

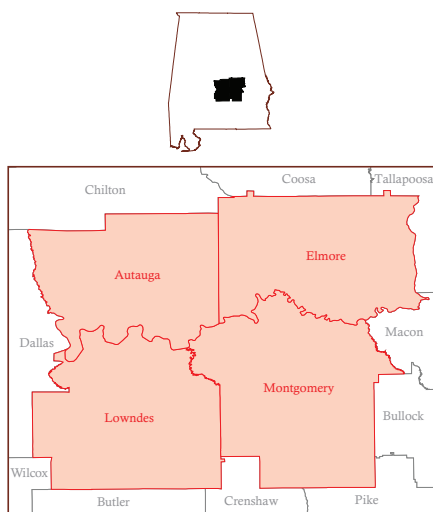


# Montgomery, Alabama

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of January 1, 2014



## Housing Market Area



The Montgomery Housing Market Area (HMA), comprising Autauga, Elmore, Lowndes, and Montgomery Counties along the Alabama River, is coterminous with the Montgomery, AL Metropolitan Statistical Area. The principal city, Montgomery, is the capital of Alabama, and the HMA is home to Maxwell-Gunter Air Force Base, which employs a combined 8,300 military and civilian personnel. *Air University Education Digest* reported that the base had an economic impact of \$1.6 billion on the HMA in 2011 (the most recent data available).

## Market Details

- Economic Conditions ..... 2
- Population and Households ..... 4
- Housing Market Trends ..... 5
- Data Profile ..... 9

## Summary

### Economy

Economic conditions in the Montgomery HMA began to recover in 2012 from job losses that began in 2008, after the onset of the national recession. During 2013, average nonfarm payrolls increased by 1,700 jobs, or 1.0 percent, to 167,700. The greatest job gains were in the manufacturing and the professional and business services sectors, which gained 600 jobs each, or 3.4 and 2.9 percent, respectively. Nonfarm payrolls are expected to increase an average of 1.2 percent each year for the next 3 years, with job gains primarily in the manufacturing sector.

### Sales Market

The sales housing market in the HMA is currently soft but improving, with an estimated overall vacancy rate of 2.5 percent, down slightly from 2.6 percent in 2010. During the 3-year forecast period, household gains are expected to support demand for 2,425 new homes, including 50 mobile homes (Table 1). The 250 homes currently under construction and a portion of the 9,200 other vacant units in the HMA that may reenter the housing market will likely satisfy some of the demand.

### Rental Market

The rental housing market in the HMA is currently soft but has improved since 2010. The overall rental vacancy rate is currently estimated at 10.2 percent, down from 12.4 percent in 2010. By comparison, the apartment market in the HMA is balanced, with a vacancy rate of 4.5 percent in the fourth quarter of 2013 (Reis, Inc.). Demand is forecast for 490 new market-rate rental units during the next 3 years (Table 1). As a result of current rental market conditions, additional units should begin construction during the second year of the forecast period to allow for excess vacant available units to be absorbed.

**Table 1. Housing Demand in the Montgomery HMA, 3-Year Forecast, January 1, 2014, to January 1, 2017**

	Montgomery HMA	
	Sales Units	Rental Units
Total demand	2,425	490
Under construction	250	20

*Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2014. A portion of the estimated 9,200 other vacant units in the HMA will likely satisfy some of the forecast demand. Sales demand includes an estimated demand for 50 mobile homes.*

Source: Estimates by analyst

# Economic Conditions

The economy of the Montgomery HMA was weak during the early 2000s, when the HMA lost jobs, most of which were in the wholesale and retail trade and the manufacturing sectors. From 2000 through 2003, nonfarm payrolls decreased by an average of 730 jobs, or 0.4 percent, annually to 165,200. During this period, the wholesale and retail trade sector decreased by an average of 430 jobs, or 1.6 percent, and the manufacturing sector decreased by an average of 330 jobs, or 1.9 percent, annually. Then, from 2004 through 2007, the number of jobs in the HMA increased by an average of 3,675, or 2.2 percent,

annually. The government sector led growth during that period, increasing by 1,225 jobs, or 3.1 percent, annually, followed by the professional and business services sector, which increased by 1,175 jobs, or 6.7 percent, annually. During the same period, the manufacturing sector grew by 1,025 jobs, or 6.0 percent, annually, with approximately 70 percent of the gains in the sector resulting from the opening of Hyundai Motor Manufacturing Alabama (HMMA), LLC, the first Hyundai manufacturing facility in the United States and currently one of the top employers in the HMA, with 3,100 employees (Table 2). Nonfarm payrolls peaked at 178,000 jobs in 2007, then declined during the next 3 years at an average annual rate of 2.2 percent, or 3,975 jobs. The greatest annual decline was in 2009, when 7,900 jobs were lost, a decrease of 4.5 percent, with approximately 25 percent of those losses occurring in the manufacturing sector. Included in these losses were approximately 650 layoffs from Russell Brands, LLC's Coosa River Plant, a distribution center for Spalding athletic apparel in Wetumpka.

The economy in the Montgomery HMA began to recover during 2012, gaining 1,400 jobs, or 0.8 percent. During 2013, nonfarm payrolls averaged 167,700 jobs, an increase of 1,700 jobs, or 1.0 percent, from 2012 (Table 3). The current number of nonfarm payroll jobs remains 10,300 jobs, or 5.8 percent, below the peak number recorded in 2007. Figure 1 shows the percentage change in sector employment from 2000 to the current date. During 2013, the greatest increase in nonfarm payrolls occurred in the manufacturing and the professional and business services sectors, which gained 600 jobs each, or 3.4 and 2.9

**Table 2. Major Employers in the Montgomery HMA**

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Maxwell-Gunter Air Force Base	Government	8,300
Baptist Health System, Inc.	Education & health services	4,300
Hyundai Motor Manufacturing Alabama, LLC	Manufacturing	3,100
Alfa Insurance	Information	2,575
City of Montgomery	Government	1,300
MOBIS Alabama LLC	Manufacturing	1,225
Rheem Manufacturing Company	Manufacturing	1,175
GKN Aerospace	Manufacturing	1,000

Notes: Excludes local school districts. Maxwell-Gunter Air Force Base numbers include military and civilian personnel.

Source: Montgomery Area Chamber

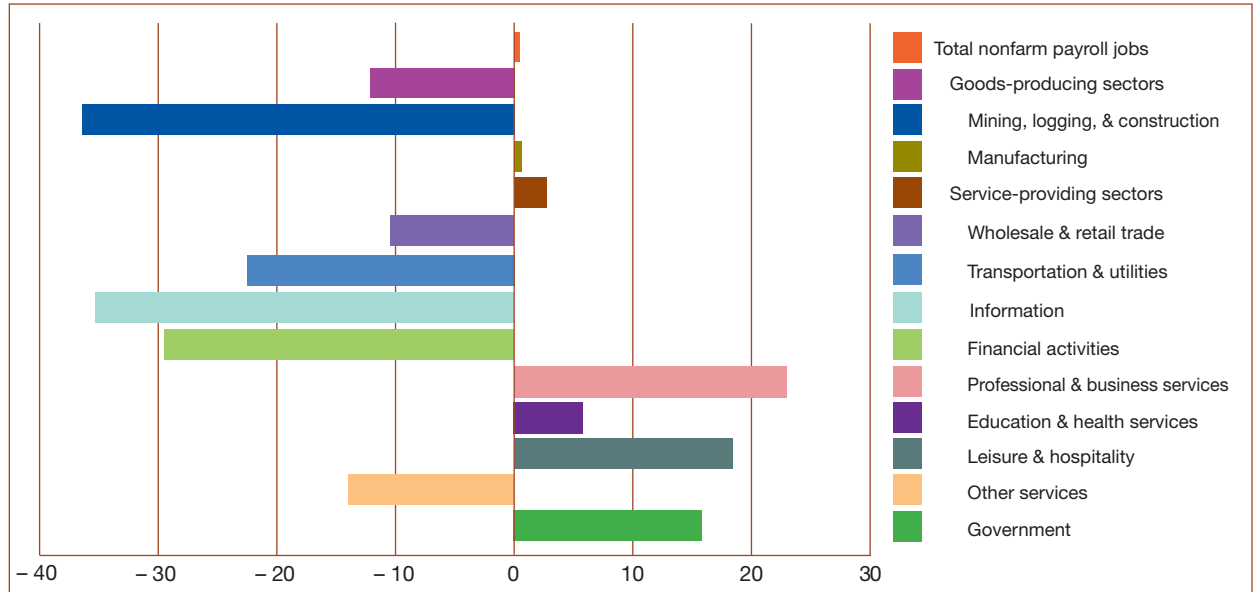
**Table 3. 12-Month Average Nonfarm Payroll Jobs in the Montgomery HMA, by Sector**

	12 Months Ending		Absolute Change	Percent Change
	December 2012	December 2013		
Total nonfarm payroll jobs	166,000	167,700	1,700	1.0
Goods-producing sectors	23,400	24,000	600	2.6
Mining, logging, & construction	6,100	6,000	-100	-1.6
Manufacturing	17,400	18,000	600	3.4
Service-providing sectors	142,500	143,700	1,200	0.8
Wholesale & retail trade	23,400	23,600	200	0.9
Transportation & utilities	5,100	5,000	-100	-2.0
Information	2,300	2,200	-100	-4.3
Financial activities	7,200	7,200	0	0.0
Professional & business services	20,500	21,100	600	2.9
Education & health services	18,400	18,600	200	1.1
Leisure & hospitality	14,900	15,400	500	3.4
Other services	7,200	7,300	100	1.4
Government	43,500	43,300	-200	-0.5

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through December 2012 and December 2013.

Source: U.S. Bureau of Labor Statistics

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



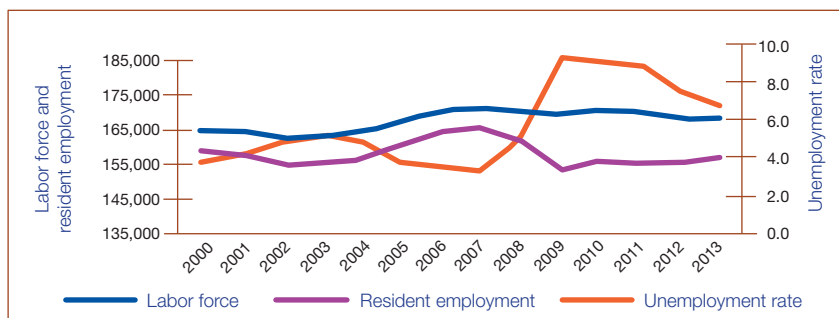
Note: Current is based on 12-month averages through December 2013.  
 Source: U.S. Bureau of Labor Statistics

percent, to 18,000 and 21,100 jobs, respectively. In September 2012, HMMA expanded, adding a third shift to accommodate increased car production; approximately 100 positions have been filled, and HMMA plans to add 200 further positions because of the expansion by 2015. The greatest decline in nonfarm payrolls during 2013 occurred in the government sector, which lost 200 jobs, or 0.5 percent. More than one-half of these net job losses occurred in the state government subsector because restructuring eliminated 600 jobs from the Alabama Department of Public

Health. The average unemployment rate in the HMA during 2013 was 7.0 percent, down from 7.9 percent during 2012 but significantly higher than the 3.4-percent rate recorded in 2006 and 2007. Figure 2 shows trends in the labor force, resident employment, and the unemployment rate since 2000.

In addition to HMMA, the largest employers in the Montgomery HMA are Maxwell-Gunter Air Force Base (Maxwell AFB), with 3,500 military and 4,800 civilian employees; Baptist Health System, Inc., the leading private employer, with 4,300 employees; and Alfa Insurance, with 2,575 employees (Table 2). Maxwell AFB is home to The Air University (AU), the U.S. Air Force's Air Education and Training Command's primary center for professional military education in the country. The government sector is the largest nonfarm payroll sector in the HMA, also reflecting the military strength at Maxwell AFB. The 43,300 jobs in the government sector currently

**Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Montgomery HMA, 2000 Through 2013**

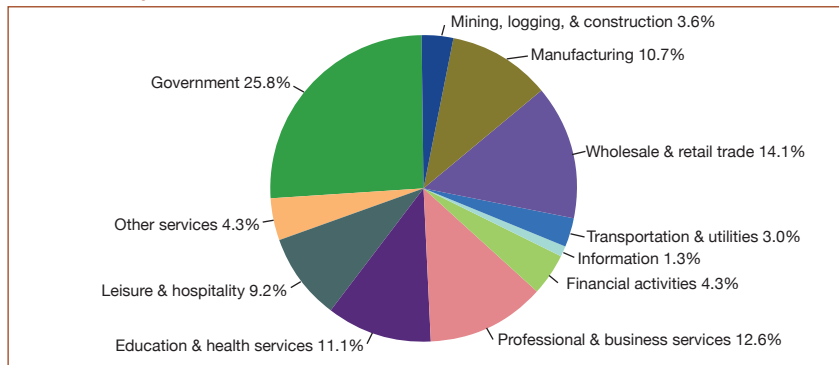


Source: U.S. Bureau of Labor Statistics

account for nearly 26 percent of the total number of nonfarm jobs in the HMA (Figure 3).

During the 3-year forecast period, nonfarm payroll jobs in the HMA

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



Note: Based on 12-month averages through December 2013.

Source: U.S. Bureau of Labor Statistics

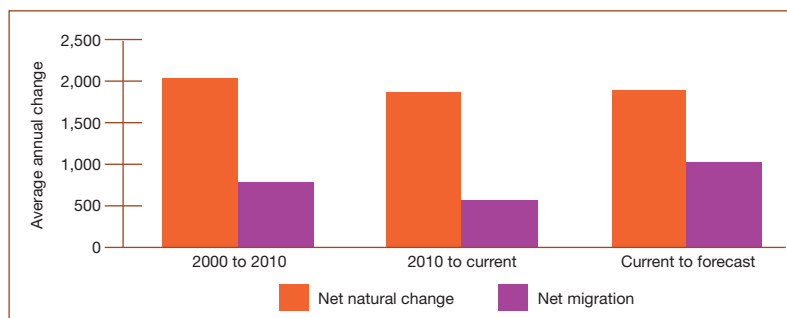
are expected to increase an average of 1.2 percent annually, with payroll growth increasing steadily throughout the 3 years. The manufacturing sector is expected to lead job growth during the forecast period as DAS North America, a car seat supplier, completes construction of its second North American manufacturing facility, which it began in June 2013. The company expects to have created 300 permanent jobs by the time the 300,000-square-foot facility in the Montgomery Industrial Park is fully operational in 2017. In addition, MOBIS Alabama LLC, a supplier to HMMA, announced plans to hire 140 new employees during the next 2 years.

## Population and Households

As of January 1, 2014, the population of the Montgomery HMA was estimated at 383,700, representing an average annual increase of 2,450, or 0.6 percent, since April 2010. During this period, net immigration has accounted for approximately 23 percent of the population growth (Figure 4). From 2000 to 2002, corresponding with a weak economy,

population growth averaged only 1,950 people, or 0.6 percent, annually. Then, from 2003 to 2007, largely because 2,000 military personnel returned to the HMA after deployment to Afghanistan, coinciding with job growth, population growth averaged 3,700 people, or 1.0 percent, a year. During this period, net immigration averaged 2,350 people annually. From 2008 to 2010, the population growth rate slowed to 2,775 people, or 0.7 percent, annually, reflecting a slowdown in employment growth and military deployments. During the next 3 years, the population is expected to increase by an average of 2,900, or 0.8 percent, annually, to 392,400. Table DP-1 at the end of this report provides information about population growth in the HMA from 2000 to the current date.

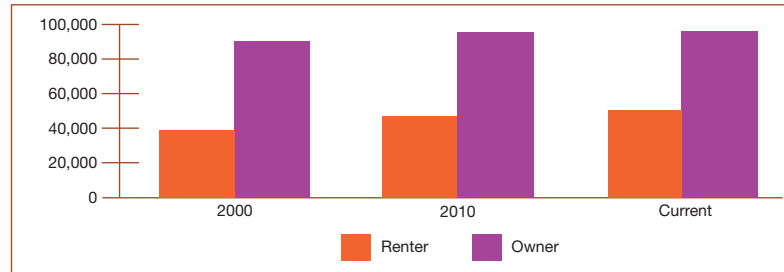
**Figure 4. Components of Population Change in the Montgomery HMA, 2000 to Forecast**



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

## Population and Households *Continued*

**Figure 5.** Number of Households by Tenure in the Montgomery 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 Montgomery HMA, 2000 to Forecast



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

An estimated 147,000 households currently reside in the Montgomery HMA, of which 96,350, or 66 percent, are owner households (Figure 5). The number of households grew by an average of 1,325, or 1.0 percent, annually from April 2000 to April 2010 (Figure 6). Because of a decreased population growth rate, the household formation rate has slowed to 1,100 households, or 0.8 percent, a year since 2010. AU, in Montgomery County, enrolls approximately 20,000 military students from throughout the world each year. Maxwell AFB accounts for approximately 6 percent of all households in the HMA. During the next 3 years, the number of households is expected to increase by 1,225, or 0.8 percent, annually to 150,700 households.

## Housing Market Trends

### Sales Market

The sales housing market in the Montgomery HMA is currently soft but improving. As of January 1, 2014, the sales vacancy rate was estimated at 2.5 percent, down slightly from 2.6 percent as of April 2010. The improving economy and strengthening sales market led to a lower percentage of distressed loans. The percentage of home loans in the HMA that were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status decreased slightly, from 6.9 percent in December 2012 to 6.6 percent in December 2013, higher than the 5.9-percent state rate and the 5.6-percent national rate recorded during December 2013 (Black

Knight Financial Services, Inc.). During the 12 months ending November 2013 (the best representative data), sales of existing single-family homes, townhomes, and condominiums (hereafter, existing homes) totaled 4,075, an increase of 1,375 homes, or 47 percent, from the same 12-month period a year earlier (CoreLogic, Inc.). The average existing home sales price was \$127,700, a 3-percent decrease from the average price of \$131,200 year earlier. During 2006, existing home sales peaked at 4,650, coinciding with returning military personnel and job gains, and the average sales price increased 15 percent, to \$148,300, from the previous year. From 2007

through 2009, existing home sales decreased by an average of 750 homes, or 19 percent, annually, to 2,500 homes. During this period, the average sales price decreased 5 percent annually, to \$141,400. As REO sales increased slightly from 2010 through 2012, existing home sales increased by 175 homes, or 7 percent, annually to 2,900, while the average sales price continued to drop, from \$145,900 to \$131,200, a 5-percent decrease annually.

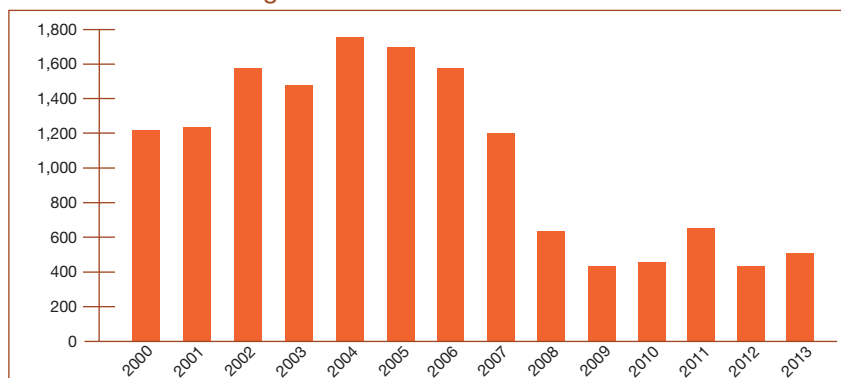
Although existing home sales have improved since 2010, new home sales in the HMA began to stabilize in 2011. During the 12 months ending November 2013, new home sales totaled 300, a 3-percent increase from the 290 new homes sold during the previous year (CoreLogic, Inc.). The average new home sales price was \$266,300, a 6-percent increase from \$251,200 during the same period a year earlier. New home sales peaked at 950 during 2006, when the average sales price increased 28 percent, to \$255,500, from the previous year. From 2007 through 2010, new home sales decreased by an average of 120, or 19 percent, annually to 260 homes. During this period, the average sales price decreased 7 percent annually, from \$282,500 to \$226,500. As demand for

luxury custom homes increased, new home sales increased to 290 homes sold in both 2011 and 2012, and new home sales prices increased an average of 6 percent annually, to \$251,200, during this period.

Single-family homebuilding activity, as measured by the number of homes permitted, has decreased nearly 70 percent since peaking at 1,750 homes in 2004 (Figure 7). Single-family home construction averaged approximately 1,500 homes annually from 2005 through 2007 and 530 homes annually from 2008 through 2012. During 2013, 530 single-family homes were permitted, an 18-percent increase compared with the 450 single-family homes permitted during the same period a year earlier (preliminary data). Construction is currently under way at several residential developments throughout the Montgomery HMA, with approximately 65 percent of the new construction activity occurring in the town of Pike Road, including the New Park subdivision, which began construction in early 2013. As of November 1, 2013, approximately 100 of the 220 lots at New Park remained available for sale, at an average sales price of \$250,000.

During the 3-year forecast period, demand is expected for 2,425 new homes, including 50 mobile homes, in the HMA (Table 1). The estimated 250 homes currently under construction and a portion of the 9,200 other vacant units in the HMA will satisfy some of the demand. Nearly 70 percent of the demand is expected during the second and third years of the forecast period as the sales market continues to recover. Approximately 55 percent of the demand is expected to be for homes priced between \$110,000 and \$185,000 (Table 4).

**Figure 7. Single-Family Homes Permitted in the Montgomery HMA, 2000 Through 2013**



Notes: Includes townhomes. Includes data through December 2013.

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

**Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Montgomery HMA, January 1, 2014, to January 1, 2017

Price Range (\$)		Units of Demand	Percent of Total
From	To		
110,000	134,999	475	20.0
135,000	159,999	475	20.0
160,000	184,999	360	15.0
185,000	209,999	360	15.0
210,000	234,999	475	20.0
235,000	and higher	240	10.0

*Notes: The 250 homes currently under construction and a portion of the estimated 9,200 other vacant units in the HMA will likely satisfy some of the forecast demand. Excludes mobile homes.*

*Source: Estimates by analyst*

## Rental Market

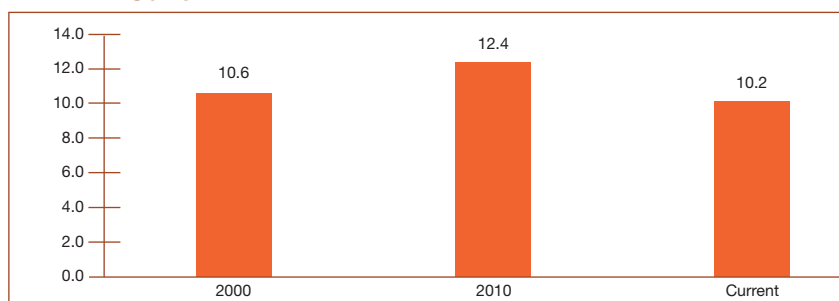
Overall rental housing market conditions in the Montgomery HMA are currently soft but have improved because of low levels of apartment production since 2008. The current overall rental vacancy rate, including apartments, single-family homes, and other rental units, is estimated at 10.2 percent, down from 12.4 percent in April 2010 (Figure 8). Single-family homes comprise approximately 15 percent of the rental market, down slightly from 17 percent during the 2010 Census (local real estate management companies). Although overall rental market conditions in the HMA are currently soft, conditions in the apartment market are currently balanced. The apartment vacancy rate during the fourth quarter of 2013 was 4.5 percent, down from 6.1 percent during the fourth quarter of 2012

(Reis, Inc.). The average asking rent for apartments was approximately \$720, up 2 percent from a year earlier. Rents for studio, one-bedroom, two-bedroom, and three-bedroom apartment units averaged \$550, \$650, \$740, and \$870, respectively.

The military presence in the HMA greatly affects the rental market. Communities that are densely populated by military personnel have relatively lower rental vacancy rates than the HMA as a whole. With only 322 beds on base for unaccompanied military personnel, nearly 75 percent of Maxwell AFB military employees live off base in the communities of Millbrook, Prattville, and Wetumpka, and approximately one-half of off-base personnel are renters. The apartment vacancy rate in the western portion of Montgomery County, where these communities are located, is currently estimated at 4.0 percent (local sources). An estimated 5 percent of renter households in the HMA are military households.

Multifamily development, as measured by the number of units permitted, decreased in the Montgomery HMA during 2013. During this period, permits were issued for 110 multifamily units

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



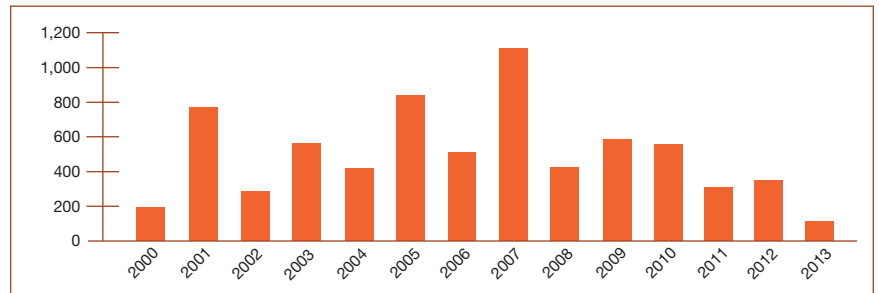
*Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst*

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

in the HMA, a 68-percent decrease compared with the 350 multifamily units permitted a year earlier (preliminary data). From 2008 through 2011, 470 units were permitted annually (Figure 9). Construction of 20 apartment units at Saddleback Ridge Apartments in the city of Montgomery is under way and expected to be complete by mid-2014. Rents are expected to start at \$675 for a one-bedroom unit, \$740 for a two-bedroom unit, and \$830 for a three-bedroom unit.

During the 3-year forecast period, demand is expected for 490 new market-rate rental units in the HMA (Table 1). The 20 units currently under construction and 70 units in planning will meet a portion of this demand. As a result of current rental market conditions, additional units should not begin construction until the second year of the forecast period to allow for excess vacant available units to be absorbed. Table 5 shows forecast demand by number of bedrooms and rent level.

**Figure 9.** Multifamily Units Permitted in the Montgomery HMA, 2000 Through 2013



*Notes: Excludes townhomes. Includes data through December 2013.  
 Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst*

**Table 5.** Estimated Demand for New Market-Rate Rental Housing in the Montgomery HMA, January 1, 2014, to January 1, 2017

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
550 or more	20	675 to 874	160	740 to 939	100	830 to 1,029	25
		875 or more	40	940 to 1,139	75	1,030 or more	25
				1,140 or more	45		
<b>Total</b>	<b>20</b>	<b>Total</b>	<b>200</b>	<b>Total</b>	<b>220</b>	<b>Total</b>	<b>50</b>

*Notes: Numbers may not add to totals because of rounding. The 20 units currently under construction will likely satisfy some of the estimated demand.  
 Source: Estimates by analyst*



# Data Profile

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	159,060	155,974	157,300	- 0.2	0.3
Unemployment rate	3.7%	8.9%	7.0%		
Nonfarm payroll jobs	167,400	166,800	167,700	0.0	0.2
Total population	346,528	374,536	383,700	0.8	0.6
Total households	129,717	142,855	147,000	1.0	0.8
Owner households	90,647	95,822	96,350	0.6	0.1
Percent owner	69.9%	67.1%	65.5%		
Renter households	39,070	47,033	50,700	1.9	2.0
Percent renter	30.1%	32.9%	34.5%		
Total housing units	144,633	161,573	164,500	1.1	0.5
Owner vacancy rate	2.2%	2.6%	2.5%		
Rental vacancy rate	10.6%	12.4%	10.2%		
Median Family Income	\$47,000	\$57,700	\$60,100	2.1	1.4

*Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through December 2013. Median Family Incomes are for 1999, 2009, and 2012.*

*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: 1/1/2014—Analyst’s estimates  
 Forecast period: 1/1/2014–1/1/2017—  
 Analyst’s estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated December 1, 2009, and does not reflect changes defined by 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 [http://www.huduser.org/publications/pdf/CMARtables\\_MontgomeryAL\\_14.pdf](http://www.huduser.org/publications/pdf/CMARtables_MontgomeryAL_14.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  
[www.huduser.org/portal/ushmc/chma\\_archive.html](http://www.huduser.org/portal/ushmc/chma_archive.html).