

# ALABAMA Business

## & ECONOMIC INDICATORS

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### Alabama Housing Affordability Index Third Quarter, 1998

The stock market may be shaky and bond yields may be low, but the residential housing market in Alabama keeps going strong. For the first three quarters of 1998, the statewide median price for existing housing has risen by almost 5.5 percent, for an annualized return of 7.3 percent. As might be expected, home price appreciation varies within Alabama, a reflection of local economic and housing market conditions. Of the state's 10 metropolitan areas, Tuscaloosa recorded the greatest increase in existing home prices. For the first nine months of 1998, Tuscaloosa's median home price rose by a staggering 11.25 percent, the only metro area to report double-digit price appreciation this year.

Despite impressive gains in home prices, housing affordability in Alabama actually increased during the third quarter. Sharp declines in mortgage interest rates have meant housing affordability increases, offsetting the effects of rising home prices in most markets. Even in the Tuscaloosa metro area, which has the lowest affordability index number within the state, housing affordability increased in the third quarter, albeit marginally. In Birmingham, housing affordability, second lowest in the state, increased from 135.6 in the second quarter to 140.2 between July and September.



Huntsville continues to lead all metro areas in housing affordability, posting an index number of 194.8 in the most recent quarter. Simply put, families earning the median income in Huntsville of \$52,100 had almost twice the income needed to qualify for the purchase of a median priced home in this metro area. Overall, housing affordability increased in half of the state's metro areas, declining in Anniston, Dothan, Gadsden, Huntsville, and Montgomery. The five metro areas that reported declines in the index, however, still lead the state in housing affordability.

With home mortgage rates at almost a 40-year low, it is not surprising that the residential housing market continues to remain strong and affordable. During

the third quarter of 1998, the nation's home ownership rate reached almost 67 percent, the highest level of home ownership ever recorded by the Census Bureau, which began compiling home ownership rates back in 1890. Because home price appreciation at the national level was somewhat lower than in Alabama, the U.S. housing affordability index rose during the third quarter of 1998. The median home price for the United States was \$132,733, compared to \$98,898 for the State of Alabama.

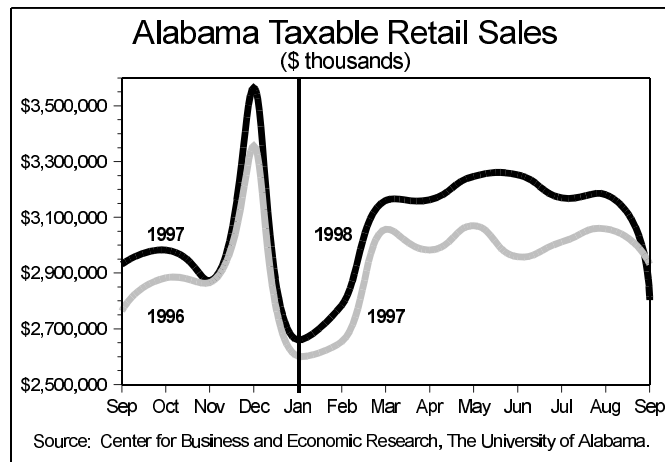
The Alabama Housing Affordability Index is calculated as the ratio of the actual median family income to the income required to purchase the median priced home in the state. An index number of 100 indicates that a family earning the median income has just enough buying power to qualify for a mortgage on the median priced, existing, single family house, given standard underwriting criteria. The higher the index number, the more affordable the housing. Statewide, and for the fifth consecutive quarter, the Alabama Housing Affordability Index has been over 150. At 153.9 it is almost the highest it has been in the last three years.

*Leonard Zumpano*

## Alabama Taxable Retail Sales

Alabama retail sales totaled \$3.18 billion in August 1998, 4.0 percent above sales in August 1997. Strongest gains were in sales of general merchandise, up 9.5 percent over sales a year ago, and apparel, where sales climbed 5.4 percent. Sales at food stores were off slightly, while automotive sales declined 2.6 percent. Metropolitan area sales were relatively weak. Dothan, where August 1998 sales rose 4.6 percent above August 1997, was the only metropolitan area with sales growth above the state average. Sales in the Birmingham metropolitan area gained 3.0 percent. September's figures are preliminary and are subject to upward revision.

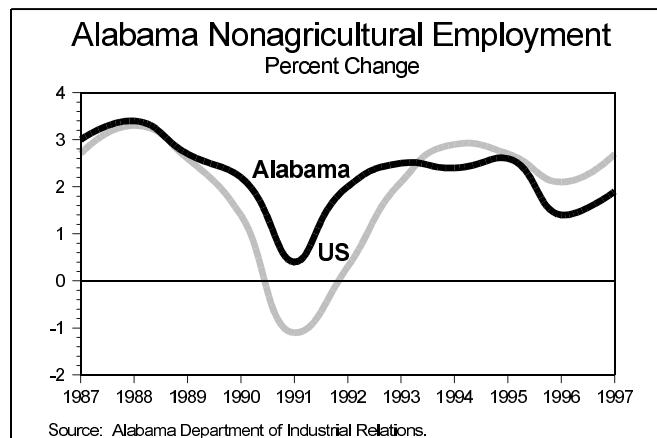
1997	\$Thousands
September	2,931,884
October	2,982,464
November	2,872,771
December	3,564,480
<b>1998</b>	
January	2,660,260
February	2,784,846
March	3,160,511
April	3,162,724
May	3,246,828
June	3,252,222
July	3,169,899
August	3,181,237
September	2,803,291



## Employment Trends

Tight labor markets have begun to constrain job growth in Alabama, and that trend will continue into 1999. Most job growth has been, and will continue to be, in sectors other than manufacturing. Health services businesses have added jobs in Alabama, as have retail trade stores. Business services, such as advertising, equipment rental, or temporary help supply agencies, are employment growth areas in the state. Employment in construction industries has slowed considerably over the past year.

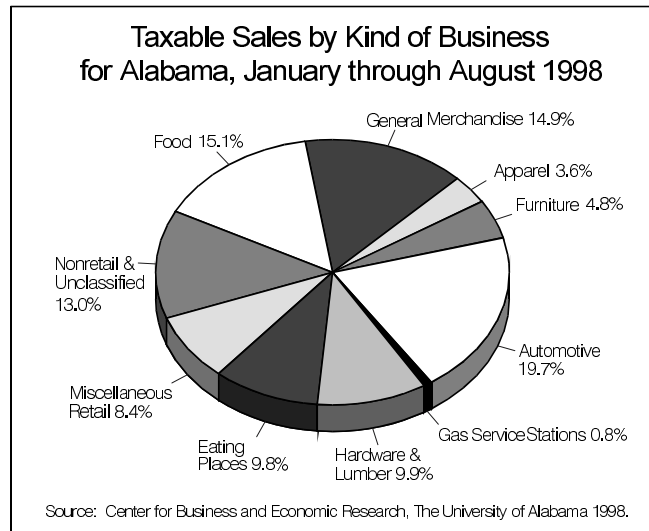
1997	
September	1,868,000
October	1,880,500
November	1,887,000
December	1,885,800
<b>1998</b>	
January	1,861,000
February	1,866,900
March	1,877,700
April	1,882,000
May	1,885,800
June	1,883,200
July	1,878,400
August	1,875,200
September	1,884,200



## Retail Sales by Kind of Business

During the first eight months of 1998, automotive sales continued to dominate Alabama's retail economy with 19.7 percent of all sales, up from 18.6 percent in 1997. Lack of growth in food sales during the year and relatively strong gains in sales of general merchandise brought the two categories closer together with shares of 15.1 and 14.9 percent, respectively. Both eating places, at 9.8 percent, and hardware and lumber, with 9.9 percent, increased their shares of 1998 total sales compared to 1997.

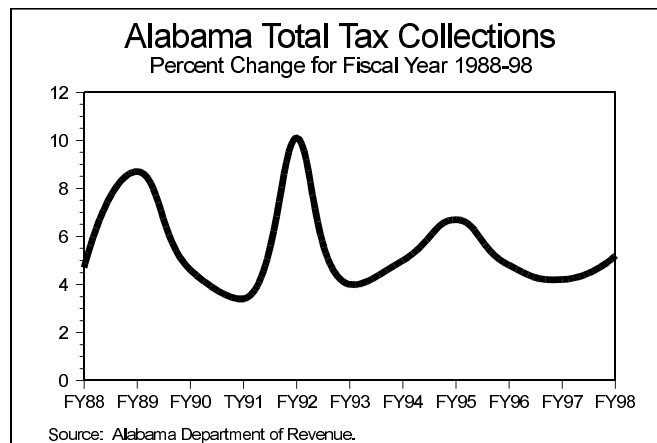
Category	Jan.-Aug., 1998 (\$ Thousands)
Food	3,707,765
General Merchandise	3,662,448
Apparel	888,803
Furniture	1,184,826
Automotive	4,851,602
Gas Service Stations	194,104
Hardware & Lumber	2,443,017
Eating Places	2,419,716
Miscellaneous Retail	2,078,146
Nonretail & Unclassified	3,188,100
Total	24,618,527



## Alabama Total Tax Collections

Total taxes collected by the State of Alabama increased 5.3 percent between fiscal year 1997 and 1998, an increase of approximately \$274 million. Sales tax collections were up by about \$62 million, increasing at a 4.6 percent annual rate. Individual income taxes grew by 7.0 percent, or \$138 million. Surprisingly, corporate income taxes, which usually do show significant growth, increased by about \$26 million, an increase of almost 11.0 percent.

1997	\$ Thousands
September	459,979
October	371,913
November	425,462
December	409,711
<b>1998</b>	
January	436,305
February	436,889
March	518,136
April	506,527
May	523,599
June	490,114
July	388,550
August	461,380
September	468,496



For more information about these and other Alabama economic indicators, please visit the CBER Internet site at <http://www.cba.ua.edu/~cber>

**Alabama Housing Affordability Index**  
**3<sup>rd</sup> Quarter and 2<sup>nd</sup> Quarter, 1998**

Metro Area/ County	Median Income	Median Price	Loan/Value 80%	Monthly Payment	Annual Payment	Required Income	HA Index 3 <sup>rd</sup> Quarter 1998	HA Index 2 <sup>nd</sup> Quarter 1998
<i>Average Quarterly Interest Rate was 7.08%</i>								
Anniston	\$ 37,500	\$ 81,167	\$ 64,933	\$436	\$ 5,228	\$ 20,911	179.3	196.1
Birmingham	44,000	121,817	97,453	654	7,846	31,383	140.2	135.6
Decatur	43,000	96,900	77,520	520	6,241	24,964	172.2	154.6
Dothan	38,700	98,667	78,933	530	6,355	25,419	152.2	166.2
Florence	37,800	76,917	61,533	413	4,954	19,816	190.8	165.8
Gadsden	34,900	80,175	64,140	430	5,164	20,655	169.0	201.7
Huntsville	52,100	103,800	83,040	557	6,685	26,742	194.8	196.9
Mobile*	37,600	105,658	84,527	567	6,805	27,221	138.1	128.6
Montgomery	43,700	102,000	81,600	547	6,570	26,278	166.3	179.2
Tuscaloosa	39,800	116,383	93,107	625	7,496	29,984	132.7	132.0
<i>Baldwin Co*</i>	37,600	121,967	97,573	655	7,856	31,422	119.7	107.8
<i>Cullman Co</i>	35,300	89,667	71,733	481	5,775	23,101	152.8	146.6
<i>Lee Co</i>	42,000	115,133	92,107	618	7,415	29,662	141.6	129.3
<i>Marshall Co</i>	35,500	78,467	62,773	421	5,054	20,215	175.6	175.7
<i>Mobile Co*</i>	37,600	89,350	71,480	480	5,755	23,019	163.3	159.2
<i>Tallapoosa Co</i>	35,200	112,083	89,667	602	7,219	28,876	121.9	113.4
<i>Walker Co</i>	31,000	116,000	92,800	623	7,471	29,885	103.7	150.0
Statewide Average	39,207	98,898				25,480	153.9	153.3
US Average	45,130	132,733					132.1	130.7

Sources: The Alabama Real Estate Research and Education Center, Culverhouse College of Commerce and Business Administration, The University of Alabama and The Alabama Association of REALTORS. National data supplied by the Federal Housing Finance Board, and the Research Division of the National Association of REALTORS.

\* The Mobile Metro Area, which is made up of Baldwin and Mobile counties, is atypical because of the higher concentration of vacation properties located in Baldwin County. Because these vacation homes have much higher prices than owner-occupied residential properties, the HAI understates housing affordability for the Mobile Metro Area.

*Alabama Business* is a monthly publication of the Center for Business and Economic Research, Culverhouse College of Commerce, The University of Alabama. Articles reflect the opinions of the authors, but not necessarily those of the staff of the Center, the faculty of the Culverhouse College of Commerce, or the administrative officials of The University of Alabama.

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