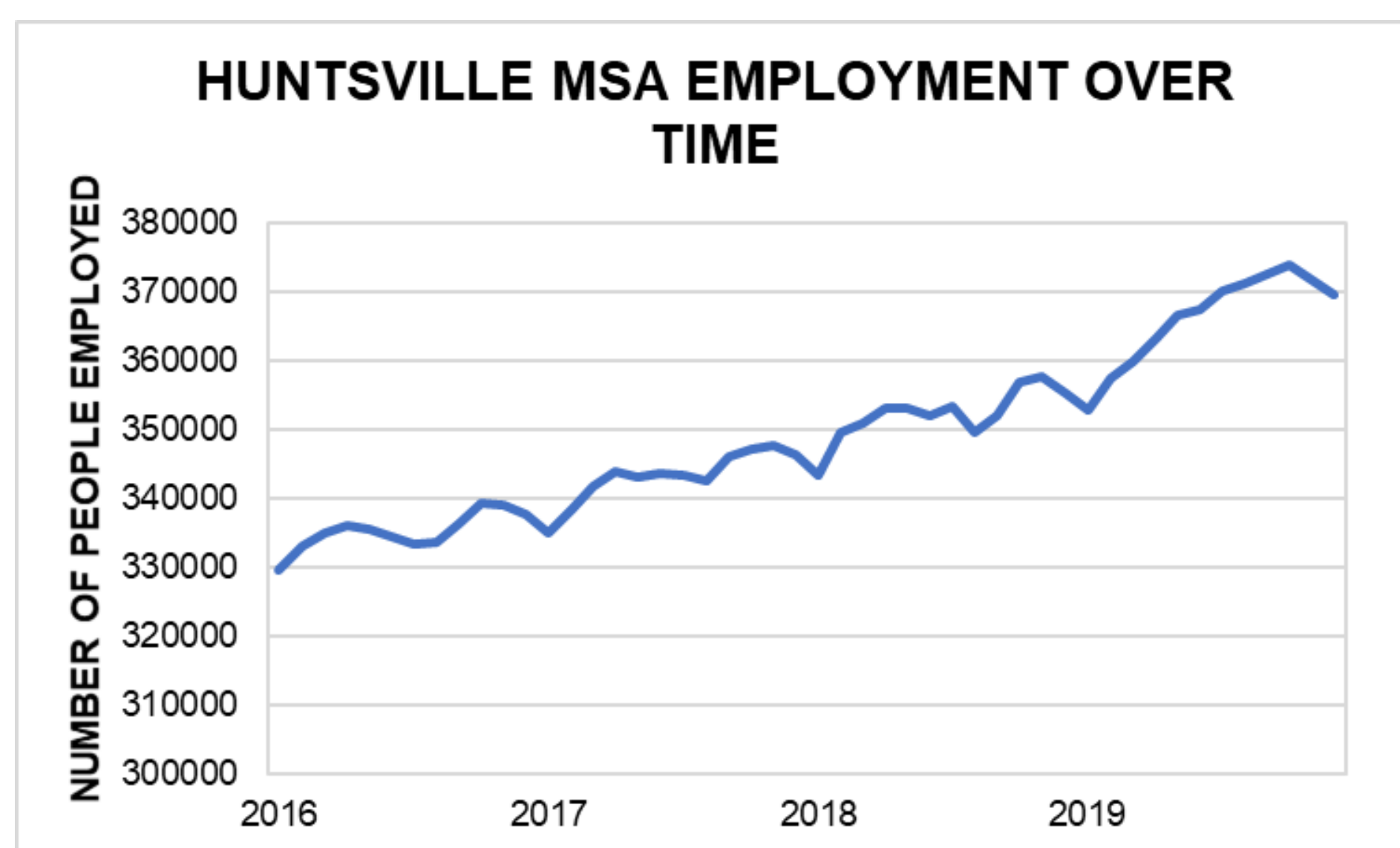


Is the Rocket City Out of Space? Huntsville's Housing on the Horizon

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Overview

When looking at the United States economy, over two-thirds is encompassed by consumer expenditures, and, of that, over 30% is attributed to housing. It is evident that households are one of the most significant drivers of the economy. Now, Huntsville for the past few years has consistently been touted as one of the most affordable places to live in the United States. However, with the continual influx of jobs that have been brought to the Rocket City (see figure below), the inventory of homes has been extremely tight, and price has crept up as a result. Since Huntsville is a very transient community, the affordability metric was compared on a national and regional level to give a wholistic view of how Huntsville measures against various areas.



Methodology

MEDPRICE = Median Home Price

IR = Interest Rate

PMT = Prevailing Mortgage Rate

QINC = Qualifying Income

MEDINC = Median Income

HAIC = Housing Affordability Index Composite

- $MEDPRICE \cdot .8 \cdot (IR/12) / (1 - (1/(1+IR/12)^{360})) = PMT$
- $PMT \cdot 4 \cdot 12 = QINC$
- $(MEDINC/QINC) \cdot 100 = HAIC$

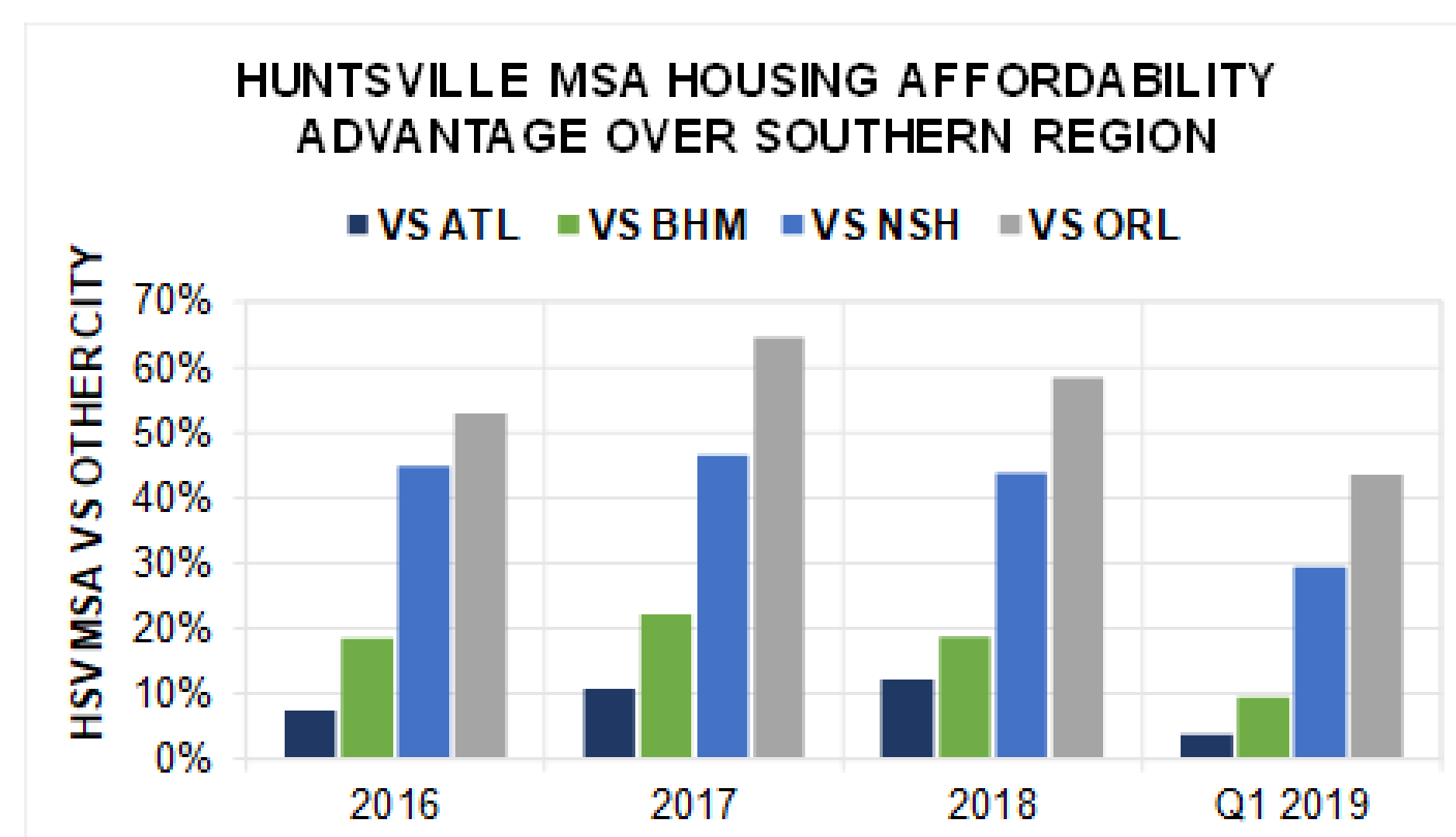
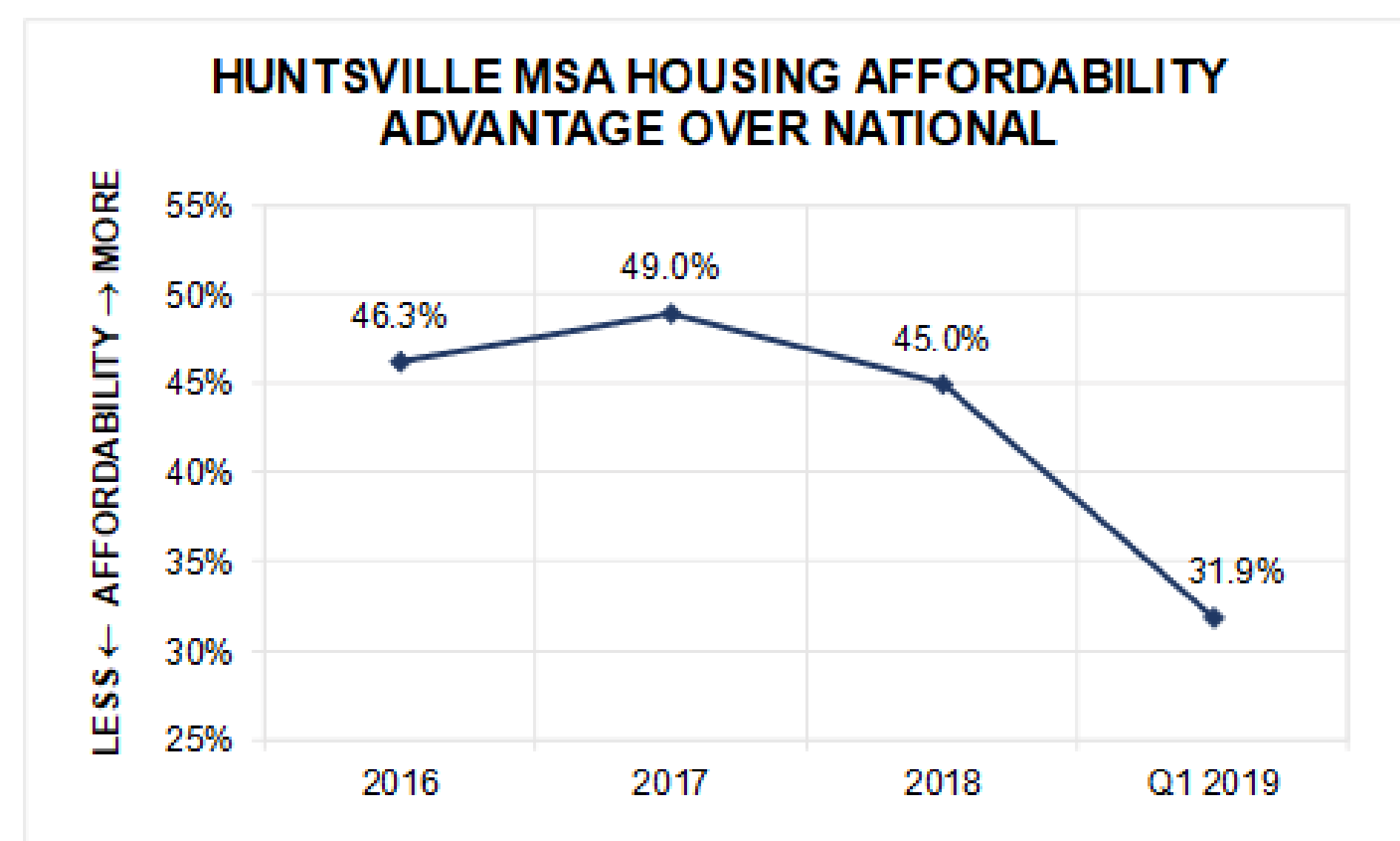
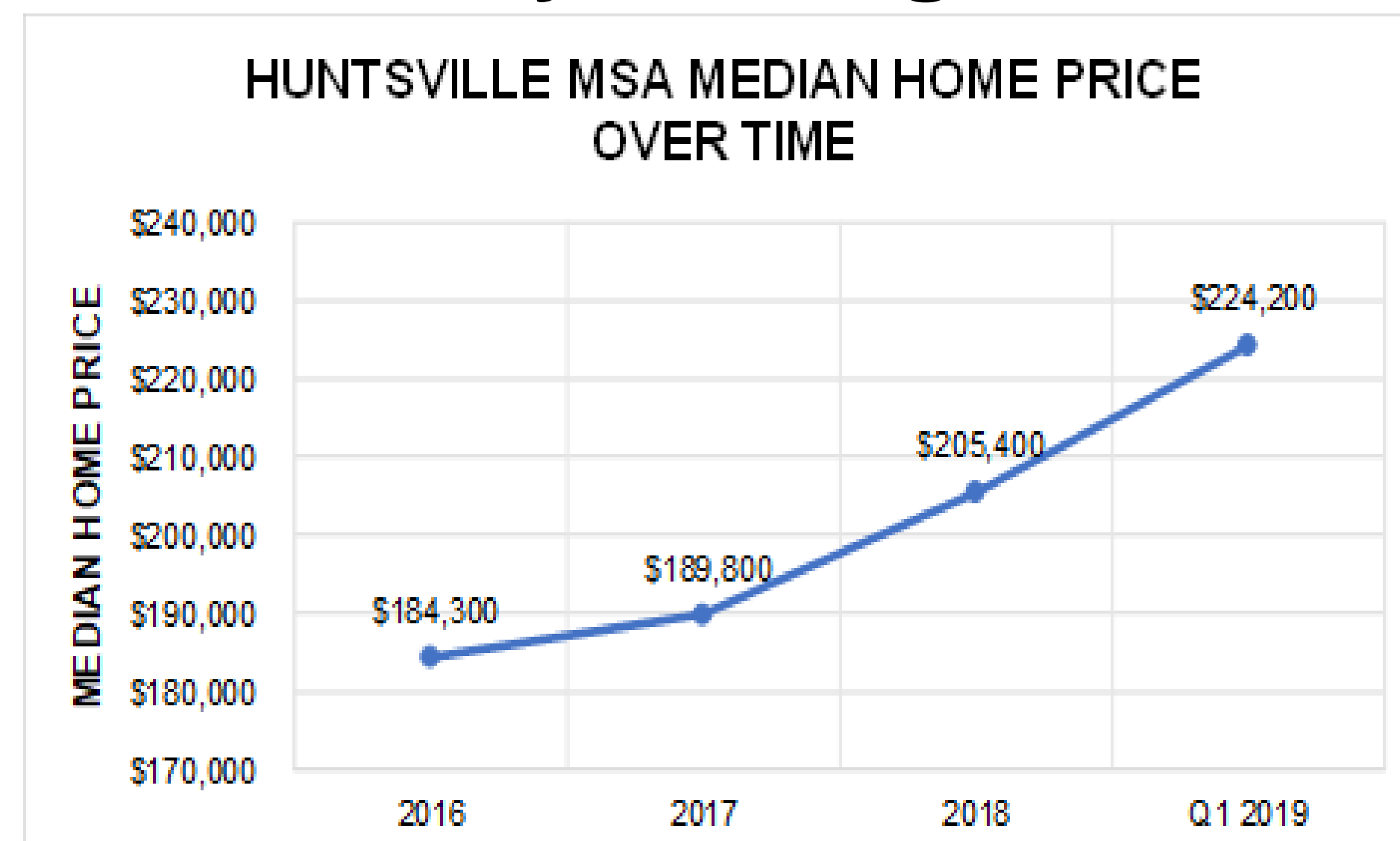
Affordability Drivers:

- + Average Earnings
- Median House Prices
- Mortgage Interest Rates
- More Jobs → Increased Housing Demand → Less Affordability (Ceteris Paribus)

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Key Findings



Conclusion

This research shows that Huntsville MSA (Madison & Limestone counties) has a sizable affordability advantage over various economies. However, this margin seems to be deteriorating over time, and, with more jobs coming to Huntsville, this will be something that needs to be monitored and addressed by leadership going forward.