Huntsville Area Real Estate ECONOMICS REPORT

Analysis Conducted by
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SECOND QUARTER 2019

REALTOR®

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HUNTSVILLE AREA ASSOCIATION of REALTORS®

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

Second Quarter Recap

Sales and Inventory -- Home sales in the 2nd quarter totaled 2,238, up 43% from the 1st quarter 2019 and 1% above the 2nd quarter of 2018. The 2nd quarter five-year average sales level increased 13.8% over the 2018 2nd quarter 5-year average.

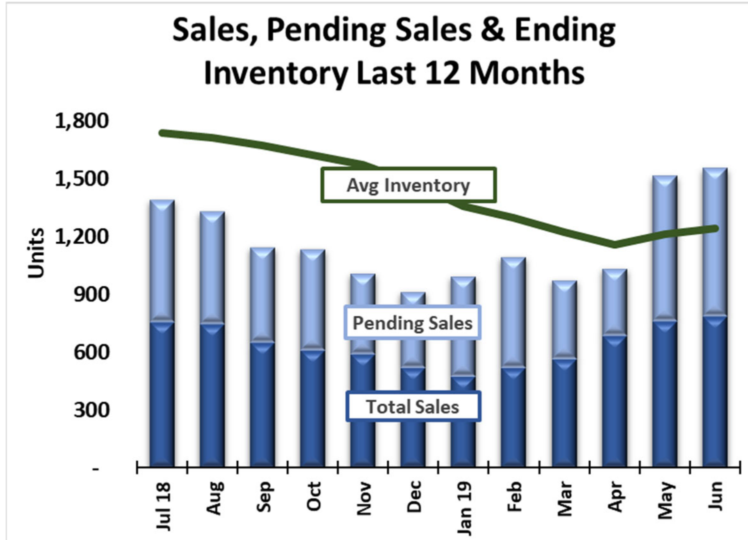
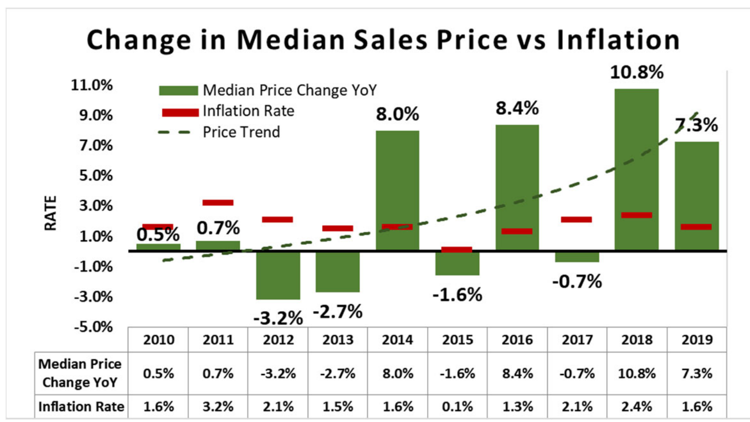


Figure 1

During the months of May and June 2019, the total of Sales plus Pending Sales exceeded the monthly average number of homes available for sale. Reaching these sales levels required attracting new listings that could be sold relatively quickly. Sustaining the current sales levels in the months ahead will be challenging. Pressures on prices from demand and supply (willingness of homeowners to sell) could be higher than normal in the near term. Figure 1

Median Sales Price -- Over time, the median sales price can fluctuate based on the mix of homes sold as well as the price change of comparable homes (price inflation). Figure 2 shows the percentage change in the 2nd quarter median prices since 2010. The dotted line represents the overall trend in 2nd quarter Median Sales Price.



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Median Price Change YoY	0.5%	0.7%	-3.2%	-2.7%	8.0%	-1.6%	8.4%	-0.7%	10.8%	7.3%
Inflation Rate	1.6%	3.2%	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.4%	1.6%

Figure 2

The national Inflation Rate (red bar) represents the increase in overall cost of living in each year. In years where the change in Median Sales Price (green column) is higher than the Inflation Rate (red bar), the increase in home prices was greater than the increase the other costs of living.

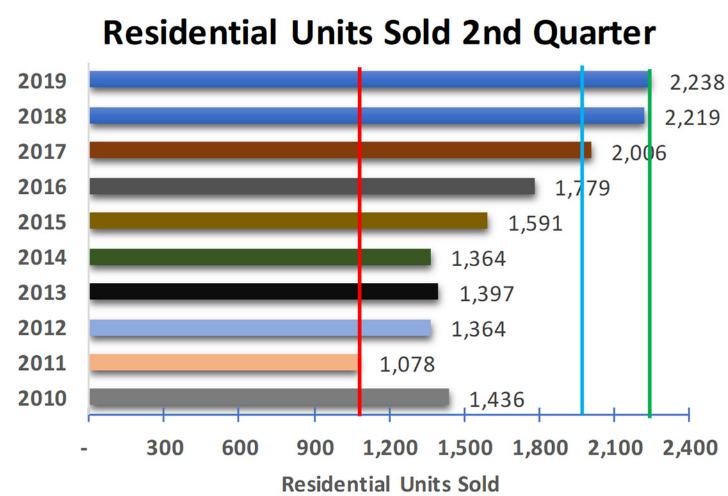
In 2014, 2016, 2018, and 2019, housing prices in Madison County rose faster than the overall costs of living. Maybe not a perfect comparison but the trends for the Median Home Price and Inflation rate may provide insight into the price pressures of demand for and supply of houses.

I. Sales & Price Levels

Residential Sales

Sales of residential homes in the second quarter of 2019 grew significantly (671 units, 42.8%) from the first quarter and were up slightly (19 units) from the 2nd Quarter 2018 level. The five-year average sales level increased 13.8% quarter-over-quarter in 2019.

The vertical green line in Figure 3 represents the peak level of sales between 2010and 2019 for 2nd quarter sales. The blue vertical line represents the five-year 2nd quarter average number of sales of 1,967. The red line represents the lowest number of homes sold at 1,078 experienced in 2011.

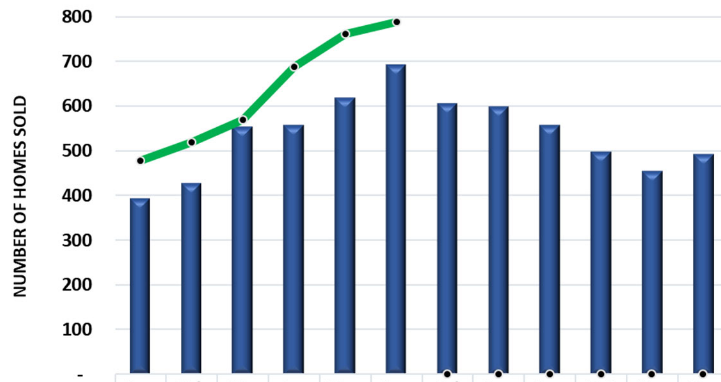


	Qtr	Year	Total Units	Avg Month	Change
Current Quarter	2Q	2019	2,238	746	
vs. Prior Quarter	1Q	2019	1,567	522	42.8%
vs. Last Year	2Q	2018	2,219	740	0.9%
vs. 5-YR Second Qtr Avg	2Q	15-'19	**1,967**	**656**	13.8%
vs. Peak	2Q	2019	**2,238**	**746**	
vs. Trough	2Q	2011	**1,078**	**359**	107.6%

Figure 3

Seasonality of Sales

The sales in April, May, and June 2019 continued to be above the 5-year average levels. See Figure 4.

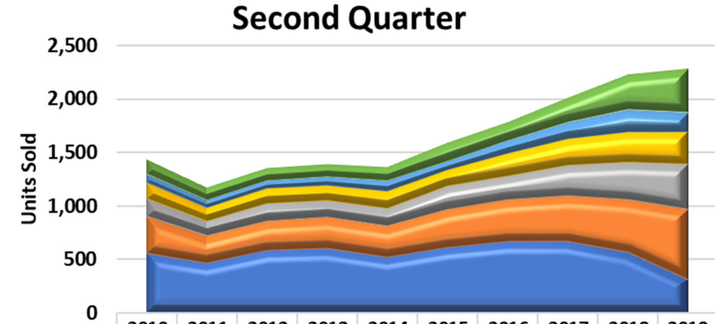


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
5yr Avg	394	427	553	557	618	692	606	598	557	497	455	493
2019	478	520	569	688	762	788						

Figure 4

Sales Volume by Price Range

Sales volumes increased in all price bands except the $300,000-350,000 and below- $150,000. Sales of homes in the $300,000-$350,000 range fell 12% and sales in the under $150,000 category declined by 45% from the second quarter 2018 level. The largest percentage increase in sales occurred in the $150,000 - $200,000 at 34% in the second quarter. See Figure 5.

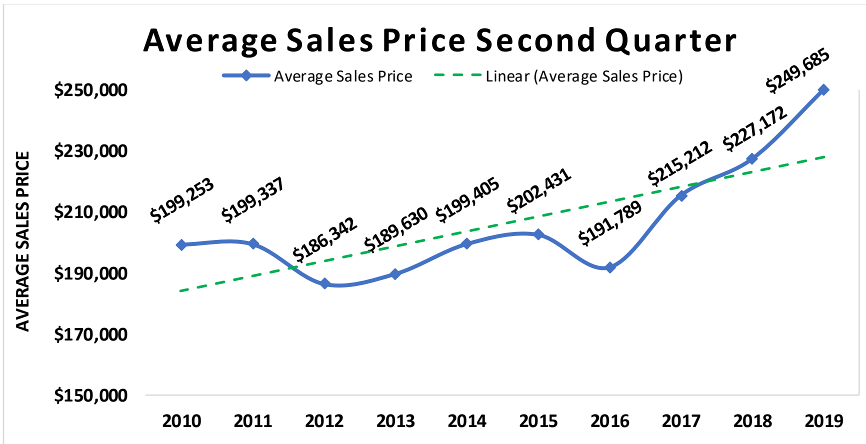


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
>$350k	132	119	120	117	122	169	173	224	325	403
$300-$350k	80	70	74	88	98	85	116	151	204	179
$250-$300k	158	128	145	140	165	153	217	258	285	312
$200-$250k	170	139	170	162	170	226	222	281	353	419
$150-$200k	343	256	268	284	284	347	385	423	487	652
<$150k	553	464	585	606	525	611	666	669	565	312

Figure 5

Average Sales Prices

The average sales price for all homes sold during the 2nd Quarter 2019 was down slightly from the 1st Quarter to $221,035, but above the 2nd Quarter 2018 by 9.9% at $249,685. The green dotted line represents the trend in average sales price since 2010. See Figure 6.

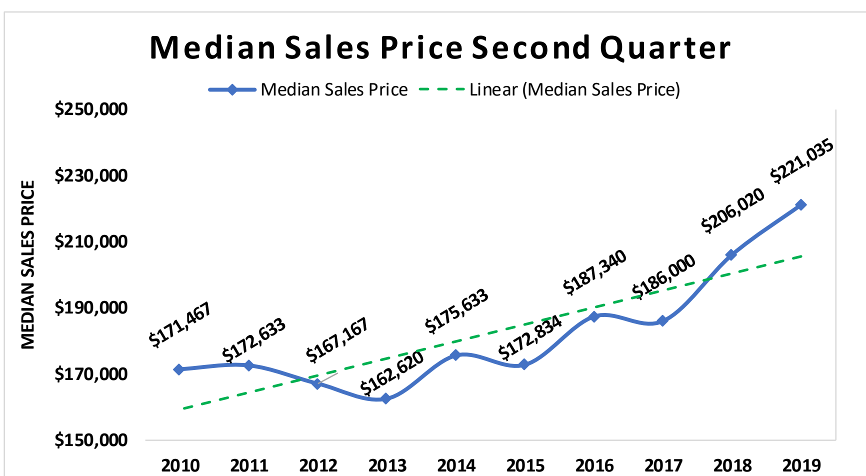


Change YoY	1.5%	0.0%	-6.5%	1.8%	5.2%	1.5%	-5.3%	12.2%	5.6%	9.9%
Change 3 yr Avg			-1.7%	-1.6%	0.0%	2.8%	0.4%	2.7%	4.1%	9.1%
Change 5 yr Avg					0.3%	0.3%	-0.8%	3.0%	3.8%	4.9%

Figure 6

Median Sales Price

The median (midpoint) sales price in Madison County for the 2nd Quarter 2019 reached $208,333, an 8.8% increase from the 1st Quarter 2018. The five-year average sales price grew by 5.8% in the past year. The green dotted line represents the trend in median sales price since 2010. See Figure 7.



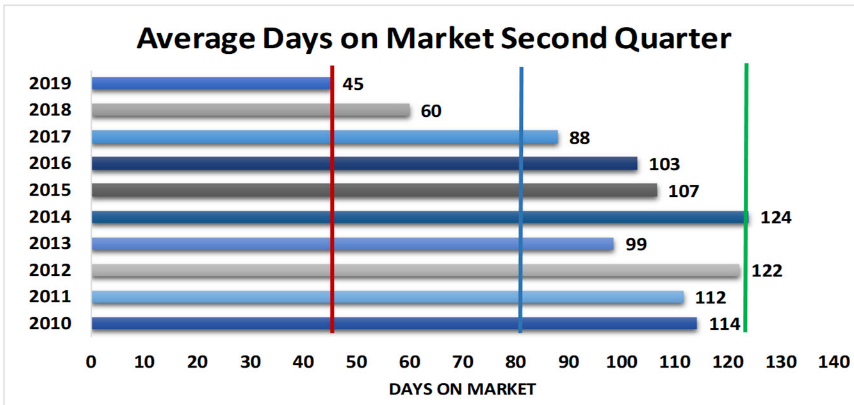
Change YoY	0.5%	0.7%	-3.2%	-2.7%	8.0%	-1.6%	8.4%	-0.7%	10.8%	7.3%
Change 3 yr Avg			-0.7%	-1.7%	0.6%	1.1%	4.8%	1.9%	6.1%	5.8%
Change 5 yr Avg					0.6%	0.2%	1.7%	2.2%	4.9%	4.9%

Figure 7

II. Market Momentum

Days on Market

The average number of days on the market (DOM) in the 2nd Quarter 2019 dropped to 45 days, the lowest days on market (red line) of any 2nd Quarter since 2010. This is a drop of 25% from 2018 and down 49% since 2017. The highest number of days on market occurred in 2014 (green line). The five-year average DOM is at 81 days (blue line). See Figure 8.

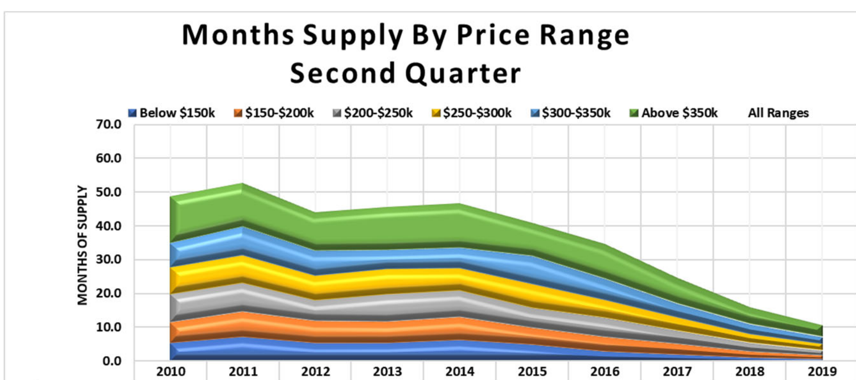


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Change YoY	13.6%	-2.3%	9.6%	-19.3%	25.7%	-14.0%	-3.4%	-14.6%	-31.8%	**-24.4%**
Change 3 yr Avg			6.6%	-4.5%	3.7%	-4.5%	1.3%	-10.8%	-15.7%	**-23.0%**
Change 5 yr Avg					4.3%	-1.3%	-1.5%	-6.2%	-7.4%	**-16.3%**

Figure 8

Months of Supply

Months of Supply of homes available for sale continued to drop in all price bands. Homes in the sales prices below $150,000 has the lowest available inventory at 0.7 months (21 days); only slightly lower than the 1.1 months for the $150,000-$200,000 price range. See Figure 9.

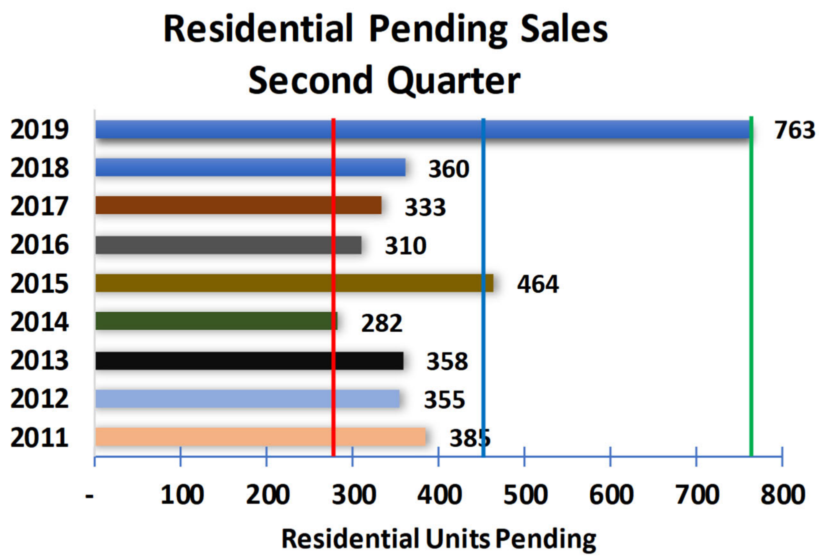


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
All Ranges	8.7	8.3	7.3	7.0	7.7	6.4	5.1	3.8	2.6	1.9
Above $350k	13.8	13.0	11.5	12.6	13.1	9.8	10.3	7.5	4.7	3.3
$300-$350k	7.1	8.5	7.3	5.6	6.2	8.2	6.2	4.0	3.0	2.2
$250-$300k	7.9	8.1	7.4	7.6	6.6	7.1	5.5	4.0	2.7	1.9
$200-$250k	8.4	8.6	6.0	8.1	7.8	5.9	5.4	3.8	2.4	1.4
$150-$200k	6.0	7.4	6.4	6.2	6.7	4.8	4.3	3.2	1.8	1.1
Below $150k	5.4	7.1	5.5	5.4	6.3	5.0	3.0	2.0	1.2	0.7

Figure 9

Pending Sales

Pending Sales at the end of the 2nd Quarter 2019 were 763, more than double the level at the end of the 2nd Quarter 2018. The lowest level (red vertical line) of sales pending occurred in 2014 with 282 sales pending. The five-year average number of sales pending at quarter-end (blue vertical line) for 2nd Quarter was 446 units. See Figure 10.



	Qtr	Year	Units	Change
Current Quarter	2Q	2019	763	
vs. Prior Quarter	1Q	2019	497	53.5%
vs. Last Year	2Q	2018	360	111.9%
vs. 5-YR Avg	2Q	14-'18	**446**	71.1%
vs. Peak	2Q	2019	**763**	0.0%
vs. Trough	2Q	2011	**282**	170.6%

Figure 10

III. Homes for Sale Inventory Status

Homes for Sale

The average number of residential units listed for sale in the 2nd Quarter 2019 was 1,216 units, a drop of 36 units from the 1st Quarter 2018 average   See Figure 11.

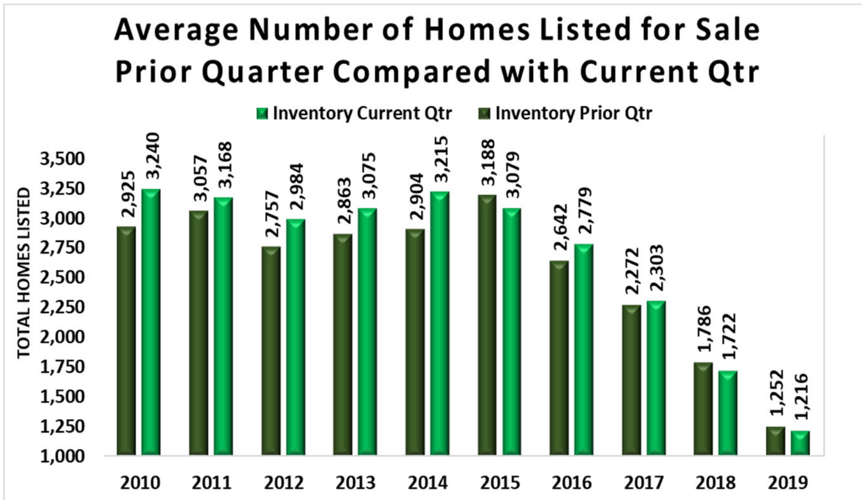


Figure 11

The number of homes listed for sale (green line) in Figure 12 at June 30, 2019 dropped 30% from June 30, 2018 but increased 5.5% from March 31, 2019. The number of sales pending (blue line) remained steady at the end of the second quarters in 2011 except for 2014 but has grown in the past year to 763 homes by June 30, 2019.   See Figure 12.

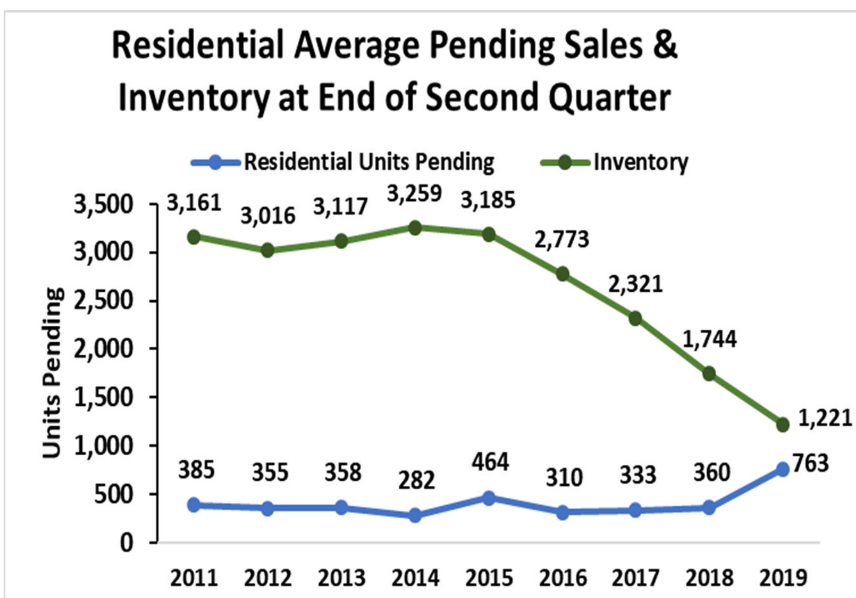
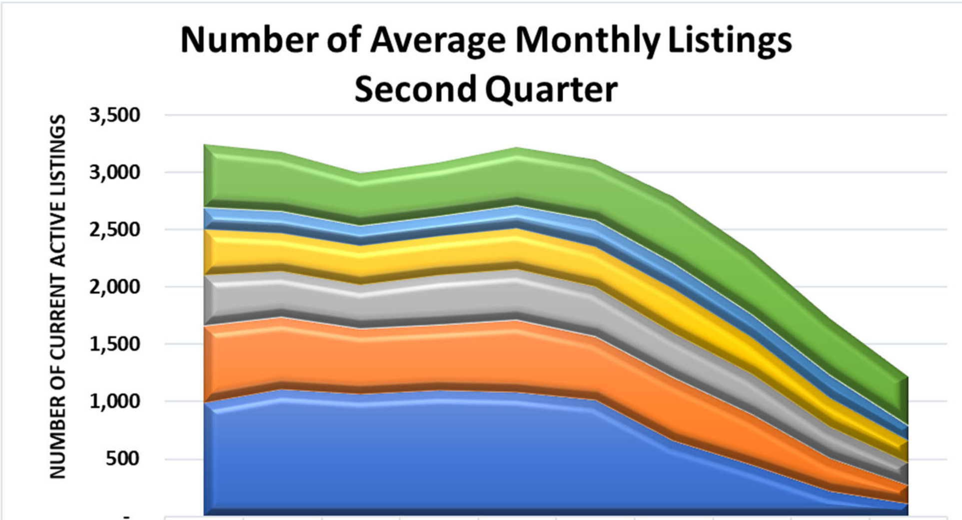


Figure 12

Figure 13 shows the average number of listings by price range for each 2nd Quarter since 2010. The price band with the greatest decrease between 2018 and 2019 in the average number of homes listed for sale was the Below $150,000 range (50%).



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Above $350k	555	511	455	468	512	527	569	544	492	422
$300-$350k	187	184	170	162	192	230	224	197	190	132
$250-$300k	403	344	345	346	362	352	386	324	256	193
$200-$250k	444	398	383	431	441	434	392	352	280	199
$150-$200k	666	626	572	575	626	548	546	441	288	160
Below $150k	986	1,102	1,059	1,093	1,082	1,014	661	445	216	109

Figure 13

Inventory-to-Sales Ratio

The quarterly average number of homes listed for sale (inventory) divided by the current quarterly average sales results in a metric of 1.6 homes listed for sale for each house sold in the 2nd Quarter. See Figure 14.

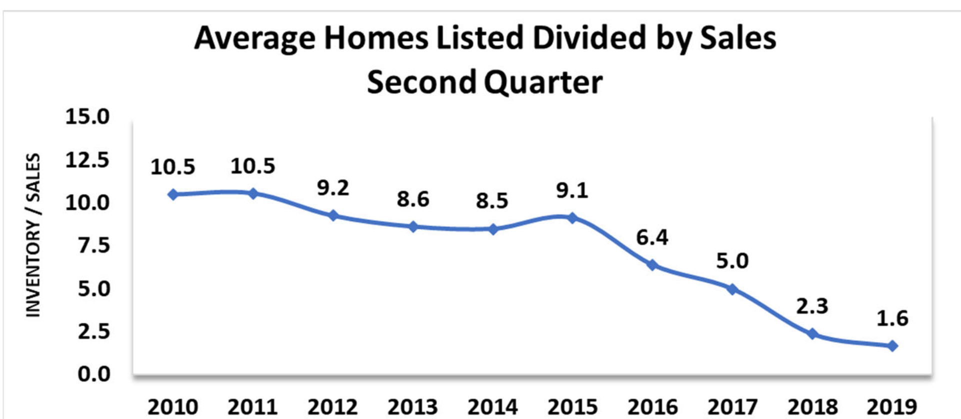


Figure 14

IV. Key Demographics

Real estate activity is subject to many forces including the number of people needing housing, their ability to purchase, and the confidence they have in the stability of their future income. The economic strength of the region represented by the area's Gross Domestic Product (GDP) may also provide insight into the future of the real estate industry.

Madison County Population & Workforce Trends

Population of Madison County as estimated by the U.S. Census Bureau has grown rapidly since the 2010 census. The population in 2010 was 334,811 persons. The most recent annual estimate of Madison County's total population shows a 9.5% increase to 366,519 in 2018. See the blue line in Figure 15.

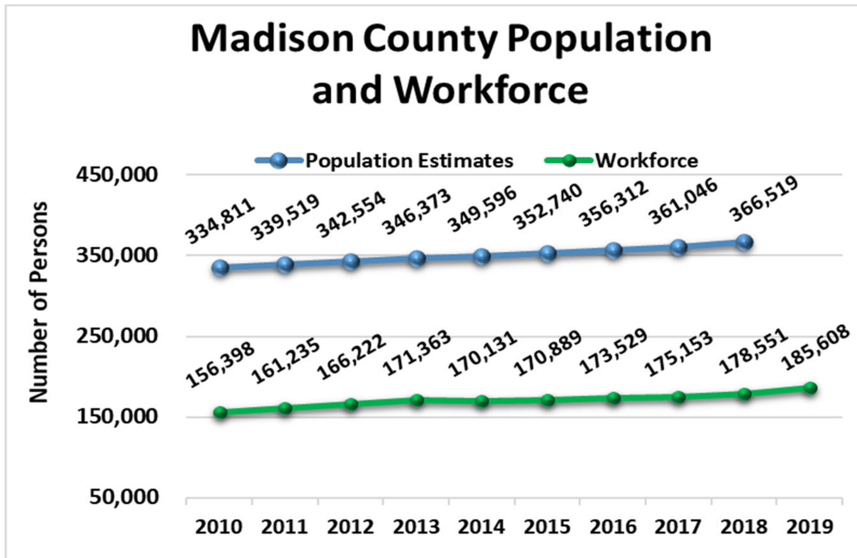


Figure 15

The workforce is comprised of the number of people working and looking for work. The annual workforce (green line) has also risen since 2010 by 18.7% to reach 185,608 in June 2019.

Households

The number of households represents the number of housing units of all types needed in the Madison County area. Households may be comprised of nuclear families, extended families, individuals living alone as well as housing for unrelated roommates. Housing units should generally move in relation to population, but not always at the same rate – there may be lag.

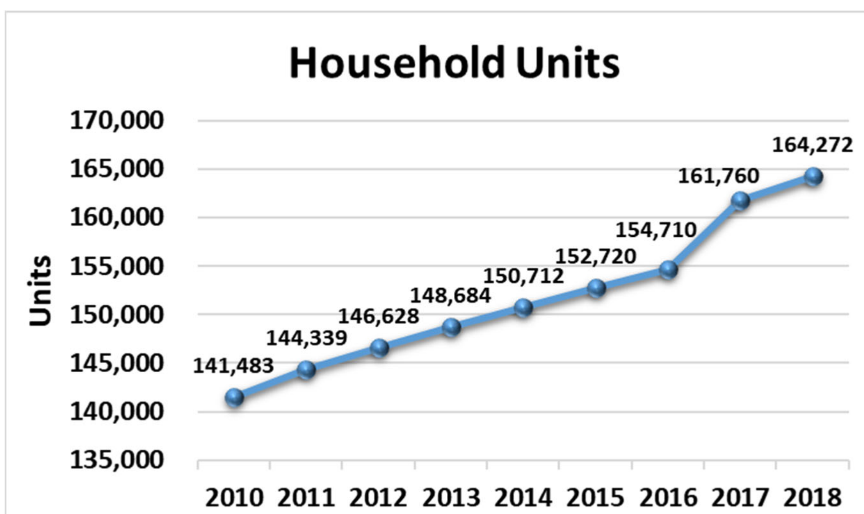


Figure 16

The number of housing units in Madison County, Alabama grew from 141,483 in 2010 to an estimated 164,272 in 2018 (the most recent year data is available) per the U.S. Census Bureau. This is an increase of 16.1% over the eight-year period. See Figure 16.

Average Household Income

The Average Annual Household Income suggests an income level in the region and could be used to estimate housing affordability. Overall, the Annual Average Household Income in current dollars has grown significantly (12.1%) since 2010. A slight drop in 2015 more than recovered to $83,287 in 2017 (the most recent year data is available). See Figure 17.

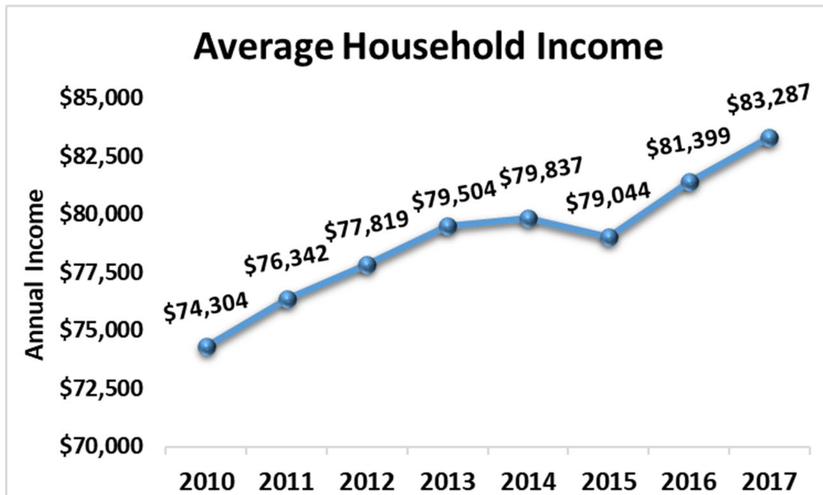


Figure 17

Gross Domestic Product – Huntsville Metropolitan Statistical Area

Gross Domestic Product is the sum of all goods and services produced in the region. The Huntsville Metropolitan Statistical Area is comprised of Limestone and Madison Counties, Alabama.

Gross Domestic Product for the Huntsville MSA grew by 17.8% from 2011 to 2017. Gross Domestic Product reached $25.8 billion dollars in 2017 (the most recent year data is available), which is a growth of 4% from 2016. See Figure 18.

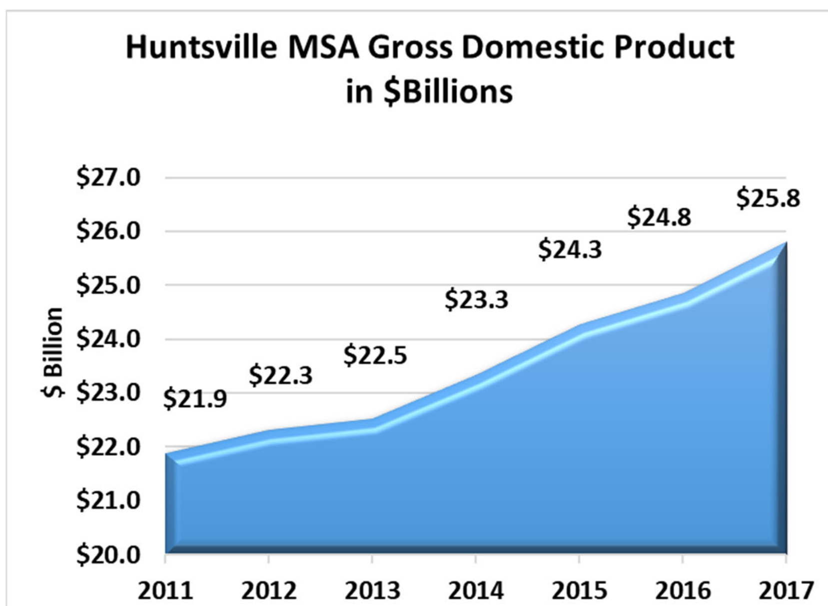


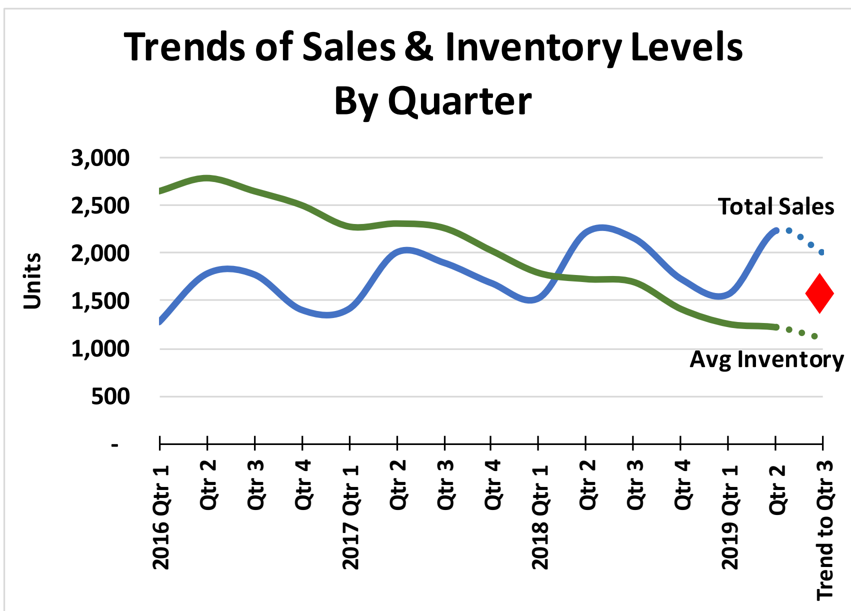
Figure 18

V. Local Area Outlook

Sales & Average Inventory Trends

Average inventory of homes available for sale (solid green line in Figure 19) continues its downward trend and the number of units sold (solid blue line) continues its upward trend. As the gap (red diamond) between average inventory and sales widens, there will be upward pressure on prices.

Figure 19 suggests that there is a downward trend on volume and upward pressure on sales prices from the unusually low inventory. These pressures could bring more homes on the market, slow sales or both. A simple growth trend calculation (dotted lines) suggests that sales could drop to approximately 2,000 units resulting in a lower level of inventory at 1,100 properties if the current trends continue. For these levels of sales and inventory to be reached, approximately 1,900 new listings must come on the market in the 3rd Quarter. Note, a shock to the economy could occur on any given day and could affect demand for or supply of homes or both.



(Thousands)

Sales	1.3	1.8	1.8	1.4	1.4	2.0	1.9	1.7	1.5	2.2	2.2	1.6	2.2	2.0
Avg Inventory	2.6	2.8	2.6	2.5	2.3	2.3	2.3	2.0	1.8	1.7	1.7	1.3	1.2	1.1

Figure 19

VI. Other Economic Insight

Madison County Job Announcements

Economic development announcements of new and expanding industry are the result of the local community working to grow the economy. It should be noted that the number of jobs announced may be realized over several years while the new or expanded plant is built and employees are hired. The economic development announcements for 2018 and 2019 through June in Madison County including the City of Huntsville areas in Limestone County are shown in Figure 20. For more information on these announcements, visit:

www.hsvchamber.org/departments/economic-development/economic-development-highlights

2019 ANNOUNCEMENTS thru June Courtesy of the Huntsville/Madison County Chamber	
COMPANY	**JOBS**
YKTA of Alabama	650
Toyota Motor Manufacturing Alabama	450
DaikyoNishikawa	391
Navistar	145
Blue Origin	50
CFD Research Corporation	30
BitBros, LLC	3
Kennametal	2
Total 2018	**1,721**
2018 ANNOUNCEMENTS	
BAE Systems	200
BWX Technologies	5
Custom Assembly	75
DC Blox	5
Dynetics	130
EOS USA	100
Facebook	100
Kohler	149
LG Electronics	159
Maynaric USA	2
Mazda-Toyota Manufacturing USA	4,000
Mitchell Plastics	95
Novocol Healthcare	7
Radiance Technologies	60
Redline Steel	50
Saint Gobain	2
Torch Technologies	40
VT Miltope	10
Total 2018	**5,189**

Figure 20

Data Sources:

- Alabama Department of Labor
- Chamber of Commerce of Huntsville/Madison County
- Huntsville Area Association of Realtors Quarterly Reports
- U.S. Bureau of Economic Analysis
- U.S. Census Bureau
- Valley MLS System

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