Alabama Economic Outlook 2012

Montgomery

The Montgomery economy struggled somewhat in 2011 to extend the recovery, despite some bright spots. Mirroring a situation playing out in many areas of the country, stagnant or shrinking employment in federal, state, and local government meant that these sectors did not provide as much stability to the Montgomery labor market as in past years. Nonfarm employment in the metro area continued to fall, totaling 165,100 in October 2011, a 1.7 percent drop from the previous year. Virtually all of these losses occurred in goods-producing sectors, as services (excluding government) actually added 300 jobs during the year. State government, the area’s largest employer, lost 400 area jobs over the 12-month period, most of which were in the Mental Health and Agriculture and Industries departments.

Although the area struggled to create jobs overall, Montgomery’s labor force expanded slightly in 2011. The labor force totaled 168,392 in October, a 0.9 percent increase from 2010. The number of employed Montgomery area residents grew by 0.8 percent; this resulted in a slight increase in the unemployment rate, from 8.8 percent to 8.9 percent. Forecasts for 2012 predict a better year for the local economy than 2011. Employment is expected to rise 1.4 percent, a higher growth rate than most of the state’s metro areas, while GDP is forecasted to increase by a best-in-state 3.9 percent.

Hyundai Motor Manufacturing Alabama, the anchor of the local manufacturing industry, continued a strong pace of production at its Montgomery plant. It set a monthly record in April, producing 31,730 vehicles, and stayed near this pace throughout the year; its production total of 317,000 vehicles through November actually exceeds the nameplate annual capacity of 300,000. The plant also completed renovations—aided by state, city, and county grants and tax abatements—which will enable it to produce the 1.8-liter Nu engine for the Elantra, a move which is expected to result in 200 new jobs. Sales of the Sonata and Elantra were expected to break annual records, boding well for the plant’s future. In addition, Hyundai Heavy Industries opened its power transformer plant near Hope Hull, a $108 million investment that is expected to create 500 jobs. In spite of these successes, the manufacturing sector lost 1,300 jobs during the year, falling to 15,500 workers overall.

Despite struggles in other areas, retail employment grew in 2011, adding 300 jobs for a total of 18,600 in October 2011. Montgomery’s sales tax revenues were up for fiscal year 2011, and several new retail businesses opened in the area during the year. Fresh Market moved to a larger space in a former Bruno’s grocery store on Perry Hill Road in east Montgomery and Edible Arrangements and The Egg and I restaurant opened nearby at Zelda Place. Southern Trails, an outdoor store, opened downtown. In far east Montgomery, a Yankee Candle store and a DSW shoe warehouse opened at the Eastchase development. The leisure and hospitality sector added 100 jobs, as a new Holiday Inn opened in south Montgomery, and a Holiday Inn Express was announced for Prattville. Rehabilitation of the old Montgomery Mall in southeast Montgomery began after a couple of years of dormancy. A church took over a former department store, while the city of Montgomery purchased another property in the mall, slated to become a fire station and police substation. The Keith Corp. of Charlotte, N.C. signed a purchase agreement for the rest of the mall in the first half of 2011, and plans to repurpose the existing structure as a medical mall. In west Montgomery, the city implemented tax incentives for the I-65 corridor, intended to stimulate development in that area.

Work on the first segment of the I-85 extension, which will eventually provide a route south of the city to I-65, was set to begin at year’s end near Pike Road. The four-mile segment, which will extend from the current I-85 to Vaughn Road, will be complete in 2014. Pike Road took a step toward its continued development by passing a tax increase which will fund a new school system. As development continues in this area, the City of Montgomery also
approved a site for a long-discussed new high school in east Montgomery, and took out a $15 million loan to pay for its construction.

The government sector, which provides 26.7 percent of local employment, reduced its workforce by 1.2 percent over the past year. State government lost 400 jobs, while the federal government lost 100 and local government employment was unchanged. Though state tax revenues increased by nearly 5 percent overall in 2011, fiscal challenges remain. The state entered into a public-private partnership with the city, county, and Kiwanis Club to keep Garrett Coliseum operating beyond October, when state funding was to run out. Officials say this move will make time to plan for renovations at the aging facility. The federal government continued to have a large presence, with 7,200 employees in the area, many of whom were at Maxwell Air Force Base. Montgomery is currently the headquarters for the Air Force Program Executive Office for Business and Enterprise Systems, and hosted the Air Force Information Technology Conference in August.

The City of Montgomery was very active in downtown development in 2011. The city sold several properties on Dexter Street that are now slated for redevelopment by private individuals or entities. Rehabilitation of multiple properties in this area is currently underway. One will be a restaurant while another will include 30 residences, a performance venue, a bar, and a restaurant. A request for proposals for redevelopment of a property overlooking the Alabama River on Maxwell Boulevard resulted in plans for a mixed-use development on the property. While still in the planning stage, the development is expected to be six stories tall and include residences and retail. The city is offering sales tax incentives to try to lure a grocery store downtown and is also actively seeking residential development; a study by Zimmerman/Volk Associates suggested the market will support additional units in the downtown area. In addition, the city is currently constructing a retail incubator downtown, which will allow businesses to evaluate the location on a short-term basis. It also finished construction on a park adjacent to the Renaissance Hotel and Montgomery Convention Center, occupying part of an existing parking lot.

The suburb of Prattville remained a major contributor to the local economy in 2011. Medline, a medical supplies manufacturer and distributor, opened a distribution center in Prattville in October, which created 50 jobs. The Navistar LPGA golf tournament was also held at Capitol Hill, generating an estimated $7 million economic impact; it will return in 2012.

As in many of the state’s metros, housing market activity once again slowed in 2011, after slight improvement the previous year. Building permits for 256 single-family units were issued in the area, compared to 338 the year before. Multi-family permits fell even further, and totaled just 51, as one development completed in early 2011 accounted for much of the total in 2010. Total home sales through three quarters fell 17.8 percent to 2,103, the largest decline of any Alabama metro area. Home prices also saw a significant decline; the 5.5 percent drop in the FHFA House Price Index during the year from third quarter 2010 to third quarter 2011 was the second highest of any Alabama metro area. These declines occurred despite the population of the metro area growing 0.9 percent from 2009 estimates, to 375,284 in July 2010. Most housing development in the metro area was in far east Montgomery or Prattville. Several new homes were constructed at The Waters in Pike Road, and over 140 lots were purchased during 2011 at Bon Terre, also in Pike Road.

Bank deposits in the Montgomery area recovered significantly in 2011, after Colonial Bank failed in the prior year. Total deposits were $7.21 billion, a 22.9 percent increase from 2010. Median family income for the metro area was $59,300 in FY 2011, a 0.2 percent increase from 2010. Per capita income increased 1.5 percent to $35,888, but the gain lagged the state’s per capita income growth rate of 2.6 percent.