Montgomery

The federal government sector, centered around Maxwell-Gunter Air Force Base, lent stability to the Montgomery metro economy during 2009, while favorable consumer opinions of Hyundai vehicles made in the area as well as innovative marketing helped the automaker fare better than most. However, the area fell into the jobs recession at the same time as the state in June 2008 and most sectors saw employment dwindle during the year ending in October. Overall, nonagricultural employment fell by 6,000 (-3.3 percent) to 173,900. Goods producing industries lost 2,700 jobs, about 10 percent of their October 2008 total; construction shed 1,000 workers and manufacturing cut 1,700 during the 12 months. Service providing businesses dropped a total of 3,300 jobs (-2.2 percent); the largest declines were in professional and business services (1,000), retail trade (800), leisure and hospitality (600), and financial activity (500). Falling revenues hurt state government services, with employment in the metro that includes the state capitol sliding by 400.

Montgomery’s workforce contracted by almost 6,700 residents between October 2008 and October 2009, a 3.9 percent decline that was steeper than Alabama’s 3.4 percent decrease. Total employment fell by around 13,200 (-8.1 percent) during the 12 months, pushing unemployment up from 5.8 percent to 10.0 percent, ranking in the middle of the metros. Although the current dollar value of goods and services produced in the area increased an above-average 4.0 percent in 2008, GDP growth of 40.5 percent between 2001 and 2008 was weaker than the state-average 43.3 percent. At 18.5 percent, the share of output generated by goods producing industries in 2008 was third lowest among the metros, while the 23.6 percent coming from government was tied for third highest. Construction activity has fallen 18.0 percent over the last two years. Output from the Montgomery area’s manufacturing sector climbed 77 percent during the period from 2001 to 2008, which includes production start-up at Hyundai and supplier firms.

Even with the automotive sector, manufacturing contributed just 10.0 percent of Montgomery area jobs in October 2009 and 12.7 percent of 2008 GDP. After slumping early in the year, sales of Hyundai’s locally-produced Sonata sedan and Santa Fe SUV began to pick up in August and the plant moved from a three-day work week back to a five-day schedule. Total production passed 20,000 in September for the first time since 2008; demand for the Santa Fe rose more than 50 percent in September and 70 percent in October compared to a year earlier. Sales of the 2010 Sonata were strong toward year-end, with fleet purchases an important part of demand. Daily production ramped up to 1,000 vehicles per day in November, but dropped somewhat in December as the plant shifted Sonata production to the redesigned 2011 model. The plant’s one- millionth vehicle rolled off the assembly line at the end of November. A second engine plant that opened in Montgomery in 2008 is supplying the new Sonata model’s 4-cylinder engines, while the original 6-cylinder factory is making engines for both the Santa Fe and the 2011 Kia Sorento, being produced just over the east Alabama state line in West Point, Georgia. The company is extending through 2010 the successful Hyundai Assurance Program that lets a
buyer or lessee return a new vehicle for up to a year if they lose their job; the campaign earned Hyundai Advertising Age’s Marketer of the Year award.

International Paper is investing $40 million to rebuild one of the recovery boilers at its Prattville mill. Other Montgomery area developments in 2009 include an expansion at Hager Hinge that will add 40 jobs and a $3.7 million investment at Elmore County’s Neptune Technology Group. However, SABIC Innovative Plastics cut 53 workers at its Burkville plant in March, while Prattville’s Continental Eagle, co-founded 177 years ago by Daniel Pratt, announced plans to move the cotton gin manufacturing operation to India. While Wetumpka lost its Fruit of the Loom carpet yarn plant in the spring, a new gelato manufacturing and distribution business was established in the city. Montgomery’s distribution focus grew with the March opening of Turennne PharMed-Co’s headquarters and medical supply distribution operation in Montgomery Industrial Park.

Montgomery’s banking sector was shaken by the mid-August failure of Colonial BancGroup, the third largest state-chartered bank with $25 billion in assets. Colonial’s down-fall was the largest bank failure in the nation in 2009 and the first in Alabama since 1992. FDIC regulators seized the bank and sold it to North Carolina-based BB&T for a seamless transition that allowed customers to continue to access accounts and services. BB&T agreed to purchase about $22 billion of the assets and assumed the $20 billion in deposits; the failure cost the FDIC’s Deposit Insurance Fund an estimated $2.8 billion. While most direct customer contact Colonial employees were able to keep their jobs, some of the 1,000 Montgomery headquarters workers in administrative and support jobs were let go with severance pay and job-search assistance.

Employment in the metro’s retail sector fell by 800 during the year ending in October, although general merchandise stores added about 100 employees. Prattville continued to see retail development, adding The Exchange to the shopping cluster north of Montgomery along Cobbs Ford Road that includes Prattville Town Center and High Point Town Center, home to a Bass Pro Shops. High Point added several shops and restaurants during the year, but its anchor space is full so larger stores turned to The Exchange in 2009. Both Hobby Lobby and Academy Sports and Out-doors opened there in the fall and a Kohl’s is slated for completion in the fall of 2010. Academy Sports also completed a Montgomery location near the Shoppes at East-Chase in the summer. Serra will open a car dealership for Indian-made Mahindra vehicles in the city. Retail vacancies grew, however, as bankrupt national retailers pulled out. The City of Montgomery has seen sales tax revenues slip over the last several years as Prattville’s retail growth provides convenient shopping for some residents. Barnes and Noble closed its store at the declining Montgomery Towne Center in June and efforts to redevelop shuttered Montgomery and Normandale Malls were on hold. Office and retail space was completed in Montgomery’s Hampstead development early in the year.

The metro area benefitted from tourism dollars generated by the Navistar LPGA Classic, held at Prattville’s Capitol Hill course (part of the Robert Trent Jones Golf Trail) in September; the tournament will return in 2010. Montgomery played host to the 22nd Air Force Information Technology Conference that drew about 6,000 in late August. Montgomery’s downtown development and revitalization continued, with a pedestrian bridge that will complete the
intermodal project and link the riverfront observation tower to the intermodal facility. Autauga County’s construction of a sewer system to serve the new Marbury High and Pine Level Elementary schools could spur residential growth. Continuing revitalization efforts in west Montgomery include the city-led Lanier Place subdivision project and replacement of Tulane Court with a modern housing and retail development. As part of the West Montgomery Initiative, the city purchased land for a new park on Fairview Avenue. Population in the Montgomery metro as a whole was unchanged in 2008, with losses in Montgomery and Lowndes counties matching population gains in Autauga and Elmore.

With a strong base in state government, Maxwell-Gunter Air Force Base, and Hyundai, Montgomery’s commercial real estate market fared relatively well in 2009. The primary weakness was in the banking sector, where the collapse of Colonial BancGroup could add to vacancies created by the earlier merger of Regions and AmSouth banks. Tight lending conditions also contributed to vacant warehouse space. Residential real estate did not fare as well—permits for single-family home construction fell 36.8 percent to just 304 for the first 10 months of 2009 compared to the same period in 2008 and there continued to be very few permits issued in the multi-family market. The total number of homes sold was down an above-average 19.3 percent year-over-year. House prices measured by the FHFA House Price Index dropped 2.2 percent during the third quarter of 2009 and 2.0 percent compared to a year earlier, second highest among the state’s metros.

Bank deposits at FDIC-insured institutions increased a strong 13.1 percent for the year ending on June 30—prior to the Colonial failure. The number of banks rose by two to 22, although branches fell by two to 113. Per capita income growth of 5.0 percent in 2008 compares to a state-average 2.7 percent gain; at $35,845 the area ranked third. Median family income increased by a below-average 2.3 percent to $57,700 in FY2009. Average annual wages of $35,860 in 2008 were 99.1 percent of the state average.