

2022 MID-YEAR

BIRMINGHAM AL

Multifamily Report

BERKADIA[®]

a Berkshire Hathaway and Jefferies Financial Group company





Jobs Added / Lost

LAST 12 MONTHS

17,200

↑ 3.2%

NEXT 12 MONTHS*

4,100

↑ 0.7%

Unemployment

MID-YEAR 2022

2.5%

↓ 70 BPS YOY

MID-YEAR 2023*

3.4%

↑ 90 BPS YOY

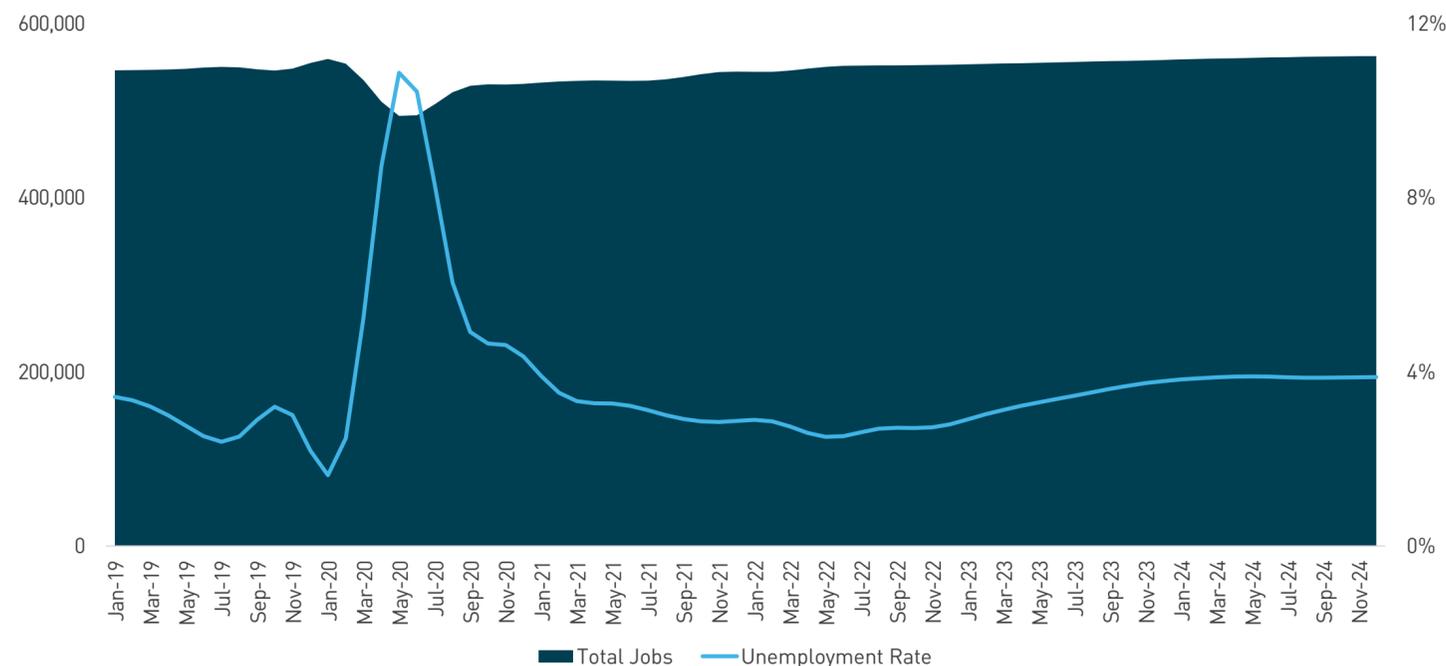
*Projected

BIRMINGHAM, AL EMPLOYMENT

With one of the lowest unemployment rates in the country, the Birmingham metro's economy has been posting measurable growth over the past few years. At 2.5% in June 2022, Birmingham's unemployment rate was significantly lower than the national average of 3.8%. This rate is also lower than the pre-pandemic low of 3.1% in February 2020. This trend suggests that Birmingham's economy has not only fully recovered from the pandemic slowdown but is continuing to thrive. The Birmingham job market posted a year-over-year increase of 3.2%. Of the 17,200 net jobs added since June 2021, leisure and hospitality employers accounted for almost a quarter, or 4,500 jobs. Although Birmingham was originally a

steel manufacturing hub, its economy has undergone a transformation into one with thriving medical research, banking, and services. Birmingham is also beginning to attract both start-up and well-known employers in the tech industry. Landing AI, a tech start-up that began in San Francisco, recently moved its headquarters to Birmingham along with 800 jobs. Additionally, Landing AI has committed a \$1 million investment in Birmingham to attract and grow top tech talent locally. With tech as well as many other growing industries increasingly choosing to relocate to Birmingham over larger markets, it is safe to say this market's economic transformation is producing results.

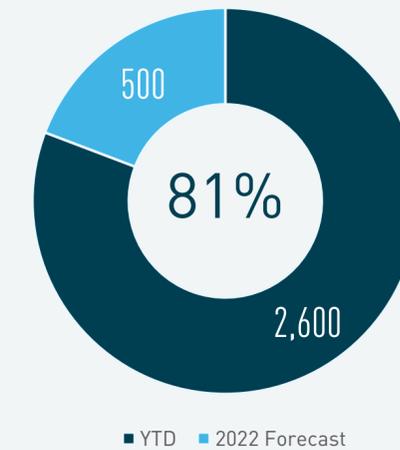
Employment Trends



SOURCE: Moody's Analytics

Who's Hiring?

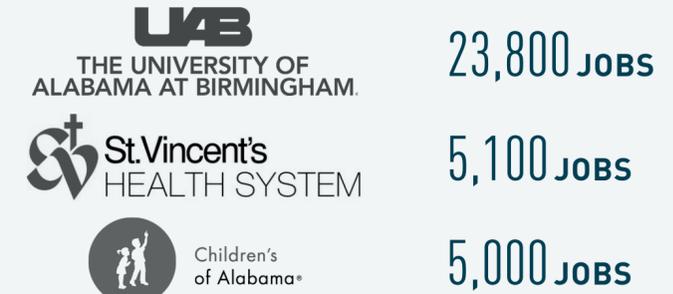
EDUCATION & HEALTH SERVICES INDUSTRY



14%
OF ALL JOBS IN THE METRO

\$73,600
AVERAGE ANNUAL SALARY

Top Education & Health Services Employers



In The News

- 🔗 [Lake Homes Realty relocating to new Hoover office, adding 400 jobs](#)
- 🔗 [Birmingham IDB approves incentives for 200-job Pack Health project](#)
- 🔗 [Prattville manufacturer adding over 200 jobs](#)



BIRMINGHAM, AL

DELIVERIES & ABSORPTION

2022 Units*

DELIVERIES

1,319

ABSORPTION

1,677

2023 Units*

DELIVERIES

1,487

ABSORPTION

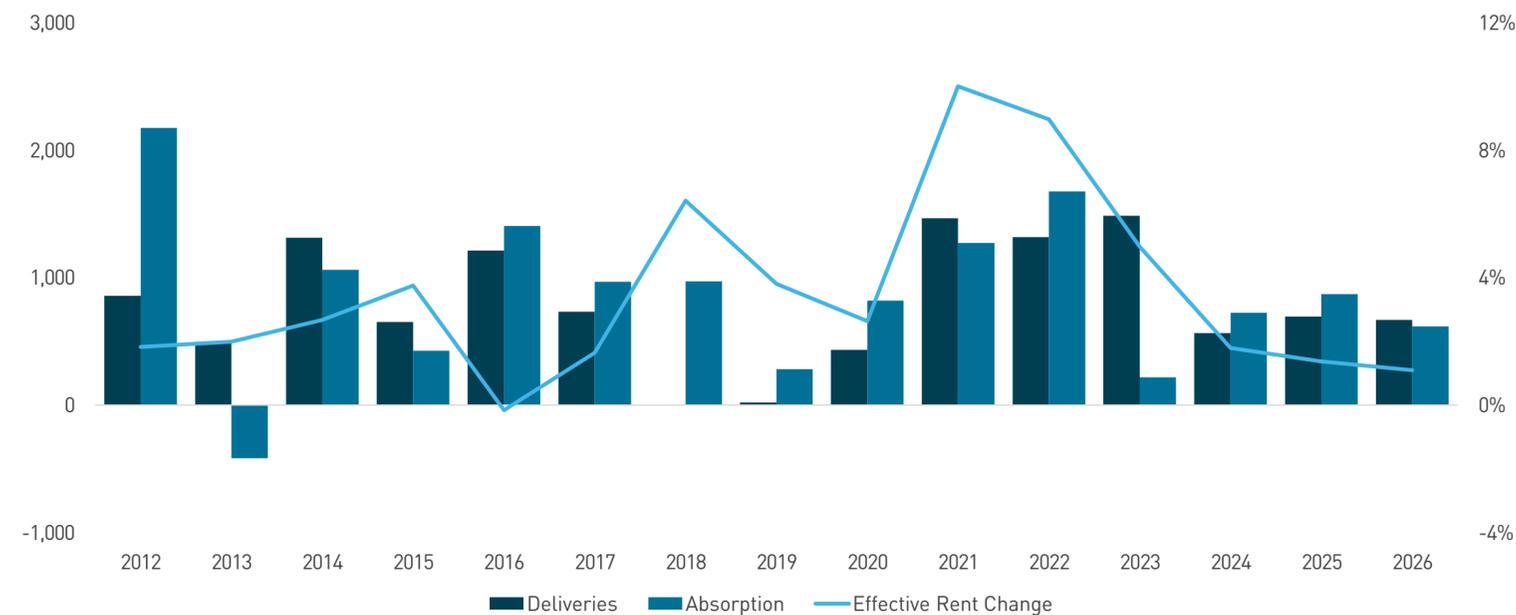
218

*Projected

After adding no new units between the fourth quarter of 2017 and second quarter of 2019, new apartment construction in the Birmingham market picked up. Since the beginning of the post-pandemic real estate boom, multifamily developers in the Birmingham market have added more than 2,400 units. Currently 11 projects are under construction in the Birmingham market. Additionally, 1,734 units across eight recently completed properties are in the lease-up phase. Since mid-2020, absorption has been strong across the Birmingham market. During the 12-month period ending in June 2022, net absorption outpaced deliveries by more than 1,000 units. Over the past four quarters net absorption and deliveries have been strongest in the Central Birmingham/

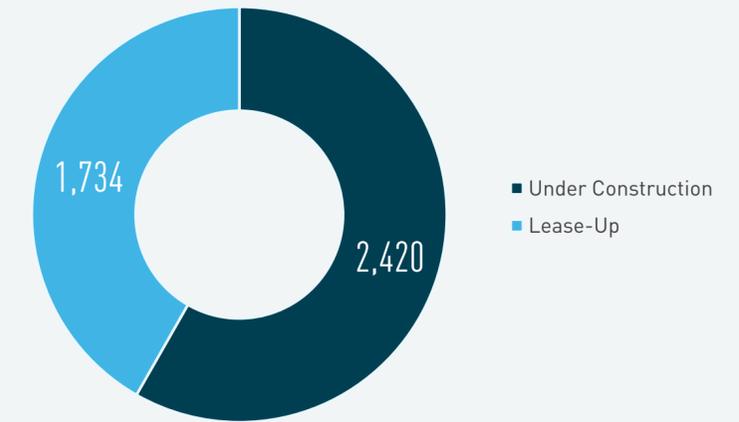
Mountain Brook submarket. Downtown Birmingham rents were the most expensive in this market and had the strongest absorption due to its popularity with renters, especially among University of Alabama at Birmingham students searching for off-campus housing. Renters are also targeting this submarket due to a high concentration of high-paying jobs and desired amenities. This reality has driven renters to the suburbs in search of more affordable housing.

Deliveries, Absorption, & Effective Rent Change

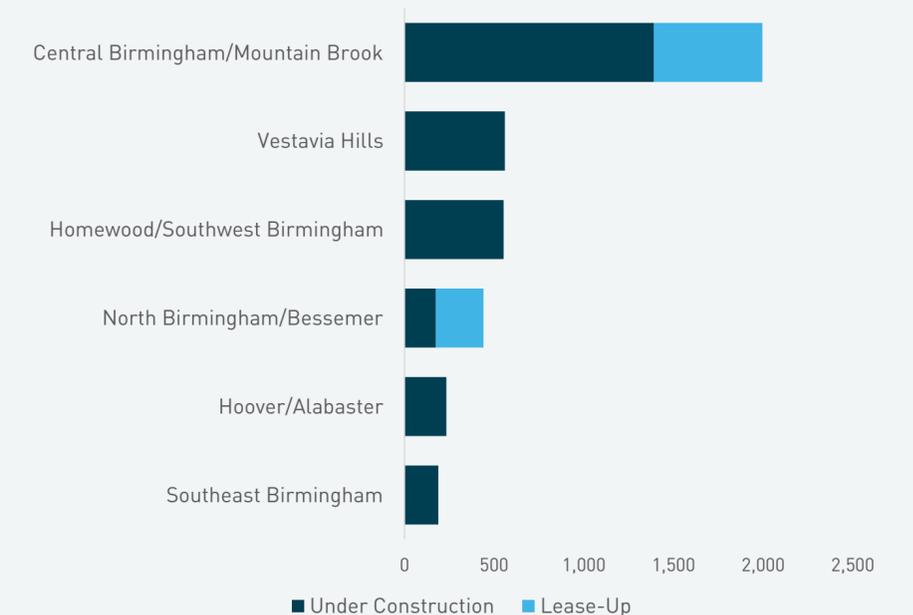


Source: RealPage

Market Pipeline



Top Submarket Pipelines

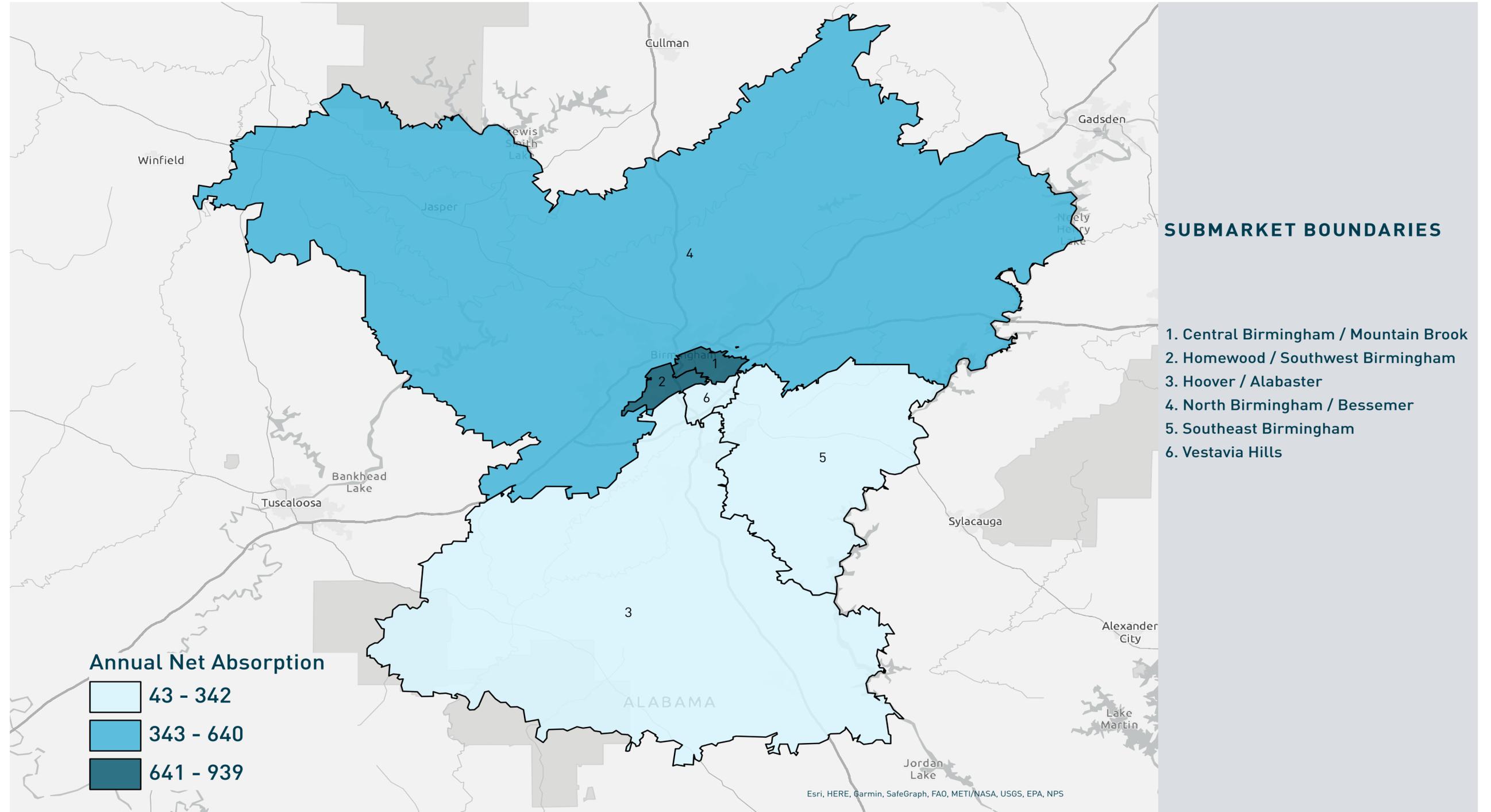




BIRMINGHAM, AL

SUBMARKET ANNUAL ABSORPTION

Across the Birmingham submarkets, Central Birmingham/Mountain Brook has had the most net move-ins during the first six months of 2022 with 385 net move-ins. This trend represents more than a third of the market's total net move-ins. Central Birmingham/Mountain Brook is forecast to continue to represent a sizable portion of newly leased units, driven by an ongoing revitalization effort in Downtown Birmingham that has resulted in a marked increase in new development. The \$240 million in tax credits earmarked for this area indicate that the city government has made a long-term commitment to bring growth to the area. This initiative has been successful as renters have found the Central Birmingham/Mountain Brook submarket desirable. Renters prefer this area because of its ample employment opportunities and vibrant environment full of amenities.





BIRMINGHAM, AL

RENT & OCCUPANCY

Effective Rent

2Q 2022
\$1,211
↑ 10.8% YOY

Occupancy

2Q 2022
96.2%
↑ 140 BPS YOY

Apartment occupancy in the Birmingham market continued to perform well, underpinned by residents and businesses moving to the metro. The Birmingham apartment market had an average occupancy rate of 96.2% in the second quarter of 2022, a year-over-year increase of 140 basis points.

Birmingham is a desirable relocation destination because the cost of living is affordable, and the quality of life is superior to many higher-cost areas like Atlanta and Charlotte. The housing market tightened as more people relocate to the metro, one of the biggest factors supporting apartment rent and occupancy growth. Specifically, a sharp drop in single-family home listings

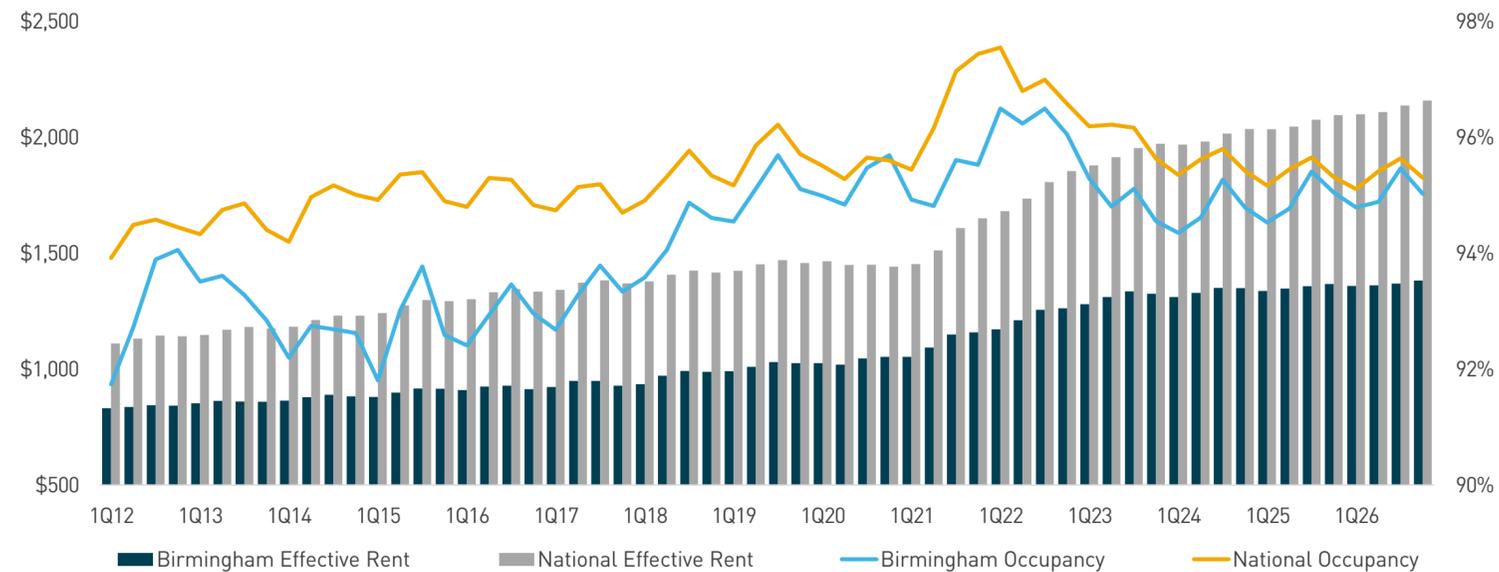
over the past three years has created a markedly larger renter pool. Additionally, a significant shortfall in new apartment construction has only recently been addressed.

It is also worthwhile to note that median household incomes have increased by 3.5% year-over-year, allowing some room for renters to afford the rising rents in this market. A growing renter pool combined with a lack of new supply has driven up occupancy and allowed apartment operators to consistently push rents. Rent growth in this market has been strong with a 10.8% annual increase through the second quarter of 2022.

Submarket Performance

SUBMARKET NAME	2Q22 OCCUPANCY	YOY (BPS)	2Q22 EFFECTIVE RENT	YOY
Central Birmingham/Mountain Brook	96.8%	230	\$1,504	7.1%
Homewood/Southwest Birmingham	94.8%	270	\$1,336	12.9%
Hoover/Alabaster	97.0%	60	\$1,282	14.4%
North Birmingham/Bessemer	96.4%	110	\$909	6.2%
Southeast Birmingham	96.1%	60	\$1,263	15.5%
Vestavia Hills	96.1%	80	\$1,232	15.1%

Birmingham vs. National Effective Rent & Occupancy



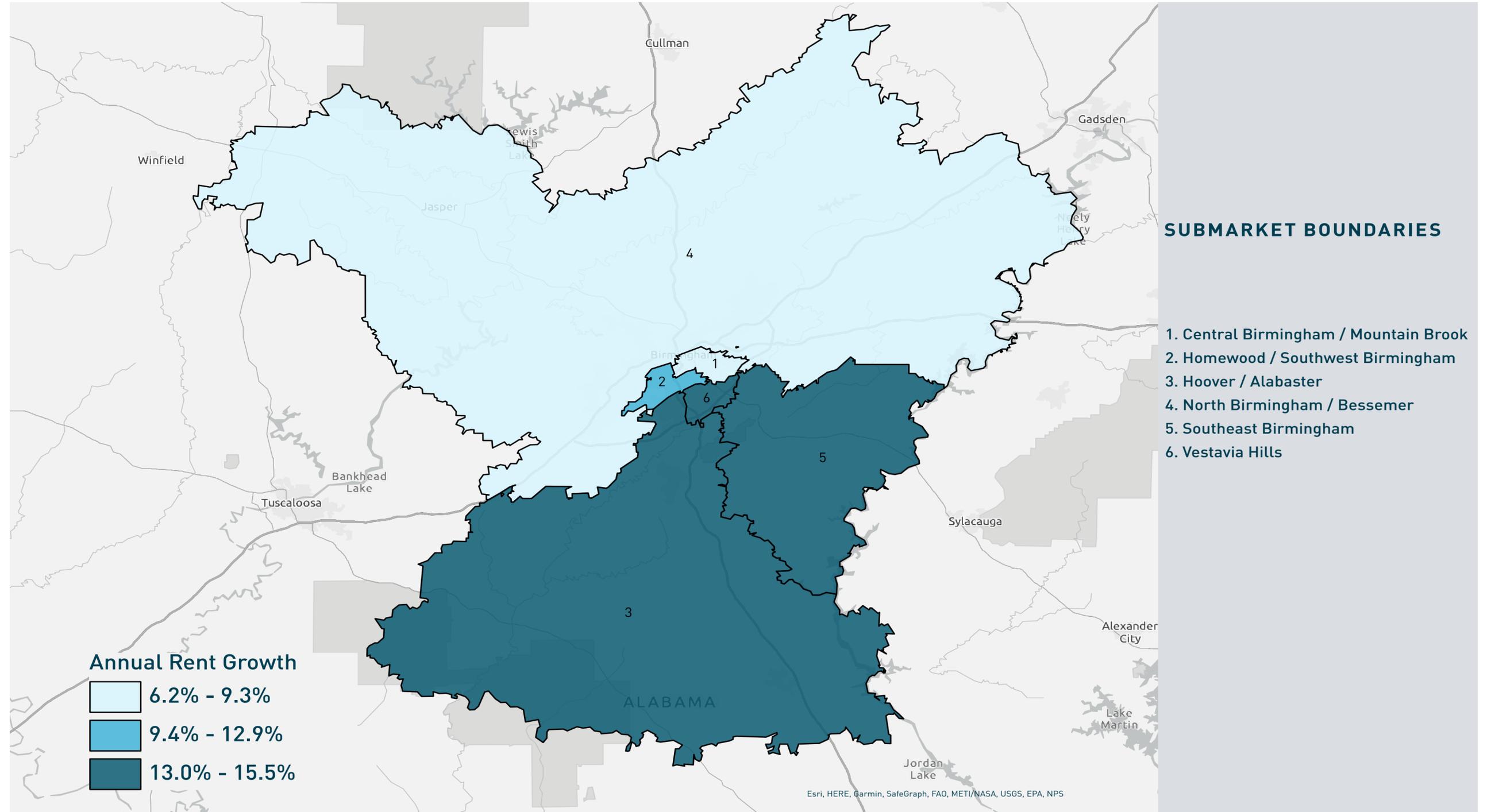
Source: RealPage



BIRMINGHAM, AL

SUBMARKET ANNUAL RENT CHANGE

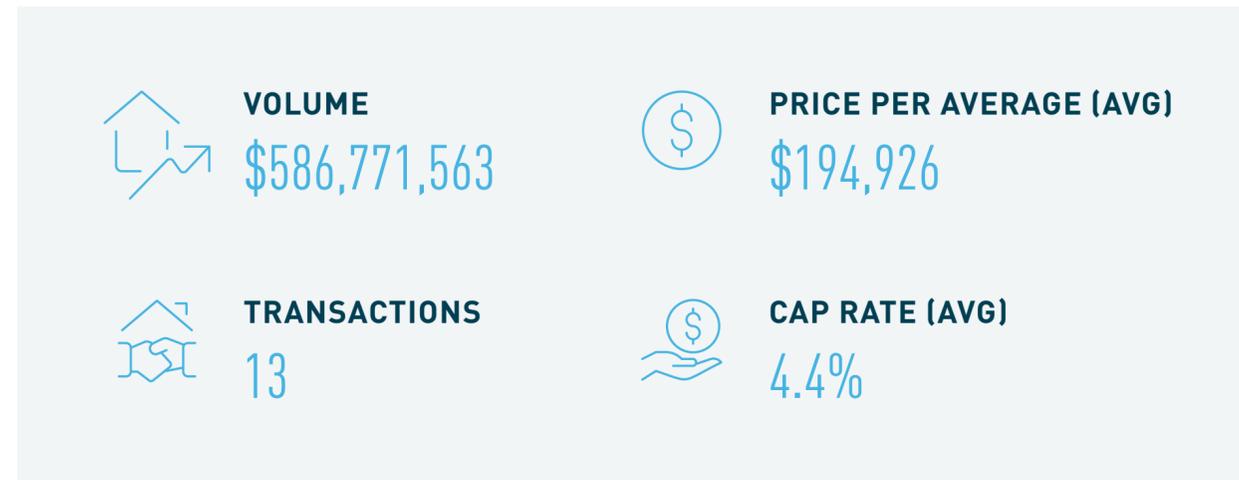
A healthy economy and positive demographic trends proved to be the key factors driving rent growth in the Birmingham market. Three suburban submarkets had rent growth of more than 14%, due in part to a lack of new housing supply. Apart from a recent uptick in deliveries in the Vestavia Hills submarket over the past six months, no new apartment units have been constructed in these submarkets over the past five years. Limited development combined with positive absorption pushed up average apartment occupancy in the areas since mid-2021. Annual rent growth was strongest in the Southeast Birmingham submarket of 15.5% to \$1,263, then the Vestavia Hills submarket of 15.1% to \$1,232, and the Hoover/Alabaster submarket of 14.4% to \$1,282 in the second quarter of 2022.



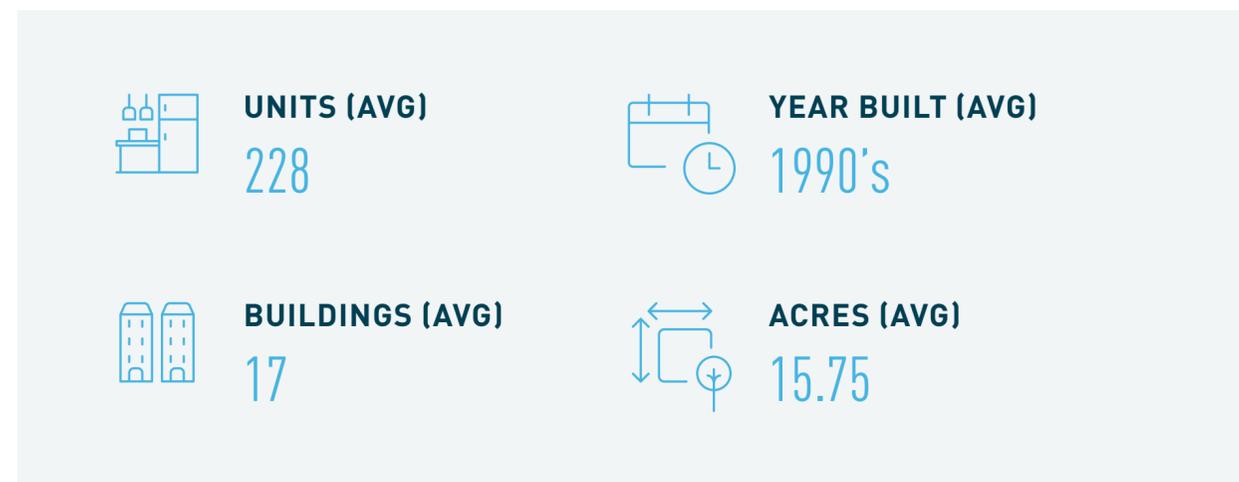


BIRMINGHAM, AL SALES

2022 Year to Date*



What's Trading?*



Source: Real Capital Analytics
*\$10m+

Top Buyers**

BUYER	LOCATION
Independence Realty Trust	Chicago, IL
GWR Equities	Houston, TX
Carter Funds	Tampa, FL
Dobbins Group	Mountain Brook, AL
Carter Multifamily	Tampa, FL

Top Sellers**

SELLER	LOCATION
Steadfast Apartment REIT	Irvine, CA
Tynes Development	Birmingham, AL
Batson-Cook Development	Atlanta, GA
Novare Group	Atlanta, GA
Prestwick Cos	Atlanta, GA

**Past 24 Months

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Sources: RealPage; Moody's Analytics; Real Capital Analytics

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