



# TUSCALOOSA

MARKET REPORT

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# OVERVIEW

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Your experience in the real estate world has shown you how important your choice of market is when it comes to hitting your desired investment benchmarks. Markets with diverse employment bases, low unemployment rates, strong economic growth, and desirable cap rates scream “invest,” especially to the investor in it for long-term capital preservation and consistent year-on-year growth. Today, we’re going to look at one such market: Tuscaloosa, Alabama.

Tuscaloosa is known as “The Druid City,” because of the imposing water oaks which line downtown, planted in the 1840s. The city is the central hub for West Alabama, and is the leader in commerce, industry, healthcare, and education for West-Central Alabama. The Tuscaloosa Metropolitan Statistical Area includes Hale and Pickens counties in addition to the City of Tuscaloosa, and currently has a population of 208,000, with roughly 100,000 of those residents living inside the city itself. Despite headwinds created by COVID-19 and subsequent negative economic effects, Tuscaloosa remains a diverse economy with tremendous room for growth.

According to the U.S. Census Bureau, the Tuscaloosa Metropolitan Area has welcomed 29,000 new residents over the past 10 years. Today, it is home to over **268,000** inhabitants. About 37% of that population—over 100,000 people—reside in Tuscaloosa itself, making it the **fifth-largest city** in Alabama. Tuscaloosa’s real estate is priced far below that of other cities in the United States. With a median listing price of **\$154 per square foot**, homes in The Druid City are **73.2%** cheaper than in Seattle, **76.6%** more affordable than in New York City, and **84.6%** less expensive than in San Francisco.



# ALABAMA

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Alabama's real Gross Domestic Product (GDP) expanded by **1.2% and 3.9%** in the third and fourth quarters of 2022, respectively, as measured against the third and fourth quarters of the preceding year. Annually, the state's economy grew by 1.6% in 2022 and is expected to expand by a further **0.5%** in 2023. According to the Alabama Realtors' Economic & Real Estate 2022 Annual Report, the state's total home sales volume rose from \$24.4 billion in 2020 to **\$27.5 billion** in 2022—a 12.7% increase.

Though this is a 16.7% decline from the \$30.0 billion in volume transacted in 2021, it underscores the stability and attractiveness of Alabama's real estate market for potential investors. In 2022, Alabama experienced significant job growth, adding **54,100 new jobs**. The manufacturing sector produced nearly 20% of these new jobs, adding 10,400 positions.

Overall, Alabama's job market remains robust. As of March 2023, the Yellowhammer State boasts a seasonally adjusted unemployment rate of **2.3%**, down from 2.5% in February 2023. Notably, this is 1.2 percentage points below the national unemployment rate of **3.5%**. The United Van Lines 46th National Movers study ranks Alabama among the **top 10 inbound states for 2022** with a 58% inbound migration rate. This stands in contrast to other states like New Jersey and New York, which are seeing outbound rates of 67% and 62%, respectively.

According to the 2022 Alabama Economic Development Impact Report, the state's economic development projects have generated **\$10.1 billion in new capital investments** and over 13,000 jobs—exceeding the previous record, set in 2018, by 16%. Similarly, the value of foreign direct investment (FDI) hit a 10-year high, exceeding \$5.5 billion in 2022. These projects will create an estimated 4,500 new jobs.

Additionally, rural projects announced during the same period will generate about \$1.8 billion in new investment and create 1,900 jobs in the state. Alabama's economy is experiencing a surge in growth, thanks in large part to a rise in export volume. In 2022, the state's total exports reached **\$25.5 billion**, a 22% increase from 2021 and a 47% increase from 2020.

Propstream ranks Alabama as the #1 **most landlord-friendly state in 2023**, thanks to its favorable eviction process and a property tax rate of **0.39%**, which is the second lowest in the country.

# TUSCALOOSA

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Tuscaloosa made Travel and Leisure's 2022 list of the **top 25 college towns and cities in the U.S.** The Druid City boasts a large and vibrant student population, thanks to the University of Alabama's flagship campus, which commands an enrollment of over 38,000. Other hotspots for higher education, like Shelton State Community College, the University of West Alabama, and Stillman College, enroll roughly 5,000, 4,000, and 700 students, respectively.

The city features a **diverse economy**, with the largest sector—government employment—accounting for approximately 26% of the labor force. Manufacturing employs roughly 16.7% of the workforce, while the trade, transportation, and utilities sector employs an additional 15.1%. A further 10.4% work in leisure and hospitality, while 9.2% work in professional and business services. The city's smallest sector, education and healthcare, employs 8.6% of the labor force.

WalletHub ranks Tuscaloosa as one of the **best sports cities** in the country. With over **7,000 employees**, the University of Alabama is one of the **largest employers** in Tuscaloosa. There are also roughly 4,500 employees at Mercedes-Benz U.S. International, over 3,400 at DCH Northport Medical Center, about 2,400 at the County Board of Education, and approximately 1,300 at Michelin/BF Goodrich Tire Manufacturing.

In 2022, the city recorded new capital investments totaling **\$20.5 million**. This sum helped create 214 new jobs for Tuscaloosans. In 2021, Tuscaloosa's real GDP increased by 3.95% year-over-year, reaching a total of **\$11.1 billion**. Looking ahead, the metro area's real GDP is expected to grow by **1.3%** in 2023.

# THE **BIG** PICTURE

According to the [Tuscaloosa February 2023 Residential Report](#), residential home sales decreased by 21.8% on a year-over-year basis.

<b>Current Month</b>	February 2023	183	-
vs. Prior Month	January 2022	146	25.3%
vs. Last Year	February 2022	234	<b>-21.8%</b>
vs. 5-Year Average	February 2018-2022	204	<b>-10.5%</b>
vs. Peak	February 2022	234	<b>-21.8%</b>
vs. Trough	February 2015	129	42%
<b>Year-to-Date</b>	February 2023	329	-
vs. Prior Month	February 2022	468	<b>-29.7%</b>

Total homes listed for sale rose by 45.6% in the same period. Similarly, the average number of days a listing stayed on the market increased by 48.6% between February 2022 and February 2023.

<b>Current Month</b>	February 2023	524	-
vs. Prior Month	January 2022	544	<b>-3.7%</b>
vs. Last Year	February 2022	360	45.6%
vs. 5-Year Average	February 2018-2022	641	<b>-18.3%</b>
Inventory Peak	February 2015	1,477	<b>-64.5%</b>
Trough	February 2022	360	45.6%

<b>Current Month</b>	February 2023	52	-
vs. Prior Month	January 2022	50	4.0%
vs. Last Year	February 2022	35	48.6%
vs. 5-Year Average	February 2018-2022	60	<b>-12.8%</b>
<b>Year-to-Date</b>	February 2023	51	-
vs. Prior Month	February 2022	35	<b>-47.8%</b>
DOM Peak	February 2014	131	<b>-60.3%</b>
Trough	February 2022	35	48.6%

However, declining sales activity coupled with increasing and aging inventory—signs that the housing market may be cooling—are counterbalanced by increasing prices. The average sale price in Tuscaloosa rose by 5% from \$266,699 to \$280,034 between February 2022 and February 2023.

<b>Current Month</b>	February 2023	280,034	-
vs. Prior Month	January 2022	326,136	<b>-14.1%</b>
vs. Last Year	February 2022	266,172	5.0%
vs. 5-Year Average	February 2018-2022	225,647	24.1%
<b>Year-to-Date</b>	February 2023	303,085	-
vs. Prior Year	February 2022	271,136	11.8%
Average Peak	February 2023	280,034	0.0%
Trough	February 2013	155,359	80.2%

### Construction Projects in Tuscaloosa

Project	Budget	Status
<u>University of Alabama Hydrologic Instrumentation Facility</u>	\$38.5 Million	In construction: To be opened in 2023
<u>Greek Assembly Hall</u>	\$10 Million	In construction: Expected to be completed in Spring 2023
<u>Drummond Lyon Hall</u>	\$19 Million	In construction: Expected to be completed in July 2023
<u>Smart Communities and Innovation Building</u>	\$42 Million	In construction: Expected to be completed in November 2023
<u>Northriver Commons</u>	\$60 Million	In construction: Expected to be completed in 2025
<u>Natural Earth's Products</u>	\$10.8 Million	In construction
<u>IT Training Centre at Stillman College</u>	\$2.7 Million	In construction
<u>Tuscaloosa National Airport</u>	\$7 Million	In construction
<u>Fit Foodz Polutry Processing Facility</u>	\$15 Million	In construction



# EMPLOYMENT

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According to the Alabama Department of Labor, Tuscaloosa's [unemployment rate](#) decreased by 0.4 percentage points from 2.6% in March 2022 to 2.2% in March 2023. This places the city's unemployment rate 1.3 percentage points below the national average.

Tuscaloosa's low unemployment rate earned it the #4 spot on SmartAsset's list of the [best places for career opportunities in 2022](#).

According to the Center for Business and Economic Research at the University of Alabama's Culverhouse College of Business, Tuscaloosa is expected to achieve [1.8% non-farm employment growth](#) in 2023.





# ELEVATE TUSCALOOSA

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Elevate Tuscaloosa, a community-driven initiative designed to make strategic investments in the city, will invest in several developments across The Druid City, including the [Sokol Park playground](#), the [McDonald Hughes Community Center](#), a [Runaway](#) and [Helicopter Unit Hanger](#) at Tuscaloosa National Airport, [River District Park](#), and [Randall Family Park and Trailhead](#).

The \$23 million [Western Riverwalk Expansion](#) is underway and is expected to be completed by 2024.

The new [Saban Center](#) is another major Elevate Tuscaloosa project that is expected to be completed by 2026. The project is expected to cost in excess of [\\$100 million](#). A quarter of the project's costs, or [\\$25.5 million](#), will be bankrolled by the state of Alabama, while just over half, or \$55 million, will come from the city of Tuscaloosa. Other partners backing the project include the Alabama Power Foundation, the Coca-Cola Bottling Company, Mercedes-Benz, Parker Tower, and The University of Alabama.



# SPARTAN FOCUS

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While Tuscaloosa is a promising market for real estate investments, every seasoned real estate investor knows that markets can change for the negative at any point in time. That is why you should work with a turnkey provider with exceptional local knowledge of the specific real estate market.

At Spartan, we have first-hand knowledge and experience with the Tuscaloosa real estate market. We understand when to buy, where to buy, and how to buy when it comes to investing in the city of Tuscaloosa. For us at Spartan, Tuscaloosa is not just an investment area but a home to many of us.

Our local knowledge of the Tuscaloosa real estate market has helped us secure some of the best B and B+ class properties for our clients over the years. Our investment focus is on neighborhoods that promise stability, rental demands, and higher employment rates.

And since 34.05% of the Tuscaloosa households are renters, there is a growing demand for rentals. By choosing neighborhoods and investment properties that attract potential renters, we maximize our client's chances of building equity early or getting the best out of a sale deal in the future.

According to Zumper, 52% of homes in Tuscaloosa are renter-occupied. As of February 2023, median rents for a three-bedroom home in Tuscaloosa stand at **\$1,425**—a 4% increase over the previous year.





# CONCLUSION

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With Tuscaloosa experiencing an all-around transformation, it is fast becoming one of the highly patronized destinations for budding and seasoned real estate investors in the Southeast. With home values and rental demand rising, there has never been a better time to invest in Tuscaloosa than now. And, with Spartan as your investment guide, you are certain that your investments are in safe hands.



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