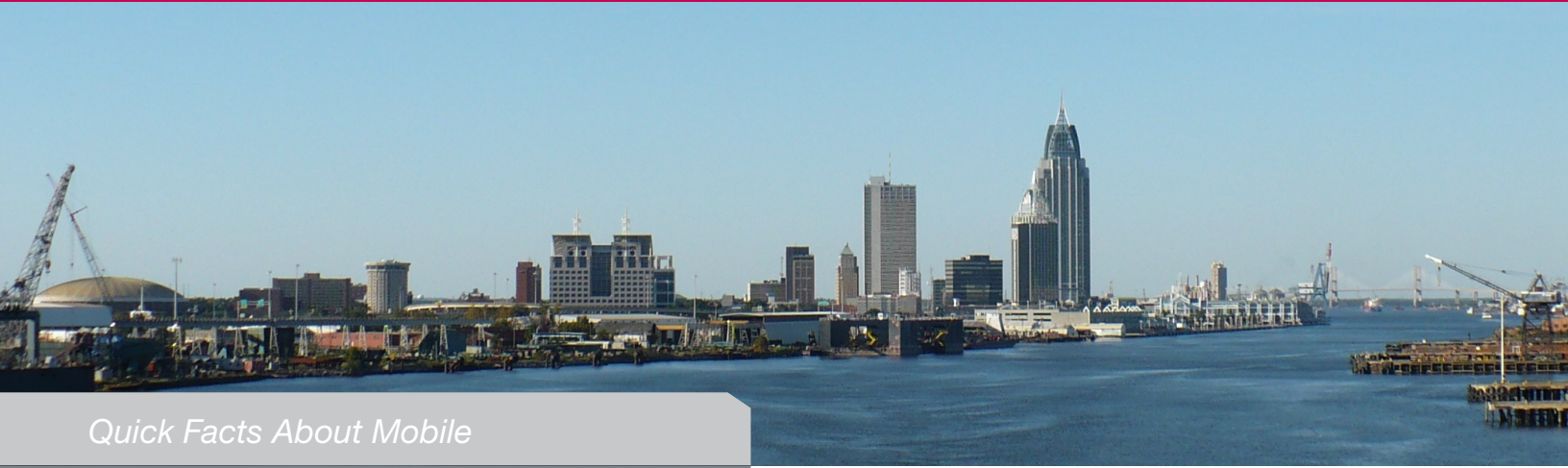


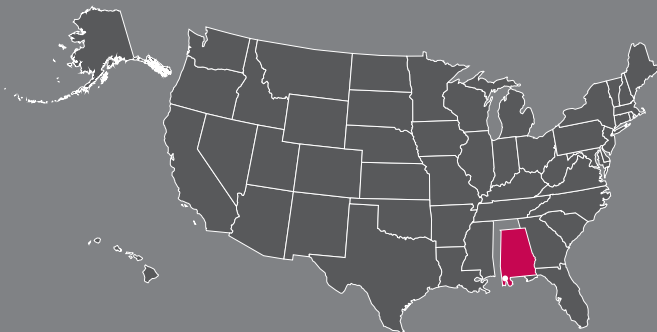
HUD PD&R Housing Market Profiles

Mobile, Alabama



Quick Facts About Mobile

- **Current sales market conditions: soft.**
- **Current apartment market conditions: balanced.**
- **The metropolitan area, on the Gulf Coast of Alabama, has been a transportation and manufacturing center since the 18th century and is home to the ninth largest port in the nation by container volume.**



By Yvonne R. McNeil | As of July 1, 2015

Overview

The Mobile metropolitan area, which consists of Mobile County, is home to the city of Mobile, the third most populous city in Alabama. The University of South Alabama (USA) and USA Health System; Infirmary Health System, Inc.; and Austal are the largest employers in the metropolitan area, with 5,200, 5,100, and 4,000 employees, respectively, and contribute to the economic stability and growth of the metropolitan area. The Port of Mobile, the only deepwater port in Alabama, ranks 10th in the country for imports and total foreign trade, with a \$10 billion impact on the local economy (Alabama State Port Authority).

- As of July 2015, the estimated population of the metropolitan area was 415,600, representing an increase of only 500 people, or 0.1 percent, annually since April 2010; all the population growth during this time was a result of net natural change (resident births minus resident deaths).
- By comparison, the population increased by an average of 3,400, or 0.8 percent, a year from July 2005 to July 2008, when the economy was strong and more people moved to the metropolitan area.
- The city of Mobile is the employment center and largest city in the metropolitan area, with an estimated population of 194,700 as of July 2014, a decrease of 300, or 0.1 percent, from 2013.



PD&R



During the 3 months ending June 2015, nonfarm payroll jobs increased or remained stable in all but two sectors in the Mobile area.

	3 Months Ending		Year-Over-Year Change	
	June 2014 (thousands)	June 2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	176.5	176.9	0.4	0.2
Goods-producing sectors	30.2	29.7	-0.5	-1.7
Mining, logging, and construction	11.1	10.6	-0.5	-4.5
Manufacturing	19.1	19.1	0.0	0.0
Service-providing sectors	146.4	147.2	0.8	0.5
Wholesale and retail trade	28.5	28.5	0.0	0.0
Transportation and utilities	8.8	8.8	0.0	0.0
Information	2.0	2.1	0.1	5.0
Financial activities	8.3	8.3	0.0	0.0
Professional and business services	22.3	22.4	0.1	0.4
Education and health services	24.6	25.1	0.5	2.0
Leisure and hospitality	16.7	17.1	0.4	2.4
Other services	9.4	9.4	0.0	0.0
Government	25.7	25.6	-0.1	-0.4
	(percent)	(percent)		
Unemployment rate	7.7	6.9		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

Economic Conditions

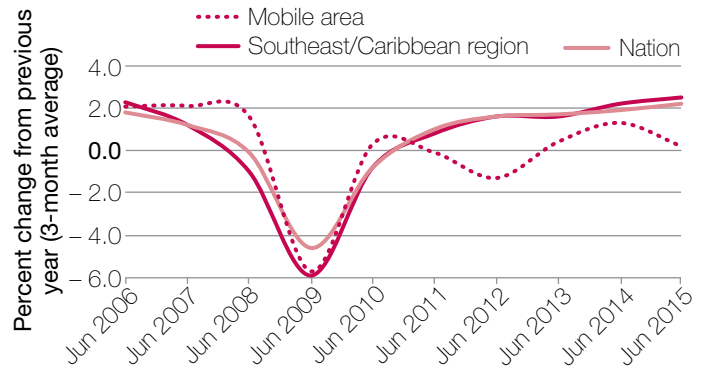
Employment growth in the Mobile metropolitan area has been relatively weak during the past 6 years compared with growth from 2006 through 2008. Nonfarm payrolls have increased since 2012 by an average of 900 jobs, or 0.5 percent, annually after declining by an average 800 jobs, or 0.5 percent, annually during 2011 and 2012. Payrolls during the 3 months ending June 2015 grew at a much lower rate than a year earlier, and the payroll growth rate has fallen below the state rate.

During the second quarter of 2015—

- Nonfarm payrolls averaged 176,900 jobs, reflecting an increase of 400 jobs, or 0.2 percent; by comparison, payrolls increased by 2,300 jobs, or 1.3 percent, during the same period a year earlier. In Alabama, however, payroll growth increased from 0.8 a year ago to 1.3 percent during the second quarter of 2015.
- The education and health services sector led growth with an increase of 500 jobs, or 2.0 percent. The USA Mitchell Cancer Institute, which opened in 2000, hired an additional 100 research employees that contributed to growth in the sector during the past year.

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Since mid-2011, nonfarm payroll growth in the Mobile area has lagged growth in the Southeast/Caribbean region and the nation.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Mobile area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of South Alabama and USA Health System	Education and health services	5,200
Infirmiry Health System, Inc.	Education and health services	5,100
Austal	Manufacturing	4,000

Note: Excludes local school districts.
Source: Mobile Chamber of Commerce



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- The leisure and hospitality sector grew by 400 jobs, or 2.4 percent. Mobile is the third most visited city in the state, with more than 2.8 million visitors in 2014, up from 2.6 million visitors a year earlier (Alabama Tourism Office; most recent data available).
- The mining, logging, and construction sector decreased by 500 jobs, or 4.5 percent, from the second quarter of 2014; 60 percent of the losses were from the construction subsector because homebuilding has slowed.
- The average unemployment rate decreased to 6.9 percent from 7.7 percent during the same period a year ago as employment growth outpaced labor force growth.

Job growth is expected during the next few years in the trade, transportation, and utilities and the manufacturing sectors. The Port of Mobile recently announced plans for a \$50 million infrastructure investment that will increase the capacity of the container terminal at Choctaw Point. This project is expected to begin construction in August 2015 and be complete by mid-2016, with an estimated 200 new jobs created by completion. In June 2015, Star Aviation, an aircraft manufacturer based in the city of Mobile, announced plans to invest \$2.35 million to expand operations at the Mobile Aeroplex at Brookley, creating as many as 50 jobs during the next 2 years.

Sales Market Conditions

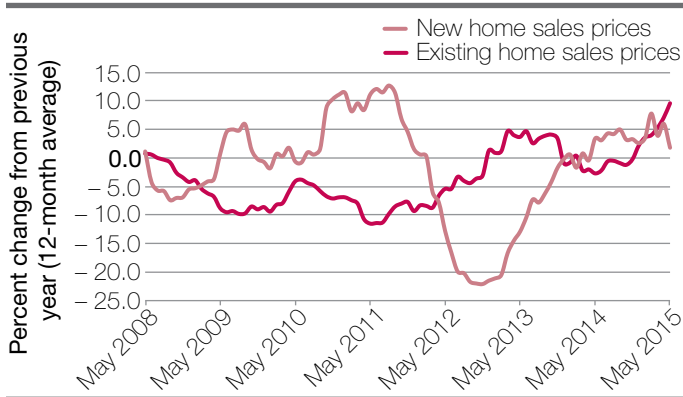
As a result of relatively weak employment growth during the past 6 years, the sales housing market in the Mobile metropolitan area is currently soft. As of June 2015, 7.3 percent of home loans in the metropolitan area were seriously delinquent (loans 90 or more days delinquent or in the foreclosure process) or had transitioned into real estate owned (REO) status, down from 8.0 percent a year earlier (Black Knight Financial Services, Inc.). By comparison, the rates were 5.1 percent and 4.1 percent for the state and nation, down from 5.4 percent and 4.9 percent a year earlier, respectively. In addition to keeping the rate of seriously delinquent loans and REO properties elevated above the state and national rates, the weak economy in the metropolitan area led to a decline in home sales. During the 12 months ending May 2015, approximately 7,625 existing single-family homes, townhomes, and condominiums (hereafter, existing homes) sold, a decrease of 360 homes, or 5 percent, from

the 12 months ending May 2014 (CoreLogic, Inc., with adjustments by the analyst). Despite a decline in sales, the average existing home sales price increased approximately 10 percent, to \$111,100.

- From 2009 through 2012, existing home sales declined by an average of 560 homes annually, corresponding to the weak economy. After employment began to improve slightly in 2013, existing home sales averaged 7,600, an increase of 800 homes annually, in 2013 and 2014.
- The share of distressed home sales (REO and short sales) declined to 20 percent of existing homes sold during the 12 months ending May 2015, down from 24 percent of sales during the previous 12 months.
- During the 12 months ending May 2015, approximately 330 new homes sold, a decrease of 110 homes, or 25 percent, from a year earlier. The average new home sales price increased 2 percent, to \$182,600.

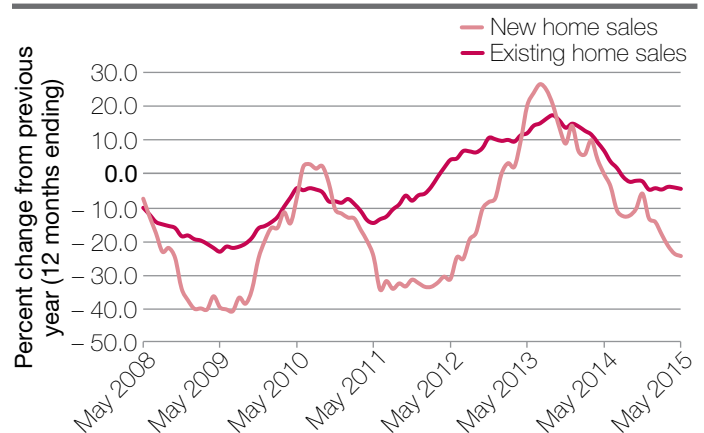
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After declining from the beginning of 2012 through 2013, new home sales prices in the Mobile area increased during 2014 and 2015.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

Existing home sales in the Mobile area have declined since mid-2014 because of declines in inventory and distressed home sales.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

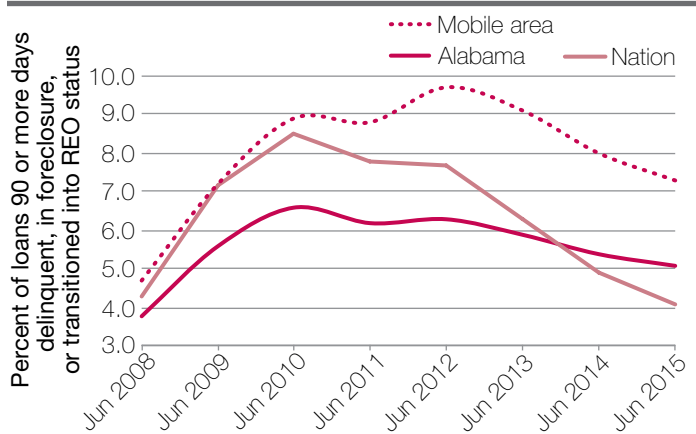


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Homebuilding, as measured by the number of single-family homes permitted, decreased during the second quarter of 2015 compared with the number of homes permitted a year earlier, in response to low home sales levels.

- Approximately 160 single-family homes were permitted during the second quarter of 2015, a 9-percent decrease from the 180 homes permitted during the same period a year ago (preliminary data).

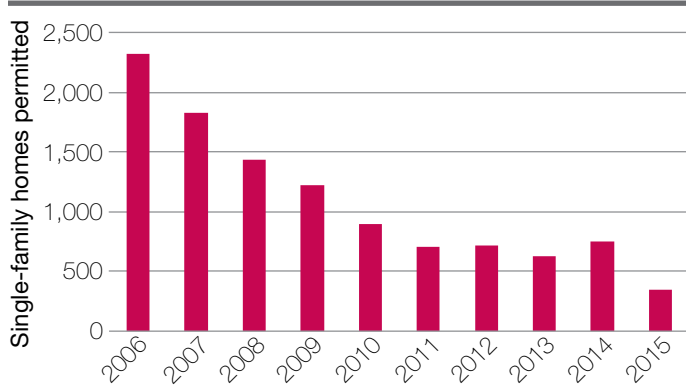
The percentage of seriously delinquent loans and REO properties in the Mobile area reached its lowest point since 2009.



REO = real estate owned.
Source: Black Knight Financial Services, Inc.

- An average of 1,850 homes were permitted annually from 2006 through 2008, when the economy was strong. As the economy contracted, average annual permitting decreased to 880 homes from the end of 2008 through 2012.
- Single-family developments under construction in the metropolitan area include the Hunters Cove community in the city of Theodore, a 300-home development where 16 lots for three- and four-bedroom homes are available for prices ranging from approximately \$134,900 to \$245,900.

Single-family permitting activity decreased from 2006 through 2011 and has remained subdued in the Mobile area.



Note: Includes preliminary data from January 2015 through June 2015.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in the Mobile metropolitan area are currently balanced. The apartment market improved during the past 3 years because of low levels of multifamily construction activity since 2012 and increased demand for rental units in the metropolitan area.

During the second quarter of 2015—

- The apartment vacancy rate in the Mobile metropolitan area decreased to 4.1 percent from 5.4 percent a year earlier. By comparison, the apartment vacancy rate was 9.0 percent in 2009, the highest rate recorded since 2005 (Reis, Inc.) as a result of the largest recorded payroll declines during the decade.
- Rent growth in the metropolitan area was slow because of the weak economy. The average asking rent increased 1.7 percent from the same quarter a year earlier, to \$670. By comparison, the average asking rent was \$659 during the second quarter of 2014, an increase of 1.7 percent from a year earlier.

- Students greatly affect the apartment market in the metropolitan area. Approximately 16,000 students attend USA, and only about 2,200 reside on campus. The remainder of students reside off campus in the communities surrounding the city of Theodore, where the university is located. The apartment vacancy rate in these communities is currently estimated at 4.0 percent (local sources).

Apartment construction in the past 3 years has been concentrated in the southwestern portion of the metropolitan area, including West Mobile, the western part of the city of Mobile, because of easy access to shopping and other amenities.

- During the 12 months ending June 2015, no units were permitted, compared with 15 units permitted a year earlier (preliminary data), because of the relatively weak economy and slow population growth.

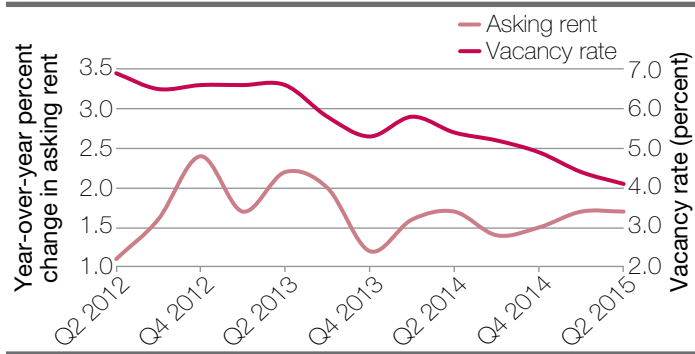
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- An average of 710 units were permitted annually from 2006 through 2008, a period of economic growth and strong rental demand. Multifamily building activity peaked in 2009 at 1,425 units before multifamily builders responded to the declining economy and permitting fell to an average of 350 units annually from the end of 2009 through 2013.

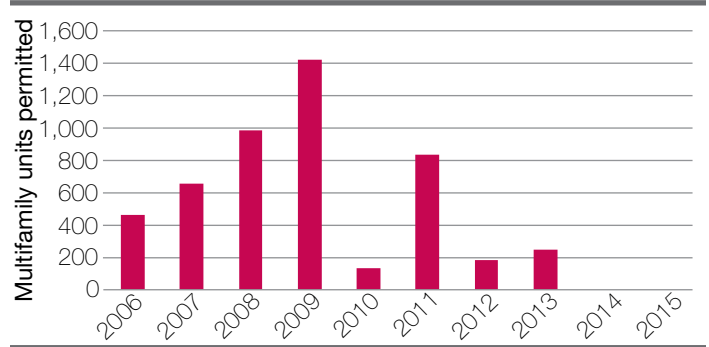
Average asking rent has increased at least 1.5 percent annually since the first quarter of 2014 as vacancy rates have continued to decline in the Mobile area.



Source: Reis, Inc.

- Parkside at Cottage Hill, a 240-unit apartment complex in the Midtown Historic District, completed construction in December 2014. Rents start at \$920 for one-bedroom units. No multifamily developments are currently under construction in the metropolitan area.

Multifamily construction in the Mobile area remained minimal during the past 2 years despite record-low apartment vacancy rates.



Note: Includes preliminary data from January 2015 through June 2015.
Source: U.S. Census Bureau, Building Permits Survey