



BIRMINGHAM, AL MULTIFAMILY REPORT

2023 | MIDYEAR

BERKADIA[®]



Jobs Added / Lost

LAST 12 MONTHS

4,700

↑ 0.8%

NEXT 12 MONTHS*

1,800

↑ 0.3%

Unemployment

MIDYEAR 2023

2.4%

↑ 10 BPS YOY

MIDYEAR 2024*

4.2%

↑ 180 BPS YOY

*Projected

BIRMINGHAM, AL EMPLOYMENT

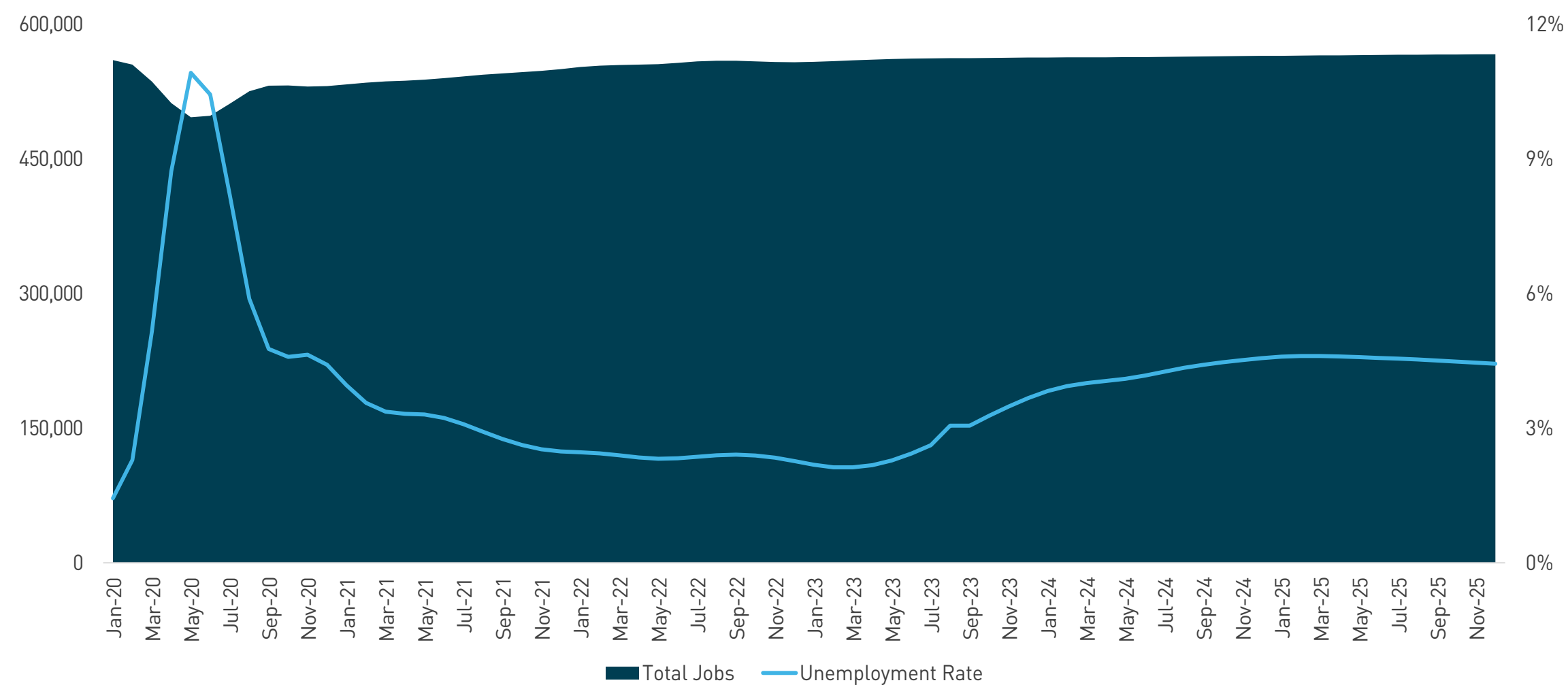
Greater Birmingham employment gained 0.8% since last June with 4,700 new jobs. The government sector had the largest expansion since mid-2022 with 2,400 additional jobs for 2.8% growth. With the annual increase, government payrolls in June 2023 exceeded the pre-pandemic high during January 2020. Part of the recent additions came with the growing workforce at University of Alabama Birmingham (UAB) and UAB Medicine. Systemwide, total faculty and staff reached 25,161 individuals in the fiscal year 2022, a 3.7% year-over-year increase.

The construction sector also experienced robust job gains in the last year, due in part to ongoing

development projects to improve, repurpose, and revitalize deteriorating buildings in the metropolitan area. Construction employers added 800 new jobs, representing a 2.7% annual growth. Part of the construction labor demand originated from the apartment segment. Deliveries have been elevated beginning in 2021 and are on pace to rise in 2023 and 2024.

With unemployment at 2.4% in June 2023, employers are facing a tight labor market. Greater Birmingham's unemployment was significantly lower than the 3.6% average. As a result, hiring is expected to moderate over the next 12 months. Total nonfarm employment is forecast to expanded 0.3% by mid-2024.

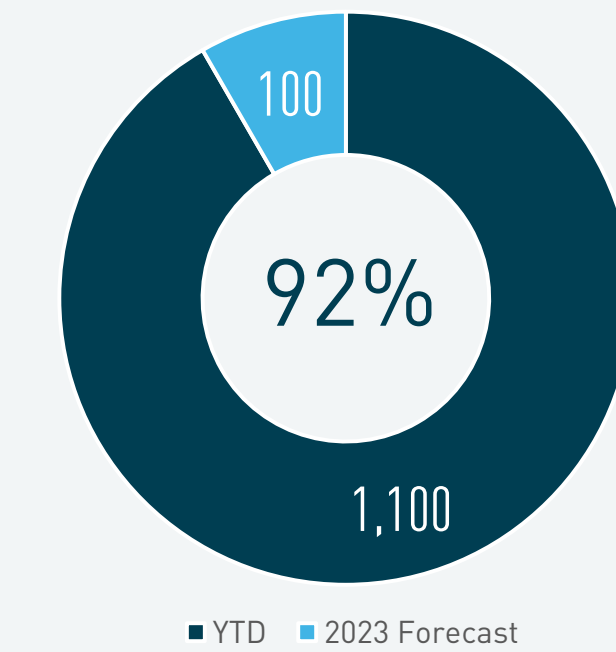
Employment Trends



Source: Moody's Analytics

Who's Hiring?

GOVERNMENT INDUSTRY



16%
OF ALL JOBS IN THE METRO

\$41,300
AVERAGE ANNUAL SALARY

Top Government Employers



25,200 JOBS



4,400 JOBS



4,200 JOBS

In The News

- [Birmingham ranks among fastest-growing cities in nation for job growth](#)
- [O'Neal Steel announces expansion in Birmingham](#)
- [UAB Hospital announce expansion plans to add over 50 new emergency rooms](#)



BIRMINGHAM, AL

DELIVERIES & ABSORPTION

2023 Units*

DELIVERIES

1,518

ABSORPTION

871

2024 Units*

DELIVERIES

1,752

ABSORPTION

1,949

*Projected

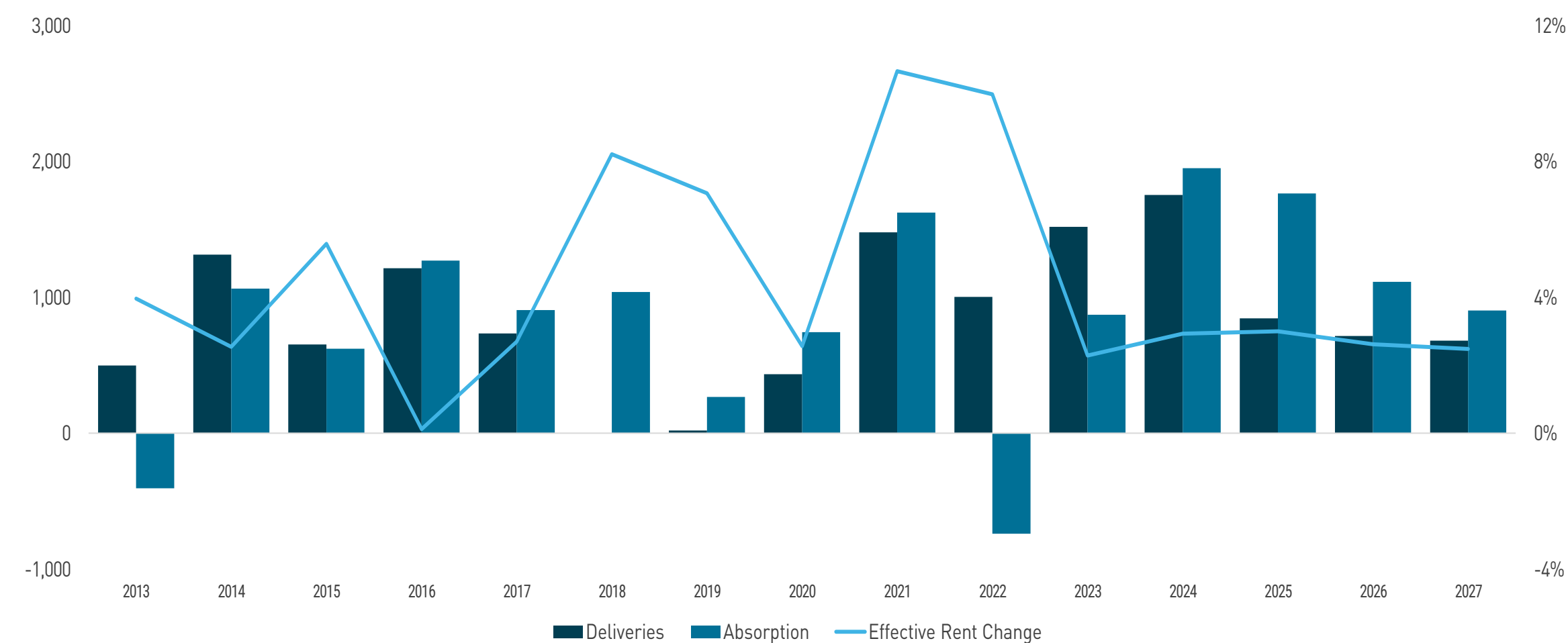
With Greater Birmingham apartment occupancy rising in the years leading up to the pandemic, developers expanded the pipeline. As a result, deliveries have been elevated since 2021. Builders brought more than 1,000 units online in the last year. Nearly three out of every five metrowide additions were in the Central Birmingham/Mountain Brook submarket.

Underpinning development in the area were citywide initiatives to revamp the downtown area. With more apartments being needed due to the steadily rising population, developers are finding new methods of use for many aging buildings in the urban core. More than 650 units are on pace to come online in the Central

Birmingham/Mountain Brook submarket over the next four quarters. The additions are a component of 1,900 market-rate units scheduled for completion by mid-2024, representing a 2.4% inventory growth. Construction activity will remain high in the near term, with more than 3,000 under construction at mid-2023.

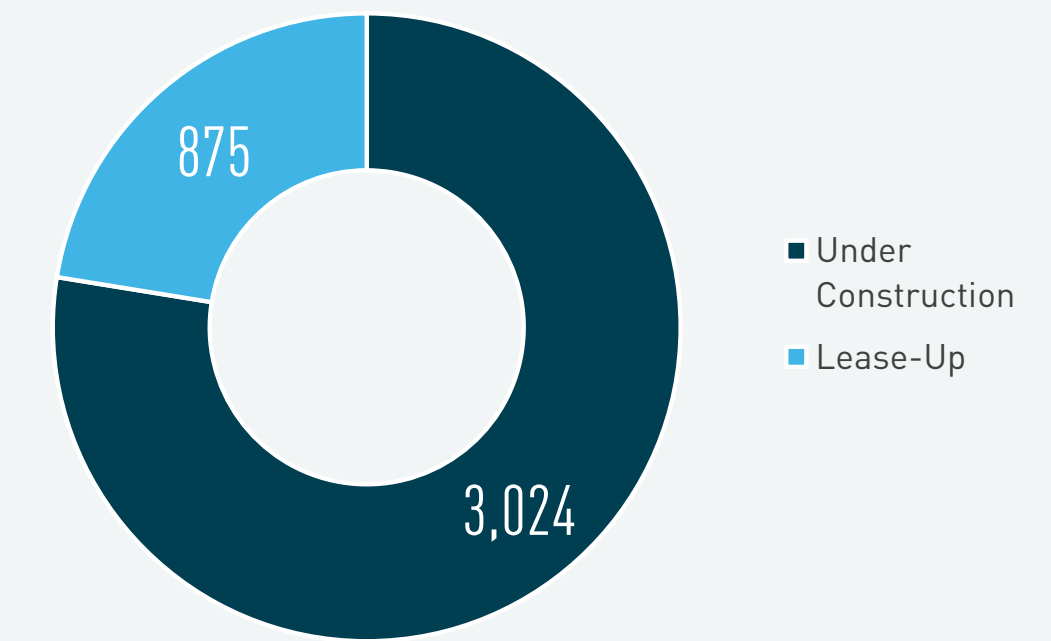
Absorption is forecast to swing positive over the next year, though trail the new supply. Renters have shown a preference for the new inventory and is expected to continue to do so over the next four quarters, with leasing activity forecast to be highest in the Central Birmingham/Mountain Brook submarket. Net absorption is projected to exceed deliveries at the same time.

Deliveries, Absorption, & Effective Rent Change

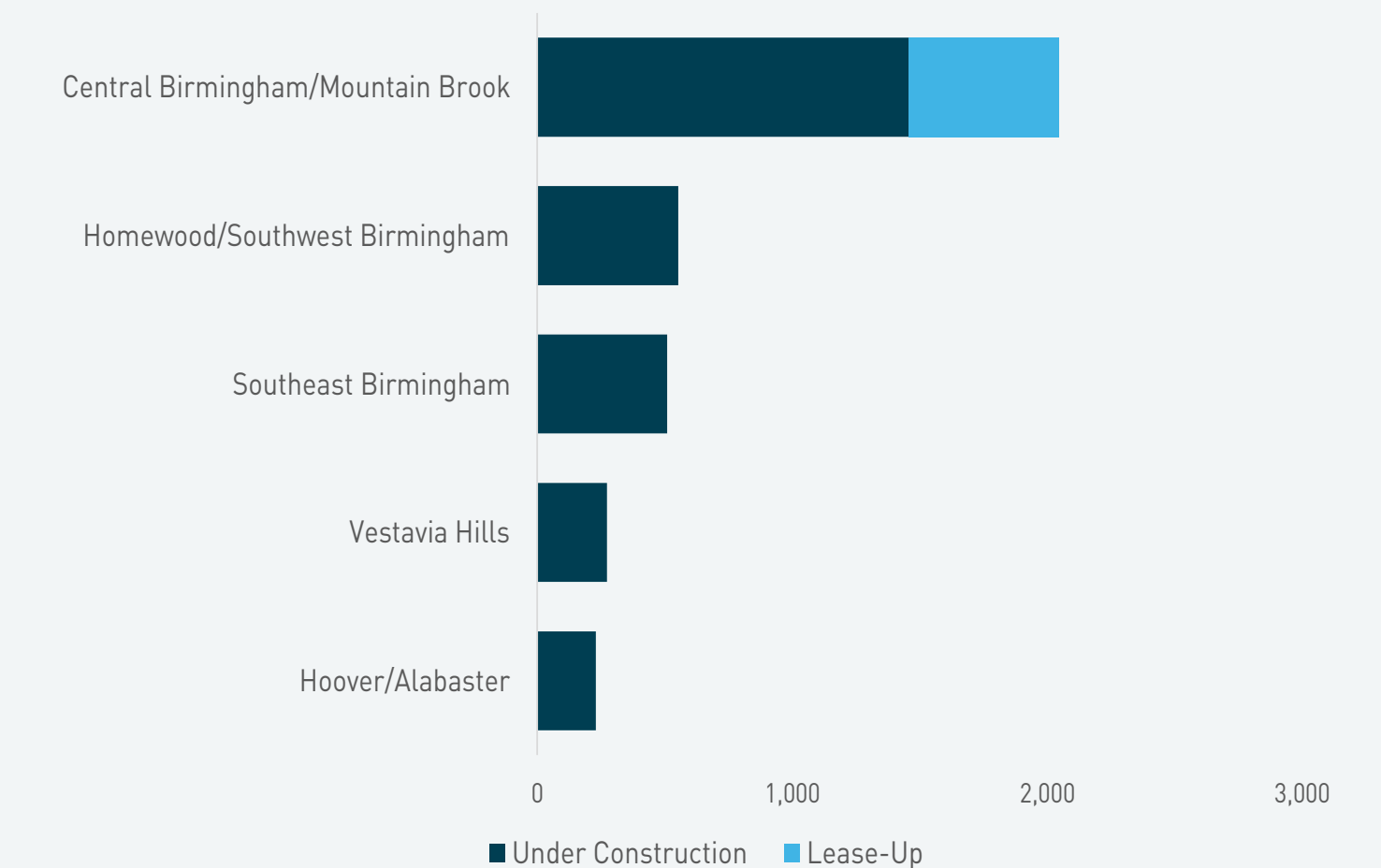


Source: RealPage

Market Pipeline



Top Submarket Pipelines

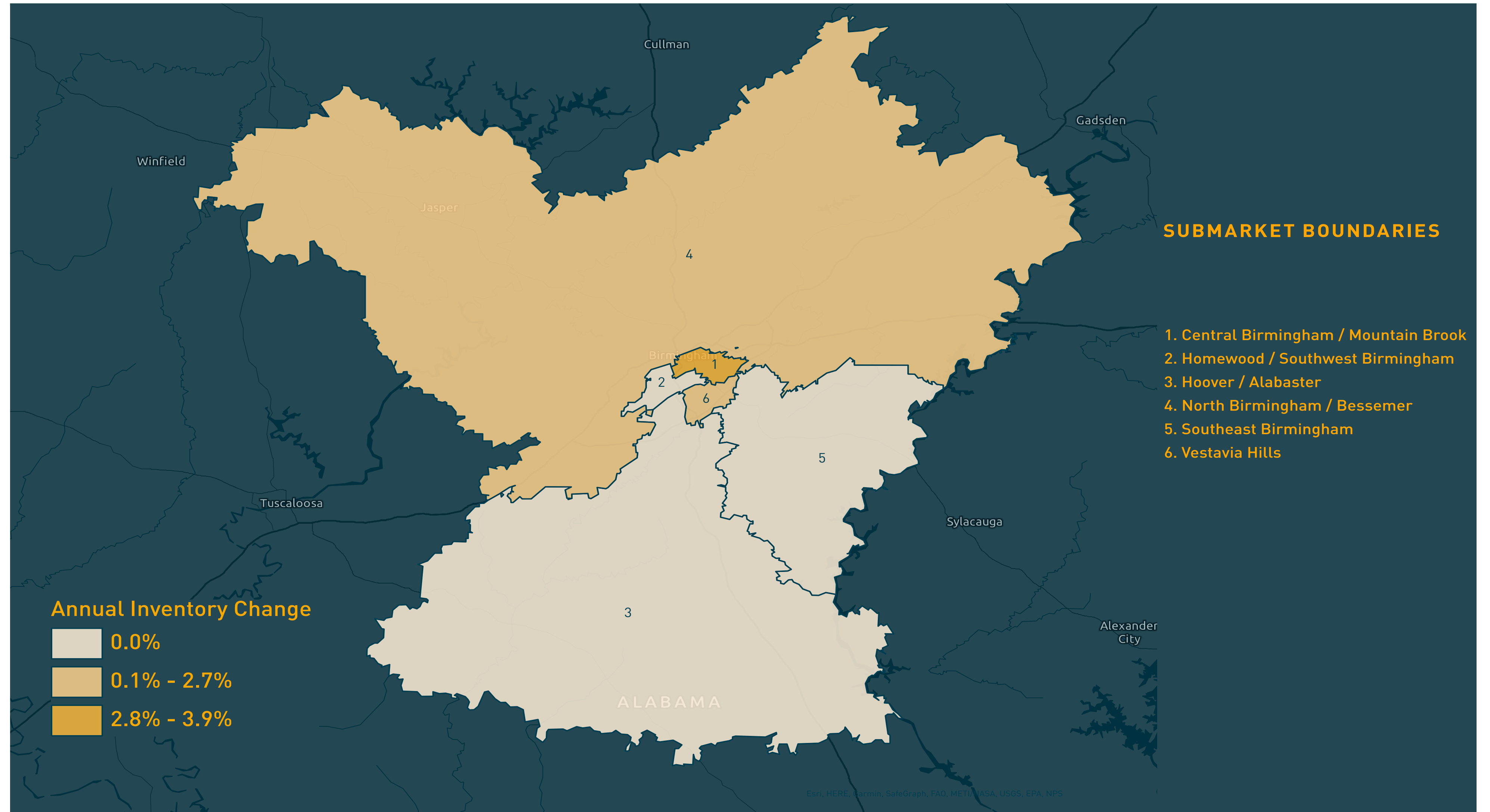




BIRMINGHAM, AL

SUBMARKET ANNUAL INVENTORY CHANGE

The majority of increased inventory was centered around the Birmingham Metro's urban core, as developers were met with looser policies from the city, which encouraged builders to redevelop existing buildings. An expedited development process has allowed converted space to be repositioned as residential units around the metro. In turn, this has caused inventory growth to take place closest to the downtown area in the Central Birmingham/ Mountain Brook submarket. The submarket experienced year-over-year supply growth of 3.9%, or approximately 600 units. In line with many other metropolitan areas in the U.S., a large portion of residents are moving out of the heart of the city and into suburban pockets as they prioritize housing affordability. To go along with this trend, operators in Greater Birmingham have added 300 units to the Vestavia Hills submarket since the middle of last year.





BIRMINGHAM, AL

RENT & OCCUPANCY

Effective Rent

Q2 2023
\$1,274
 ⬆️ 2.8% YOY

Occupancy

Q2 2023
93.5%
 ⬇️ 280 BPS YOY

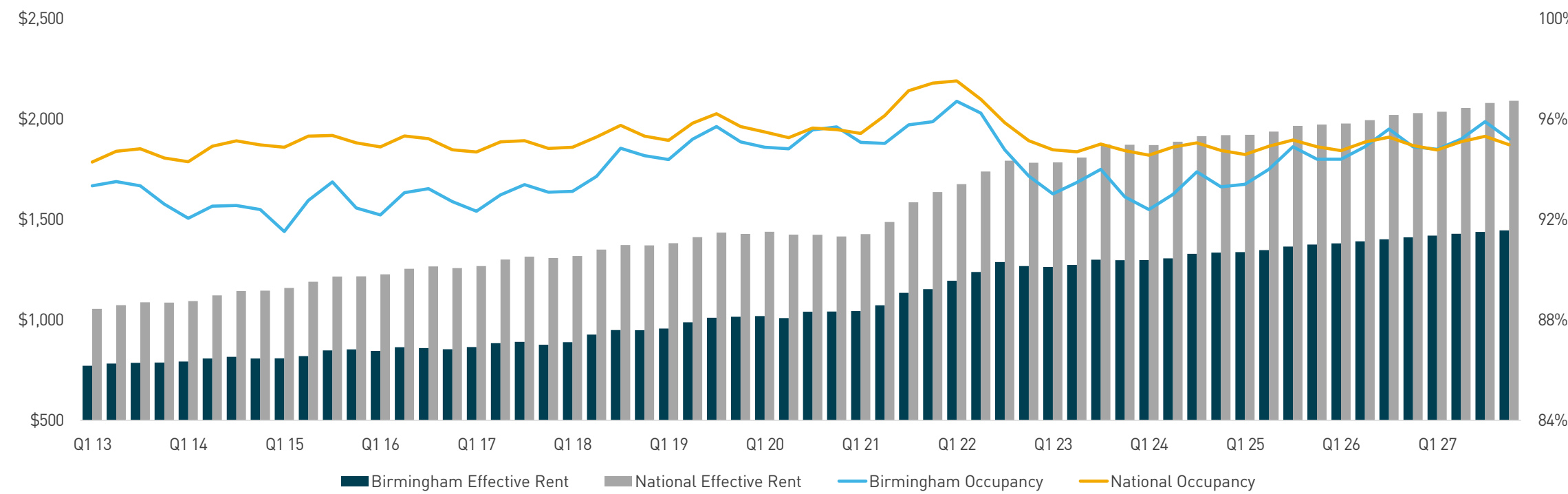
Rents across Greater Birmingham were up 2.8% annually, even so the area maintained its reputation for providing affordable pricing when compared to other southeastern metropolitan areas. Affordability has been a selling point for renters priced out of other markets and in need of cost-friendly alternatives. Monthly effective rent in Birmingham averaged \$1,274 in the second quarter of 2023, significantly lower than the national average of \$1,809. Renting in Birmingham also offered a discount to homeownership, as monthly effective rent was 28% lower than the median mortgage payment across the metropolitan area in the second quarter of 2023.

The rise in new supply has weighed negatively on occupancy rates, as the number of net move-ins did not keep up in the last year. Occupancy averaged 93.5% in the second quarter of 2023, down 280 basis points year over year. Even with the drop, the recent occupancy rate was on par with the quarterly average of 93.5% during the five years leading up to the pandemic. The sharpest drop in occupancy last year took place in the Central Birmingham/Mountain Brook submarket as a metro-leading 589 units came online since mid-2022. As a result, the submarket occupancy settled at 92.0% in the second quarter of 2023.

Submarket Performance

SUBMARKET NAME	2022 OCCUPANCY	YOY (BPS)	2022 EFFECTIVE RENT	YOY
Central Birmingham/Mountain Brook	92.0%	-470	\$1,530	1.9%
Homewood/Southwest Birmingham	92.8%	-210	\$1,324	-1.0%
Hoover/Alabaster	94.5%	-250	\$1,284	0.2%
North Birmingham/Bessemer	94.5%	-190	\$980	7.6%
Southeast Birmingham	94.2%	-190	\$1,303	2.7%
Vestavia Hills	92.7%	-350	\$1,289	3.5%

Birmingham vs. National Effective Rent & Occupancy



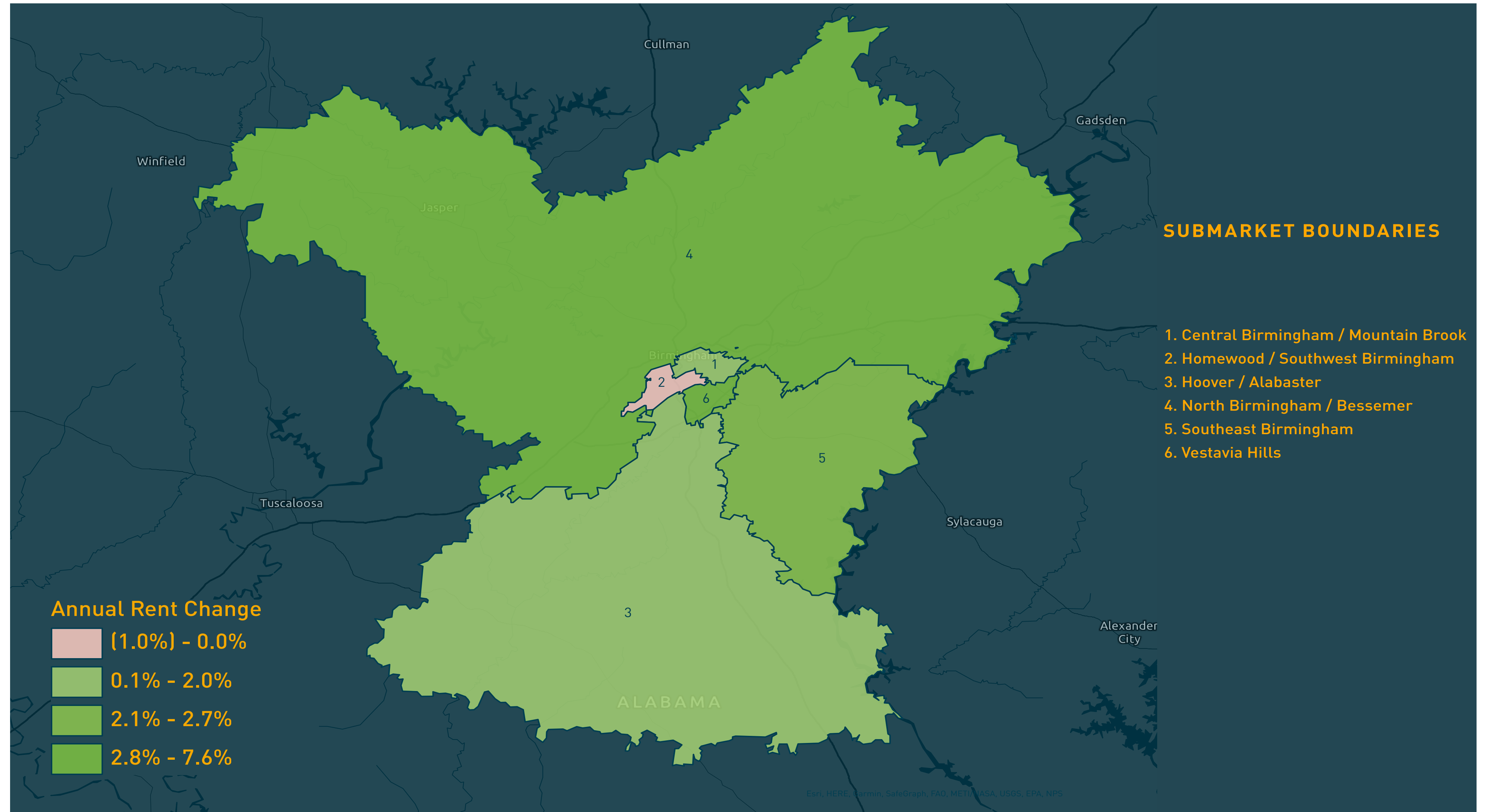
Source: RealPage



BIRMINGHAM, AL

SUBMARKET ANNUAL RENT CHANGE

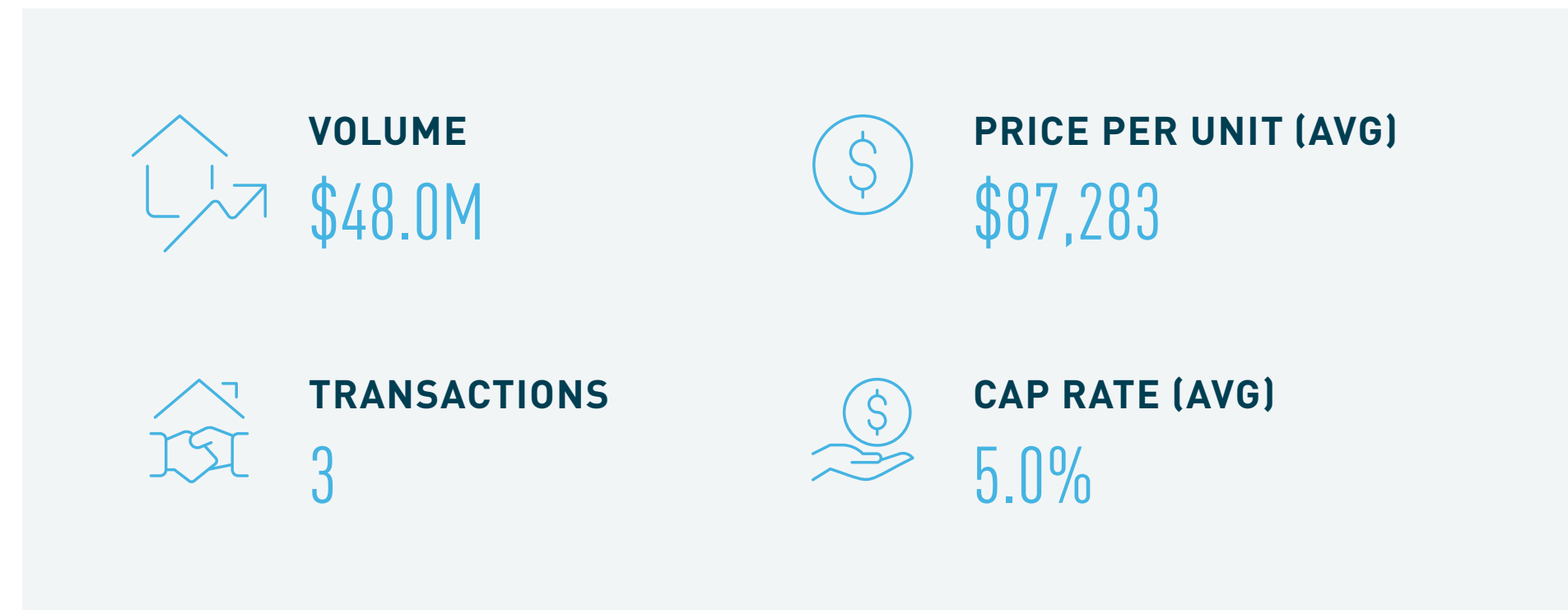
The North Birmingham/ Bessemer submarket experienced the largest annual rise in rental rates across the metro. Apartment operators in the submarket tacked 7.6% onto rents since the middle of last year. Despite the annual increase in rents, the submarket offered an attractive 30% discount compared to the market average rent. The difference contributed to many residents seeking rentals in the northern suburbs outside of the city. Another factor underpinning apartment operators' confidence to raise rents was a limited apartment pipeline. No units were under construction or in the process of lease-up as of the middle of 2023. Vestavia Hills, a southern suburb of the downtown area, experienced the second-largest annual rise in rents of 3.5%. The submarket also offered a discount in renting relative to the urban core, further indicating that many residents gravitated to areas with lower prices.



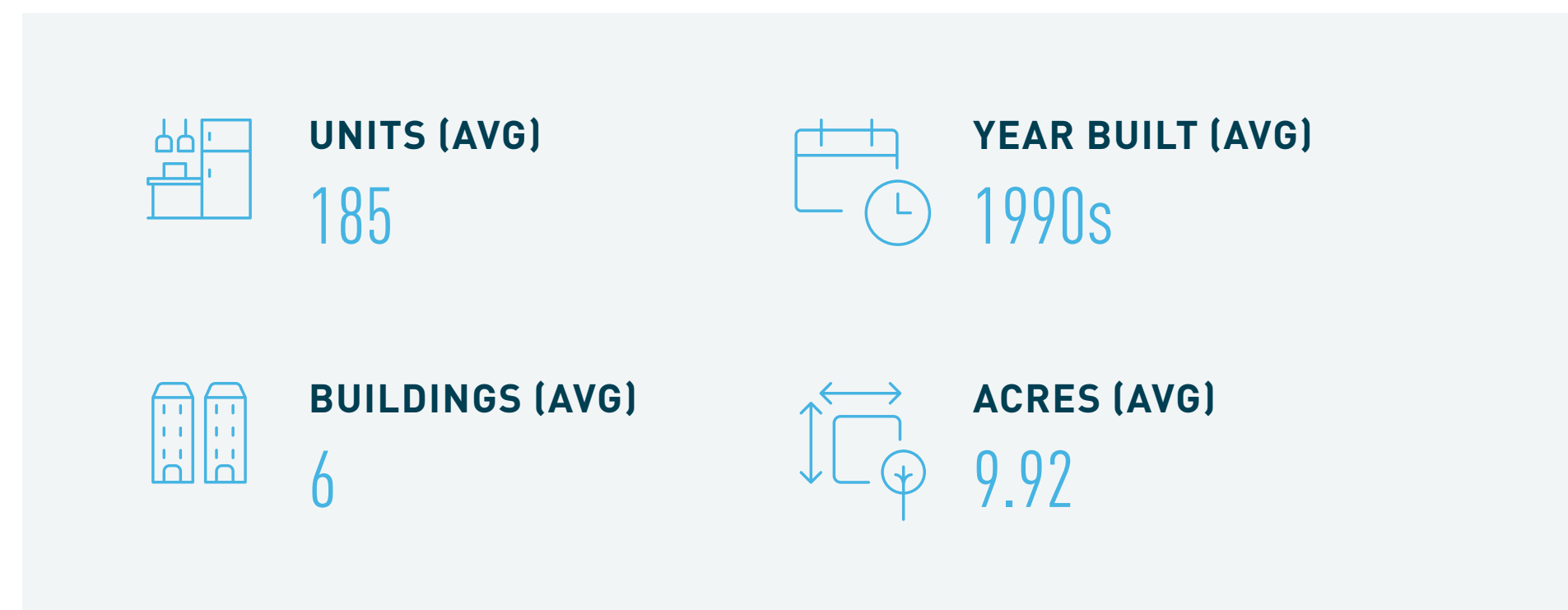


BIRMINGHAM, AL SALES

2023 Year to Date*



What's Trading?*



Source: Real Capital Analytics
*\$10m+

Top Buyers**

BUYER	LOCATION
Independence Realty Trust	Chicago
Carter Funds	Tampa, FL
Blackstone	New York
GWR Equities	Houston
The Dobbins Group	Mountain Brook, AL

Top Sellers**

SELLER	LOCATION
Tynes Development	Birmingham, AL
Steadfast Companies	Irvine, CA
Preferred Apartment Communities	Atlanta
Batson-Cook Development Co.	Atlanta
Novare Group	Atlanta

**Past 24 Months

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

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