

Housing Market Profile



Southeast/Caribbean • HUD Region IV

Mobile, Alabama

The Mobile metropolitan area is located on the Gulf Coast of Alabama and consists of Mobile County. Nearly one-half of the metropolitan area's residents live in Mobile, the central city and namesake of the metropolitan area. Mobile, which has been a center of transportation and manufacturing since the 18th century, is home to the ninth largest port in the United States. As of July 1, 2011, the population of the metropolitan area was estimated at 414,800, an increase of 1,450, or 0.3 percent, annually, since April 2010. Population growth peaked in 2008, when the population of the metropolitan area increased by 4,000, or 1.0 percent, compared with the population in 2007. The subsequent decrease in growth is because of slow job growth and high unemployment. The largest employers in the area are Infirmary Health System, Inc., and the University of South Alabama (USA) and USA Health System, with 5,300 and 5,000 employees, respectively.

Nonfarm payrolls in the metropolitan area have declined by 4.9 percent since peaking in 2008 at 184,300 jobs. The Mobile economy has shown signs of improvement, however, adding 2,300 jobs during the 12 months ending May 2011 to bring nonfarm payrolls to 175,500, a 1.3-percent increase. The professional and business services sector grew more than any other sector, adding 2,925 jobs, a 14-percent increase. After 2 years of declining employment, the manufacturing sector began to grow, adding 975 jobs during the 12 months ending May 2011, a 6.7-percent increase. This sector will likely continue to grow, because several large manufacturing firms in the metropolitan area expect to expand in the upcoming year. Austal USA, a shipbuilder, plans to add 2,000 workers in late 2011 and 2012, and ThyssenKrupp AG, a German industrial conglomerate, plans to add 800 workers at its steel mill in northern Mobile County. The largest decrease in nonfarm payrolls occurred in the government sector, because of budgetary constraints. The sector lost 600 jobs during the 12 months ending May 2011, a 2.2-percent decline, and a total of 1,150 jobs, a 4.2-percent decline, since the beginning of the recession in 2008. The unemployment rate in the metropolitan area averaged 10.1 percent during the 12 months ending May 2011, down from 10.8 percent during the previous 12 months.

The Mobile home sales market is soft, because of the weak economy and high levels of foreclosed homes. According to Hanley Wood, LLC, 4,375 new and existing homes were sold during the 12 months ending May

2011, a 16-percent decrease from the 5,200 homes sold in the preceding 12 months. During the same period, the average sales price decreased from \$161,000 to \$149,000, a nearly 8-percent decline. Home prices peaked in 2007, when the average price was \$177,600. Foreclosed properties comprise a significant portion of home sales; according to Hanley Wood, LLC, in the 12 months ending May 2011, homes that are in REO (Real Estate Owned) represented 37 percent of all existing home sales, up from 24 percent in the previous 12 months. According to LPS Applied Analytics, in May 2011, 8.7 percent of all loans were 90 or more days delinquent, in foreclosure, or in REO, down from 8.9 percent in May 2010.

New single-family home construction continues at a reduced pace, with 660 homes permitted during the 12 months ending May 2011, down from 1,125 permitted during the previous 12 months, based on preliminary data. An average of 1,825 homes was permitted annually during the building boom, from 2000 through 2007. Most new home construction is in subdivisions west and north of Mobile. Magnolia Springs, a subdivision located in west Mobile has 165 homes completed and another 160 currently under construction, with prices ranging from \$120,000 to \$250,000. A small market for loft condominiums converted from nonresidential use exists in downtown Mobile, where approximately 100 condominium homes have opened in the past 10 years.

The rental market in Mobile is soft but improving, with an estimated 10.5-percent vacancy rate, down from 11.4 percent in April 2010. Vacancy is lower in apartment complexes than in single-family homes, which make up approximately 50 percent of the rental market. As of the first quarter of 2011, AXIOMETRICS INC. reports a 6.25-percent vacancy rate in surveyed apartment complexes, down from 8.6 percent in the first quarter of 2010. According to Rock Apartment Advisors, Inc., average effective rents are \$550 for a one-bedroom unit, \$650 for a two-bedroom unit, and \$800 for a three-bedroom unit, with higher rents in the western and northern suburban areas and lower rents in central Mobile. Apartment construction has proceeded at a moderate pace in the past several years, with 310 units permitted in the 12 months ending May 2011 and 440 units permitted in the previous 12 months, based on preliminary data. Most recent apartment construction is centered in west Mobile, including Forest Hill Apartments, a 128-unit complex, and University Grande Apartments, a 156-unit complex, both currently under construction, although some new complexes are located in town and north of the city.

