



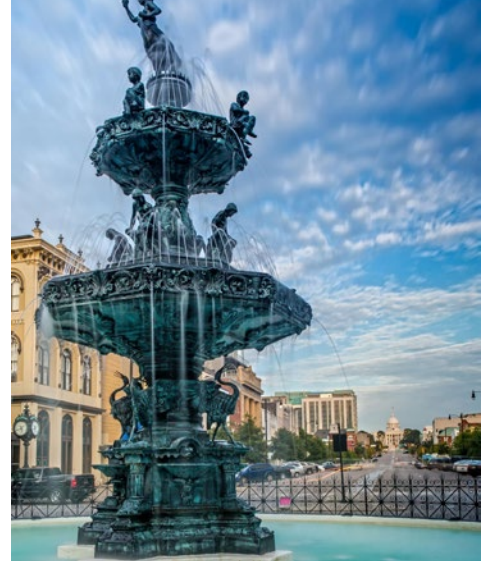
Montgomery, Alabama

Market Report

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OVERVIEW



When choosing a market in which to invest, whether you're picking stocks, precious metals, commodities, or real estate assets like residential rentals, you want to check a few boxes. You want an asset that is going to defend and grow your wealth, and ideally face as little competition as possible.

One mistake often made by investors in the real estate space is believing that high-dollar equals growth, and long term portfolio protection.

As we've seen in the past year, that's not always the case. Smaller, inland markets are growing at phenomenal rates, and low cap rate areas like Manhattan and San Francisco are seeing valuations plummet, rental incomes collapse. This is in addition to substantial new market and regulatory risks introduced by local authorities.

If you're looking for a market that isn't overbought, and has many of the solid fundamentals found in high-cost major metros, we would suggest taking a look at Montgomery, Alabama.

Montgomery, Alabama is a fast growing metro area and the capital city of the state of Alabama. This idyllic city is the state capital of Alabama and sits beside the Alabama river in South-Central Alabama, sitting roughly halfway in between Birmingham to the north and Mobile to the south.

The city is the 2nd largest in the state, with only Birmingham sitting above it in terms of total population. It boasts a diverse employment base, including employers such as Maxwell Gunter Air Force Base, Baptist Health, Hyundai America, and several other large-scale employers. It is also considered to be one of the **50 best cities for renters in the United States, according to WalletHub** - this is primarily due to its excellent price-to-rent ratio, which sits at 9.9% for Montgomery, compared to **19.5%** for New York City, **20%** for Seattle, and **20.3%** for San Francisco.

According to the US Census Bureau, Montgomery is now the **second-most populous city** in Alabama, behind only Huntsville. Over the past decade, the city's metro area has grown by about 3.1% and is now home to over 386,000 people.

U.S. News and World Report ranks Montgomery as the **#3 best place to live in Alabama** in 2022-2023, while Real Wealth Network places Montgomery among the **22 Best Places to Buy Rental Property** in 2023.

At a median listing price of **\$97 per square foot**, Montgomery's real estate is priced 83.3% below Seattle's median listing price of **\$581 per square foot**, 85.4% under New York City's median of **\$666 per square foot**, and 90.3% below San Francisco's median of **\$1,000 per square foot**.

ALABAMA

Despite ongoing inflation and macroeconomic uncertainty, the state's real estate market remains resilient. According to Alabama Realtors' Economic & Real Estate 2022 annual report, the state's total home sales volume hit **\$27.5 billion** in the past year—a 12.7% increase from 2020.

Roofstock ranks Alabama as one of the top **7 landlord-friendly states** in 2022 due to the state's property tax rate of 0.41%. That's the second lowest of any state in the country, behind only Hawaii.

Alabama is a top destination for relocation, with a high **inbound migration rate of 59.7%**. This stands in contrast to other states like New York and California, which are seeing outbound rates of 66.9% and 58.7%, respectively.

Alabama boasts a strong job market, with a low unemployment rate of just **2.8%** as of December 2022. That's 0.7 percentage points below the national average of **3.5%**. For this reason, U.S. News and World Report ranks the state among the **top 30 states for job opportunities**.

Alabama's economy is thriving, thanks in part to soaring export volume. The state exported **\$25.5 billion** worth of goods in 2022—47% more than in 2020. Transportation equipment was the top performer, accounting for \$11.4 billion of the state's total exports.

According to the Alabama Department of Commerce, the state attracted **foreign direct investment** (FDI) projects valued at \$2.6 billion in 2022. These projects are expected to generate more than 2,600 jobs.

MONTGOMERY

As a potential investment market, Montgomery has several things going for it. It's got a robust and diverse employment base, with some of the largest employers in the region coming from a wide variety of industries, from the **automotive sector** (Hyundai Motor Manufacturing Alabama, MOBIS Alabama) to **federal, state, and local government employers** (Maxwell-Gunter Air Force Base, State of Alabama) to **Insurance Services** (ALFA Insurance Companies) and **agriculture and poultry production** (Koch Foods). A variety of different employers helps protect the local economy (and real estate prices and growth) from a downturn in any one sector—just look at what happened to Detroit when auto manufacturing left.

Montgomery features a diverse economy, with the largest sector accounting for 24.4% of the city's workforce in the third quarter of 2022.

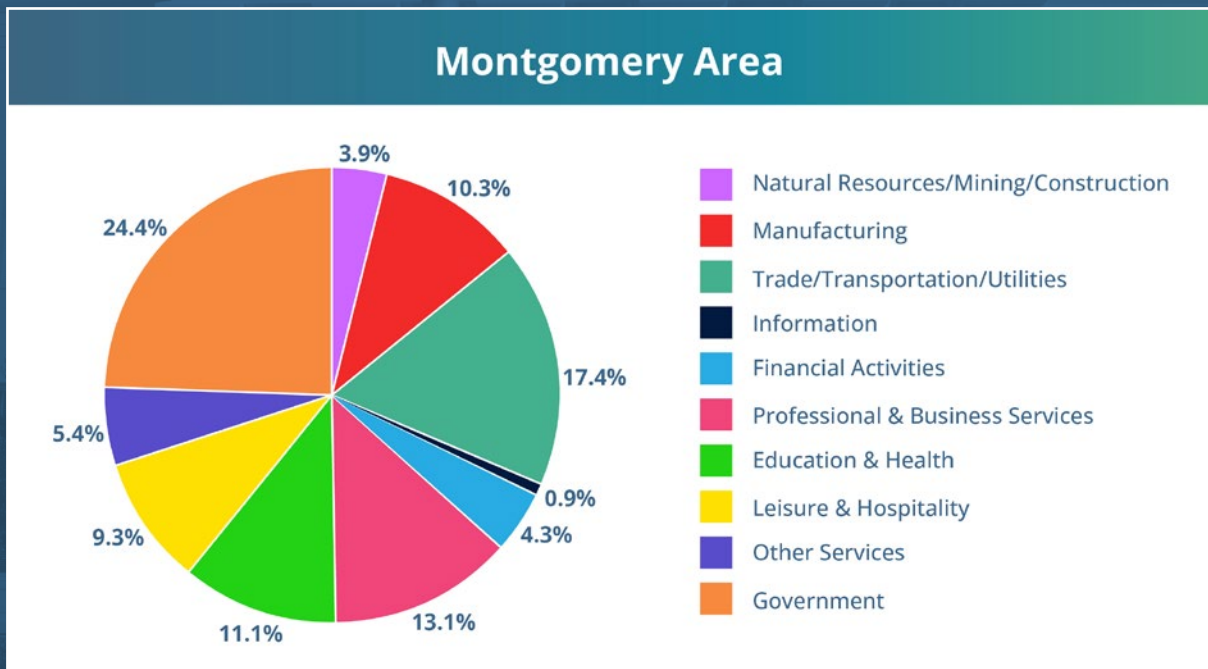
Montgomery's rental market is flourishing. As of February 2023, median rents for a three-bedroom home stand at **\$1,095**—a 4% increase over the previous year. This is 11.7% below the statewide average of **\$1,241**, and suggests that the city is poised for further rent growth.

According to the Montgomery Chamber of Commerce, the median family income in the city is **\$75,500**. Compared to the state's median family income of \$73,600, families in Montgomery earn \$1,900 more per year. Montgomery's per capita income stands at **\$30,100**. According to Zumper, **46%** of households in Montgomery are renter-occupied.

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Montgomery's real GDP notched a year-over-year increase of 4.1%, reaching **\$16.7 billion** in 2021. Economists expect that the metro area's real GDP will increase by 1.2% in 2023, indicating sustained growth.

In 2022, the city announced capital investments totaling **\$1.7 billion**.



THE BIG PICTURE: ALABAMA

Montgomery home values have increased by **9.9%** over the past year, based on a recent report by Zillow. Like much of the Southeast, the Montgomery market is seeing tremendous growth. Between the first quarter of 2000 and the third quarter of 2022, citywide home values have appreciated by 42%. That's an average annual appreciation rate of **1.58%**.

In January 2023, the median listing price for a home in Montgomery sat at **\$159,500**—a 2.9% increase over the past 12 months.

Real estate in Montgomery is 54% cheaper than the nationwide median of **\$213 per square foot**. For this reason, the city was ranked by Forbes as the 8th **most affordable city to buy a home**.

Just in the past year, rents in Montgomery have increased by over **10%**, with the average rent for a one bedroom apartment hovering at **\$751**.

Rentals in the city's most affordable areas—like South Montgomery and Forest Park—retail for between \$550 to \$700 a month. Meanwhile, rents in upscale neighborhoods like Old Cloverdale and Downtown Montgomery begin at \$1,000 and can readily stretch beyond \$1,500.

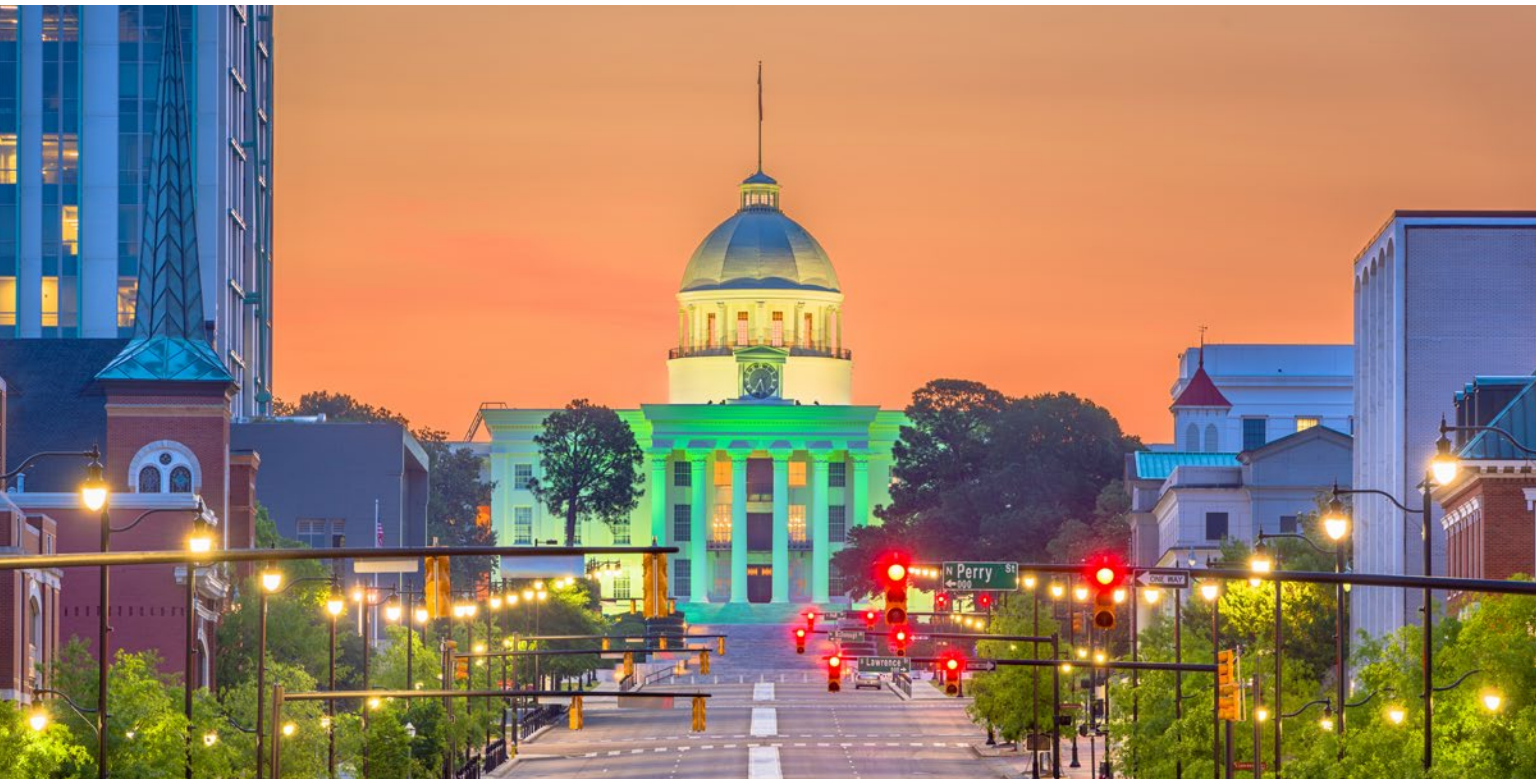


EMPLOYMENT: ALABAMA

As we mentioned above, the employment sector in Montgomery is fairly diverse, and includes automotive industries, government and military jobs, a thriving hospital and medical sector, as well as poultry production and agriculture. According to the U.S. Bureau of Labor Statistics (BLS), Montgomery's unemployment rate decreased from 3.2% in December 2021 to 2.5% in December 2022—or 0.8 percentage points below the national average.

According to the Center for Business and Economic Research at the University of Alabama's Culverhouse College of Business, Montgomery is expected to achieve 1.7% employment growth in 2023.

Sales taxes within the city are 10.0%, higher than the national average of 7.3%, and income taxes in the city are 5.0%, again, slightly higher than the US average of 4.6%. The average income of a single resident of the city is \$24,537 per year, slightly lower than the national average of \$27,861. The median household income in Montgomery is \$51,074 per year, while the national average is \$53,482 per year.



DEVELOPMENT IN MONTGOMERY



Montgomery's block-to-block **Downtown Action Plan**—a core component of the ambitious Envision Montgomery 2040 Comprehensive Plan—will diversify downtown and transform it into a tourist destination.

Exciting developments are taking place elsewhere in the city, such as the construction of the **\$75 million Montgomery Whitewater project**, which is set to open in summer 2023.

This new project will become the third Olympic-level pumped Whitewater park in the country.

Foreign companies have also launched projects in Alabama's capital, creating hundreds of new jobs for residents. Hyundai Mobis is constructing a \$205 million electric vehicle battery module plant that is expected to begin production in 2024 and employ 400 personnel.

Similarly, a subsidiary of Diageo announced its plans in November 2022 to build a \$415 million beverage manufacturing facility that will create 75 new jobs.

Private equity firm Manna Capital Partners is investing \$600 million to build a beverage park that will create 280 jobs upon opening in 2025.

FedEx Ground's \$52 million expansion of its distribution center and Premier Tech's \$33 million facility are anticipated to employ a grand total of 300 people once they both open in 2023.

CONCLUSION: WHAT'S IN STORE FOR MONTGOMERY?

Montgomery is one among many Southern and Southeastern cities that offer up excellent value for homebuyers and investors alike. Its excellent cost of living to income ratio, high rates of rental tenants, low unemployment rates, and growing and diverse economic base all point to a bright future for the city. The explosion in development, particularly in the downtown area, also bodes well for the future, and marks Montgomery as a market where investors may be able to benefit from steady income from tenant rentals in addition to potential appreciation value down the line.



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