



DRAFT

# HOUSING MARKET ANALYSIS

Prepared for Planning-Next  
And the City of Decatur  
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## **INTRODUCTION**

This report provides a summary of findings from a Housing Market Analysis for Decatur, Alabama. These findings were produced as input to OneDecatur, the city of Decatur's Comprehensive Plan. They also provide the basis for strategic recommendations for the city's housing policies and input to economic development components of the plan.



Section 1 of this report discusses existing conditions as they relate to the city's housing, its neighborhoods and physical conditions, as well as market conditions and general factors impacting on the city's competitiveness for new housing development.

In Section 2, housing demand is forecasted based on demographic and economic analysis, as a basis for determining housing potential. A competitive market review and overall potentials by type of housing product are discussed in Section 3. Strategic recommendations for housing rehabilitation and development are found elsewhere in the OneDecatur plan.

## **Section 1. EXISTING CONDITIONS**

Decatur's existing housing conditions were analyzed, in terms of the city's neighborhoods, physical conditions, and real estate market conditions. Inputs to this assessment included field reconnaissance, interviews with real estate professionals, site analysis, and an assessment of existing market data and conditions. Key findings are presented with respect to factors impacting on the city's ability to generate new housing to supply the needs of existing and potential new workers and residents. Information on the city's overall context and economic position in the region are provided in the Economic Overview, which forms part of the Economic Development portion of the plan. However, it bears repeating that Decatur is situated within the Huntsville-Decatur Combined Statistical Area (CSA), and the city's housing market is increasingly integrated with the broader regional labor market.



### **Neighborhoods and Housing Stock**

Decatur developed over a long period of time, but remains a relatively small city. As such, many of its neighborhoods retain a mix of housing styles, ages, and conditions. There has been a relatively limited supply of new housing to enter the market in Decatur for several decades, with only a handful of new single-family homes and no new apartments built in recent years. Overall, just 250 new units have been built in Decatur in the seven years since 2010. During the same time, over 3,000 housing units were built in Huntsville. And, within Decatur's aging housing stock, there is a growing need for maintenance, rehabilitation, and upgrading.

### **History and Perceptions: Walls and Divisions**

Decatur results from the merger of two cities, one pre-Civil War and one post Civil War (Decatur and "New Decatur" (originally called Albany)). Divisions have ripped Decatur apart in different ways since its founding in 1820. The main CSX rail line through the center of Decatur yielded the proverbial "other side of

the tracks” with an historic east-west split in the city’s neighborhoods. Decatur expanded its corporate boundary into Limestone County in 1986. Despite the fact that Decatur now lies on both sides of the Tennessee River, the river continues to serve as a geographic (and perceptual) boundary. Finally, the city’s bypass, the “Beltline,” serves as yet another divider, with neighborhoods designated as “inside” (old) or “outside” (new) of the Beltline. As Decatur moves forward in a positive direction, it can be assumed that these boundaries, both artificial and real, will continue to soften and melt away.

### **Historic Districts / Northeast & Northwest Decatur**

The city has several wonderful historic districts, including the Old Decatur Historic District and the Albany Heritage Neighborhood Historic District. In addition, the Bank Street area is listed on the National Historic Register. Historic homes and attractive, leafy streets help keep these neighborhoods relatively desirable for some home buyers. Houses sell in a broad range of styles and price points, generally ranging from \$175,000 to \$500,000 or more. The homes appeal to young professionals and other home buyers who prefer an older home or to live near downtown. Northwest Decatur includes a portion of the West Decatur neighborhood. Northeast (Old Decatur) and Northwest Decatur formed part of the original platted plan for the city.

### **Southeast Decatur**

Southeast Decatur has a mix of older urban communities in Old Southeast (with prices ranging from \$75,000 to \$115,000) to more affluent, suburban communities like Point Mallard (an amenity-driven lifestyle community with prices from \$200,000 to \$500,000). Burningtrees Mountain, another affluent lifestyle community located southeast of town offers estate lot homes in this same price range. In general, Southeast neighborhoods are pricier but more stable than some other areas, with typical prices in the \$300,000s (but ranging up to \$1.0 million. Other Southeast neighborhoods include Bayside, Brookmeade, Burleson Mountain, Cedar Lake, Fairview, Flint, Hickory Hills, and Indian Hills, among others. The residents of East Acres have worked together in recent years to strengthen their community identity.

### **Southwest Decatur**

Southwest Decatur neighborhoods are located further from Huntsville’s large aerospace employment node, so they are slightly less accessible to technical jobs. But these neighborhoods are well-located for accessing Decatur’s heavy manufacturing, particularly production sites along the river. Neighborhoods like Chapel Hill, Dunbarton, Woodhurst, Cityview Estates, Westmeade, Timberlake, and Autumn Ridge offer homes in the \$150,000 to \$250,000 range for middle-income homebuyers. Austinville and Old Southwest have more affordable housing in the \$60,000 to \$100,000 range. At the other end, Oak Lea

offers upscale housing from \$175,000 to \$500,000. Other Southwest neighborhoods include Basham, Braswell, Cedar Ridge, Chulavista, Deerfoot Estates, Dogwood Estates, Graystone, Griffin Addition, Longleaf Estates, Moulton Heights, Oakworth, Russell Village, Westavia, Woodtrail, and others.

### **Other Areas**

As noted earlier, a portion of Decatur is located across the river, in Limestone County. Agricultural areas located along Highway 31 and Airport Road include Whiteside and Irvington.

## **Decatur Housing Supply**

Decatur has a total of about 24,700 housing units. But, as noted earlier, the city has added little new housing since 2000. If destroyed and demolished housing is subtracted from the total, the city has added a net of only 167 units (0.7%) since 2000.

### **Housing Product**

Decatur's housing is mostly in single-family detached dwellings. About two-thirds of the city's housing is in detached, with 5% in attached (e.g., townhouse) development. The city is housing practically none of its residents in mobile homes, which is striking when compared with surrounding jurisdictions that have sizeable mobile home components in their housing stock. More than one in ten of Morgan County residents live in mobile housing. In Limestone County it's 12%; and in relatively rural Lawrence County, about one out of four housing units (25%) is in mobile housing.

### **Occupancy and Housing Tenure**

Decatur had an overall housing occupancy rate of 90.1% in 2015, with about 2,440 vacant units. The large percentage of vacant units is indicative of several factors, such as the aging of the population, the lack of job growth sufficient enough to attract new residents, and the declining quality or conditions of existing housing stock.

About 61% of Decatur's occupied housing stock is owner-occupied, while 39% is rented. In general, rental tenure correlates and declines with age. Younger householders tend to rent, since they do not have the resources or the need to purchase housing at their age. Thus, only 13% of householders aged 15-24 own a home. About one-third of those aged 25-34 own homes. But among older populations like those aged 75-84, nearly 80% own their homes. There is a slight decrease in homeownership among the elderly, as health and other issues force homeowners into rentals and senior housing facilities. As such, homeownership declines to about 67% among those over the age of 85.

<b>Table 1. HOUSING TENURE BY AGE COHORT, DECATUR, 2015</b>				
<b>Age Cohort</b>	<b>Renters</b>	<b>Owners</b>	<b>TOTAL</b>	<b>Share Rent</b>
15-24	520	78	598	87%
25-34	2,334	1,097	3,431	68%
35-44	1,512	2,112	3,624	42%
45-54	1,706	2,788	4,494	38%
55-64	1,235	3,125	4,360	28%
65-74	773	2,277	3,050	25%
75-84	416	1,603	2,019	21%
85+	234	484	718	33%
<b>TOTAL</b>	<b>8,730</b>	<b>13,564</b>	<b>22,294</b>	<b>39%</b>
Sources:	U.S. Bureau of the Census and Randall Gross / Development Economics.			

## Supply

The number of single-family detached housing units has actually fallen by 190 (1.1%) in Decatur since 2000. Again, the net change is due in part to demolitions such as those due to fire, disaster, or poor conditions; or due to replacement with commercial and institutional uses. The number of attached units has fallen even faster (13.2%), and the city had relatively few of these types of houses to start. There has been growth in the number of duplex and multi-family housing units (except in large buildings with over 20 units). The most substantial growth occurred in the number of units in multi-family buildings with 10-20 units per building. However, that scale of multi-family development has fallen over time, and there has been little new development of multi-family housing in recent years. The city lost more than 42% of its mobile home stock since 2000. Overall trends in housing supply by number of units in building, is shown below.

<b>Table 2. HOUSING SUPPLY TRENDS, CITY OF DECATUR, 2000-2015</b>				
<b>Units in Building</b>	<b>2000</b>	<b>2015</b>	<b>2000-2015 Change</b>	
			<b>Number</b>	<b>Percent</b>
1-Detach	16,831	16,641	(190)	-1.1%
1-Attach	1,473	1,279	(194)	-13.2%
2-4	2,076	2,154	78	3.8%
5-9	1,786	1,966	180	10.1%
10-19	806	1,287	481	59.7%
20+	1,176	1,163	(13)	-1.1%
Mobile/Other	416	241	(175)	-42.1%
<b>TOTAL</b>	<b>24,564</b>	<b>24,731</b>	<b>167</b>	<b>0.7%</b>
Sources:	U.S. Bureau of the Census and Randall Gross / Development Economics.			

### **Construction Trends**

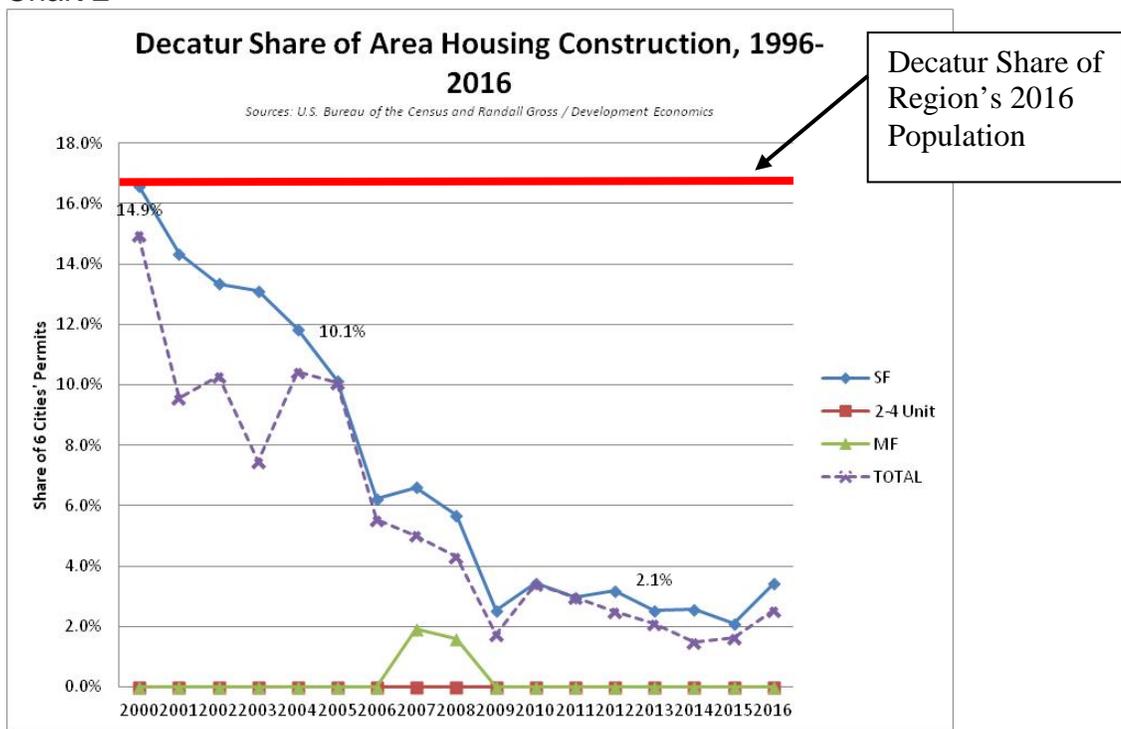
As noted previously, Decatur has had a long-term decrease on housing development activity. As detailed in Appendix Table A-1, Decatur has seen the construction of 3,200 housing units since 1996, for an average of about 160 per year. Between 1996 and 2003, the city averaged construction of about 260 units per year, but that fell to 144 per year between 2004 and 2008 (during an economic boom), and to just 47 per year between 2009 and 2011 (during recession). Most distressing is that construction during the economic recovery period (2012 through 2016) averaged only 32 units per year, lower than during the height of the recession. This number is not sufficient even to ensure replacement of existing housing stock that is lost due to fire, disaster, and other demolition. Overall housing building permit trends are illustrated below for single-family, 2-4-unit housing, and multi-family housing in the city of Decatur during the 20-year period from 1996 to 2016.

Chart 1



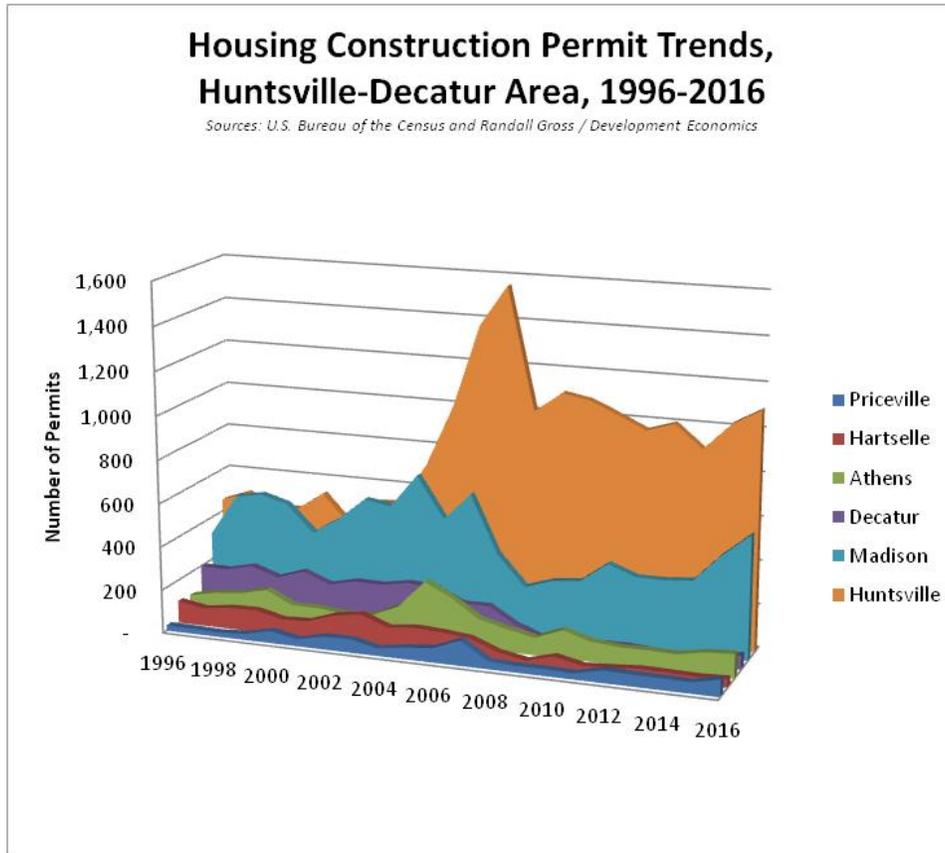
In 1996, Decatur issued nearly 460 housing construction permits, representing **30%** of the region’s housing development. By 2015, Decatur issued only 36 permits, accounting for just **1.6%** of the region’s total residential construction.

Chart 2



In 2016, Decatur’s population represented roughly 17-18% of the total population of the region’s major cities and towns including Huntsville, Athens, Madison, Priceville, and Hartselle. Yet, the city generated only about 3% of the region’s housing construction.

Chart 3



There is a clear and dramatic regional shift in housing supply that began around 2005/2006 and has continue to this day, with Huntsville (illustrated as “orange” in the chart above) taking a much larger share of the region’s new housing supply than it had in the past. Interestingly, Madison’s share of the region’s housing development has fallen, despite that city’s reputation as an attractive place to live (perceptions of good schools and high-quality housing stock). Athens’ share of development appears to have increased a notch during the last real estate boom (perhaps replacing Decatur as the region’s third most-active housing market) but has also declined since then. The other cities in the region – namely, Hartselle, Decatur, and Priceville - have also seen their share of regional development decline. This is especially apparent in Decatur. A comparison of pre- versus post-recession annual permit activity is provided below as further indication of the shift underway in the regional housing markets.

City	<u>Average Annual Permits</u>		
	Pre-Recession	Post-Recession	% Change
<b>Decatur</b>	<b>200</b>	<b>50</b>	<b>-75%</b>
Hartselle	99	34	-66%
Athens	141	97	-31%
Madison	500	353	-29%
Priceville	48	47	- 3%
<b>Huntsville</b>	<b>705</b>	<b>1,018</b>	<b>+44%</b>

Overall, this indicates that Decatur is not alone in losing market share to Huntsville, which has clearly taken on a much larger share of region's housing development and growth. This does suggest that Decatur has been the most negatively impacted by this shift to Huntsville, at least among the region's large towns and cities. In recent years, Huntsville has permitted more than 20 times the number of housing units each year than are permitted in Decatur.

### **Housing Sales Trends**

An analysis was conducted of single-family housing sales trends in Decatur and surrounding areas. Input on the existing housing market was provided by brokers and other real estate professionals active in the region, as well as from an analysis of Multiple Listing Service (MLS) and other sales data.

#### **Buyer Patterns**

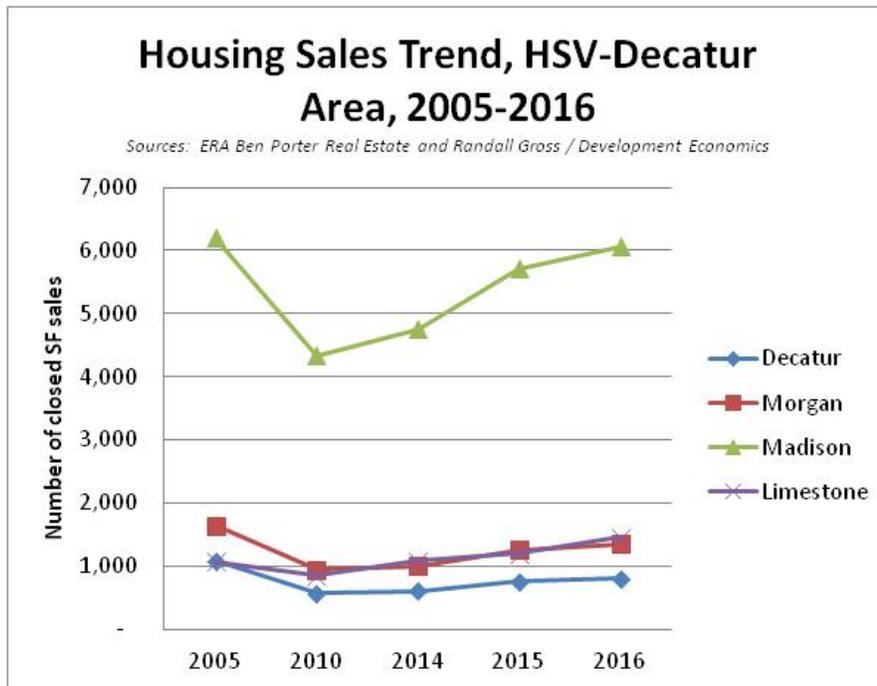
An estimated 45% of the Decatur housing market is currently driven by "move-ups" from within Decatur. These are existing Decatur homeowners purchasing homes that are larger or newer or otherwise more appropriate than their current residence. Another 30% are first-time buyers and 15% are "empty nesters" moving down from larger homes to smaller houses or condominiums. Only about 10% of sales are generated by those relocating to Decatur for work, returning home from another city, retiring, or drawn by the Tennessee Valley lifestyle. Overall, there is a growing interest in "maintenance-free" living, which lends itself to smaller houses, less yard, and "walk-able" neighborhoods.

Those relocating to Decatur for work often find few options for purchasing homes, as well as for short-term rental, and end up living in Madison or Huntsville. Once they establish networks and roots in those places, they are less likely to move over to Decatur even to be closer to work. There are many buyers who relocate to the region for jobs in Huntsville, but few purchase homes in Decatur, which is not "on the radar" for many relos.

### Trends in the Number of Sales

The number of housing sales fell precipitously throughout the region during the recession of 2008-09. Perhaps the most volatile market has been Madison County, where annual sales fell from over 6,000 in 2005 to about 4,000 in 2010. Sales in Madison County had returned to pre-recession levels by 2016. Decatur, by comparison, has not seen its sales volumes recover completely. The city had about 1,100 sales in 2005, with volumes falling to a low of about 600 in 2014, and still at only 800 by 2016.

Chart 4



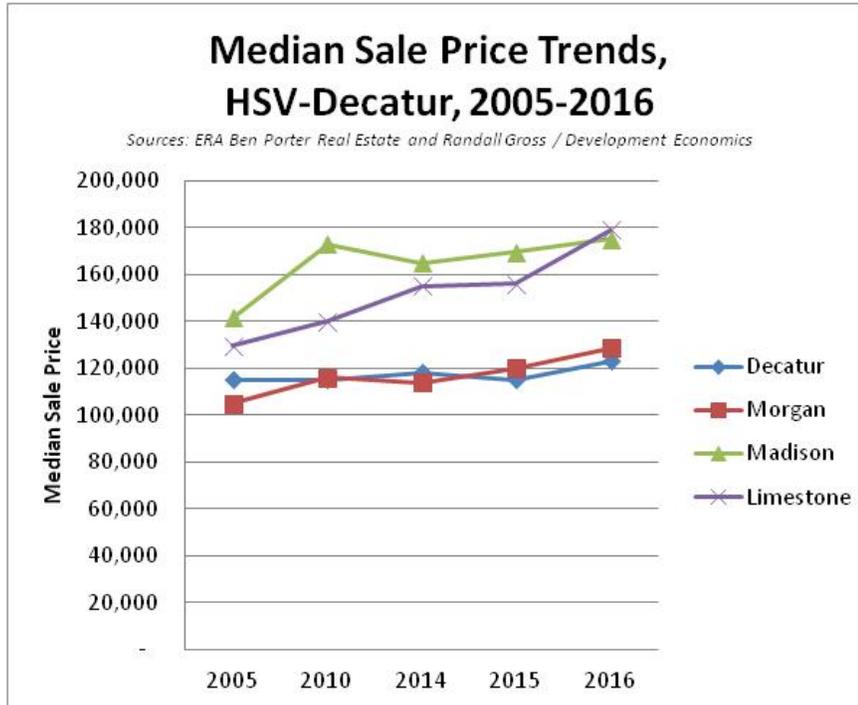
Limestone County’s housing market has recovered most effectively since the recession, surpassing pre-recession sales by 2014 and 36% higher than pre-recession levels by 2016. During 1<sup>st</sup> Quarter 2017, about 15.9% of all sales in the region were in new homes, with the remainder existing sales. Since there were few new homes in Decatur, the city captured little of total new home sales. Condominiums have accounted for only about 1.0% of the region’s home sales.

### Housing Price Trends

Huntsville’s housing prices have increased by 30% since 2005, while prices in Decatur have only increased by about 7%. In general, Decatur’s housing prices have remained relatively constant over the last ten years, while housing prices in neighboring communities have increased overall. Perhaps the most dramatic increase has been in Limestone County housing prices, which increased by 38% over the ten-year period (from \$129,450 to \$179,000).

Madison County median home prices increased by 24%, but that county's prices are no longer the highest in the 3-county region (at \$175,000). By comparison, Decatur's housing prices increased by just 7% (not adjusting for inflation), from \$115,000 to \$123,000. Decatur's housing prices are now among the lowest of communities in the three-county area.

Chart 5



### Current Housing Market Conditions

Current housing market conditions are summarized below. In general, the Huntsville-Madison County market is stronger than that of Morgan-Lawrence counties, with higher prices, faster absorption, and lower inventory.

- **Morgan-Lawrence**
  - Average Sale: \$125,115
  - Median Sale: \$121,000
    - Existing: \$114,000 / New: \$182,000
    - Under \$100,000: 40% / Over \$300,000: 2% (3)
  - Average Days on Market: 119
- **Huntsville-Madison**
  - Average Sale: \$221,100
  - Median Sale: \$193,000
    - Existing: \$176,000 / New: \$275,000
    - Under \$100,000: 12% / Over \$300,000: 20%
    - Condo: \$80,000
  - Average Days on Market: 78

Huntsville-area average prices are nearly \$100,000 more than those in Morgan-Lawrence counties. There are significantly more homebuyers (20%) at the upper end of the market in Huntsville than in Morgan and Lawrence counties (only 2%). Meanwhile, the Morgan-Lawrence market is weighted much more heavily to the low end of the market, with 40% of sales under \$100,000 versus only 12% in Huntsville/Madison County. It would be nearly impossible to build new housing at prices under \$100,000 in today's market, given the basic costs of construction.

## **Rental Market Conditions**

Rental apartment market conditions were also assessed. Unlike MLS, there is no source for tracking the overall Decatur rental apartment market, so information has been cobbled together using the best available information from a variety of primary and secondary sources. In general, Decatur has seen little new apartment construction, so data reflect conditions at older apartment complexes and rentals in single-family homes.



## **Occupancy Trends**

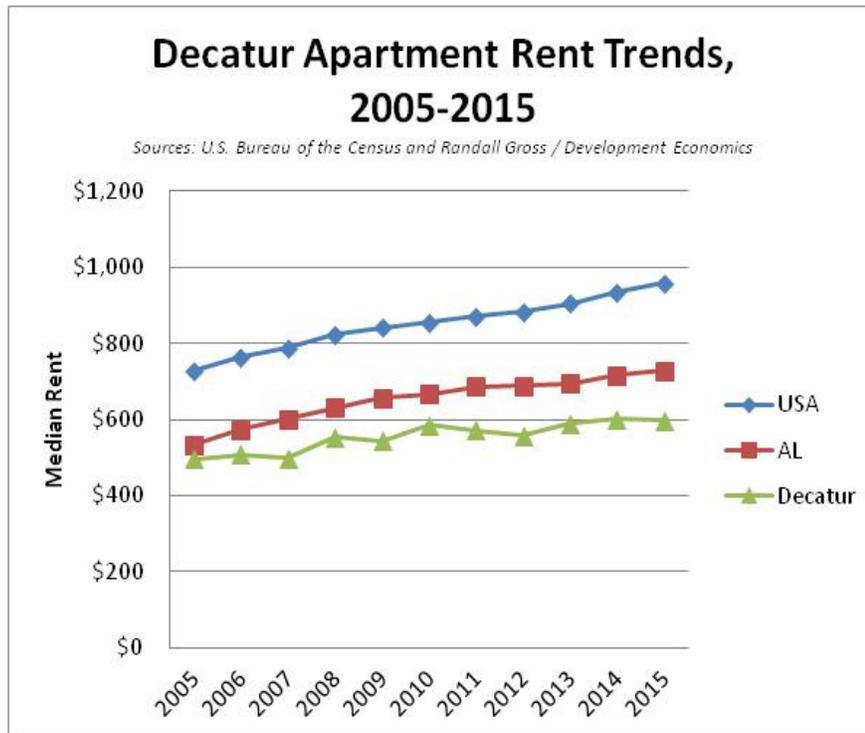
The current vacancy rate in Decatur is estimated at 8.27%, which is up by 107% over 2014 (4.3%) and is 652% higher than Decatur's vacancy rate in 2007 (1.1%), according to Census records. Thus, even though there has been relatively little new supply added to this market (with the exception of a few units in the downtown area), vacancy has continued to increase. Rental vacancy is even higher at the statewide level (9.72%), but it has fallen since 2014. Similarly, the national rental vacancy rate is about 5.85%, down from about 6.4% in 2014. A vacancy rate at or below 5% signals a healthy market, so Decatur's rising vacancy at 8.3% suggests that the city's rental properties are performing below market standards.

## **Rent Trends**

A similar pattern with rents again suggests that Decatur's rental properties are lagging behind state and national trends. Current Decatur contract rents are averaging \$597 per month, which is down by 3.2% from a peak of \$617 in 2008. Meanwhile, average Alabama rents are now close to \$730 per month (up 6.1% since 2014) and nation-wide rents are averaging \$959 (up by 9.5% since 2014). While Decatur's rents are lower than state and national averages, the fact that rents are moving down at the same time that the national economy (and rental market) is growing, does not bode well for Decatur. As illustrated below,

Decatur's rents are stagnating at the same time that there is growth in the rental markets overall.

Chart 6



### Apartment Survey

A rental apartment survey was conducted of Decatur residents in 2014. The validity and usefulness of the survey findings is questionable, in part because 75% of the 450 responses already owned their housing. Few homeowners move back into rental housing, although some will do so (such as in the event of divorce, death of a spouse, or other life changes). The respondents also represented existing Decatur residents, who are among the least likely to move within the city into rental housing. Their responses were colored by their knowledge of existing Decatur rental apartment conditions and products, much of which is aging and in need of upgrading. Among survey respondents, 66% worked downtown or near the river and 61% would have preferred to rent in that same area (if they were to rent housing). Only 10% of respondents would have paid more than \$1,000 for rent, according to the survey. This number is not surprising, given the income levels, existing apartment product, and rent structures in Decatur at present. Respondents ranked site amenities, drive-time (for work) and security as paramount concerns.

## **Section 2. HOUSING DEMAND**

This section summarizes an analysis and forecasts of housing demand in the Decatur Market Area. The market area is defined and demographic trends and forecasts for this market area are analyzed. Gross housing demand is then forecasted as a basis for determining housing potentials within the city of Decatur for specific housing products.

### **Potential Housing Market Area**

The market area is that geographic region from which Decatur can potentially attract the majority of its market for housing. While the traditional housing market for Decatur was drawn largely from within the city and surrounding areas of Morgan County, there has been a shift in regional dynamics and commutation patterns during the past ten years that suggests that Decatur should be considered as part of a much larger Huntsville-Decatur Combined Statistical Area (CSA) housing market.

For the purposes of this market analysis, the Primary Decatur Housing Market Area includes the city of Decatur, Morgan County, and Lawrence County (which already formed part of the Decatur Metropolitan Statistical Area). But the Secondary Market Area also includes Limestone County and Huntsville/Madison County. This broad market area generally conforms to emerging commutation patterns within the boundaries of the newly-defined CSA.

### **Target Niches**

There are also target “niches” within this broad market area of people most likely to purchase or rent housing within Decatur. These niches are defined below:

- **Decatur Job Relocations.** People relocating to Decatur for work in the city. Many of those who now relocate for Decatur jobs are settling in Huntsville or Madison due to the lack of available and appropriate housing, combined with lifestyle factors. Even under current conditions, this niche comprises at least 10% of sales within Decatur.
- **Decatur Workers or Business Operators Living Elsewhere.** People who currently work or operate a business in Decatur but live elsewhere (due to some of the same reasons as those given above) are another target niche opportunity for housing in Decatur. These individuals already have employment and connections in Decatur, and some may wish to live closer to work if appropriate housing were provided under the right circumstances (e.g., lifestyle, location, etc).

- **Huntsville/Madison Employment Growth.** Employment growth in Huntsville and Madison County is attracting people to relocate to the region for work. While most of these transplants currently locate in Huntsville or Madison, there are some that might consider living in Decatur if the appropriate housing product were provided under the right circumstances (lifestyle, location, etc). This is especially true for singles and DINKs (dual-income households with no kids) that are less concerned about the reputation or perceptions of schools.
- **Retirement/Empty Nesters.** Decatur is affordable and has amenities that can attract retirees and other empty nesters who, like singles, are not as concerned about perceptions of schools or other issues that drive families to suburban locations like Madison.

### Demographic Trends and Forecasts

Analysis was conducted of demographic trends and forecasts within the market area and its constituent parts. Findings from this analysis, presented below, provide a basis for forecasting housing demand within the regional market area.

#### Key Demographic Trends

Decatur’s share of the region’s household base has been declining. The city represented 10.7% of households in the Huntsville-Decatur CSA in 2000, but fell to 9.2% of the regional household base by 2017 and only represented **3.3%** capture of the region’s growth in households during that 17-year period.

Factor	2000	2017	Change	Percent
<b>Decatur</b>	<b>20,604</b>	<b>22,254</b>	<b>1,650</b>	<b>8.0%</b>
Morgan County	43,514	47,127	3,613	8.3%
Madison Cty	110,092	145,039	34,947	31.7%
<b>CSA TOTAL</b>	<b>191,828</b>	<b>241,240</b>	<b>49,412</b>	<b>25.8%</b>
Decatur Share	10.7%	9.2%	3.3%	
Morgan Share	22.7%	19.5%	7.3%	
Madison Share	57.4%	60.1%	70.7%	
Sources:	U.S. Bureau of the Census Nielsen, and RGDE.			

By comparison, Madison County’s share of the region’s household base increased from 57.4% to 60.1%, and the county captured 70.7% of the region’s household growth between 2000 and 2017. Decatur’s household base expanded by 8.0% and Morgan County’s by 8.8%, while Madison County’s grew by nearly 32% between 2000 and 2017. Overall, the Huntsville-Decatur CSA’s household base expanded by nearly 50,000 (25.8%) over the 17-year period.

***Decatur’s household base expanded by about 1,650 out of the CSA total of 50,000, capturing just 3.3% of the region’s household growth since 2000.***

**Mobility.** Mobility patterns, like housing tenure, are closely correlated with age. The most mobile populations are those aged 15-24, which includes college students and others just starting out and finding their first job. Within this population cohort, nearly 92% of Madison County’s household renters can be expected to move within five years.

Table 4. HOUSING MOBILITY BY TENURE AND HOUSEHOLDER AGE, MARKET AREA, 2010-2014 FIVE YEAR									
Age Cohort	Morgan		Madison		Limestone		Lawrence		
	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner	
15-24	84.8%	46.0%	91.6%	48.2%	70.4%	41.3%	77.9%	40.8%	
25-34	69.4%	37.6%	74.9%	39.4%	57.6%	33.8%	63.7%	33.4%	
35-44	63.7%	15.1%	68.2%	17.4%	92.6%	19.0%	42.5%	12.7%	
45-54	52.1%	12.4%	55.8%	14.2%	75.8%	15.5%	34.8%	10.4%	
55-64	57.9%	13.8%	62.0%	15.8%	84.2%	17.3%	38.6%	11.5%	
65-74	32.3%	6.1%	48.0%	9.3%	31.0%	9.7%	29.3%	4.9%	
75-84	26.5%	5.0%	39.2%	7.6%	25.4%	8.0%	24.0%	4.0%	
85+	29.4%	5.5%	39.2%	8.5%	28.2%	8.8%	26.6%	4.4%	
Sources:	U.S. Bureau of the Census and RGDE.								

By comparison, senior homeowners (especially those who are still mobile, between the ages of 75 to 84) are least likely to move from their homes. For example, only 4.0% of homeowners in this age cohort in Lawrence County typically move within a five-year period. Mobility is an important driver for housing demand, since the search for first-time or new housing is spurred by the desire or a need to move.

**Household Income Trends.** Rural Lawrence County had the lowest household incomes in the region in 2000, but by 2016, households in the city of Decatur had slightly lower incomes than those in Lawrence County. While incomes are growing in Decatur, income growth has been fairly anemic when

compared with the region’s income growth as a whole. Between 2000 and 2016, Decatur’s incomes increased by 1.3% (not adjusting for inflation, which would have made Decatur’s real incomes fall by 13.6%). Meanwhile, Madison County incomes increased by 2.3% and Limestone County household incomes increased by 2.5%. Even Lawrence County incomes increased faster than those in Decatur, at 2.2%. Still, after adjusting for inflation, incomes have fallen in real terms throughout most of the region since 2000. Only in Limestone County did the increase in incomes slightly exceed CPI inflation (by just 0.2%) since 2000.

<b>Table 5. HOUSEHOLD INCOME TRENDS AND FORECASTS, MARKET AREA, 2000-2021</b>			
<b>Area</b>	<b>2000</b>	<b>2016</b>	<b>2021</b>
Morgan	\$ 39,526	\$ 48,543	\$ 50,528
Madison	\$ 46,870	\$ 64,028	\$ 66,610
Limestone	\$ 40,049	\$ 55,947	\$ 60,534
Lawrence	\$ 33,914	\$ 45,823	\$ 50,127
<b>DECATUR</b>	<b>\$ 37,928</b>	<b>\$ 45,653</b>	<b>\$ 47,478</b>
Huntsville	\$ 43,395	\$ 54,444	\$ 56,341
Sources:	U.S. Bureau of the Census; Nielsen; and Randall Gross / Development Economics.		

**Key Demographic Forecasts**

Morgan County is expected to add about 340 households within the next five years (not including “job-induced growth” that might spur new household formation). The Baby Boom generation (roughly age 55-74) will continue to generate a large share of household growth and, as such, will continue to drive demand in the housing market. Morgan County alone will add nearly 1,250 households led by householders aged 65 to 74 over the next five years. The county will also add more than 400 households led by householders aged 75 and over. Again, this number does not include growth relating to any pro-active effort to attract retirees or those relocating for work. Morgan County’s growth will include nearly 400 more homeowners, but 30 less renters (without any pro-active marketing strategy). By comparison, Madison County is expected to add about 6,300 households over the next five years and Limestone County will add 2,400, without any direct intervention or pro-active marketing strategies on behalf of the city of Decatur or Morgan County. Morgan County’s household forecasts by age cohort and tenure are summarized below through 2022.

<b>Table 6. HOUSEHOLD FORECASTS BY AGE &amp; TENURE, MORGAN COUNTY, 2017-2022</b>			
<b>Age Cohort</b>	<b>Renters</b>	<b>Owners</b>	<b>Total</b>
15-24	57	11	68
25-34	(83)	(65)	(148)
35-44	(84)	(178)	(262)
45-54	(217)	(684)	(901)
55-64	(15)	(57)	(72)
65-74	222	1,022	1,244
75-84	37	174	211
85+	49	147	196
<b>TOTAL</b>	<b>(33)</b>	<b>369</b>	<b>336</b>
Sources:	U.S. Bureau of the Census; Nielsen; and Randall Gross / Development Economics.		

Morgan County's growth will be concentrated among middle- and higher-income households, with significant growth among those with average household incomes between \$75,000 and \$100,000 as well as those in the \$125,000 to \$200,000 range (not adjusted for inflation). There will be some decrease in the number of households with incomes below \$50,000.

<b>Table 7. HOUSEHOLD FORECASTS BY INCOME COHORT, MORGAN CO, 2017-2022</b>			
<b>Income Cohort</b>	<b>2017</b>	<b>2022</b>	<b>Change</b>
<\$15,000	6,517	6,272	(245)
\$15-\$25,000	5,786	5,587	(199)
\$25-\$35,000	5,412	5,329	(83)
\$35-\$50,000	7,545	7,396	(149)
\$50-\$75,000	8,462	8,519	57
\$75-\$100,000	5,021	5,206	185
\$100-\$125,000	3,759	3,831	72
\$125-\$150,000	1,967	2,228	261
\$150-\$200,000	1,521	1,734	213
\$200,000+	1,137	1,361	224
<b>TOTAL</b>	<b>47,127</b>	<b>47,463</b>	<b>336</b>
Sources:	U.S. Bureau of the Census; Nielsen; and Randall Gross / Development Economics.		

Decatur itself will also experience income growth, but incomes within the city are expected to remain among the lowest in the region, at an average of \$47,500 by 2021. By comparison, Morgan County incomes as a whole will average about \$50,500, Limestone County's at \$60,600, and Madison County's at \$66,600. Huntsville household incomes are projected at \$56,300.

## **Job-Induced Demand**

As noted earlier, the region's employment base (especially Huntsville's) is growing. This growth provides an opportunity for Decatur to leverage housing development by capturing a fairer (and larger) share of the region's housing market. Employment growth was projected through 2022 and beyond, with a particular focus on the types of jobs that are likely to be created. Again, this assessment examined not only job growth within Decatur but within the broader region as a driver for the housing market.

## **Employment Projections**

The North Alabama Labor Market Area is projected to add 20,775 jobs by 2022, according to the State Department of Labor. Of these, Decatur and Morgan County are expected (based in part on recent trends) to capture about 1,265 of these jobs. The highest-growth industries and occupations will include the following:

- Freight Handling, Truck Driving (Transport, Logistics)
- Nursing (Health Care)
- Assembly/Machinists (Manufacturing)
- Customer sales & support (Administrative Services)
- Accounting, Aerospace Engineering (Prof/Tech Services)

Not surprisingly, growth will be concentrated within the region's existing strengths, in such occupations as aerospace engineering and in industries like transportation and logistics.

## **5-Year Targets**

It is assumed that a pro-actively marketing strategy would be put into place to target job-related relocations to the Decatur area. Under this scenario, Decatur's capture of housing for workers relocating to Decatur for work increases from 30% to 50%. Decatur also would increase its capture of housing for North Alabama job relocations to 5% (which would translate into about 975 units, based on current job growth projections).

Within this target base would be key niche markets including professional, scientific and technical workers, mid-level professionals, recent graduates, and college students. Based on the tenure patterns of these relocating workers, there

would be job-generated demand for about 380 rentals and 250 for-sale housing units. This “job-induced” demand forms just one part of the housing market potentials, along with households moving “up” and “down” in the market, as well as those relocating for other reasons besides employment. Total housing potential and associated marketing niches are discussed in the next section of this report.

### **Section 3. HOUSING MARKET POTENTIALS & CONCEPTS**

The overall potential for housing development in Decatur was determined within the competitive context of the regional market. Potential for both rental and for-sale housing was determined along with the target market niches, pricing, and likely product. Key findings are summarized below.

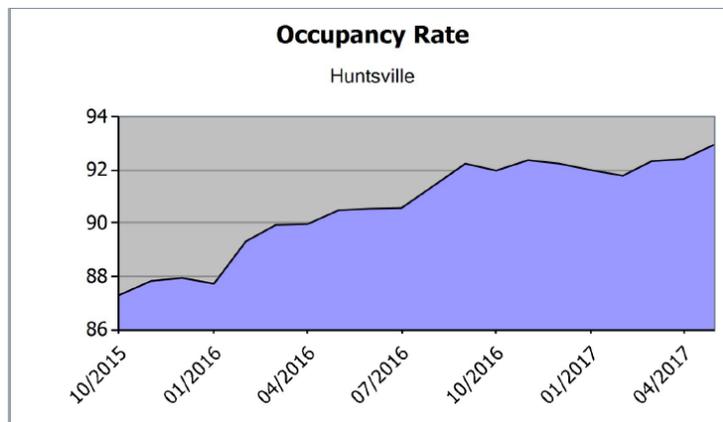
#### **Competitive Context**

Decatur is facing increased market pressure and competition from other parts of the region including Huntsville, Madison, Athens, and elsewhere. Huntsville/Madison County remains the largest and most competitive portion of the regional market, so any analysis of the competitive context by necessity has to focus on Huntsville.

#### **Rental Market**

ALN Apartment Data, Inc. indicates that Huntsville apartment occupancies are hovering around 93.0%, with annual absorption of about 1,100 units per year. Huntsville occupancies are up by 3.2% over 2016.

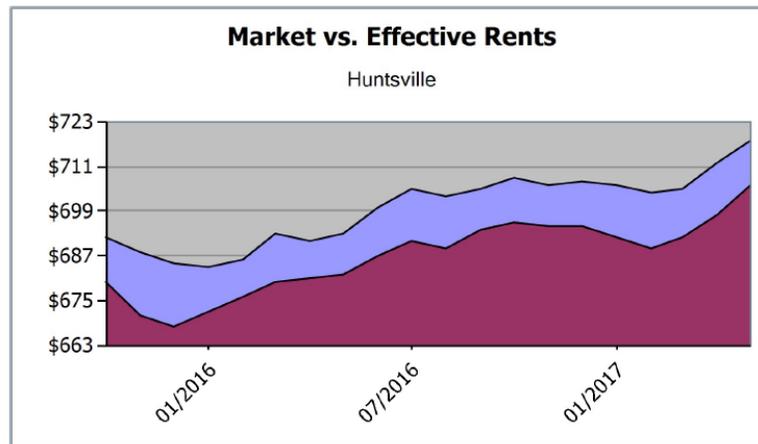
Chart 7



Source: ALN Apartment Data, Inc.

The average unit size is around 725 square feet, with rents averaging \$720, so about \$0.80 per foot. Asking rents are up by about 3.5% over 2016. The effective rent is slightly lower at \$705, and about 30% of apartments are offering concessions (typically around 5%). About 42% of the market is in one-bedrooms, 39% in twos and 12% in three-bedrooms. Rents are averaging \$633 for 1-beds, \$745 for 2-beds, and \$890 for 3-bedroom apartments.

Chart 8



Source: ALN Apartment Data, Inc.

Among the more competitive rental products are newer apartment communities situated along I-565 near Madison and Huntsville International Airport. For example, the 288-unit Limestone Creek Apartments in Madison attracts about 30-40% of their renters from among those relocating to the region for jobs in Decatur. Units rent for \$700 to \$885 per month for 715 to 1,102 square feet. Occupancy is high, at 96.5%, since this project is relatively new, offers key amenities and is well-located near key highways to access jobs in Huntsville, Madison, Decatur, and Athens.

Airport-area apartment complexes like Ashbury Woods (\$710-\$954), Cambridge, Belmont Hill, Colonial Grand (\$688-\$1,368), Sunlake (\$665-\$835), The Landings (\$630-904), and various apartment communities in Madison (Abby Glen, Windscape, Grand Reserve, Shelton Park, Morningside, Madison Landing, Forest Park, Arch Streetm etc.) and others are also competitive.

### **For-Sale Market**

As noted earlier, the for-sale housing market has been stronger in Huntsville and surrounding areas than in Decatur. New residential communities located throughout Madison and Limestone counties are highly competitive with any new housing offered in Decatur. Particularly competitive are newer residential communities on the west side of Madison, such as Moore's Creek (\$250-\$400,000), Palmer Place (\$300,000), Stillwater Cove (\$300,000), Greenbrier Woods (\$315-\$420,000), Brighton Park (\$210-\$310,000), Shiloh Run (\$430,000), and others. The Village of Providence (off University Drive) and other traditional neighborhood developments (TNDs) are also highly competitive with new housing in Decatur because they offer not only superior location but also high amenity value. However, such TNDs are aimed at the higher end of the market, with houses in the \$500-\$700,000 range and condominiums in the \$150-\$200,000 range.

## Rental Potential

Decatur has potential to capture demand for 2,700 to 4,300 rental units by 2022. This number includes 1,100 market-rate units and 2,200 to 3,400 “workforce” units for those making less than the area median income (AMI). Key niches for this housing include relocating workers, young professionals, recent graduates, and retirees. Rents for market-rate units would range from \$650 to \$1,500 per month, and those for workforce housing would range from \$250 to \$700 per month.

<b>Table 8. RENTAL HOUSING POTENTIALS, DECATUR, 2017-2022</b>			
<b>Rent Range</b>	<b>Area Capture</b>		<b>Market Rate</b>
	<b>Moderate</b>	<b>High</b>	
\$ 200	782	977	-
\$ 400	476	680	-
\$ 600	545	880	-
\$ 700	460	822	641
\$ 800	333	641	487
\$ 1,100	156	318	237
\$ 1,200	115	280	197
\$ 1,500	91	294	193
<b>TOTAL</b>	<b>2,753</b>	<b>4,318</b>	<b>1,114</b>
<b>Workforce</b>	<b>2,264</b>	<b>3,359</b>	
Sources:	U.S. Bureau of the Census; Nielsen; and Randall Gross / Development Economics.		

Potential for market-rate units is highest in the \$700 to \$900 rent range, which is relatively low compared with other markets in the region. Lower Decatur incomes translate into demand at lower rent rates.

## For-Sale Housing Potentials

There is market potential in Decatur for up to 150 for-sale housing units by 2022, including more than 100 market-rate units. Target niches include move-ups, relocating workers (following a rental period), and mid-level professionals. Market-Rate housing prices would range from \$240,000 to \$367,000 and over.

Smaller units could be priced for \$110,000 to \$220,000, but whether new housing can be constructed at this price is uncertain

<b>Table 9. FOR-SALE HOUSING POTENTIALS, DECATUR, 2017-2022</b>			
<b>Price Point</b>	<b>Area Capture</b>		<b>Market Rate</b>
	<b>Moderate</b>	<b>High</b>	
\$ 106,250	1	1	-
\$ 156,250	5	7	-
\$ 218,750	31	51	41
\$ 247,500	6	13	10
\$ 288,750	24	56	40
\$ 367,500	4	21	13
<b>TOTAL</b>	<b>71</b>	<b>150</b>	<b>104</b>
Sources:	U.S. Bureau of the Census; Nielsen; and Randall Gross / Development Economics.		

### **Marketing & Development Concepts**

In order to capture this demand, there are several marketing and development concepts that have been identified as described below. Approaches for implementation of these concepts are recommended as part of the strategic component of this plan.

#### **I-65/565 Mixed-Use “Decatur Gateway” Site**

In order to help capture a larger share of the regional housing market, it is recommended that Decatur pursue and promote mixed-use development around the intersection of I-65 and I-565, on the north side of the city. There is excellent exposure at this location to promote Decatur and raise its profile in the region. The site has good access for commutation to Downtown Decatur, Madison, Huntsville/Arsenal, and Athens. It also provides one of the best opportunities in the Decatur area for mixed-use (commercial exposure) including retail and community amenities like recreation facilities.

#### **Amenity-Driven / Downtown Project(s)**

Downtown is proving itself once again as a location for both rental and for-sale housing, with the successful development of small high-end projects like the

10-unit 307 Second luxury loft apartments. As key demographic cohorts (empty nesters and Millennials) seek out housing in mixed-use, walk-able neighborhoods, the downtown area in Decatur becomes more attractive as a housing location. The downtown area can offer amenities such as the riverfront (and views). The Alabama Center for the Arts/Calhoun Community College can offer programmatic amenities for downtown-area residents. Infill residential or mixed-use projects would be most appropriate in the downtown area.

### **Move-up Program**

Housing infill and redevelopment provides an opportunity for the city to capture further housing demand in inner-city neighborhoods. Programs could be designed to assist landlords and those living in low-quality housing and trailer parks with “stick and carrot” approaches and with links to new workforce housing development. The strategic recommendations provided elsewhere in this plan provide input on marketing, management, financing, development, merchandising and other factors associated with Decatur capturing the regional market for housing.

APPENDIX

<b>Table A-1. RESIDENTIAL BUILDING PERMIT TRENDS, 1996-2016, DECATUR</b>				
<b>Year</b>	<b>SF</b>	<b>2-4 Unit</b>	<b>MF</b>	<b>TOTAL</b>
1996	199	32	226	457
1997	197	28	-	225
1998	225	64	55	344
1999	185	16	-	201
2000	227	-	-	227
2001	179	-	-	179
2002	207	-	-	207
2003	205	-	-	205
2004	227	-	-	227
2005	219	-	-	219
2006	159	-	-	159
2007	160	-	24	184
2008	85	-	12	97
2009	39	-	-	39
2010	56	-	-	56
2011	47	-	-	47
2012	48	-	-	48
2013	39	-	-	39
2014	37	-	-	37
2015	36	-	-	36
2016	67	-	-	67
<b>Total</b>	<b>2,776</b>	<b>140</b>	<b>317</b>	<b>3,233</b>
<b>Average</b>	<b>139</b>	<b>7</b>	<b>16</b>	<b>162</b>
	85.9%	4.3%	9.8%	
<b>Period</b>	<b>SF</b>	<b>2-3-4</b>	<b>MF</b>	<b>TOTAL</b>
'96-2003	203	18	35	256
'04-2008	170	-	7	177
'09-2011	47	-	-	47
'12-2016	32	-	-	32
Note:	1/ Annualized based on ten months.			
Sources:	U.S. Bureau of the Census and Randall Gross / Development Economics.			