Huntsville Area Real Estate ECONOMICS REPORT

Analysis Conducted by
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SECOND QUARTER 2019
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.

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.

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 2010 and 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.

![Figure 3: Residential Units Sold 2nd Quarter](image)

<table>
<thead>
<tr>
<th>Current Quarter</th>
<th>Qtr</th>
<th>Year</th>
<th>Total Units</th>
<th>Avg Month</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>vs. Prior Quarter</td>
<td>1Q</td>
<td>2019</td>
<td>1,567</td>
<td>522</td>
<td>42.8%</td>
</tr>
<tr>
<td>vs. Last Year</td>
<td>2Q</td>
<td>2018</td>
<td>2,219</td>
<td>740</td>
<td>0.9%</td>
</tr>
<tr>
<td>vs. 5-YR Second Qtr Avg</td>
<td>2Q</td>
<td>15-'19</td>
<td>1,967</td>
<td>656</td>
<td>13.8%</td>
</tr>
<tr>
<td>vs. Peak</td>
<td>2Q</td>
<td>2019</td>
<td>2,238</td>
<td>746</td>
<td>107.6%</td>
</tr>
<tr>
<td>vs. Trough</td>
<td>2Q</td>
<td>2011</td>
<td>1,078</td>
<td>359</td>
<td>107.6%</td>
</tr>
</tbody>
</table>
Seasonality of Sales

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

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.
II. Market Momentum

Days on Market

The average number of days on the market (DOM) in the 2\textsuperscript{nd} Quarter 2019 dropped to 45 days, the lowest days on market (red line) of any 2\textsuperscript{nd} 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.

![Figure 8](image)

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.

![Figure 9](image)
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.

<table>
<thead>
<tr>
<th></th>
<th>Qtr</th>
<th>Year</th>
<th>Units</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Quarter</td>
<td>2Q</td>
<td>2019</td>
<td>763</td>
<td></td>
</tr>
<tr>
<td>vs. Prior Quarter</td>
<td>1Q</td>
<td>2019</td>
<td>497</td>
<td>53.5%</td>
</tr>
<tr>
<td>vs. Last Year</td>
<td>2Q</td>
<td>2018</td>
<td>360</td>
<td>111.9%</td>
</tr>
<tr>
<td>vs. 5-YR Avg</td>
<td>2Q</td>
<td>14-'18</td>
<td>446</td>
<td>71.1%</td>
</tr>
<tr>
<td>vs. Peak</td>
<td>2Q</td>
<td>2019</td>
<td>763</td>
<td>0.0%</td>
</tr>
<tr>
<td>vs. Trough</td>
<td>2Q</td>
<td>2011</td>
<td>282</td>
<td>170.6%</td>
</tr>
</tbody>
</table>

*Figure 10*
III. Homes for Sale Inventory Status

Homes for Sale

The average number of residential units listed for sale in the 2\textsuperscript{nd} Quarter 2019 was 1,216 units, a drop of 36 units from the 1\textsuperscript{st} Quarter 2018 average. See 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 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%).

**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.
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.

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.
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.

**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.
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.

![Trends of Sales & Inventory Levels By Quarter](image-url)
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

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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