

# ALABAMA Business & ECONOMIC INDICATORS

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## Housing Affordability Remains High for Second Quarter

Housing affordability remains high, and the housing market strong in Alabama, thanks to low mortgage interest rates and a slow but steady increase in incomes. The Alabama Housing Affordability Index declined only slightly from 155 to 153 for the second quarter, ending in June.

Since there was virtually no change in mortgage interest rates between the first and second quarters, the slight decline in the index reflects continuing appreciation in housing prices. On the state front, housing affordability declined in seven of Alabama's 10 metropolitan areas: Birmingham, Decatur, Dothan, Florence, Huntsville, Mobile, and Tuscaloosa. However, the declines in the Dothan and Tuscaloosa indices were so small as to leave housing affordability in those locations virtually unchanged from the first quarter. Housing affordability increased during the second quarter in Anniston, Gadsden, and Montgomery, the only locations where housing prices actually fell.

For the first time in the history of these reports we separately computed housing affordability for Mobile and Baldwin Counties. Although the Mobile Metropolitan Area is composed of both counties, housing activity in these two locations is very different. Baldwin County has a very high number of vacation properties, with absentee owners, which command much higher prices than owner-occupied properties. As a result, the HAI for the Mobile Metro Area can seriously understate housing affordability. The second quarter index for Mobile County is 159, while the index



for Baldwin County is approximately 108. What this means is that housing affordability in most of the Mobile Metro Area is much higher than the metro index number suggests. Unfortunately, we cannot easily exclude vacation property sales from the index.

On the national front, housing affordability trends were comparable to the state's between April and June, declining from 134 at the end of the first quarter to 131. New homes sales nationally reached a new record that is a 3.8 percent increase over May's rate, and 15 percent higher than last year at this time. June was the 10th consecutive month that new home sales exceeded the 800,000 mark.

The same rosy picture persists in the resale segment of the housing market. Throughout the first half of the year existing home sales have outpaced last year's record growth rate. While the

market may slow somewhat during the latter half of the year, the National Association of Realtors projects sales of existing homes to set a new annual record of 4.5 million units for 1998. While this forecast may be a bit too optimistic in the light of some recent economic danger signs—a shaky stock market, downward revisions in corporate profit projections, and a worsening Asian situation—employment is expected to remain high, and inflation should not represent a problem for the remainder of the year. All in all, the housing market should remain robust in the near term and may even offer some good buying opportunities if the economy slows in the second half of the year.

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, Alabama families had more than one and a half times the income needed to purchase the average median-priced, existing, single family home during the second quarter of 1998.

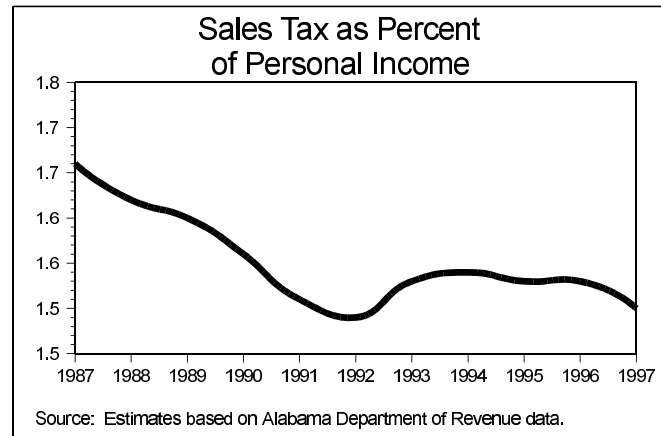
*Leonard V. Zumpano*

## Alabama Sales Tax as a Percent of Personal Income

In 1987 state sales taxes amounted to 1.66 percent of total personal income. By 1997, this ratio had fallen to 1.53 percent. This decline is consistent with a decline in the tax base as an aging consumer population increases its purchases of untaxed items such as medical, financial, and personal household services.

### Total Sales Taxes (\$ millions)

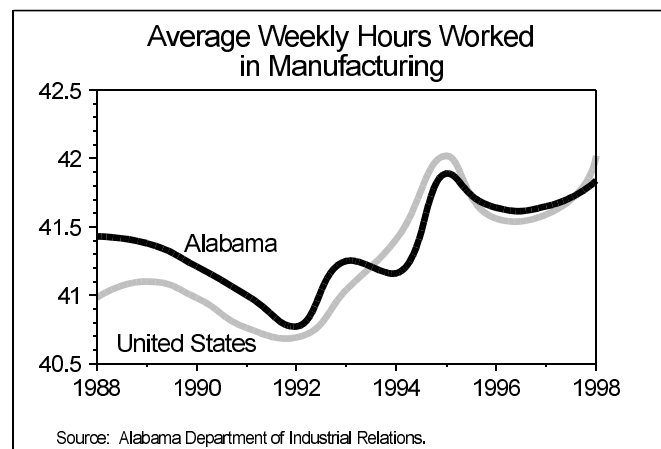
1987	810.13
1988	844.58
1989	896.00
1990	946.41
1991	955.31
1992	1,017.45
1993	1,093.38
1994	1,169.24
1995	1,242.44
1996	1,315.16
1997	1,351.00



## Average Weekly Hours Worked in Alabama Manufacturing

Alabama's manufacturing workers put in an average of 41.8 hours per week in 1997, close to the national rate of 42.0 hours per week. However, in 1998 the relatively strong demand for product supply from Alabama has pushed the weekly hours worked in manufacturing above the U.S. average. Manufacturing workers in the state averaged 42.0 hours per week for the first seven months of 1998 compared to the U.S. average of 41.5.

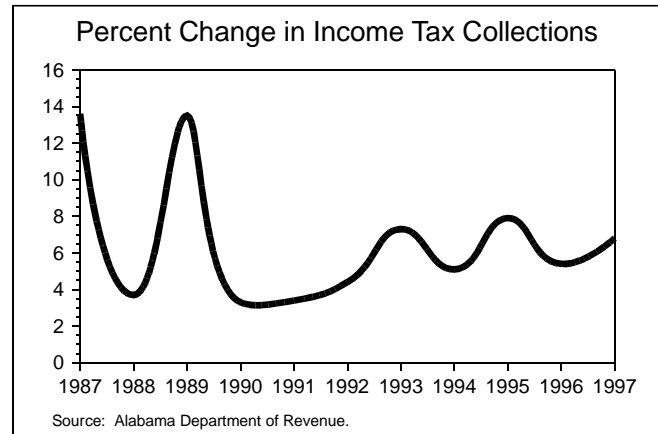
<b>1997</b>	
July	41.2
August	41.6
September	42.2
October	42.1
November	42.6
December	42.9
<b>1998</b>	
January	42.3
February	41.7
March	41.8
April	41.5
May	42.2
June	42.5
July	41.7



## Alabama Income Tax Collections

State income tax collections totaled \$1,455.5 million for the first seven months of 1998, up \$121 million, or 9.1 percent, from the amount collected during the same period in 1997. From January to July 1998, individual income tax payments totaled \$1,300.2 million, 8.8 percent higher than payments during the same period in 1997. Corporate income tax collections, at \$155.4 million, were up 11.5 percent.

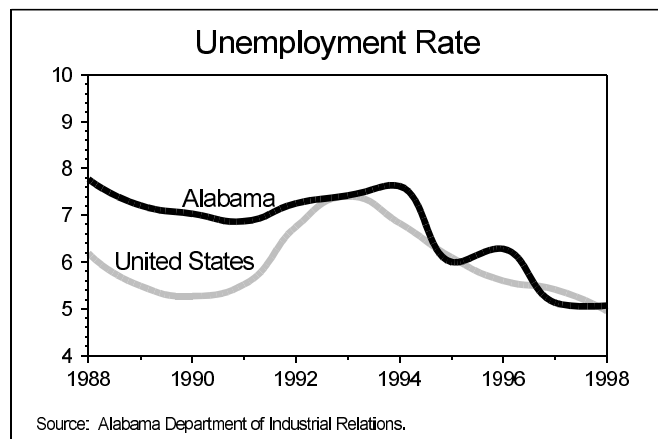
1997 (\$ millions)	
July	108.382
August	191.857
September	215.324
October	112.998
November	194.931
December	172.368
1998	
January	160.412
February	224.271
March	198.912
April	229.326
May	285.756
June	242.496
July	114.337



## Alabama Unemployment Rate

Just 3.7 percent of Alabama's workers were unemployed in August 1998 compared to 4.5 percent of workers nationwide. With the exception of June, Alabama's unemployment rate has come in below the U.S. rate in 1998. August unemployment rates in Alabama's metropolitan areas ranged from a low of 2.7 percent in Tuscaloosa to 6.2 percent in Florence. Still, unemployment remains high in many areas, with six counties reporting double-digit rates in August.

1997	
August	5.1
September	5.1
October	4.9
November	4.7
December	4.6
1998	
January	4.2
February	4.2
March	3.6
April	3.4
May	3.6
June	4.8
July	3.7
August	3.7



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  
2nd and 1st Quarter of 1998*

Metro Area/ County	Median Income	Median Price	Loan/Value 80% 7.21%	Monthly Payment	Annual Payment	Required Income	HA Index 2 <sup>nd</sup> Qtr. 1998	HA Index 1 <sup>st</sup> Qtr. 1998
<b>Anniston</b>	\$37,500	\$73,333	\$58,667	\$398	\$4,782	\$19,127	<b>196.1</b>	<b>183.8</b>
<b>Birmingham</b>	44,000	124,362	99,489	676	8,109	32,437	<b>135.6</b>	<b>138.5</b>
<b>Decatur</b>	43,000	106,633	85,307	579	6,953	27,813	<b>154.6</b>	<b>165.0</b>
<b>Dothan</b>	38,700	89,267	71,413	485	5,821	23,283	<b>166.2</b>	<b>167.4</b>
<b>Florence</b>	37,800	87,392	69,913	475	5,699	22,794	<b>165.8</b>	<b>191.6</b>
<b>Gadsden</b>	34,900	66,333	53,067	360	4,325	17,302	<b>201.7</b>	<b>186.2</b>
<b>Huntsville</b>	52,100	101,422	81,137	551	6,613	26,454	<b>196.9</b>	<b>206.4</b>
<b>Mobile*</b>	37,600	112,138	89,710	609	7,312	29,249	<b>128.6</b>	<b>136.4</b>
<b>Montgomery</b>	43,700	93,500	74,800	508	6,097	24,387	<b>179.2</b>	<b>166.4</b>
<b>Tuscaloosa</b>	39,800	115,633	92,507	628	7,540	30,160	<b>132.0</b>	<b>133.1</b>
<b>Baldwin County</b>	37,600	133,717	106,973	727	8,719	34,877	<b>107.8</b>	<b>118.8</b>
<b>Cullman County</b>	35,300	92,333	73,867	502	6,021	24,083	<b>146.6</b>	<b>130.5</b>
<b>Lee County</b>	42,000	124,533	99,627	677	8,120	32,482	<b>129.3</b>	<b>132.0</b>
<b>Marshall County</b>	35,500	77,467	61,973	421	5,051	20,205	<b>175.7</b>	<b>195.2</b>
<b>Mobile County*</b>	37,600	90,558	72,447	492	5,905	23,620	<b>159.2</b>	<b>160.2</b>
<b>Tallapoosa County</b>	35,200	119,042	95,233	647	7,762	31,049	<b>113.4</b>	<b>108.2</b>
<b>Walker County</b>	31,000	79,250	63,400	431	5,168	20,671	<b>150.0</b>	<b>173.3</b>
<b>Statewide</b>								
<b>Average</b>	39,207	95,748				25,577	<b>153.3</b>	<b>155.2</b>
<b>US Average</b>	44,675	131,100					<b>130.7</b>	<b>134.6</b>

Source: The Alabama Real Estate Research and Education Center, Culverhouse College of Commerce and Business Administration, The University of Alabama. 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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