BIRMINGHAM, AL
MULTIFAMILY REPORT
2024 | MID-YEAR

BERKADIA

Jobs Added / Lost*

LAST 12 MONTHS

10,400

1.8%

Unemployment*

JUNE 2024

3.1%

100 BPS YOY

*Seasonally Adjusted

BIRMINGHAM, AL

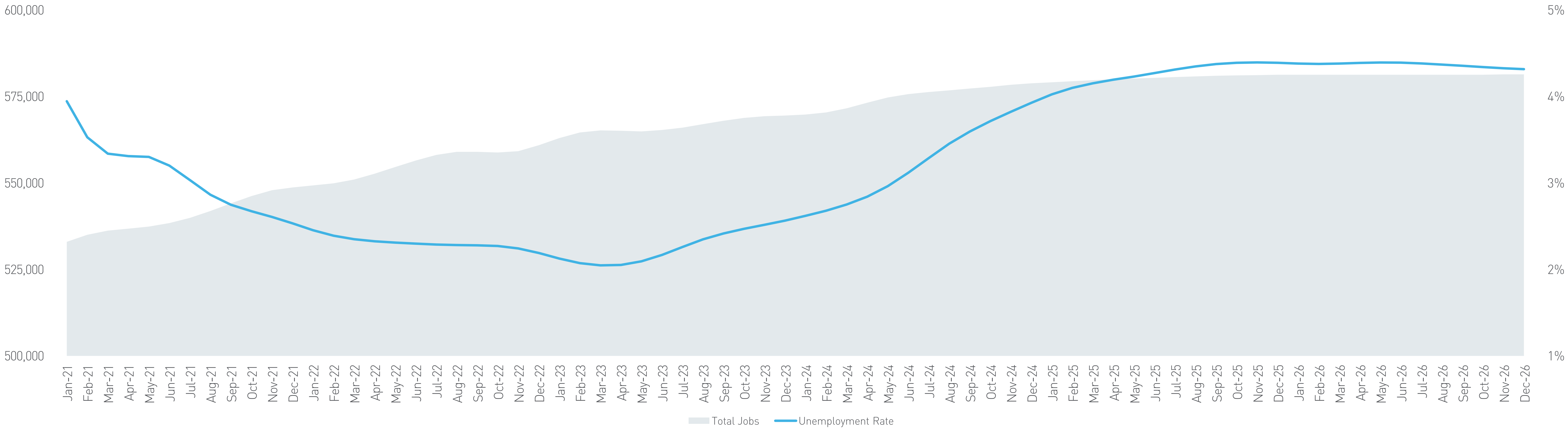
EMPLOYMENT

Employers in the Birmingham Metro expanded their workforce by 10,400 laborers since the middle of 2023, a healthy growth rate of 1.8%. Job expansion underwent the largest annual additions in the private education and healthcare sector with 3,500 net new positions. After announcing a significant increase in patient demand for the past several years, Grandview Health began construction on an emergency department expansion at the Grandview Medical Center in March. An increase of size and health capabilities at its emergency department is one of many projects in the proposal, planning, or development stages, as this will be the third time in nine years that the hospital will also increase its bed capacity. Recent healthcare expansions in Greater Birmingham, including Pack Health's addition of 200 jobs, have fueled job growth in the sector. The announcement came in late 2023, a few months after the company was acquired by Quest Diagnostics, the world's largest diagnostics and health information company. The manufacturing industry is also an influential part of the regional economy, adding 900 new jobs since the middle of last year. J.M. Smucker, a Fortune 500 group that manufactures food and beverage products, announced in 2021 that it would be constructing a $1.1 billion manufacturing plant in the nearby city of McCalla, creating approximately 750 new jobs for the metro. The 225-acre site began production in May 2024.

In the News

- Smucker's plant in McCalla on schedule for 2024 opening
- Grandview Medical Center beginning emergency department expansion
- Pack Health to expand Birmingham operations and add 200 jobs

Employment Trends



Source: Moody's Analytics

2024 YEAR TO DATE

DELIVERIES
988 UNITS

ABSORPTION
262 UNITS

2024 TOTAL*

DELIVERIES
1,874 UNITS

ABSORPTION
1,249 UNITS

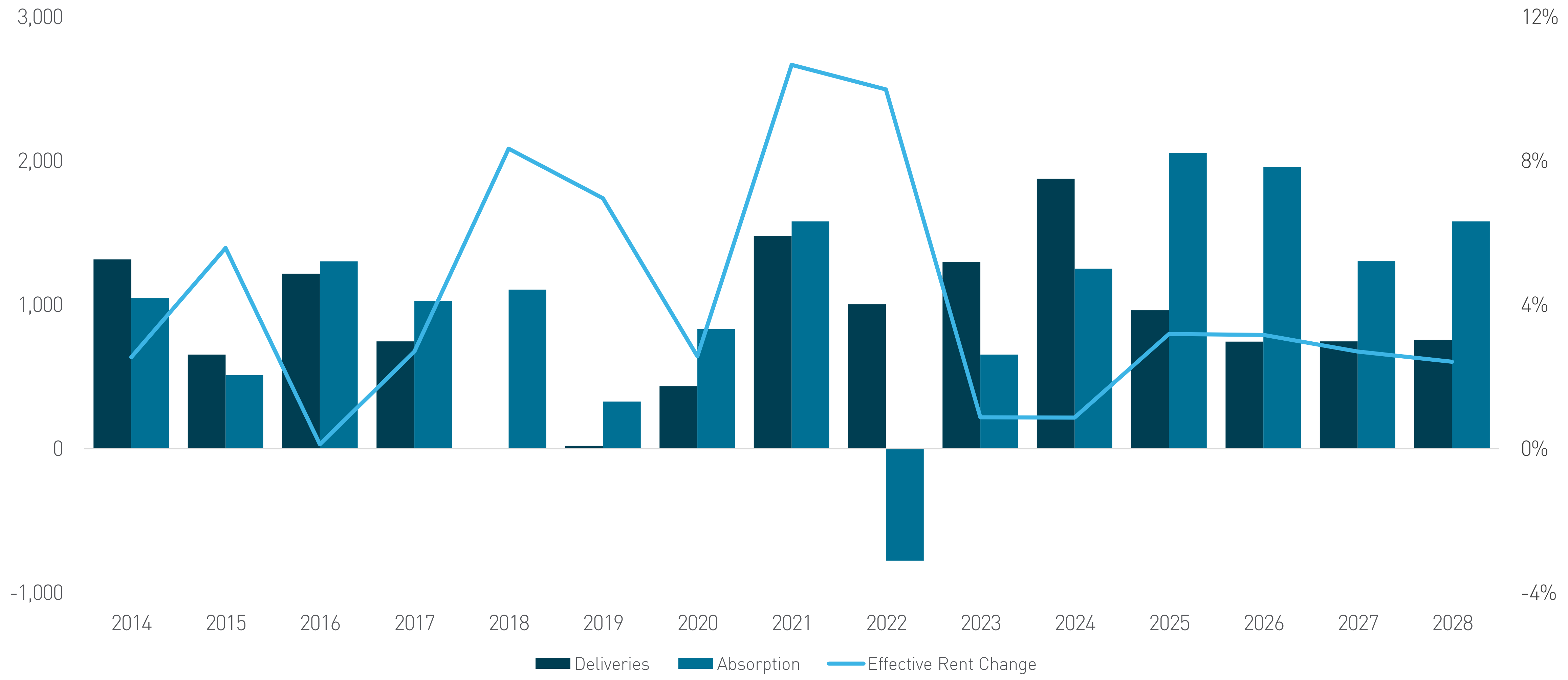
**Projected*

BIRMINGHAM, AL

DELIVERIES & ABSORPTION

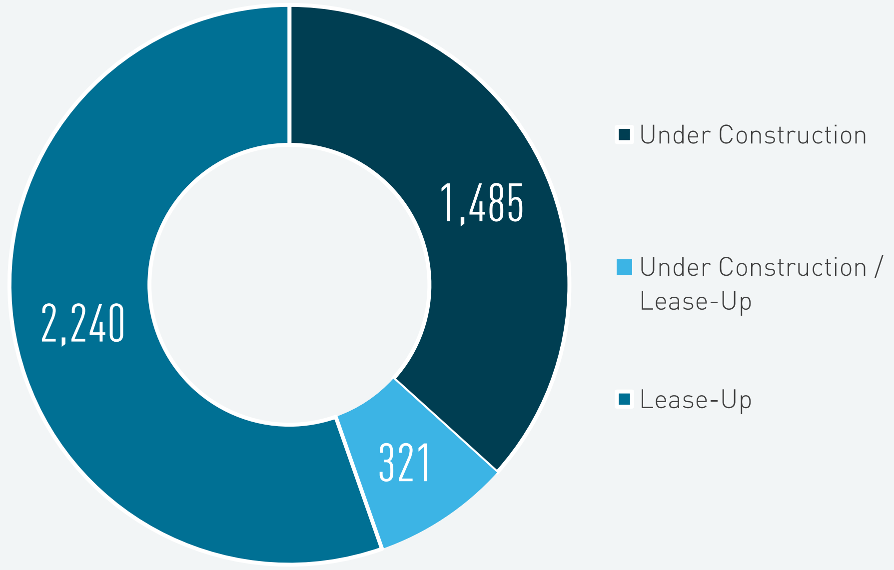
Apartment operators have recorded strong apartment demand for the past four quarters in Greater Birmingham. Heightened levels of multifamily move-in activity are attributed to the consistent wave of new renters from other areas who are drawn in by the metro's affordability. The Central Birmingham/Mountain Brook submarket led annual leasing activity in the last year, by far. This continued the trend during the past five years. Birmingham's urban core is a popular hotspot for renters as it is closest to many white-collar employment hubs, entertainment options, and the revitalization of the downtown area, which has been strongly incentivized by the local government. Also enabling leasing activity across the metro was a high rate of new deliveries. In the past 12 months, 1,761 new units were delivered. While supply and demand were imbalanced over the last year, the gap is expected to narrow over the next year. Apartment demand is expected to pick up in the second half of 2024 from strong migrations patterns, as the metro remains one of the top areas for relocation due to affordability. Many residents will continue to seek interstate relocation from other Southern states such as Florida, Georgia, and Texas due to rising cost of living in those areas. Projected accelerating leasing activity would shift net absorption well above Birmingham's pre-pandemic levels of absorption from 2015 to 2019, which should reassure landlords.

Deliveries, Absorption, & Effective Rent Change

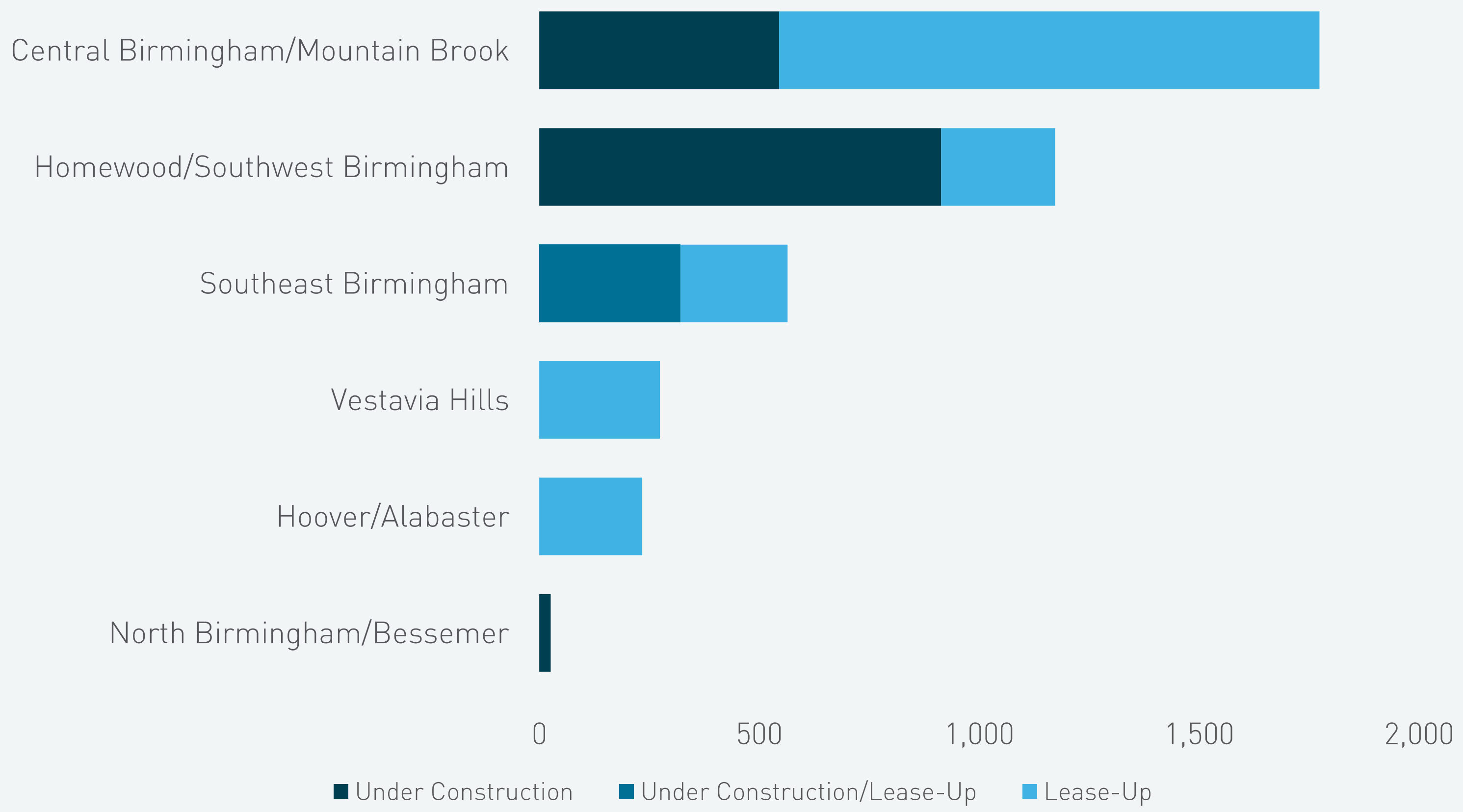


Source: RealPage

Market Pipeline



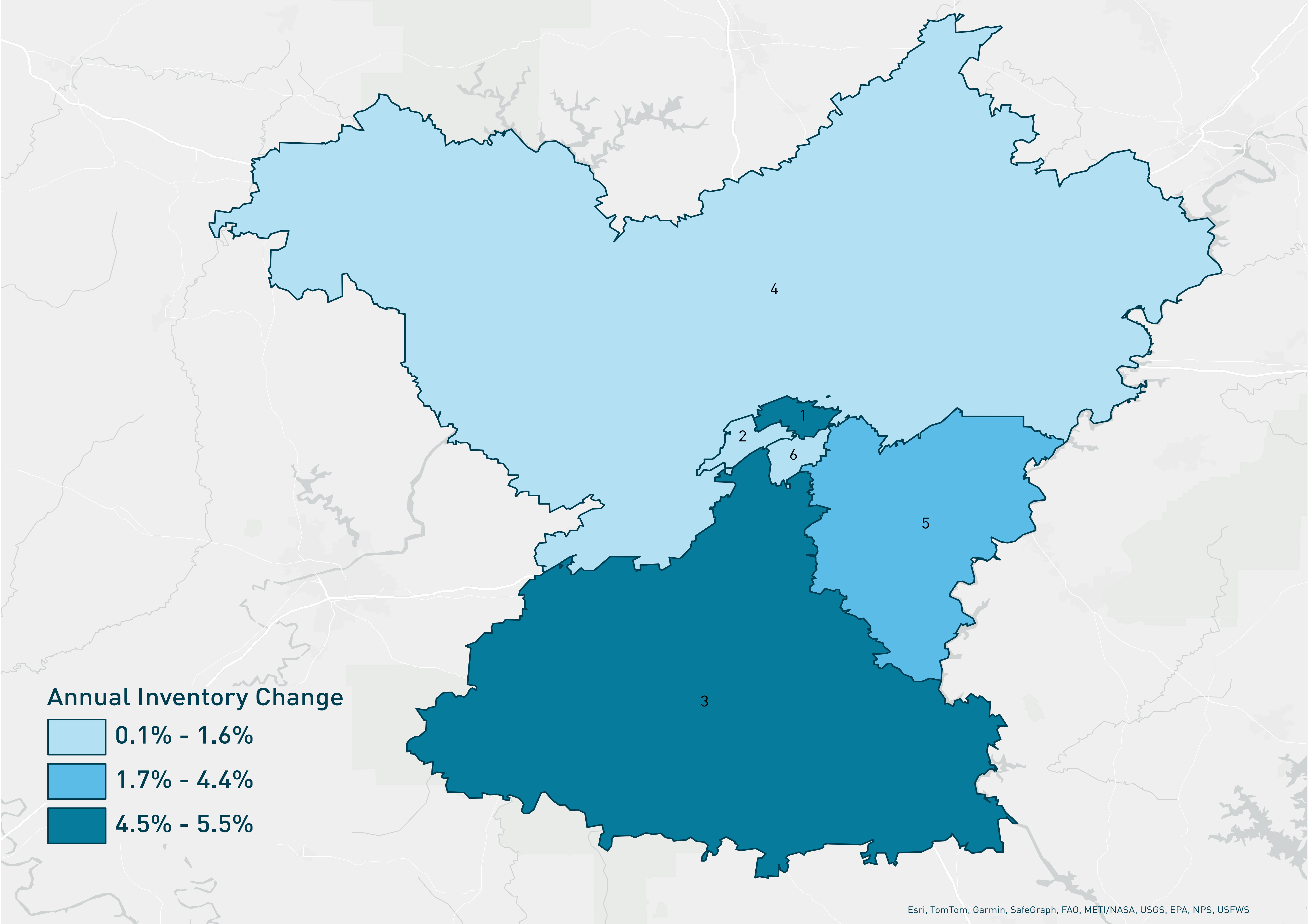
Top Submarket Pipelines



The Central Birmingham/ Mountain Brook, which encompasses Birmingham's urban core, has been the focal point of development activity through the second quarter of 2024. The submarket had the highest rate of new supply in the first half of the year and had the most apartment demand. Given residents' desire to be close to the city center's employment hubs, restaurants, and nightlife, the submarket has had the largest growth in inventory among all submarkets during the first half of the year. Operators' ability to charge the highest rents in the metro given its proximity and access to everything that the downtown area has to offer has been an attractive reason to continue to build within Birmingham's city center. Inventory growth in the second half of 2024 will focus on Homewood/Southwest Birmingham. The submarket offers residents the same appeal of being close to the downtown area but at a much more affordable price.

BIRMINGHAM, AL

SUBMARKET MID-YEAR 2024 ANNUAL INVENTORY CHANGE



SUBMARKET BOUNDARIES

1. Central Birmingham / Mountain Brook
2. Homewood / Southwest Birmingham
3. Hoover / Alabaster
4. North Birmingham / Bessemer
5. Southeast Birmingham
6. Vestavia Hills

Effective Rent

Q2 2024

$1,293

1.5% YOY

Occupancy

Q2 2024

92.2%

130 BPS YOY

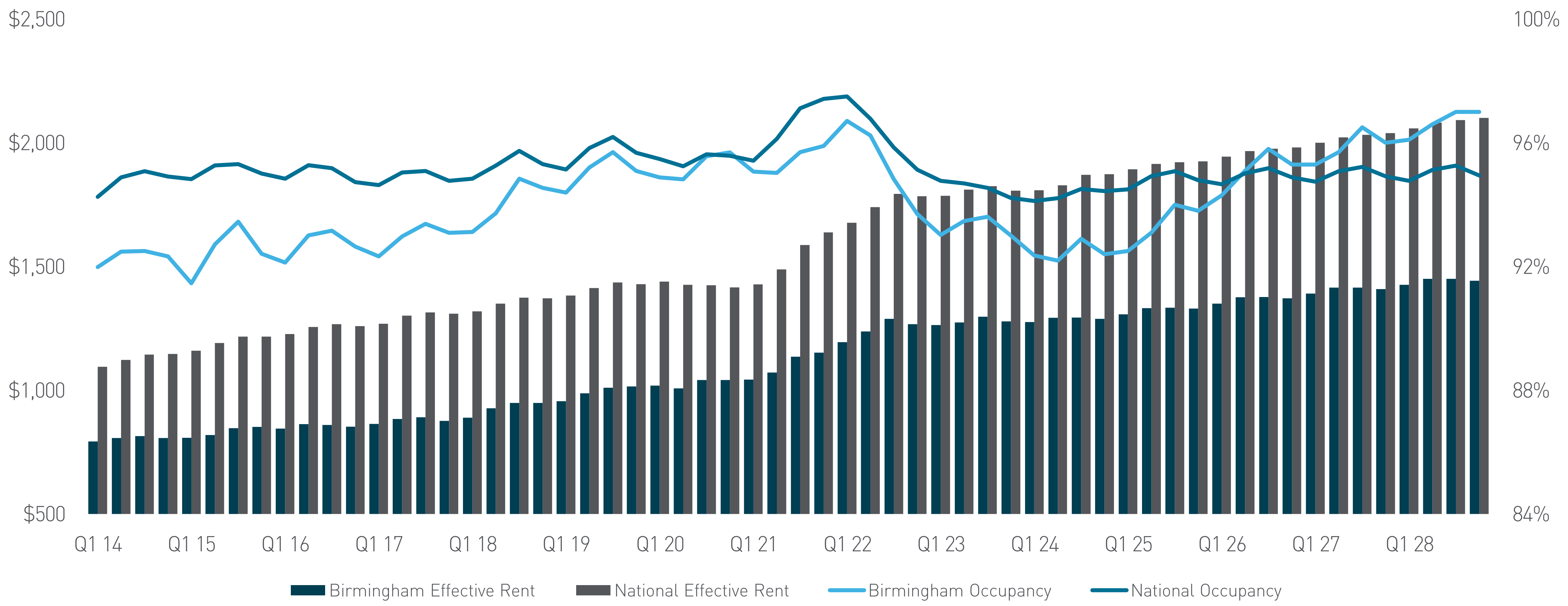
BIRMINGHAM, AL

RENT & OCCUPANCY

In the second quarter of 2024, effective rent in Greater Birmingham averaged $1,293 per month. Annual rents increased in four of Birmingham's six submarkets, with the primary drivers being lower-cost areas with room for rent expansion closer to the market average. Despite the arrival of a significant portion of market-rate units in the last four quarters, effective rent increased 1.5% year over year. The cost of homeownership edged out the cost of renting in the second quarter of 2024, which has allowed for continued increases in average effective rent in Greater Birmingham. The gap between the two widened during the past year, as home prices and interest rates remain elevated.

The supply and demand imbalance did lead to a drop in occupancy by 130 basis points since the second quarter of 2023. Birmingham's lower cost of living when compared to many other metros should lure in prospective renters who are able to get top amenities for a much lower cost in comparison. Leasing activity is forecast to surge in the next year to help elevate occupancy closer to the pre-pandemic average of 93.5% from 2015 to 2019. The continued migration patterns of interstate relocations, job announcements in the area, and affordability in the metro are all reasons why apartment occupancy will recover in future quarters.

Birmingham vs. National Effective Rent & Occupancy



Source: RealPage *Note: Effective rent and occupancy reflect stabilized properties and does not include preleased units or properties in lease-up. A newly constructed property is considered stabilized once it becomes 85% occupied.*

Submarket Performance

SUBMARKET NAME	Q2 2024 OCCUPANCY	YOY (BPS)	Q2 2024 EFFECTIVE RENT	YOY
Central Birmingham/Mountain Brook	90.8%	-120	$1,524	-0.3%
Homewood/Southwest Birmingham	90.7%	-210	$1,325	0.1%
Hoover/Alabaster	93.5%	-110	$1,251	-2.6%
North Birmingham/Bessemer	92.3%	-220	$1,076	9.8%
Southeast Birmingham	93.2%	-100	$1,314	1.0%
Vestavia Hills	92.2%	-50	$1,317	2.2%

Effective rent in the North Birmingham/Bessemer submarket was the largest gainer regarding annual rent change, ending the second quarter of 2024 at $1,076 per month, up 9.8%. The submarket has the largest amount of apartment inventory in the metro but has had a lack of new supply in recent quarters. Inventory expanded by just 0.1% annually, and only has 26 units in the development pipeline. A lack of new supply in the submarket has enabled landlords to hike rents while experiencing moderate levels of net move-outs in exchange, all while maintaining occupancy levels slightly above the market average at the conclusion of the second quarter. Much of the existing supply in the submarket is tailored towards working-class renters, which comes as no surprise with numerous manufacturing and distribution centers scattered throughout the area. The area is home to more than 10 of these employment centers, including the likes of Publix, Amazon, The Home Depot, and CVS Pharmacy.

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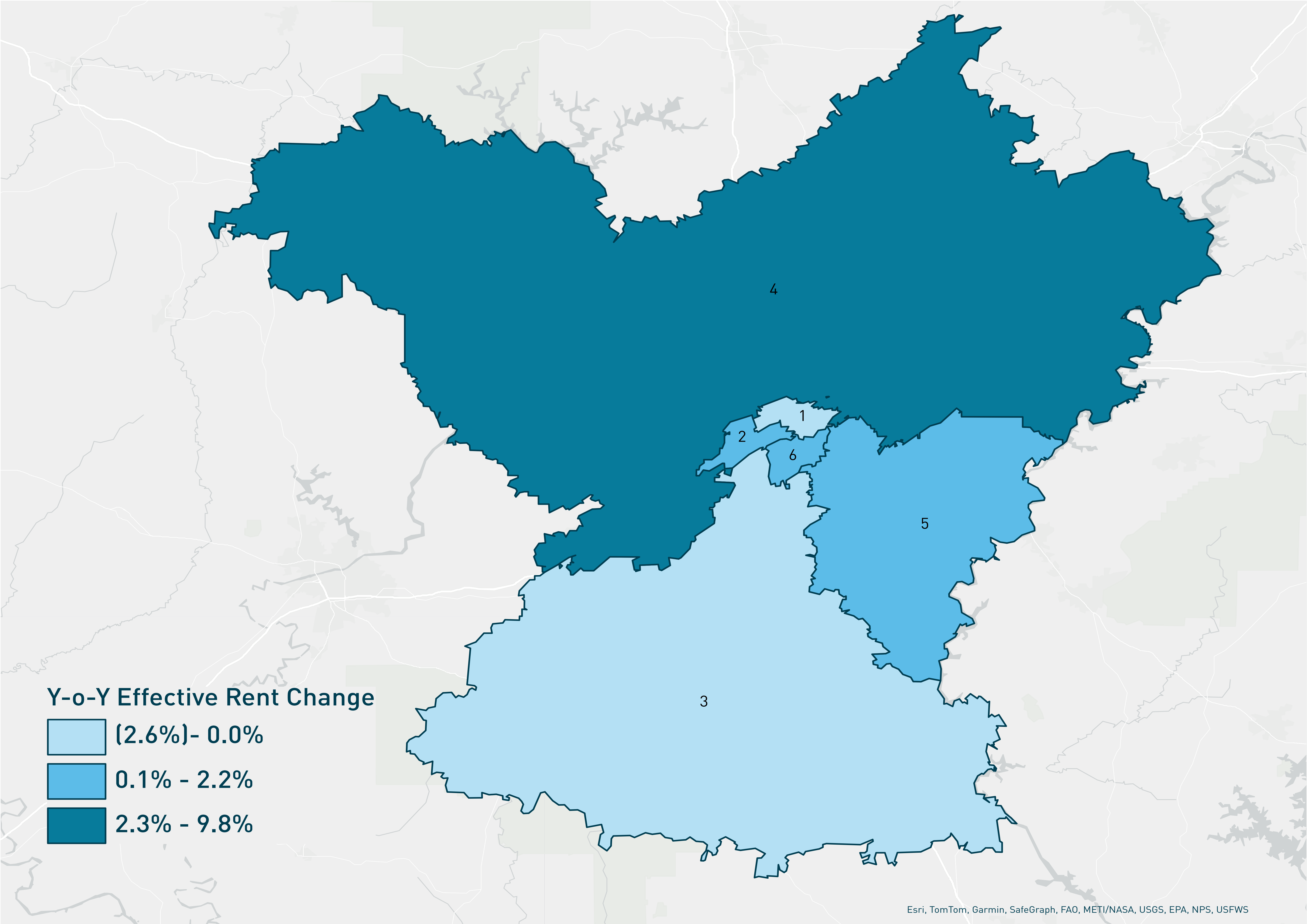
SUBMARKET MID-YEAR 2024 ANNUAL RENT CHANGE



SUBMARKET BOUNDARIES

1. Central Birmingham / Mountain Brook
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BIRMINGHAM, AL

SALES

2024 Year to Date*

VOLUME
$812.6M

PRICE PER UNIT (AVG)
$284,769

TRANSACTIONS
10

CAP RATE (AVG)
5.0%

What's Trading?*

UNITS (AVG)
293

YEAR BUILT (AVG)
2000s

BUILDINGS (AVG)
14

ACRES (AVG)
14.39

Top Buyers*

BUYER	LOCATION
Blackstone	New York
Ashcroft Capital	New York
Independence Realty Trust	Chicago
GID	Boston
Starwood Capital	Miami Beach, FL

Top Sellers*

SELLER	LOCATION
Bluerock	New York
RangeWater Real Estate	Atlanta
Steadfast Companies	Irvine, CA
Greystar	Charleston, SC
Preferred Apartment Communities	Atlanta

Source: MSCI Real Capital Analytics
**$2.5m+*