



Huntsville, Alabama

Market Report

TABLE OF CONTENTS

3	Overview
4	Alabama
5	Huntsville
6-8	The Big Picture
9	Employment
10	Downtown Revamp
11	Spartan Focus
12	Our Rehab Process
13-14	Before & Afters
15-17	Spartan by the Numbers
18	Conclusion



OVERVIEW

Also known as “The Rocket City,” Huntsville is an established aerospace technology and manufacturing hub that continues to receive huge capital investments from companies that realize the value of calling Huntsville home. With businesses investing billions, the Huntsville economy is booming, employment continues to rise, and things are looking up in this scenic corner of Alabama. The Rocket City boasts an occupancy rate of 97%, and was ranked by RentCafe as the 10th hottest rental market in 2021.

In fact, U.S. News & World Report ranked Huntsville the #1 Best Place to Live in the United States in 2022-2023. Huntsville’s ambitious investments, alongside its adept growth management strategy makes it a city worth considering for investment opportunity.

The average resident in Huntsville's metro area spends 20.12% of their household income on housing, making it the third most affordable city to live in out of 150 major metropolitan areas in the country.

ALABAMA

The State of Alabama is drawing a great deal of attention in the real estate investment industry. With employment numbers continuing to improve statewide, and business investments pushing industry and development to new heights, Alabama's growth shows no signs of slowing – and Huntsville is leading the trend.

In June 2022, Meta announced plans to expand its Huntsville data center, pushing its investment in the city to over \$1.5 billion. Upon completion, the data center will provide more than 300 jobs.

Large-scale projects have brought new jobs and opportunities to the greater Huntsville area, including the \$1.6 billion Mazda-Toyota manufacturing facility established in 2018. This project alone is due to create over 4,000 jobs.

Alabama maintained a low unemployment rate of 2.6%—a 0.9 percentage point improvement from 2021 and a full 1.0% lower than the national average. In other words, 34,300 new jobs have been created in the Yellowhammer State since last year.

Additionally, The State of Alabama is very pro-business and boasts the second-lowest property tax rate of any state in the Union. Madison County's effective property tax rate comes in at 0.460%.

HUNTSVILLE

Huntsville is known as “The Rocket City” due to the fact that it is the home of several space-based organizations, including the U.S. Space and Rocket Center, NASA's Marshall Space Flight Center, and the United States Army Aviation and Missile Command. You could say the city has its head in the clouds.

But Huntsville is so much more than an aerospace giant. Huntsville sports an affordable housing market with a median listing price of just \$339,000. At \$158 per square foot, homes are 30% cheaper than the nationwide median of \$227 per square foot.

According to Zillow, home values in the Magic City have increased 23.2% over the past year, five percentage points higher than the national average increase of 18.2%. The U.S. Census Bureau also claims that Huntsville is now the most populous city in Alabama. The city's population has increased steadily, growing by 19.4% over the last decade and 2.04%—or 8,000 residents—in the last year alone.

Everything that makes Huntsville a great place to live also makes it a fantastic place to invest. To this point, we must note that Huntsville was ranked the 25th best city for renters in 2022 and the average rent for a three-bedroom apartment increased by 11.1% over the past year.

THE BIG PICTURE

Huntsville has no lack of ambition. The city has adopted an all-encompassing master plan for the next 50 years to help guide long-term, sustainable economic development in the region. This multi-phase plan is designed to help ensure Huntsville grows in a way that bolsters neighborhood redevelopment, economic growth, infrastructure, and quality of life for Huntsville's residents.

The Rocket City is developing communities designed for the future – where residents can truly work, live, and connect to the neighborhoods they belong to- and the wider world.

Cummings Research Park – the fourth largest research and industrial park in the world – is the poster child for this integrative vision, re-imagining and reinventing Huntsville's current aerospace and technology core for a bigger, more sustainable future. Current and future Park projects will incorporate more residential housing, community event spaces, business and lifestyle services, retail, and restaurants.



THE BIG PICTURE

Other major new construction projects will breathe new life into long-standing districts. Arcadia—a 3.5-acre mixed-use development with nearly 18,000 square feet of ground-floor retail space and 250 rentable apartment units—will help modernize the 60 year old Cummings Research Park. Established in 1962, the 9 million square foot research and development center is home to 300 companies and 26,000 employees, making it the second largest research park in the United States.

The recently completed Gateway Boulevard Extension will join upcoming infrastructure developments like the \$50 million I-565 expansion to loosen up traffic and make commuting across the city more convenient.

A new \$30 million Northern Bypass route will create a ring road around the Rocket City, and millions more will be invested over the next decade to build better sidewalks and bicycle infrastructure for pedestrians and cyclists.

Economic diversification has attracted continuous investments by large companies such as Meta, Amazon, and Boeing. The aircraft manufacturer contributes more than \$2.7 billion annually to the city's economic development and provides the region with over 9,000 high-paying jobs.

As part of their capital investment plans for 2022, Toyota-Mazda will invest \$222 million to expand their Huntsville engine production plant by 114,000 square feet.

Project	Budget	Status
Toyota-Mazda Manufacturing Commercial Manufacturing	\$1.6B	Completed
FBI Headquarters II <i>Law Enforcement</i>	\$1B	Under Construction
Facebook Data Center <i>Infrastructure</i>	\$750M	Under Construction
Google Data Center <i>Computer Software</i>	\$600M	Under Construction
MidCity Huntsville <i>Residential, Retail, Hospitality</i>	\$350M	Under Construction
Blue Origin Manufacturing Plant <i>Commercial Manufacturing</i>	\$200M	Completed
Navistar Manufacturing Facility Expansion <i>Commercial Manufacturing</i>	\$150M	Under Construction
Bocar Group <i>Commercial Manufacturing</i>	\$118M	Completed
Constellation Downtown Multi-Use Development <i>Residential, Retail, Hospitality</i>	\$62M	Under Construction
BAE Systems Expansion <i>Defense Tech Operations</i>	\$45.5M	Completed
LG Electronics Solar Assembly Plant <i>Commercial Manufacturing</i>	\$28M	Completed
AeroJet Rocketdyne Manufacturing Plant <i>Commercial Manufacturing</i>	\$27M	Completed
DC Blox Data Center <i>Infrastructure</i>	\$13M	Completed
Torch Technologies, Technology Integration and Prototyping Center <i>Commercial Manufacturing</i>	\$10M	Under Construction

EMPLOYMENT

Nearly four dozen Fortune 500 companies have a presence in the Rocket City. Other major public sector employers like the U.S. Army's Redstone Arsenal, the Huntsville Hospital, Huntsville City Schools, and NASA's Marshall Space Flight Centre make the city a hub for high-paying job opportunities. In fact, the Rocket City projects that it will have more than 25,000 vacancies to fill in the aerospace and logistics industries by the end of 2023.

Huntsville's unemployment rate decreased from 3.3% in June 2021 to 2.7% in June 2022. According to the U.S. Bureau of Labor Statistics, the rate is 0.9 percentage points lower than the national average of 3.6%.



DOWNTOWN REVAMP



A growing number of development projects are taking shape in Downtown Huntsville. Leading the pack is the \$325 million Front Row mixed-use project. Situated in the former Coca-Cola bottling plant, the 11-acre development is set to deliver apartments, restaurants, office space, and entertainment. The project is forecasted to generate \$43 million in tax revenue over 10 years.

The demolition of the old municipal parking garage paved the way for the \$90 million New Huntsville City Hall. The 7-story building, which will be 2.5 times larger than the current structure, was designed with a public-focused approach and is intended to streamline services by bringing city departments under one roof.

The City of Huntsville received a \$20 million federal grant from the U.S. Department of Transportation to improve pedestrian access to businesses and vital services in Downtown, Mill Creek, and Lowe Mill. The Skybridge project will also help improve the livelihoods of about 5,000 people in low-income communities by providing employment and healthcare services.

SPARTAN'S FOCUS

We believe Huntsville is an excellent place to deploy investment capital. However, as any seasoned real estate vet knows, it's important to vet each property on its own merits- homes a few blocks away from each other may have drastically different metrics when it comes to crime, schools, employment opportunities, and other data points that signify the potential upside in a given area.

That's why it's incredibly important to have on-the-ground knowledge of the markets in which you choose to invest. But in a national marketplace, it's not always wise to restrict your real estate investments to areas to which you have a personal connection. At Spartan, we know which neighborhoods are on the rise, where cash flow is king and appreciation is a possibility. This boots-on-the-ground knowledge is why we've honed our focus to only the most profitable B and B+ class properties. We work in neighborhoods that attract stable, long-term tenants with solid employment histories.

We know that rental demand is crucial- with recent BLS data showing that more than 31% of Huntsville residents rent. But there's more to long-term investment success than a growing tenant base. By choosing eminently livable properties and neighborhoods we maximize our clients' chances of seeing real appreciation, and eventually selling to an owner-occupant- not just another flipper or investor looking to make a few bucks.

OUR REHAB PROCESS

Actions are more valuable than words, especially when it comes to the renovation and rehabilitation of a turnkey property for an investor. At Spartan, we take great pride in our top-to-bottom rehab process. We're never going to sell a property that doesn't meet our rigorous standards. That means we're going to ensure that the property is somewhere we would be happy to live with our families.

Beyond outward appearance, for a home, good bones are important. It's what's on the inside that counts. And that means inside walls, inside plumbing, and inside big capital expense items.

Our team are experts at finding properties that may have seen better days, but still, have the solid bones and high-quality internal systems that provide the foundation for a low-maintenance rental investment. Then, we get to work. In addition to taking care of any existing issues with a property and updating standard cosmetic items, we execute the following rehab items in about 80% of our properties:

- New HVAC system (15-20 year life)
- New Like-Wood Vinyl Flooring (20-year life)
- Refinishing of Existing Hardwoods (8-12 year life)
- New Tin Roof (40-year life)
- New Water Heater (10-year life)
- New Granite Countertops
- New Kitchen and Bath Fixtures
- New Window Treatments
- Updated Landscaping

BEFORE & AFTER

While intensive rehab work is not necessary for many of our properties, when we run into that situation we embrace it. We never shy away from stripping a property down to the studs if that's what's necessary. Our goal is to provide properties that won't require work for years to come, keeping your tenants happy and maintenance rates and costs low. Listed below are a few of our properties, both before and after our rehab team works their magic:

Before



After



BEFORE & AFTER

Before



After



SPARTAN - BY THE NUMBERS

Rehab and maintenance are important, but they are hardly the only necessary ingredient for success in the real estate space. Equally important are your property management practices. Our leasing team works tirelessly to find the best possible tenants for every property- we're not in the business of just getting bodies in the door. We want qualified tenants who will stay long beyond their initial lease.

Putting in the work to find the right tenants means lower tenant turnover, fewer move-outs, lower average move-out costs, and minimal vacancy rates.

- Average Time to First Lease: **31 Days**
- Average Time Between Tenants: **40 Days**
- Average Length of Stay: **2.9 Years**
- Current Occupancy Rate: **96%**
- Current Maintenance Rate: **4.1%**

*Figures as of July 2022.

SPARTAN - BY THE NUMBERS

Once a tenant is in place, our management team makes sure rent is on time and good tenants stay content. That means taking care of any maintenance issues within 24-hours and ensuring that both investor and tenant always get what they pay for. Our proactive management ethos means that good tenants stay longer, occupancy stays up, and investor cash flow keeps rolling in month after month.

- Average First-Year Returns on Cash Purchase: **6.5-9%**
- Average First-Year Returns on Financed Purchase: **8-12%**
- Average Annual Return After 30-Year Note Pay-Off: **30-40%**

*Based on average returns from real properties in our portfolio, with values from \$85-\$200k.

*Figures as of July 2022.

The result is consistent, reliable income for our investors and increasing returns year after year as tenants pay down your mortgage and build up your equity. While cash flow is king, never underestimate the power of having your tenants pay off your mortgage. Financing your purchase can double the overall return on your investment in the very first year; once that loan is paid off, your annual cash-on-cash return skyrockets.



CONCLUSION

Huntsville is a shining star in the Southeast real estate investment markets. With property values growing and rental demand remaining as strong as ever, Huntsville is the perfect market for cash flow investors, as well as appreciation-oriented investors. From its revitalized downtown core and explosive job growth, to exciting new live-work-play communities and outdoor spaces, it's a city on the rise in a fast-growing region.

At Spartan, we know Huntsville. We eat, live, work, and play in Huntsville and the surrounding communities. We don't just sell investment properties – we own them. The products and processes we use to ensure the quality of your investment are the same ones we use for our personal portfolios. So you can rest easy knowing we work hard to ensure every property meets the highest quality standards, every tenant is stringently vetted, and every investment is managed with our standard attention to detail, white glove service, and above all- our dedication to sharing our success with investors.



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