



# The Birmingham Market Report

What you need to know about  
Birmingham, Alabama in 2024



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# The Birmingham Market Report

Birmingham is making its grand entrance as one of America's most wallet-friendly real estate markets! It's a golden ticket for investors seeking affordability with a steady demand stream. This report explores Birmingham, Alabama, holistically, top to bottom, to uncover why rental yields are so high for this area and what this means for your investment strategy.

## Key Investment Highlights



### Stable Rental Yields

Birmingham is one of the few cities in the country that has consistently earned rental income for investors due to its lower rental prices than most other cities and other economic factors.



### Diverse Economy

The city's economic structure is not highly dependent on one or a few specific sectors, leading to a steady demand for residential rental properties.



### Affordable Entry Points

With fairly moderate annual growth rates of property values (3-5%), the average property price is still around 195K, which is lower compared to high-booming markets such as Austin or Charlotte.<sup>1</sup>



### Growing Population

The expanding population of economically active persons, particularly young professionals and families, increases the demand for rental properties, both single-family homes and multi-family properties.

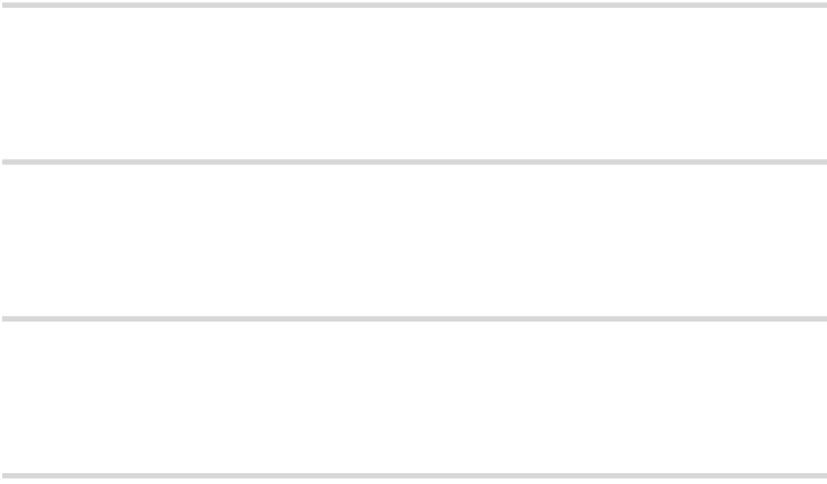


### Low Volatility

Birmingham's market is less prone to sharp upward or downward changes within short periods, which is desirable for people looking to invest in the market for stable returns.



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# 01

**Economic Overview:**

## **Birmingham's Evolving Landscape**

The economic transformation of Birmingham is a cornerstone element that makes it so attractive as an investment hotspot. Where once it was almost entirely an industrial city with the steel industry at its heart, Birmingham has since blossomed into a more versatile economy. Now, it's a dynamic hub focusing on sectors such as health care, education, and finance; yes, manufacturing is still a part of the mix. This shift has brought about economic stability, giving it the resilience to bounce back from downturns. This economic evolution has also made Birmingham a magnet for the young, educated crowd - a crucial demographic for a thriving rental market.



# Key Players in Birmingham's Economic Structure

Two sectors shine in Birmingham's economic landscape: **healthcare and education**. The University of Alabama at Birmingham (UAB) stands tall within this setting, renowned as one of the country's largest academic medical centers. With over 23,000 employees and continuously expanding, UAB isn't just a top-tier learning and research institution but also a leading healthcare provider.

More than a monumental employer, UAB has breathed life into the local real estate market. Its growth attracts a diverse mix of young professionals, researchers, and healthcare specialists. This influx is a boon for the housing market, fueling demand for rental and owner-occupied units.

Of course, UAB isn't Birmingham's only higher education beacon. Samford University and Birmingham Southern College also play vital roles in shaping the city's rental property demand.

In addition to education and healthcare, Birmingham's **financial services sector** is a significant economic pillar. Take, for instance, Regions Financial Corporation, one of the country's fastest-growing full-service consumer and commercial banking services, proudly headquartered in Birmingham. The city is also home to Southern Company, a significant energy titan, and numerous steel and manufacturing enterprises driving the region's economic growth.

But that's not all. Birmingham is setting its sights on the future, positioning itself as an emerging hub for **technological innovation**. Its relatively lower cost of living and burgeoning talent pool has become a magnet for technological startups. The Innovation Depot, a mammoth tech business incubator, aids in developing these tech firms. This move diversifies Birmingham's economy and attracts an influx of tech-savvy young professionals.





# Employment Expansion + Commercial & Core Resilience

Birmingham and its surrounding area are experiencing an exciting surge in payroll growth, with a promising 3% annual job growth rate.<sup>2</sup> Notably, this far surpasses the United States' average job growth of 1.3% observed from 2013 to 2023. Progressive healthcare, education, and technology expansion primarily fuel this boom.

Thanks to improved infrastructure and the advent of new businesses, Birmingham is bracing for more recruitment. Consequently, we anticipate a parallel rise in the city's housing demand. Buckle up, Birmingham; it's an exciting time of growth!

- **Unemployment Rate (2024): 2.6% (less than the country's figure of 3.5%)<sup>3</sup>**
- **Median Household Income (2024): \$67,242<sup>4</sup>**
- **Average Job Growth Rate: 3% (more than the country's average of 1.3%)<sup>5</sup>**

The city's reasonably low unemployment rate shores up its housing market robustly. Birmingham's economy boasts stability, thanks to a wide range of employment opportunities that aren't confined to seasonal industries or periods of high unemployment, as seen in other cities. This steady employment scenario attracts more folks and families to the city, eager to rent or buy homes. After all, Birmingham offers abundant employment opportunities, which makes it a thriving hub for job seekers.



## ECONOMIC COMPARISON:

# What Birmingham Has Compared to Other Mid-Sized Cities in the US

Pull up a chair, and dive deep into the economic waters of Birmingham compared to Las Vegas, San Francisco, and Orlando, revealing some surprising truths about their real estate markets.

### BIRMINGHAM, AL

Birmingham's unemployment rate sits at a commendable 2.9% (2023), leaving Las Vegas trailing at 5.1%, San Francisco at 3.2%, and Orlando at 3.7%.

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### LAS VEGAS, NV

Now, let's delve into Las Vegas. Sin City leans heavily on tourism and hospitality, making it more vulnerable than a drunk gambler to economic downturns. These downturns toss around rental demands and property values like dice at a craps table, causing Las Vegas to ride a wave of significant volatility more than our reliable Birmingham.

### SAN FRANCISCO, CA

Shifting our gaze to San Francisco, we see a city propelled by the high-octane tech industry. It boasts of heady annual property appreciation rates of 10-12%. But don't get too excited about this gold rush. Entry costs are steep as a Silicon Valley startup, with median home prices floating around a dizzying \$1.5 million. Birmingham, on the other hand, invites you in with a much more approachable median home price of \$195,000.

### ORLANDO, FL

Orlando might glisten with strong rental demand thanks to its vibrant tourism scene and growing population, but it's not all sunshine and Disney parades. The reliance on tourism means seasonal fluctuations that can leave the rental market as unpredictable as a Florida hurricane.

**When you weigh Birmingham against these cities, its diversified economy sparkles in contrast to the sector-specific, fluctuating markets of Las Vegas, San Francisco, and Orlando. Coupled with affordable housing and higher rental yields, Birmingham's stable economic landscape presents a solid, less volatile investment environment.**



# Economic Takeaways for Investors



## Diverse and Resilient Economy

Birmingham has an economic base which includes health care, education, finance and manufacturing which is likely to withstand and cushion recession and support housing demand in the long run.



## Job Market Strength

The City has low unemployment and an expected job growth rate of 3% for the coming years and actively expanding job market augers well for the capital real estate market.<sup>6</sup>



## Increasing Young Professional Population

It is the rental preference of some younger newcomers that is leading to increased demand for rental properties especially in prime districts.



## Low Barrier to Entry

Investors aiming for consistent and long-term returns on their investments are able to enter the market in Birmingham at a much lower entry level compared to other rapidly growing markets where property prices are at a peak.

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# 02

## Birmingham's Housing & Rental Market

Unlike the steep pricing escalations that characterize other markets, Birmingham offers an investment playground balanced yet ripe with growth possibilities.



# Affordable Living Amid Rising National Trends

While the national housing landscape has seen dizzying price hikes, Birmingham has stayed grounded. The average home price here? \$195,000<sup>7</sup>. Compare that to the national median of \$433,229 (as of 2024)<sup>8</sup>, and you'll see why first-time homebuyers, families, and sharp-eyed investors are being lured in.

What does this mean for investors? More bang for your buck. Lower upfront costs mean higher cash flow, especially in pricier markets. Moreover, Birmingham's cost of living is 16% lower than the national average – a beacon for those fleeing from high-cost regions and a tangible boost to housing demand.

Birmingham's **median home price** is approximately **\$195,000<sup>9</sup>**, significantly lower than the national median home price of **\$433,229** and far more affordable than Austin (**\$547,500<sup>10</sup>**) or Nashville (**\$455,000<sup>11</sup>**).

## Affordability Index Comparison:

- **Birmingham Affordability Index: 90.84<sup>12</sup>**
- **San Francisco Affordability Index: 119.8**

The Business Journals used data from the Bureau of Economic Analysis' Regional Price Parity Index to establish the rankings. This index measures the cost of goods, housing, and other services in various metro areas relative to the national average. A score below 100 indicates that a metro area is less expensive than the national average, while a score above 100 signifies higher costs. Birmingham's affordability index suggests it is a more accessible market for first-time or smaller-scale investors, providing a lower barrier to entry while offering steady, long-term returns.



# Birmingham, AL





# The Full Monty of Rental Market Returns

Amazingly, Birmingham's affordability doesn't stop at the purchase price. The rental market is fueled by a potent combination of young professionals, students, and recent transplants who prefer renting over diving into the uncertain waters of homeownership. Add Birmingham's burgeoning student populace and workforce to the mix, and you've got a vibrant rental market.

Investors, take note – rental yields can reach the desirable 7-9% mark depending on the neighborhood. These rates are significantly higher than those in saturated markets, where skyrocketing property costs have left rents lagging. Birmingham's high occupancy rates (94% citywide) signal a consistent demand for rental properties, promising a steady income stream. The average rental yield in Birmingham makes it one of the highest-yielding markets in the Southeastern U.S.

The average rent for a **one-bedroom apartment** in Birmingham is around **\$1,100**. While this is considerably lower than cities like Atlanta (**\$1,800**) or Nashville (**\$1,900**), it aligns well with local income levels and job growth, ensuring a steady stream of renters.

## Average Rent and Vacancy Rates

- **Birmingham Average Rent (2023): \$1,166/month for a one-bedroom 750 sq ft apartment** <sup>13</sup>
- **Vacancy Rate: 6.4%**

The city's vacancy rate hovers at a healthy 6.4%<sup>14</sup>, slightly below the national average of 6.6%<sup>15</sup>, signaling consistent demand for rental properties. Urban development projects have further contributed to demand in various parts of the city, particularly in revitalization areas.



# Birmingham's Growing Neighborhoods

Birmingham is no wallflower when it comes to neighborhood growth. Downtown Birmingham, Southside, Avondale, Lakeview, and Homewood are the hotspots where renters are flocking, drawn by their closeness to job centers, colleges, and lively entertainment scenes.



## Downtown Birmingham

Downtown Birmingham has transformed from a forgotten territory to a thriving urban hotspot. Revitalization projects have breathed new life into the area, attracting young professionals and students and creating a profitable climate for real estate investors.



## Southside & Avondale

Southside and Avondale blend heritage homes with trendy lofts and freshly renovated apartments. They've become magnets for the younger crowd, who appreciate their cool nightlife, entertainment choices, and connection to the University of Alabama at Birmingham (UAB) and downtown.



## Homewood

The family-friendly sibling, comforts suburbia within a stone's throw of downtown and UAB. Its robust public schools and communal spirit make it a chosen location for young families and professionals – an idyllic setting for investors eyeing family rentals and smaller multifamily properties.

***Demand is surging, but Birmingham's housing market has felt the pinch with supply, particularly in crowd favorites like downtown and Southside. Thankfully, the city is countering this by promoting new developments to cater to the rising demand for housing.***



# Housing Takeaways for Investors



## Affordability

Birmingham's median house price is comfortably lower than the national average.



## High Rental Yields

Attractive rental yields between 6-8% beckon investors, particularly in sought-after neighborhoods.<sup>16</sup>



## Constant Demand

Birmingham's expanding pool of students, young professionals, and families creates high occupancy rates (94% citywide).



## Renovation Rewards

Investors renovating older properties can benefit from value-added opportunities in a market with escalating rents and property values.

In a nutshell, Birmingham's pocket-friendly housing market, coupled with strong demand and rental yields, positions it as an ace location for real estate investors. Bursting with opportunities for rental income and long-term property appreciation, Birmingham promises an exciting real estate future, particularly in the most desired neighborhoods. With the welcome additions of new developments and a robust economic base, Birmingham offers the potential for steady returns in today's volatile economy.



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## Investment Risks & Market Challenges

Birmingham is more than just a city—it's a potential haven for property investors seeking a long-term, stable income and a market that offers fewer ups and downs compared to others. However, it's essential to understand that every city has its own set of challenges and Birmingham is no different. But don't fret, we're here to guide you through them and equip you with the right information to make informed decisions.



# Understanding the Opportunities and Risks

Birmingham can be an ideal spot for those who are focused on slow and steady growth. Its appreciation rate sits between 3% to 5%, offering a stable climb rather than a skyrocketing boost in value. This means that while you may not see extravagant capital gains as you might in faster-growing markets like Austin or Charlotte, you can expect consistent growth over time.

However, investors looking for quick returns need to weigh these facts carefully. It's important to understand and prepare for potential challenges, such as regulatory hurdles and limited availability of comprehensive real estate data. The city isn't exactly hailed for its progressive rent control policies and landlords might face some regulatory challenges, especially when it comes to property management and tenant relations. Also, the scarcity of comprehensive real estate data in Birmingham could make it complex when trying to make informed, data-driven decisions.



# Comparison with Other Markets

Different cities offer different investment climates. Let's take a look at how Birmingham stacks up against some of the other markets:

## AUSTIN, TX

A city known for its rapid appreciation and tech-driven job market. It might offer quick returns, but high property costs and potential market volatility make buying property there akin to a rollercoaster ride.

## CHARLOTTE, NC

Enjoy high appreciation rates in a city with a booming population and robust job market. However, rapidly increasing home prices could be something to keep an eye on.

## ORLANDO, FL

An excellent tourist-driven market with strong rental demand. But remember, it's also vulnerable to shifts in tourism and potential variations in seasonal rental income.

Considering these variations, if you value long-term, stable income and prefer a market characterized by fewer ups and downs, Birmingham could be the ideal choice for you. Always be sure to keep these factors in mind as you explore your investment options; knowledge is power in the world of property investment!



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## Ready to take a step closer?

Birmingham, with all its charm and potential, is waiting for you! Let's book a call with a Peak Group advisor to talk through properties ready to rent today.





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## Next Steps

In conclusion, Birmingham, Alabama offers a unique opportunity for real estate investors looking for long-term stability and strong rental yields. While the city may not see the rapid property appreciation found in high-growth tech hubs, it provides a steady, resilient market with lower entry costs, competitive rental yields, and a growing demand for housing driven by both economic and population factors.



# Top Advantages for Investors



## Affordability

Low property prices with a strong affordability index, making it accessible to a wide range of investors.



## Economic Stability

A diversified economy with a growing healthcare, education, and manufacturing base ensures resilience during economic downturns.



## Urban Revitalization

Opportunities for growth in neighborhoods undergoing redevelopment offer additional value for long-term investors.



## Inflation Hedge

Birmingham's real estate market, like many others, acts as a hedge against inflation, with rental rates adjusting to maintain profitability.

For investors seeking a less volatile, cash-flow-focused market with long-term growth potential, Birmingham remains a highly viable option for 2024 and beyond. Whether you're looking for your first property or planning to expand your portfolio, The Peak Group can help you get started.



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Let's connect to  
discuss how we can  
help you find the  
right investment  
opportunities in this  
vibrant market.

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