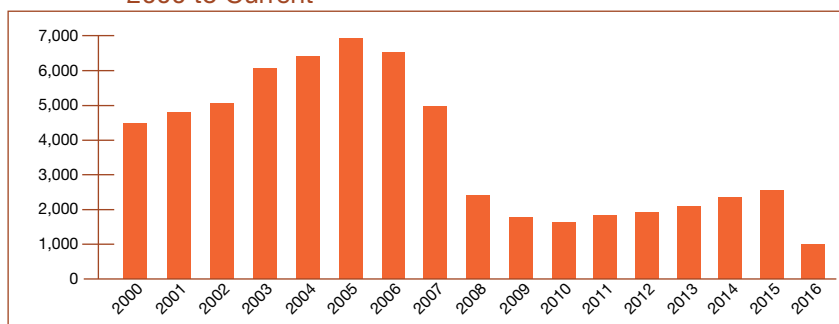
New home sales declined in the past year, but, in general, new home sales have been increasing since 2012, following the improving economic conditions that began in 2011. New home sales decreased 17 percent to 1,325 homes sold during the 12 months ending April 2016. Contributing to that decline were relatively more affordable options in the existing sales and rental markets and the national trend of decreasing entry-level home construction. The average price of a new home increased 7 percent from a year earlier, to \$303,700 (CoreLogic, Inc., with adjustments by analyst), in part because the average square footage increased 5 percent to 2,660 square feet (Metrostudy, A Hanley Wood Company). Contributing to the decline in sales was the large sales price difference between new and existing homes; the average new home sales price was approximately 85 percent higher than the average existing home sales price. New home sales plummeted by an average of 45 percent annually from the peak of nearly 5,950 new homes sold in 2006 to 310 sold in 2011, when demand was low because of slow recovery from the national recession and net

out-migration. Following the low in 2011, new home sales rapidly increased, up 74 percent annually, to 1,650 new homes sold in 2014.

Single-family home construction activity, as measured by the number of single-family homes permitted, has been increasing since 2010 in the HMA but remains subdued compared with the levels of the early-to-mid 2000s. During the 12 months ending April 2016, nearly 2,575 single-family homes were permitted, up 9 percent from the 12 months ending April 2015 (preliminary data). From 2000 through 2005, the number of homes built increased 9 percent annually, to a high of 6,875. Home construction decreased precipitously from 2006 through 2010, declining by an average of 26 percent annually, to a low of 1,575 homes. Single-family homebuilding activity has slowly increased in the HMA since the recession. From 2011 through 2015, home construction increased by an average of 9 percent annually, to 2,475 homes built. Figure 7 shows single-family homes permitted in the HMA since 2000. With the subdued home construction, most of the new homes are being built as infill in existing subdivisions, but some new developments are being built in the HMA. The third phase at Grants Mill Crossing currently is under way in Irondale, approximately 9 miles east of downtown Birmingham. Some of the 42 townhomes are expected to be available by the end of 2016, with prices starting at \$180,000.

During the next 3 years, demand is estimated for 7,200 new homes in the HMA (Table 1). Demand is expected to be greatest for homes priced below \$300,000. Table 4 shows the estimated demand for market-rate

Figure 7. Single-Family Homes Permitted in the Birmingham HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through April 2016.

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

sales housing by price range. The 980 homes currently under construction and a portion of the 29,500 other vacant units in the HMA that may reenter the market will satisfy some of the demand. Production

should increase throughout each of the 3 years to accommodate the improving economic conditions and increasing net in-migration and to allow for the absorption of the homes currently under construction.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Birmingham HMA During the Forecast Period

| Price Range (\$) | | Units of Demand | Percent of Total |
|------------------|------------|-----------------|------------------|
| From | To | | |
| 110,000 | 199,999 | 1,700 | 23.6 |
| 200,000 | 299,999 | 2,625 | 36.6 |
| 300,000 | 399,999 | 1,450 | 20.3 |
| 400,000 | and higher | 1,400 | 19.5 |

Notes: The 980 homes currently under construction and a portion of the estimated 29,500 other vacant units in the HMA likely will satisfy some of the forecast demand. The forecast period is May 1, 2016, to May 1, 2019.

Source: Estimates by analyst

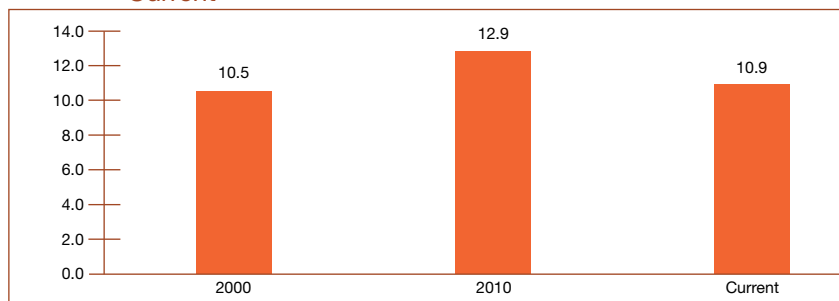
Rental Market

The rental housing market in the Birmingham HMA currently is slightly soft, with an estimated vacancy rate of 10.9 percent, which is an improvement from the 12.9-percent rate recorded in April 2010 (Figure 8). Conditions were soft in 2010 because of the economic downturn and net out-migration in the HMA. Demand for rental housing is increasing in the city of Birmingham because migration into the city has returned; much of that demand is being met by new apartment construction. In the HMA, approximately 50 percent of renter households live in multifamily

buildings with five or more units, typically apartment complexes, and 46 percent live in single-family homes or mobile homes (2014 ACS 1-year estimates). By comparison, in 2010, only about 43 percent of renter households lived in apartment complexes (2010 ACS 1-year estimates).

The apartment market in the HMA, also slightly soft, has a lower average vacancy rate than does the overall rental market, in part because the influx of new residents is creating demand for rental housing in the city of Birmingham, which is the site of most of the apartments in the HMA. During the first quarter of 2016, the apartment vacancy rate in the HMA averaged 6.8 percent, similar to the 6.9-percent vacancy rate a year earlier (MPF Research). The average apartment rent increased 4 percent, to \$831, and the percentage of units offering concessions decreased to approximately 7 percent during the first quarter of 2016, down from more than 9 percent a year ago.

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



Note: The current date is May 1, 2016.

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

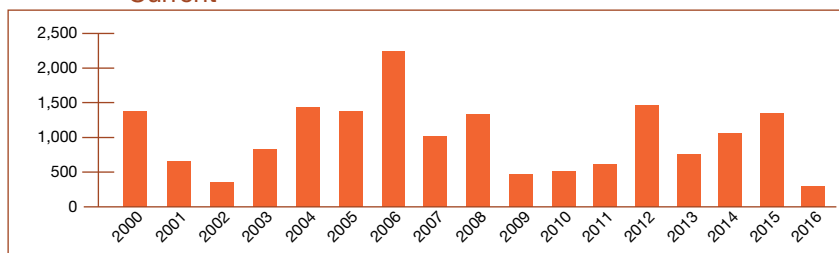
The lowest apartment vacancy rates are in the MPF Research-defined Central Birmingham and Mountain Brook market area, which includes the area surrounding UAB and accounts for approximately 76 percent of the apartment units currently under construction in the HMA. During the first quarter of 2016, the apartment vacancy rate in the market area was 4.3 percent, essentially unchanged from a year earlier, but the average rent increased 6 percent, to \$1,004. Only 5 percent of the units offered concessions, down from 14 percent during the first quarter of 2015. Beginning in the 2016 school year, freshmen will be required to live on campus. In preparation for the influx of students requiring on-campus housing, the university recently completed renovations and new dormitory construction that added 750 beds. Those additions, along with about 950 apartment units being constructed—which is about 75 percent of the units currently under construction in the HMA—should help to maintain moderate vacancy rates in the area as in-migration to the city of Birmingham continues to accelerate.

Builders are responding to the increasing net in-migration to the HMA and changing preferences among renter households toward urban apartment living by increasing multifamily construction, particularly in the city

of Birmingham. During the 12 months ending April 2016, 1,250 multifamily units were permitted, up 31 percent from the previous 12 months (preliminary data). From 2000 through 2002, multifamily home permitting decreased by an average of 520 units, or 50 percent, annually, to 350 units permitted, while jobs were declining in the HMA. From 2003 through 2008, multifamily unit permitting fluctuated but at a much higher level, averaging 1,375 units annually, generally coinciding with the strongest period of population and job growth in the HMA. From a low of about 470 units permitted in 2009, during the recession, multifamily home construction increased by an average of 75 units, or 15 percent, annually, to 620 units in 2011 before a single-year spike of 1,450 units in 2012. The number of multifamily units permitted in 2013 decreased to 760 units but subsequently increased by an average of 290 units, or 32 percent, annually through 2015. Figure 9 shows multifamily units permitted in the HMA since 2000. Recent multifamily home construction has been particularly prevalent in the city of Birmingham. Approximately 63 percent of multifamily home construction activity in the HMA from 2010 through 2015 occurred in the city of Birmingham, up from 47 percent from 2000 through 2009.

Apartment developments recently completed or under way in the HMA include the 36-unit 20 Midtown in downtown Birmingham, which opened in February 2016, with rents for the studio and one-bedroom units starting at \$1,195 and \$1,450, respectively. An additional phase with 86 units is nearing completion and expected to open in early summer 2016. Renovations are under way at the historic Pizitz

Figure 9. Multifamily Units Permitted in the Birmingham HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through April 2016.

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

Housing Market Trends

Rental Market *Continued*

building, also in downtown Birmingham. The 143-unit project is expected to be complete in the fall of 2016, with 30 units available to households with incomes at or below 60 percent of the Area Median Income. Outside the city of Birmingham, the Grand Reserve at Pelham is the newest apartment complex in Shelby County. The 184-unit development in the city of Pelham opened in September 2015, with rents starting at \$1,075, \$1,210, and \$1,290 for one-, two, and three-bedroom units, respectively.

During the next 3 years, demand is expected for 2,150 new market-rate rental units in the HMA (Table 1). The 1,250 units currently under construction will satisfy much of the demand. New units should be timed to enter the market during the third year to allow for the absorption of excess vacant units in the HMA and the units currently under construction. Table 5 shows the estimated demand by rent and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Birmingham HMA During the Forecast Period

| 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 |
| 800 or more | 45 | 900 to 1,099 | 480 | 1,100 to 1,299 | 700 | 1,200 to 1,399 | 130 |
| | | 1,100 or more | 210 | 1,300 to 1,499 | 350 | 1,400 or more | 130 |
| | | | | 1,500 or more | 120 | | |
| Total | 45 | Total | 690 | Total | 1,150 | Total | 260 |

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 1,250 units currently under construction likely will satisfy some of the estimated demand. The forecast period is May 1, 2016, to May 1, 2019.

Source: Estimates by analyst

Data Profile

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

| | 2000 | 2010 | Current | Average Annual Change (%) | |
|---------------------------|-----------|-----------|-----------|---------------------------|-----------------|
| | | | | 2000 to 2010 | 2010 to Current |
| Total resident employment | 506,855 | 486,786 | 502,600 | -0.4 | 0.6 |
| Unemployment rate | 3.9% | 9.8% | 5.6% | | |
| Nonfarm payroll jobs | 517,000 | 491,800 | 517,200 | -0.5 | 0.9 |
| Total population | 1,052,238 | 1,128,047 | 1,148,000 | 0.7 | 0.3 |
| Total households | 412,376 | 441,924 | 449,800 | 0.7 | 0.3 |
| Owner households | 296,763 | 312,004 | 303,600 | 0.5 | -0.4 |
| Percent owner | 72.0% | 70.6% | 67.5% | | |
| Renter households | 115,613 | 129,920 | 146,200 | 1.2 | 2.0 |
| Percent renter | 28.0% | 29.4% | 32.5% | | |
| Total housing units | 454,338 | 500,025 | 503,600 | 1.0 | 0.1 |
| Owner vacancy rate | 1.9% | 3.0% | 2.0% | | |
| Rental vacancy rate | 10.5% | 12.9% | 10.9% | | |
| Median Family Income | \$47,900 | \$60,900 | \$61,000 | 2.4 | 0.0 |

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through April 2016. Median Family Incomes are for 1999, 2009, and 2014. The current date is May 1, 2016.

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: 5/1/2016—Analyst’s estimates
 Forecast period: 5/1/2016–5/1/2019—Analyst’s estimates

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 February 28, 2013.

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 the U.S. Department of Housing and Urban Development’s (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 huduser.gov/publications/pdf/CMARtables_BirminghamAL_16.pdf.

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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.

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 huduser.gov/portal/ushmc/chma_archive.html.