Despite a cloud of uncertainty concerning cutbacks in U.S. defense spending and NASA funding during 2012, the Huntsville metro saw numerous developments in its defense and aerospace research and development and support clusters. Firms opened new offices in the area to support the many military installations now at Redstone Arsenal and the ongoing initiatives at NASA’s Marshall Space Flight Center (MSFC).

Although some existing companies added employees, a cautious attitude in the business community generally restrained job growth and investment during the year. Business optimism in the Huntsville area, measured by the Center for Business and Economic Research (CBER)’s Alabama Business Confidence Index™ (ABCI) was below that of the state and other major metros during all four quarters of 2012. Gloominess about prospects for the national economy clearly dampened the confidence of Huntsville business executives throughout the year. The weakest area ABCI reading for 2012 was 44.3 on the fourth quarter survey, when respondents expected sales, profits, hiring, and capital spending all to trend lower than in the previous quarter.

The Huntsville area’s economy was resilient—nonfarm employment grew by 4,300 between January and October 2012 to total 207,300. However, job growth over the 12 months ending in October was a more muted 400 positions and the metro still needs to add 7,200 jobs to bring nonfarm employment up to the 214,500 seen in October 2008. Most of the net job gains since October 2011 were in service industries, particularly professional and business services which added 1,500 workers through October 2012, including 900 at professional, scientific, and technical services firms. Education and health services and the leisure and hospitality industry each added 400 jobs, while businesses in the other services category created 200. Job losses were concentrated in manufacturing (1,100), particularly computer and electronic products which shed 700, and retail trade (600). Federal government employment declined by only 100 during the 12 months.

Total employment of Huntsville metro area residents rose to 199,055 in October, with the addition of almost 1,250 workers amounting to a 0.6 percent increase. Since the civilian labor force expanded by only about 300, the unemployment rate fell from 7.1 percent in October 2011 to 6.7 percent in October 2012, tied for lowest among the state’s 11 metros. A CBER survey found 24.8 percent of area workers to be underemployed in 2011. Applying this to October 2012 labor force data indicates that an estimated 49,411 Huntsville workers were underemployed.

Adding in the 14,219 unemployed in October, the area’s available labor pool was around 63,630 residents—a sizeable number of potential employees for new and expanding businesses. CBER forecasts have nonfarm employment in the Huntsville metro growing by 0.8 percent in 2013 with area GDP increasing 2.2 percent. Recognizing the unique economic strengths of the area, FDI picked Huntsville as its #5 top North American Small City of the Future for 2012.

At 20,800 manufacturing employment in the Huntsville metro accounted for 10.0 percent of nonfarm jobs in October; below the statewide average of 13.0 percent. Among major developments during 2012, Carpenter Technology broke ground on its $500 million specialty alloys manufacturing facility in Limestone County. The plant could employ around 200 when complete late in 2014. Another new industry in Limestone County, aviation parts producer Advanced Technical Manufacturing, planned to invest almost $1 million and hire 35. Existing manufacturers Steelcase and Federal Mogul added jobs, while Electricfil undertook a $9.2 million expansion that will create about 200 jobs. And plans moved forward during the year for a $32 million oil re-refining operation by Alabama Green Lubricants LLC. While the large industrial site near Tanner considered by Volkswagen no longer has TVA megasite status, Huntsville area development officials have been working toward having the 1,500-acre Sewell farm in Limestone County declared a megasite.

Major developments in Madison County’s manufacturing industry in 2012 included an $80 million expansion for V6 engine production by Toyota Motor Manufacturing Alabama that will create 125 jobs. Raytheon’s over $75 million Missile Integration Facility

The underemployment rate is based on 2011 underemployment data collected by The University of Alabama’s Center for Business and Economic Research. Applying this rate to October 2012 labor force data results in an estimated number of employed residents who were underemployed. Totaling unemployed and underemployed residents gives a more realistic measure of the available labor pool in a metro area. Prospective employers must be able to offer the underemployed higher wages, better benefits or terms of employment, or some other incentives to induce them to change jobs.
and Test facility on Redstone Arsenal opened in late November. The company saw several successful tests of the Standard Missile-3 (SM-3) Block 1B interceptor and was awarded a $925 million contract by the Missile Defense Agency (MDA) for the SM-3 Block IIA missile as well as a $230 million contract for several versions of the SM-3; these and the SM-6 will be produced in Huntsville. The first missiles from the plant are expected to be delivered early in 2013. Futaba Corp.’s $8.7 million expansion of its electronic circuit assembly plant will create 40 jobs. However, local soft drink producer Big Springs discontinued production in late summer, idling 87. But the sale of DVD manufacturer Cinram to a private in-vestment firm should help preserve 1,600 jobs. According to Graham & Company, industrial vacancies in the Huntsville market area rose to 12.3 percent in 2011 with several large buildings for sale, including the former Continental Automotive plant.

Although all BRAC-mandated moves to Redstone Arsenal were completed in 2011, development at the base continued during 2012. The new Redstone Tactical Test Center was completed during the year. Ground was broken in mid-2012 for the FBI’s Terrorist Explosive Devices Analytical Center that will be moving from Quantico, Virginia to join other antiterrorism agencies at Redstone. The former home of the 59th Ordnance Brigade and School is being repurposed as the Logistics Support Activity Lead Army Materiel Command Integration Support Office. Currently under construction, the $59 million fourth wing of the Von Braun IV complex will house about 850 MDA employees when it opens in the fall of 2014.

Huntsville’s Cummings Research Park, now the nation’s second largest, turned 50 in 2012. Area professional, scientific, and technical services businesses managed to add a modest number of jobs during the 12 months ending in October 2012, despite uncertainty about federal budgets and potential defense spending cuts that remained unresolved until yearend. Foreign military sales, which included more than $17 billion in orders for missiles through 2015, are helping companies continue research and development activities. Large aerospace and defense contractors with offices in Huntsville saw a number of contract awards for new and continuing projects. Boeing, which celebrated 50 years in Huntsville, continues to develop and sustain the Ground-based Midcourse Defense (GMD) System with its Northrop Grumman partner following a $3.48 billion contract award at the close of 2011. Other Boeing contracts during 2012 with work in Huntsville included a renewed agreement for work on Israel’s Arrow missile defense system; as well as research and development in competition with SpaceX, Sierra Nevada, and Blue Origin to lead NASA’s commercial space taxi project. Boeing will relocate its Huntsville workforce to the first three buildings in the new Redstone Gateway, moving into the first building by Spring 2013 and into the next two early in 2014.

Lockheed Martin, which added 100 jobs with the concentration of its Targets and Countermeasures division in North Alabama and relocation of a development lab from Denver, received a contract for the Extended Technology Development Phase of the Joint Air-to-Ground Missile. Further workforce additions are possible pending successful competition for MDA’s Medium Range Ballistic Missile Targets contract. However, a potential decision by the United States not to complete their obligation to the Medium Extended Air Defense System (MEADS) could impact Lockheed Martin employees in Huntsville. Northrop Grumman received a $122 million contract as part of the Counter-Rocket Artillery and Mortar (C-RAM) project run through Redstone Arsenal.

The Dynetics Solutions Complex that opened in the spring increases the Huntsville-based company’s capabilities for research, development, and production for aerospace, cyber, and defense products as well as high-tech prototyping, including work on the Stratolaunch aircraft launch system. Dynetics also unveiled its new airport surveillance sensor and plans to add 250 to 300 jobs through 2014. Huntsville’s Torch Technologies was awarded a Navy SeaPort Enhanced prime contract valued at over $48 billion and five competitive task orders for $46.7 million under the Missile Defense Agency’s Engineering and Support Services. An Army Sustainment Command EAGLE agreement with LogiCore offers a task order valued at up to $23 billion for logistics, materials maintenance, supply services, and transportation support services. Other defense-related awards to local firms included a $300 million Air Force cyber security contract with Radiance Technologies, Qualis’ receipt of part of a $77 million five-year contract for services with the Air Force operational test and evaluation center, and a contract of up to $120 million for radar testing by deciBel Research. Johnson Controls BAS is part of a 10-contractor team sharing a $375 million contract for security and control systems; a $31 million contract will support Aegis Technologies’ upgrade of helicopter simulators at Fort Campbell, KY.

NASA and its Marshall Space Flight Center continue to work on the next generation of space flight. A basically flat budget was good news as the agency moved ahead on projects including a new
space launch system, partnerships with commercial space companies, and a strategy to explore MARS. Connections between Huntsville’s defense and aerospace research initiatives are exemplified by the Space and Missile Defense Command and the growing needs of a smaller Army for space and cyberspace capabilities. As it moves into new frontiers, NASA was taking proposals for up to $200 million for research on reducing the risks associated with new heavy-lift rocket boosters. During 2012 the Space Launch System program was approved to move to the preliminary design phase—ATK will work on testing parts of the system at MSFC under a $50 million contract award, while Dynetics’ $73.3 million award involves testing for the F-1 rocket engine. United Launch Alliance (ULA) moved closer to having its Atlas V rocket qualified to transport astronauts—both Boeing and Sierra Nevada are proposing to use the Atlas V as the launch vehicle for crew-carrying.

Huntsville’s Teledyne Brown Engineering received a cooperative agreement for work with NASA on growing commercial utilization of the International Space Station and to provide a commercial imaging system onboard.

Companies new to the Huntsville area during 2012 included Sierra Nevada, which provides services to NASA, the Army, and the Space and Missile Defense Command, and is vying to provide space taxis for astronauts to the International Space Station. The emphasis of USfalcon’s Huntsville office will be work on a Missile Defense Data Center contract, while Intelligent Decisions is now positioned in Huntsville to better serve defense needs for technology systems integration. Cleveland-based Alphaport opened an engineering services office; EnGenius Consulting Group moved its corporate headquarters from Atlanta; GeoCent will create about 100 jobs with the establishment of its Engineering Service Sector in Huntsville; and LMI, which purchased local company Belzon, is setting up headquarters for its new Southeast region.

Other companies moved or expanded. AAI and Bell Helicopter opened the Textron Systems Integration and Collaboration Lab, Systems Products and Solutions moved into a new headquarters, MJLM added a new site in Jetplex Industrial Park, and Krotos Defense and Security Solutions opened its second building in Cummings Research Park. Also during 2012, Science and Engineering Services (SES) expanded into a new hangar facility at the Huntsville airport, while SAIC opened a facility in Alabama Robotics and Technology Park. Both Sentar and PPT Solutions announced expansion plans during the year. Among area companies planning new facilities, Integraph will build a $58 million headquarters on its current campus and Wyle’s CAS Group is working on an $18.7 million building in Cummings.

A growing biotech research and development cluster is helping diversify the defense- and aerospace-heavy focus of research and development in the Huntsville area. The HudsonAlpha Institute for Biotechnology broke ground on its third building in a continuing partnership with the state of Alabama as it expands to keep up with interested new companies. Companies moving into the Institute during 2012 included Transomic, providing next-generation genetic tools; and Kirchner Food Security Group and Kirchner Private Capital Group, using genetics in agricultural research. Other areas of emphasis in the Huntsville area include cyber security, clean energy, geospatial technology, robotics, and the contract management and logistics focuses of the Army Materiel Command. The University of Alabama in Huntsville (UAH) was re-designated as a national center of information systems security education, in partnership with the National Security Agency and the Department of Homeland Security. And Geo Huntsville is encouraging cooperation among around 50 private companies, 15 government agencies, and three local universities involved in geospatial work.

Healthcare options expanded with the opening of the $71 million Madison Hospital in the first quarter of 2012; the hospital provides 60 beds and employs more than 300. The new hospital is managed by nonprofit Huntsville Hospital which expanded its reach in North Alabama, assuming management of Lawrence Medical Center and Decatur General Hospital. A three-story medical office tower was completed in Madison late in the year. Athens-Limestone Hospital, also under Huntsville Hospital management, completed emergency room renovations and will begin work on a $9.3 million 40-bed long-term acute care hospital. An expansion of UAB’s medical residency program with Huntsville Hospital will add 24 residents in internal medicine, further helping address the shortage of primary care physicians in North Alabama.

In other services-related activity during 2012, Huntsville International Airport completed a $92 million expansion project with the opening of a new baggage claim area in late November. But service from AirTran Airways ended in August and the airport continues to seek another low-cost carrier. Air cargo was up 32 percent in 2011 as Panalpina added to its U.S. freight network that operates out of Huntsville. Lodging options in the area grew with the opening of Holiday Inn Express and Suites in Madison and
SpringHill Suites by Marriott in the Village of Providence. The Four Points by Sheraton Huntsville Airport and Radisson Huntsville Airport underwent renovations, while the Radisson Suites Hotel on South Memorial Parkway is being redeveloped as a DoubleTree Suites by Hilton. Fairfield Inn and Suites in Athens and Home 2 Suites by Hilton and Hampton Inn and Suites near Bridge Street Town Centre are slated to open this year. Bank deposits in the Huntsville metro totaled $6.6 billion in June 30, 2012, down 3.3 percent from a year earlier.

Although employment fell, there were numerous developments in the Huntsville metro area retail sector during 2012. Graham & Company reported a retail vacancy rate of 9.9 percent at the end of 2011, down from 10.8 percent in 2010; several projects completed in 2012 are contributing new space and using the old. The Shoppes of Madison opened in March with Target, AT&T, Petco, Ross, Dollar Tree, Kinnucan’s, Maurice’s, Rack Room Shoes, Kay Jewelers, and a number of service businesses and restaurants. Construction was underway on Medical Park Station near Madison Hospital, a retail and medical office development, including as tenants Taziki’s Mediter-anean Café, Sprint, and Mattress Firm. A Dunkin Donuts also opened in Madison.

Huntsville’s Bridge Street Town Centre added Panera Bread; Bed, Bath & Beyond; and H&M during the past year. Other additions included Brookstone, Mattress Firm, and Bar Louie; a planned expansion will create space for Belk and other retail stores and restaurants. The North Memorial Parkway area added a Dunkin Donuts, Five Guys Burgers & Fries, and Mapco Mart, while Oakwood Village gained Improv Entertainment & Restaurant and a Roses store. A Walmart opened in the new Colonial Promenade on U.S. 72 in the fall, hiring 300; additional retail and restaurants are slated to open there in 2013. The former Barnes and Noble space on University Drive was repurposed as a HomeGoods store. Other restaurant additions included Zoe’s Kitchen and Shane’s Rib Shack in the Village at Whitesburg, Chipotle Mexican Grill on University Drive, and Texas Roadhouse on U.S. 72.

BRAC relocations coupled with new and expanding professional, scientific, and technical service firms helped draw 6,100 new residents to the Huntsville metro during 2011, boosting population 1.5 percent to 425,480. Home sales picked up in 2012, climbing 11.4 percent to 4,737 for the first 10 months of the year compared to the same period in 2011. Prices in third quarter 2012 were up a slight 0.2 percent over the third quarter of 2011, with the FHFA House Price Index level with its prerecession reading. The almost 1,600 single-family building permits issued during the first nine months of the year was about the same as in 2011. However, multi-family housing activity picked up from just a few units in the first three quarters of 2011 to 312 units permitted in 2012. In single-family housing, Huntsville’s Village of Providence will add 460 homes. Madison annexed land for the 53-home Belmont Place subdivision, while the 35-lot Greenway Park in southeast Huntsville was approved. Subdivisions under construction in the Limestone County portion of Huntsville included Olde Cobblestone, Westlake, and The Preserve at Limestone Creek.

Apartment development surged in 2012 with 4,033 apartments completed, in progress, planned, or under consideration during the year. A Rock Apartment Advisors survey estimated area occupancy at 92.9 percent in June. Eagles Landing put 64 new units on the market in 2012, while the Belk-Hudson Lofts offered 75 units in downtown Huntsville, and the first of 226 units in Providence Place were completed. Most apartments under construction during the year will be available in 2013 including 136 units at Emerald Ridge, the first 36 units of 528 planned at Limestone Creek, and Phase I of the 228-unit Addison Park. There were several developments completed or under construction for residents 55 and older including 60 apartments at French Farm Villas in Athens, 54 at The Commons, and 56 in Franklin Hills. A $100 million public/private redevelopment of the former Council Courts public housing site near Huntsville Hospital as Twickenham Square will include 246 apartments, a Publix supermarket and other retail, a Homewood Suites by Hilton, a five-story office tower, and a 920-space parking garage.

After sustaining serious damage from the April 2011 tornadoes, the Huntsville metro area was hit by storms and tornadoes again in March 2012, with almost 130 homes in Limestone and Madison counties destroyed or heavily damaged. In quality of life developments, Madison’s new James Clemens High School opened in the fall; the downtown Madison area saw streetscaping, additional parking, and the first new building in recent years. A new study on Huntsville’s young professionals completed during 2012 provides the city with a basis for decisions about downtown development and housing, transportation, assistance for start-up entrepreneurs, and other initiatives that will attract the needed workforce. Kiplinger’s Personal Finance named Huntsville #3 Best Cities for Professionals in its 2012 rankings, while Forbes chose Huntsville as one of the world’s 10 smartest cities.
New facilities were added in Huntsville’s Burritt Museum, Veterans Park, and the Botanical Gardens, and the city moved forward with plans for John Hunt Park. Fire stations opened in Huntsville and Madison during the year. The Huntsville area ranked first among the state’s 11 metros with a 2011 average annual wage of $49,070 and FY2012 median family income of $71,700; per capita income of $40,126 in 2011 ranked second.