2024-YE

HUNTSVILLE MULTIFAMILY PIPELINE & MARKET OVERVIEW

Prepared for:

The Apartment Association of North Alabama (AANA)

Presented by: David Wilson, MAI

crunkletonassociates.com

INTRODUCTION TO SOURCE

&

EXECUTIVE SUMMARY

DAVID WILSON

Tracker of Huntsville's Apartment Market

A long time ago in a Huntsville far, far away (1994), statistical data for real estate didn't exist, so an inquisitive young man created the Huntsville Apartment Survey. David inventoried every 60+ unit apartment property and captured their unit mix, rental rates and occupancy data by communicating directly with their owners or on-site staff, often in-person!! He then captured that same data every six months and began analyzing and reporting the trends, as well as inventorying every new property that was added to Huntsville's supply. This continued for 15+ years, until national data services began tracking the market on more frequent intervals. David, then under the wing of Rock Apartment Advisors, stepped away from Rock and this level of reporting, but has continued tracking and reporting on new construction ever since. Over the past 10 years, while an apartment broker with Berkadia Real Estate Advisors, David has been supplementing Berkadia's awesome data with his own to generate **the most extensive deep-dive of Huntsville's apartment supply and market**, with publication twice a year. David joined Crunkleton in late-2024.

What you are about to see is David's latest iteration of Huntsville's apartment supply tracking and other data. We hope you will find it illuminating. Enjoy!!

EXECUTIVE SUMMARY – Page 1 of 2

- 6,553 units delivered in 2024
- 49 properties now in Lease-Up - 30 are Fully Complete
- 30 properties are Actively Under Construction (6,162 units not yet delivered)
- 5,277 units likely to be delivered in 2025
- 2023 Absorption = 2,700 to 5,200 units, depending on source
- 2024 Absorption = 4,850 to 6,500 units, depending on source
- Occupancy Rate – Mid-80%'s overall
- Rent Growth remains negative
- Increasing concession usage (1-3 Months Free)
- Class B market is feeling the impact of the new supply / particularly on renewals

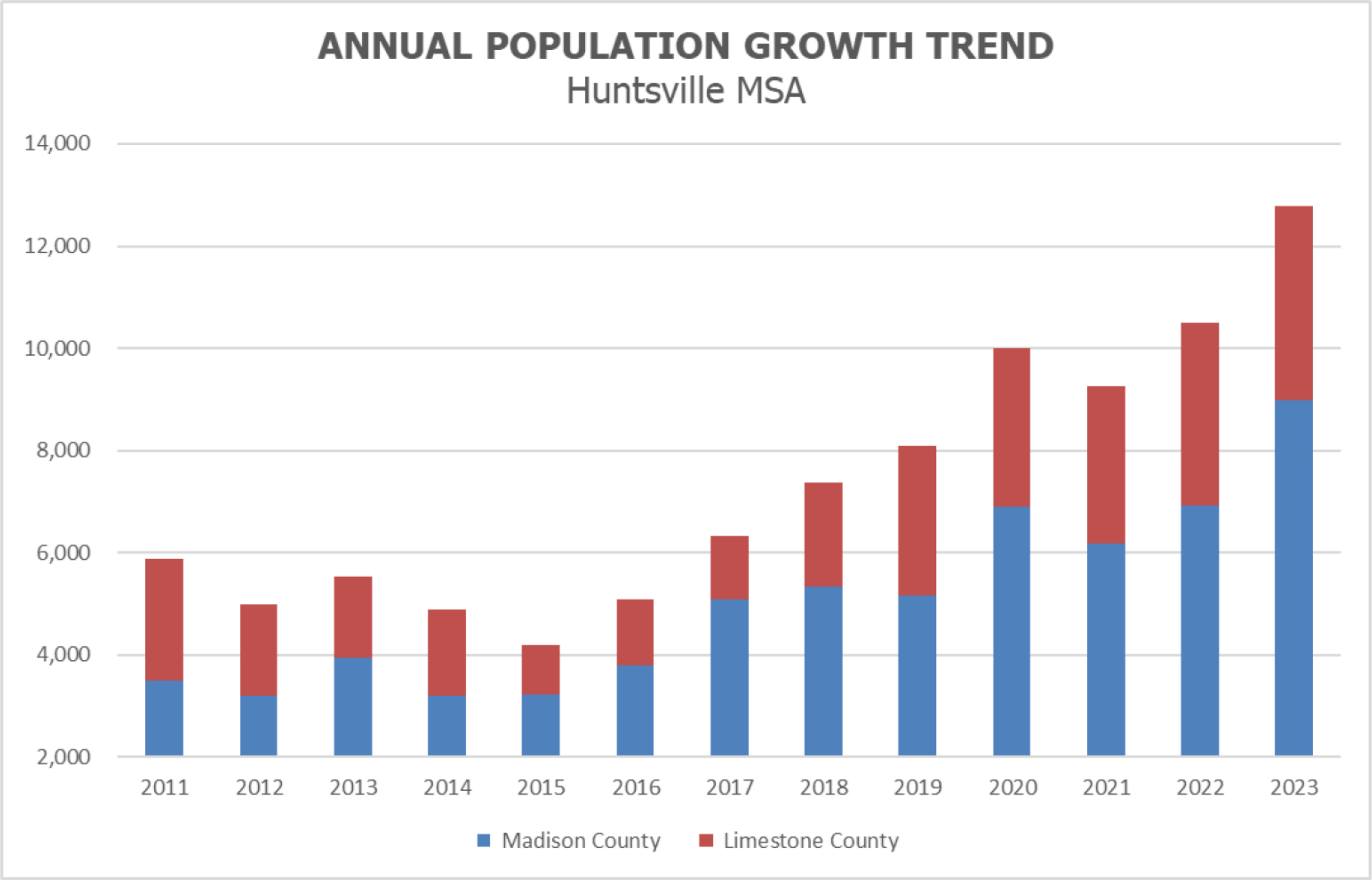
EXECUTIVE SUMMARY – Page 2 of 2

OUTLOOK

- 2025 will still be challenging
- 2026 should begin seeing improvement
- At an Annual Absorption Rate of 5,000 units, we would achieve 90% occupancy in 1.5 years (1.2 years at 6,500/year) *(these are not forecasts, just math)*
- Economic outlook is excellent, expecting escalating population growth

- **Future new construction "starts" should be limited as:**
    - Effective Rents need to improve significantly to justify financial feasibility
    - Debt and equity sources are being extremely cautious
    - The current over-supply is causing most developers to tread slowly

POPULATION GROWTH



Sources: U.S. Census Bureau

Population growth rate has more than doubled in the past 5-6 years.

Was averaging near 5,000/year from 2011-2016, then averaged near 10,000/year from 2020-2022, but has accelerated to over 12,000/year.

The expectation is for rate of growth to continue to escalate.

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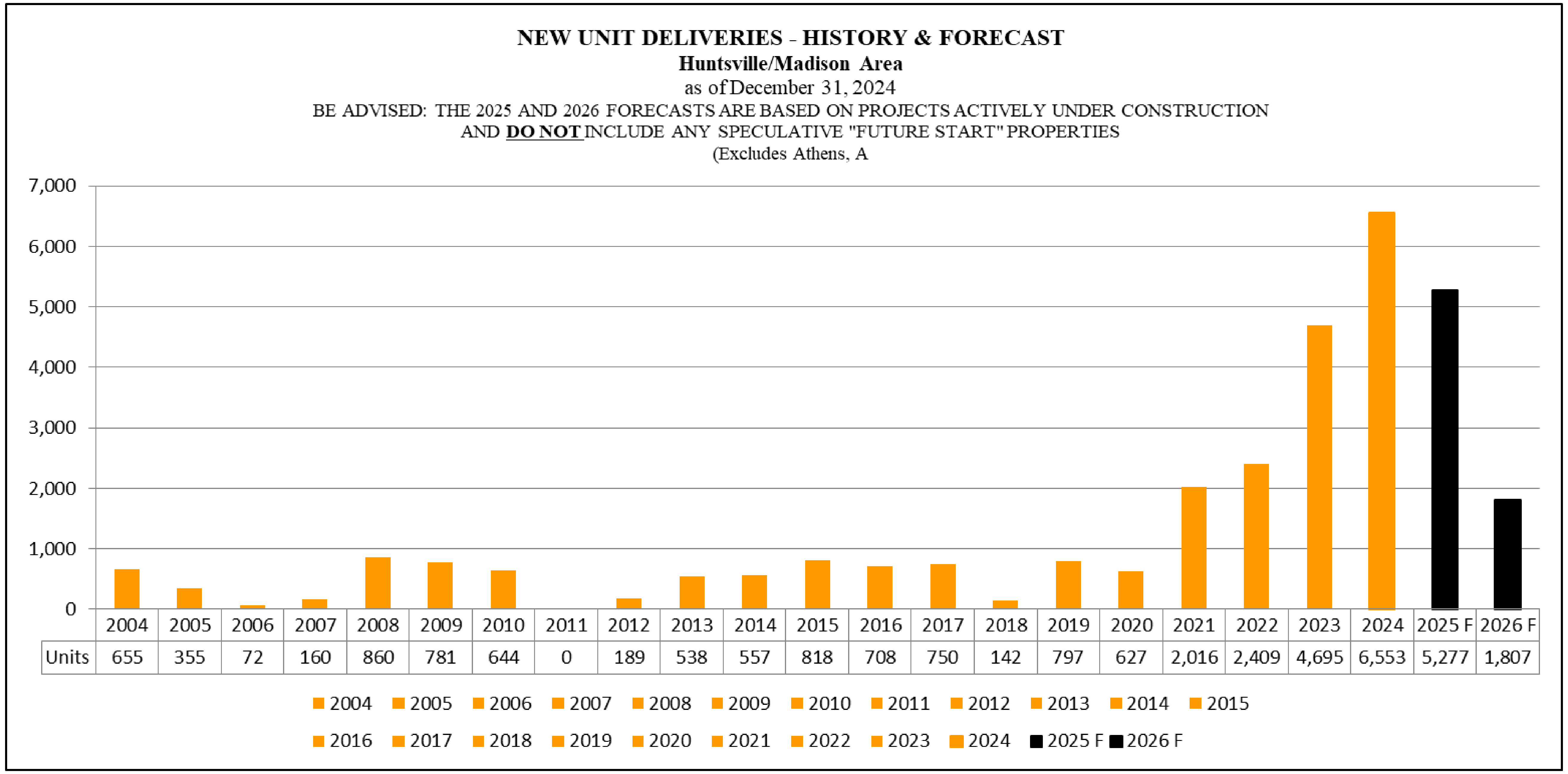
NEW CONSTRUCTION

NEW UNIT DELIVERIES – History & Forecast



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 F	2026 F
Units	655	355	72	160	860	781	644	0	189	538	557	818	708	750	142	797	627	2,016	2,409	4,695	6,553	5,277	1,807

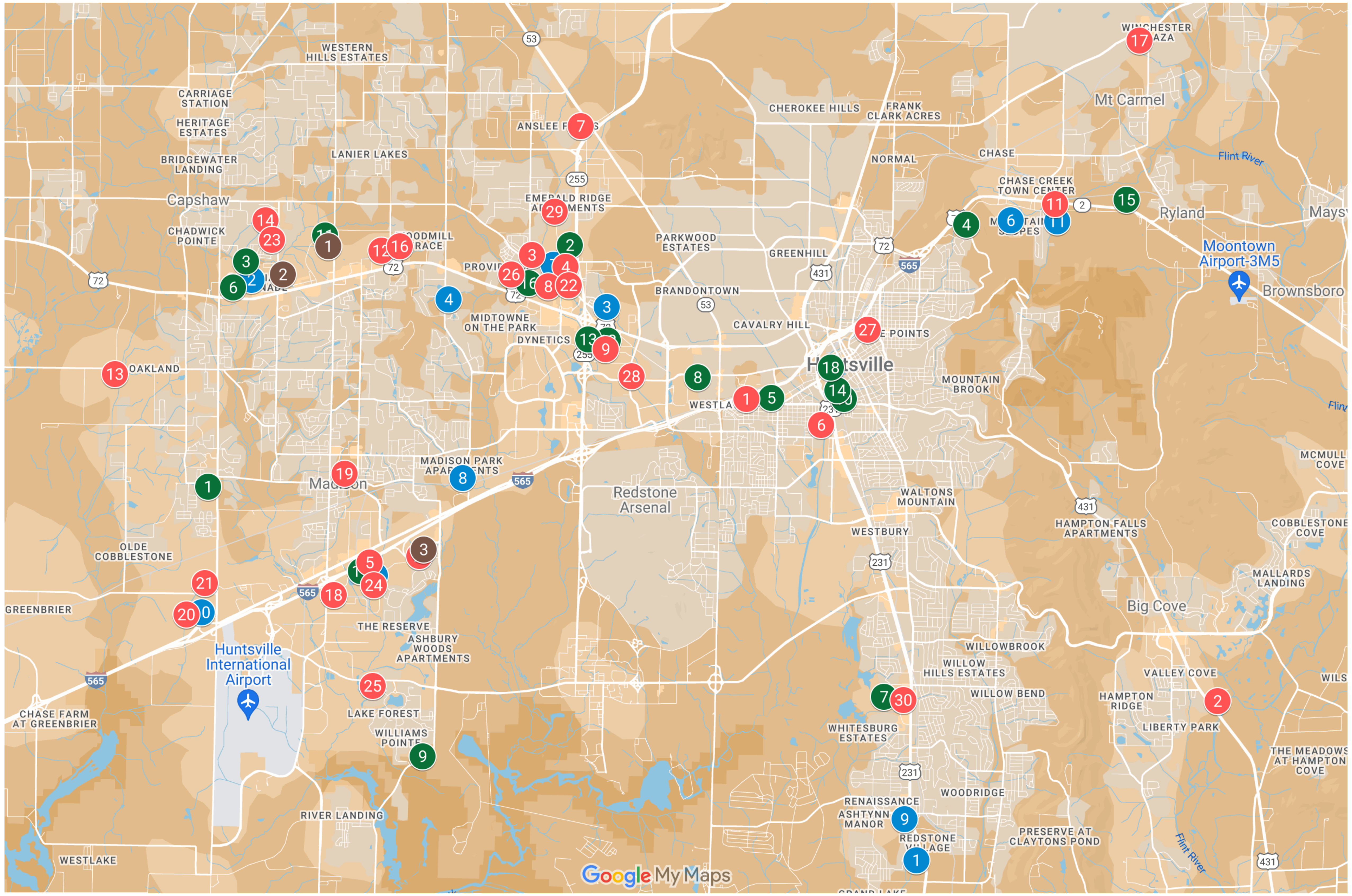
Source: David Wilson, MAI (Validated Every Year); 2014-2023 data compiled while at Berkadia Real Estate Advisors, and while at Rock Apartment Advisors before 2014.

6,337 Units Added From 2004-2016 (12 Years) vs. 6,553 Units Added in 2024

NEW CONSTRUCTION – as of 12.31.24

	Properties	Units
COMPLETED & IN LEASE-UP -	30	7,367
UNDER CONSTRUCTION -	30	7,733
STARTED, BUT HALTED -	3	946

Source: David Wilson, MAI. Via visual observation and personal validation



The BIG Map

Red
Complete, In Lease-Up
30 Properties – 7,367 Units
Map excludes 1 property in Meridianville

Blue
Partially Complete, Leasing
12 Properties – 3,084 Units
Map excludes 1 property in Hazel Green

Green
Underway, No Deliveries Yet
18 Properties – 4,649 Units

Brown
Started, But On-Hold
2 Properties – 946 Units

RECENT LEASE-UPS

#	Project Name	Total Units	Municipality	Submarket	Type
	PROPERTIES STABILIZED DURING 2ND HALF OF 2024				
	Market-Rate Properties				
	Market Rate Properties				
1	Eclipse Residences	278	Huntsville	Downtown	Class A, 5-sty elevator, parking deck, w/retail
2	Belle Mor	272	Huntsville	West Huntsville	Class A, 2-story garden-style
3	The Kelvin	301	Huntsville	West Huntsville	Class A, garden-style, no elevators
4	Avenue 6	26	Huntsville	SW Huntsville	Class B, 3-story garden-style
5	Metronome at MidCity	298	Huntsville	West Huntsville	Class A urban; Part of mixed use
6	St. Andrews Villas, Phase I (BFR)	96	Unincorp Limestone Co.	Madison - South	Class A, one-story
7	Mosby at BridgeStreet	290	Huntsville	West Huntsville	Class A, 4-sty elevator, surface park, no retail
8	Central Park Townhomes (SFR)	56	Madison	Madison - South	Class A townhomes with garages
9	1010 Elliston, Phase II	52	Huntsville	West Huntsville	Class A, 3-story garden-style
	Subtotal - Market Rate	**1,669**			
	Affordable or Student				
10	Dean at Chase Creek (student master lease)	336	Huntsville	East Huntsville	Built as Class A - master leased to Alabama A&M
11	The Elroy (student master lease)	190	Huntsville	West Huntsville	Built as Class A - master leased to Alabama A&M
12	Monrovia Flats (LIHTC)	198	Huntsville	West Huntsville	4% LIHTC - 3-story garden-style
	Subtotal - Affordable or Student	**724**			
	TOTAL UNITS	**2,393**			

Source: David Wilson, MAI; Crunkleton Commercial Real Estate Group

The Good News

12 New Properties Now Stabilized

Average Occupancy 93% for the 9 Market Rate Properties

NEW CONSTRUCTION – Pipeline at a Glance

PIPELINE SUMMARY

Huntsville/Madison/East Limestone Area (Excludes Athens)

as of 12.31.24

Status	Total Properties	Delivered Units	Under Construction	Total Units	Occupied Units	Occupancy Rate On Delivered Units	Occupancy Rate On Total Units
Recently Stabilized	12	2,393	0	2,393	2,225	93.0%	
Completed, In Lease-Up	30	7,367	0	7,367	3,905	53.0%	
<u>Construction Pipeline Underway</u>							
Under Construction, Partially Complete	12	1,571	1,513	3,084	1,087	69.2%	35.3%
Under Construction, No Deliveries **	18	0	4,649	4,649	0	0.0%	0.0%
Construction Started, But Halted	3	0	946	946	0	0.0%	0.0%
TOTAL PIPELINE UNDERWAY	**33**	**1,571**	**7,108**	**8,679**	**1,087**	**69.2%**	**12.5%**
Percent Complete of Total Units		18%	82%				

** 7 of the 17 "No Deliveries" properties comprising 1,601 units have begun preleasing and deliveries are immenent

Source: David Wilson, MAI; Crunkleton Commercial Real Estate Group

NEW CONSTRUCTION – Actively Leasing

ACTIVELY LEASING, BUT NOT STABILIZED Huntsville/Madison/East Limestone Area (Excludes Athens) as of 12.31.24							
						Occupancy Rate	
Status	Total Properties	Delivered Units	Under Construction	Total Units	Occupied Units	On Delivered Units	On Total Units
Completed, In Lease-Up	30	7,367	0	7,367	3,905	53.0%	53.0%
Under Construction, Partially Complete	12	1,571	1,513	3,084	1,087	69.2%	35.3%
Underway, No Deliveries, Pre-Leasing	7	0	1,601	1,601	0	0.0%	0.0%
TOTAL PROPERTIES LEASING	**49**	**8,938**	**3,114**	**12,052**	**4,992**	**55.8%**	**41.4%**

Source: David Wilson, MAI; Crunkleton Commercial Real Estate Group

NEW CONSTRUCTION UNDERWAY – Partially Complete

The Good News

50% are now Delivered

Average Occupancy For Delivered Units = 69.2%

No So Good News

Most Are Offering 1-2 Months Free Rent – Some at 3 Months Free

Leasing Velocity is Slow
(7-10 Units Per Month is Common)

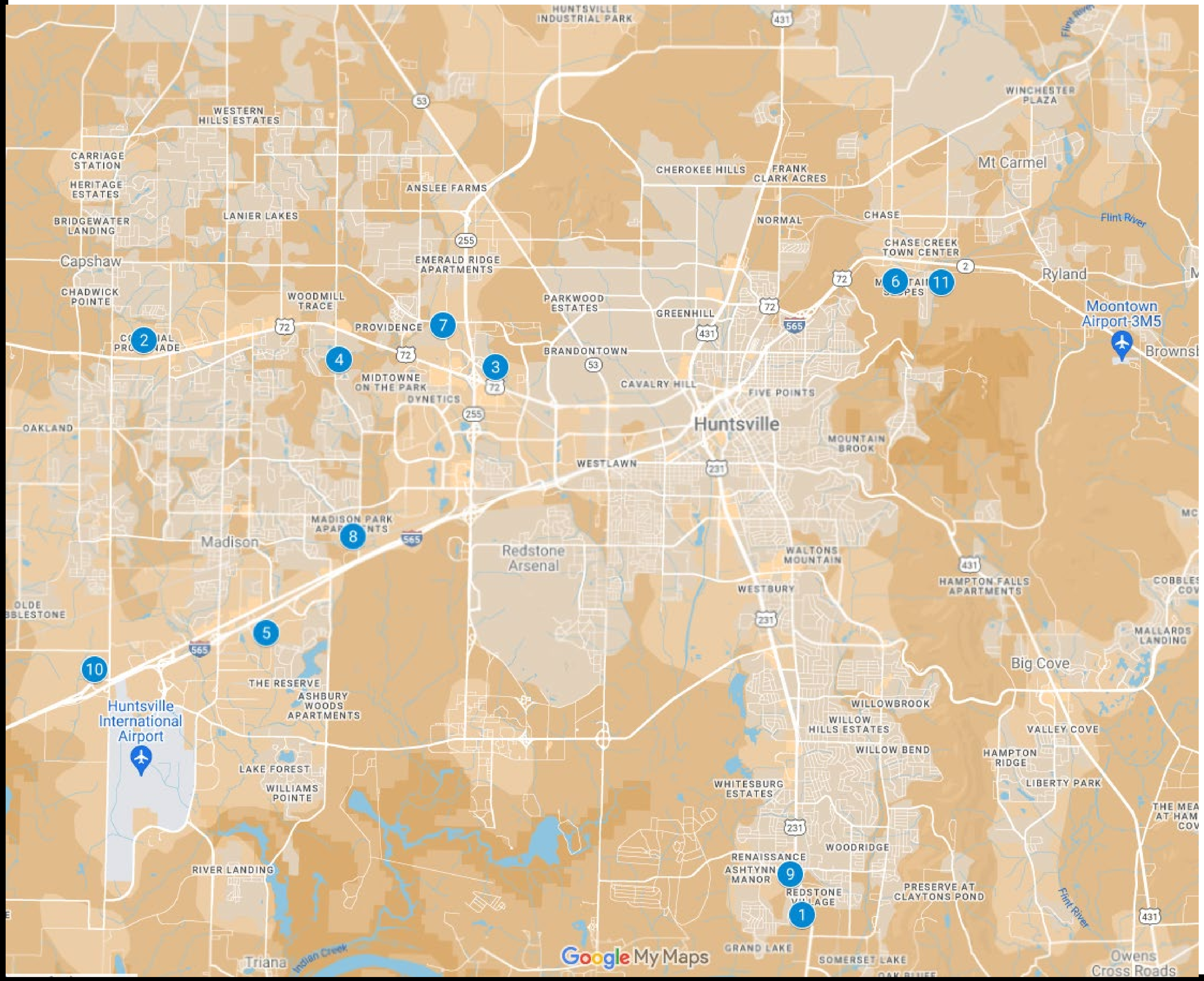
UNDER CONSTRUCTION
Partially Complete & in Lease-Up
as of 12.31.24

#	Project Name	Municipality	Submarket	Previously Delivered	Units Under Construction	Total Units
1	Cottages at Oak Grove Dairy (BFR)	Huntsville	SE Huntsville	287	31	318
2	Aurora	Huntsville	West Huntsville	304	20	324
3	Hamlett at MidCity (BFR)	Huntsville	West Huntsville	100	131	231
4	Sanctuary at Indian Creek (BFR)	Huntsville	West Huntsville	126	120	246
5	The Robert at Town Madison	Madison	Madison - South	160	124	284
6	The Enclave at Trailhead	Huntsville	East Huntsville	26	58	84
7	1589 Residences	Huntsville	West Huntsville	22	74	96
8	Paxton Place	Huntsville	West Huntsville	120	230	350
9	Memorial Village I & II (BFR)	Huntsville	SE Huntsville	60	115	175
10	Brio Parc (garden & THs)	Huntsville/Limestone	West Huntsville	120	331	451
11	Chase Creek Apartment Homes	Huntsville	East Huntsville	216	154	370
12	Holly Anne Rental Homes (SFR)	Unincorp. Madison County	Hazel Green	30	125	155
	TOTAL UNITS			**1,571**	**1,513**	**3,084**

Source: David Wilson, MAI; Crunkleton Commercial Real Estate Group

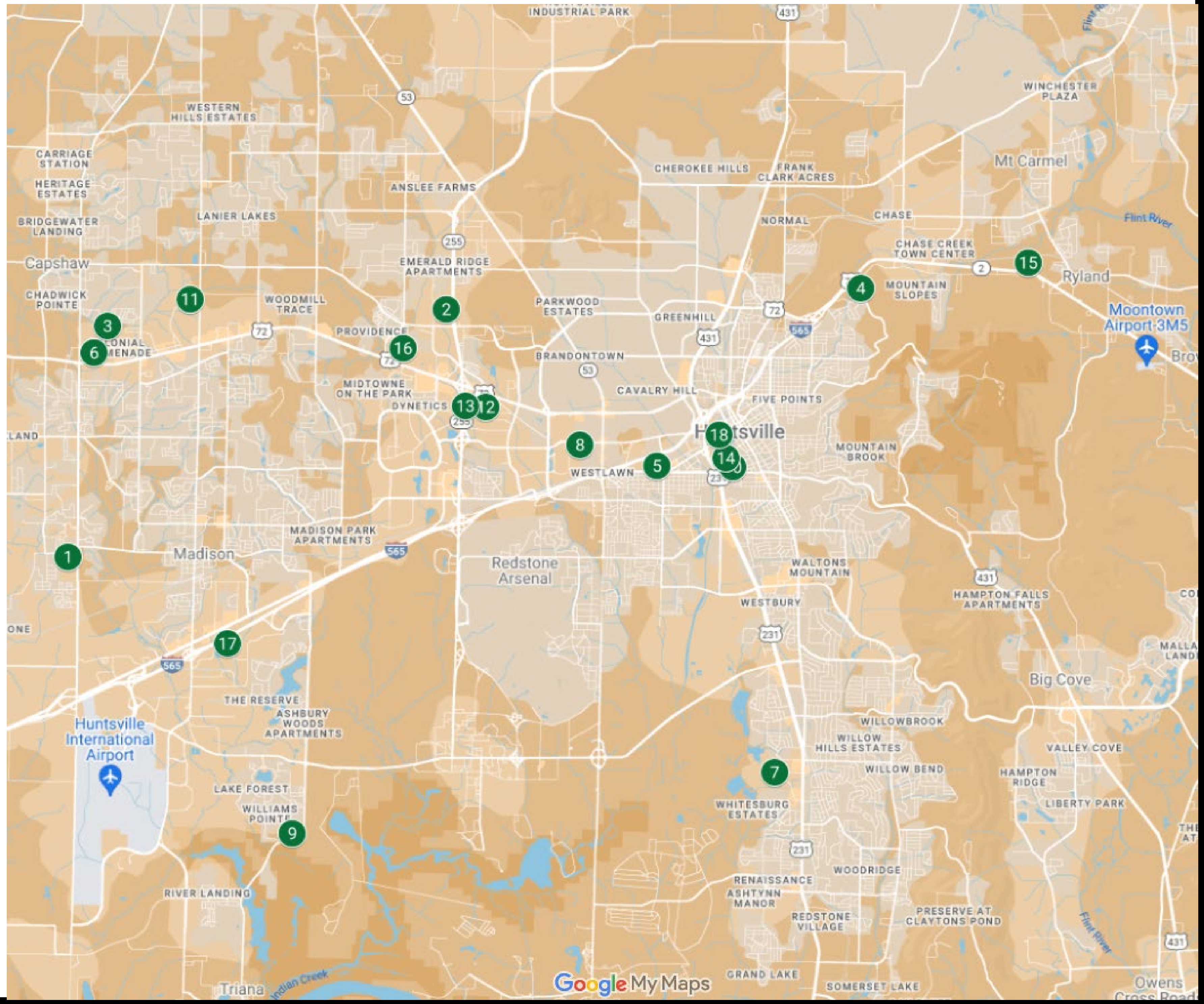
Partially Complete, In Lease-Up

12 properties, comprising 3,084 units
(Map below excludes one property in Hazel Green)



Under Construction, No Deliveries

18 properties, comprising 4,649 units
(Map below excludes three properties where construction was halted)



NEW CONSTRUCTION UNDERWAY – No Deliveries

UNDER CONSTRUCTION
No Deliveries Yet
as of 12.31.24

#	Project Name	Municipality	Submarket	Previously Delivered	Units Under Construction	Total Units
1	Vlux (BFR) **	Unincorp. Limestone County	Madison - South	0	234	234
2	Boardwalk at Research Park **	Huntsville	West Huntsville	0	240	240
3	Lakeside Residences (TH's and SFR) **	Huntsville	West Huntsville	0	143	143
4	Terraces at High Mountain **	Huntsville	East Huntsville	0	198	198
5	Mural at Stovehouse **	Huntsville	SW Huntsville	0	200	200
6	Solstice at Promenade **	Huntsville	West Huntsville	0	268	268
7	Jessam at Hays Farm **	Huntsville	SE Huntsville	0	318	318
8	Nexus on Holmes (student focused)	Huntsville	West Huntsville	0	249	249
9	Cottages at Nestledown (BFR)	Huntsville	West Huntsville	0	202	202
10	Vista at Councill Square	Huntsville	Downtown	0	332	332
11	The Collier at Clift Farm	Unincorp. Madison County	West Huntsville	0	318	318
12	Wellory Living at MidCity	Huntsville	West Huntsville	0	328	328
13	Anthem House at MidCity (micro)	Huntsville	West Huntsville	0	330	330
14	Bartley Lofts at City Centre	Huntsville	Downtown	0	278	278
15	Rovena at Martinson Ranch	Huntsville	East Huntsville	0	240	240
16	Walden at Providence, Phase II	Huntsville	West Huntsville	0	130	130
17	Ovation at Town Madison, Ph II (BFR)	Madison	Madison - South	0	96	96
18	Front Row	Huntsville	Downtown	0	545	545
	TOTAL UNITS			**0**	**4,649**	**4,649**

Source: David Wilson, MAI; Crunkleton Commercial Real Estate Group

** Properties that have started preleasing, but have not yet delivered units

The Good News

The largest (Front Row) is very early in construction.

7 properties are already pre-leasing

Huntsville's economy is surging, and the outlook is exceptional

No So Good News

Absorption rates and rental rates at existing properties are already stressed

NEW CONSTRUCTION – "Hold the Horses"

STARTED CONSTRUCTION - BUT HALTED Waiting on Market to Improve Before Commencing as of 12.31.24						
#	**Project Name**	**Municipality**	**Submarket**	**Previously Delivered**	**Units Under Construction**	**Total Units**
1	Ovation at Clift Farm (BFR)	Unincorp. Madison County	West Huntsville	0	200	200
2	Silver Collection at Clift Farm	Unincorp. Madison County	West Huntsville	0	378	378
3	Silver Collection at Town Madison	Madison	Madison - South	0	368	368
	TOTALS			**0**	**946**	**946**

Source: David Wilson, MAI; Crunkleton Commercial Real Estate Group

The Silver Collection properties already have their site work complete, and parking lots partially complete. Just waiting to start going vertical. Developer builds with "all cash" and can therefore wait on optimal timing to commence.

Ovation developer is also an "all cash" developer and can wait on the market. Ovation's site work is only partially complete, but no paving.

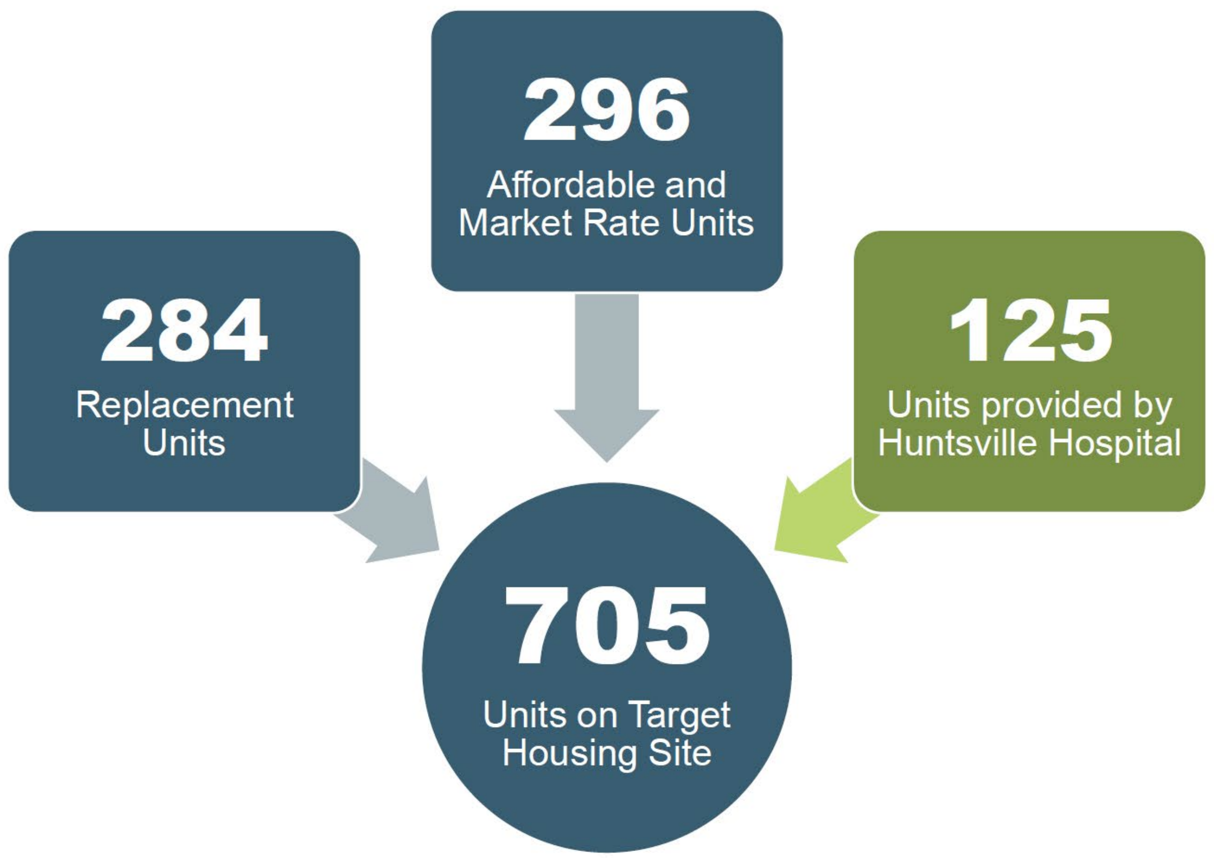
FUTURE CONSTRUCTION – Affordable Housing

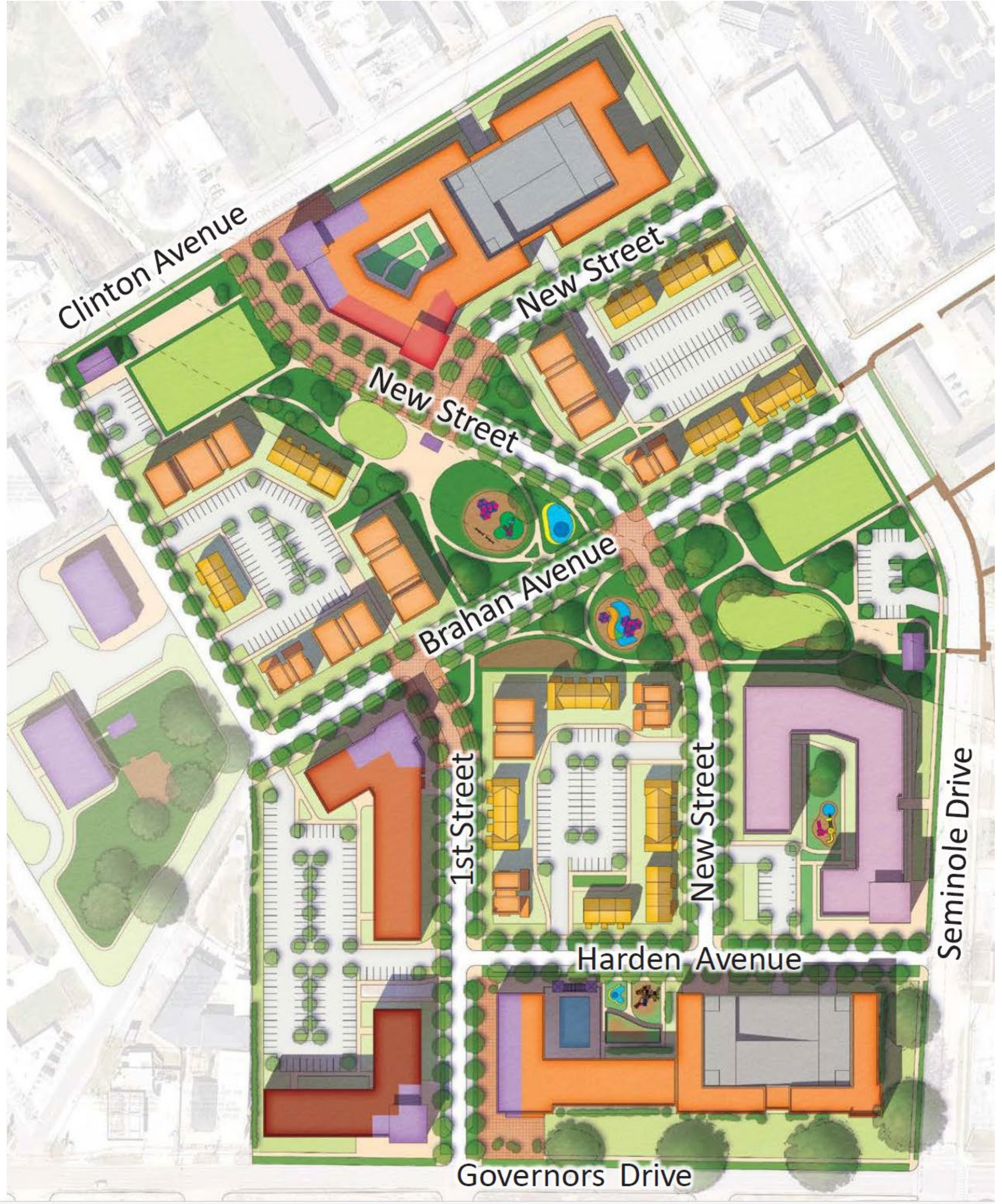
NEAR DOWNTOWN

- Fronts Governors & Clinton
- 705 new housing units
- Constructed over 4-5 years
- LIHTC, Public Housing & Market
- Developer has been selected
- Could commence in 2025
- Will include retail components

Huntsville Hospital has committed to be involved with one development to provide affordable housing for their employees.

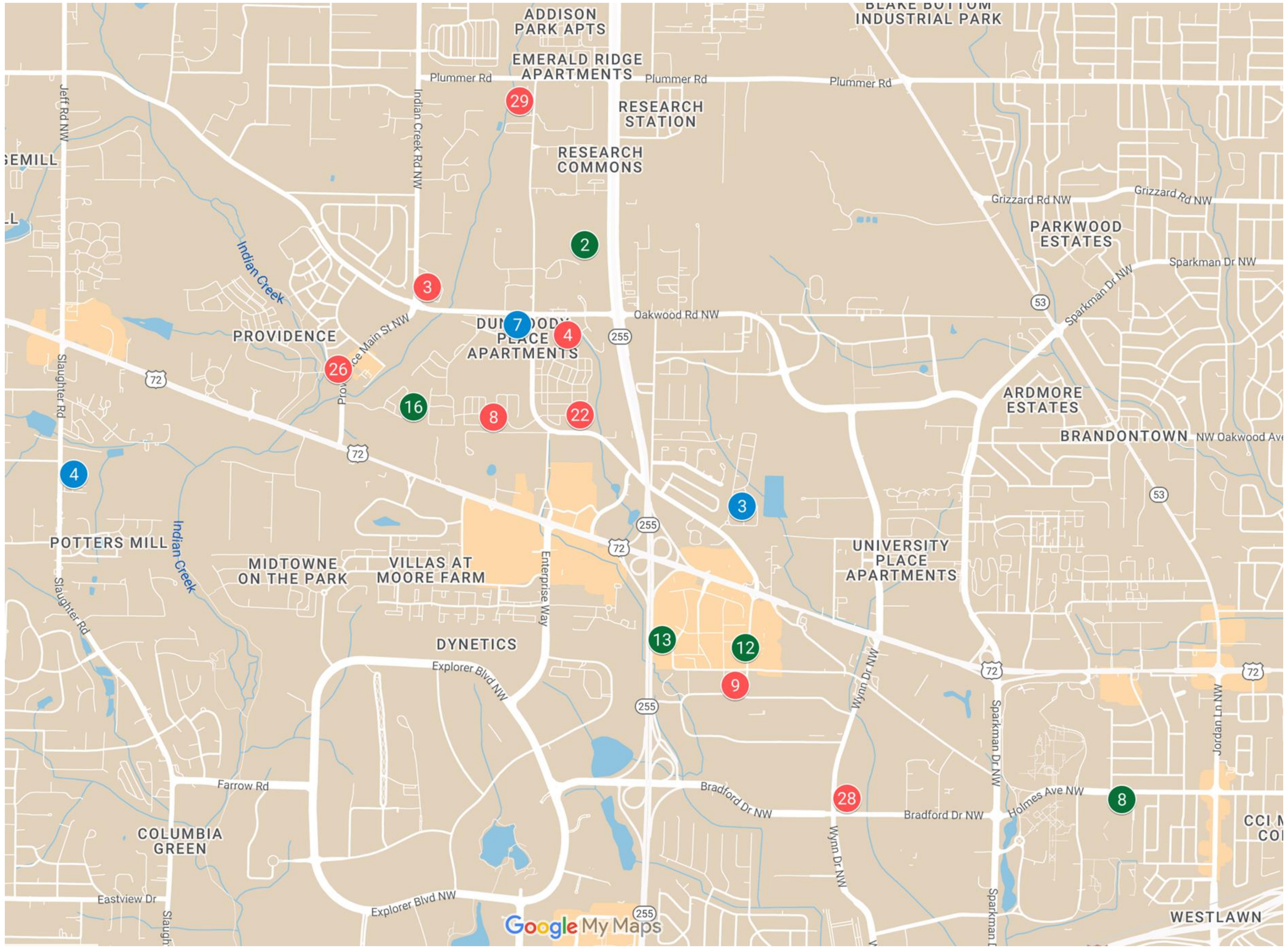
Housing Plan





HOT SPOTS
&
OCCUPANCY RATES

NOTE: The following data is as of 12.31.24 and as reported by each property to David Wilson



Hot Spot #1

Near Research Park

Red
Complete, In Lease-Up
8 Properties – 2,006 Units
49.8% Average Occupancy Rate

Blue
Partially Complete, Leasing
3 Properties – 573 Units
52% Avg Occupancy on Delivered Units
22.5% Av Occupancy on Total Units

Green
Underway, No Deliveries Yet
5 Properties – 1,277 Units
NOTE: Approx. 150 of these units are not true apartments

Hot Spot #2

Downtown Area

Red

Complete, In Lease-Up

3 Properties – 734 Units

40-50% Average Occupancy

Blue

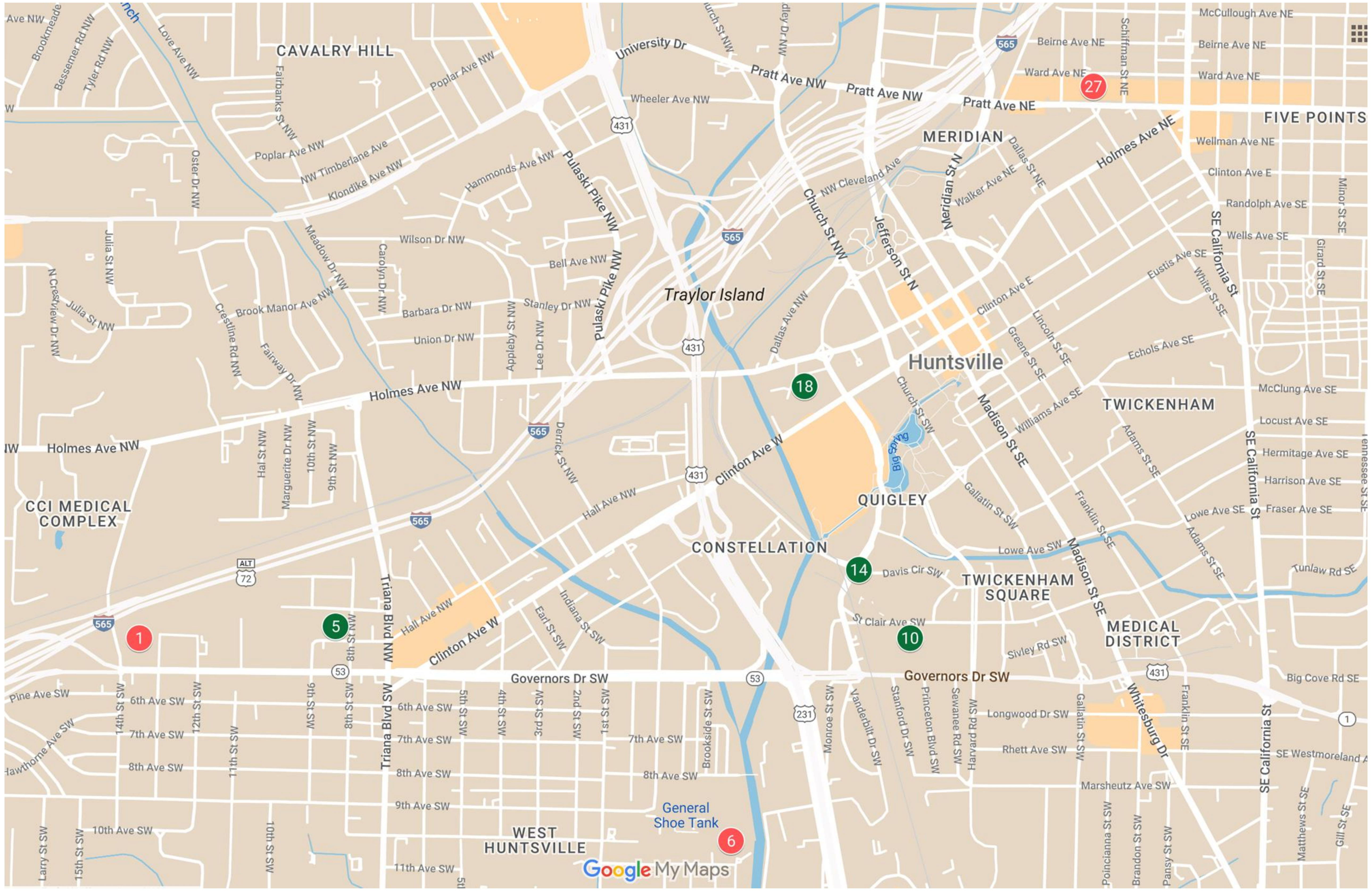
Partially Complete, Leasing

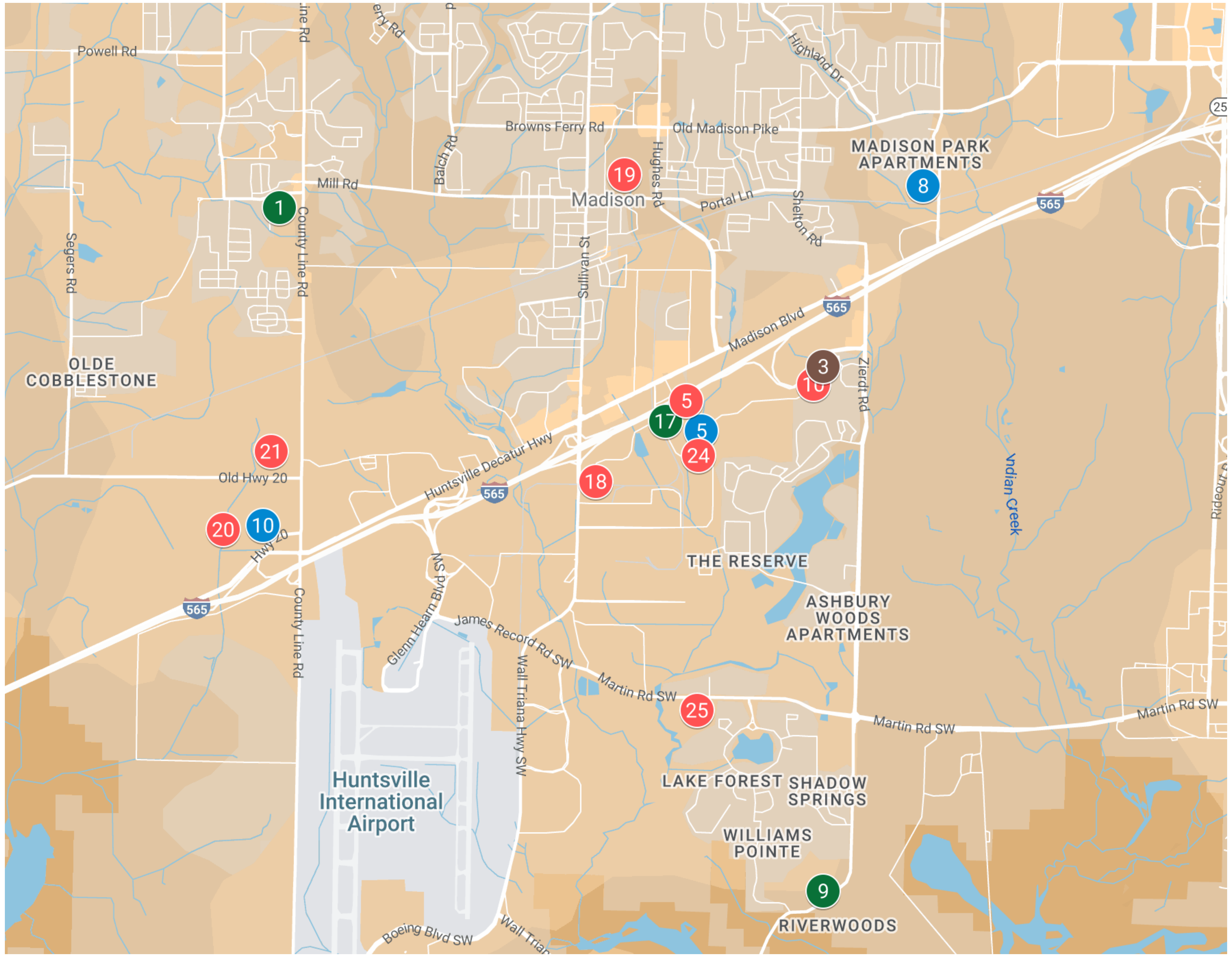
0 Properties

Green

Underway, No Deliveries Yet

4 Properties – 1,355 Units





Hot Spot #3

Madison Area - South

Red

Complete, In Lease-Up

8 Properties – 1,869 Units

49.7% Average Occupancy Rate

Blue

Partially Complete, Leasing

3 Properties – 1,085 Units

50% Avg Occupancy on Delivered Units

18% Avg Occupancy on Total Units

Green

Underway, No Deliveries Yet

3 BFR Properties – 532 Units

Brown

Started, But On-Hold

Hot Spot #4

Madison Area - North

Red

Complete, In Lease-Up

5 Properties – 1,197 Units

61.7% Average Occupancy

Blue

Partially Complete, Leasing

1 Property – 324 Units

Green

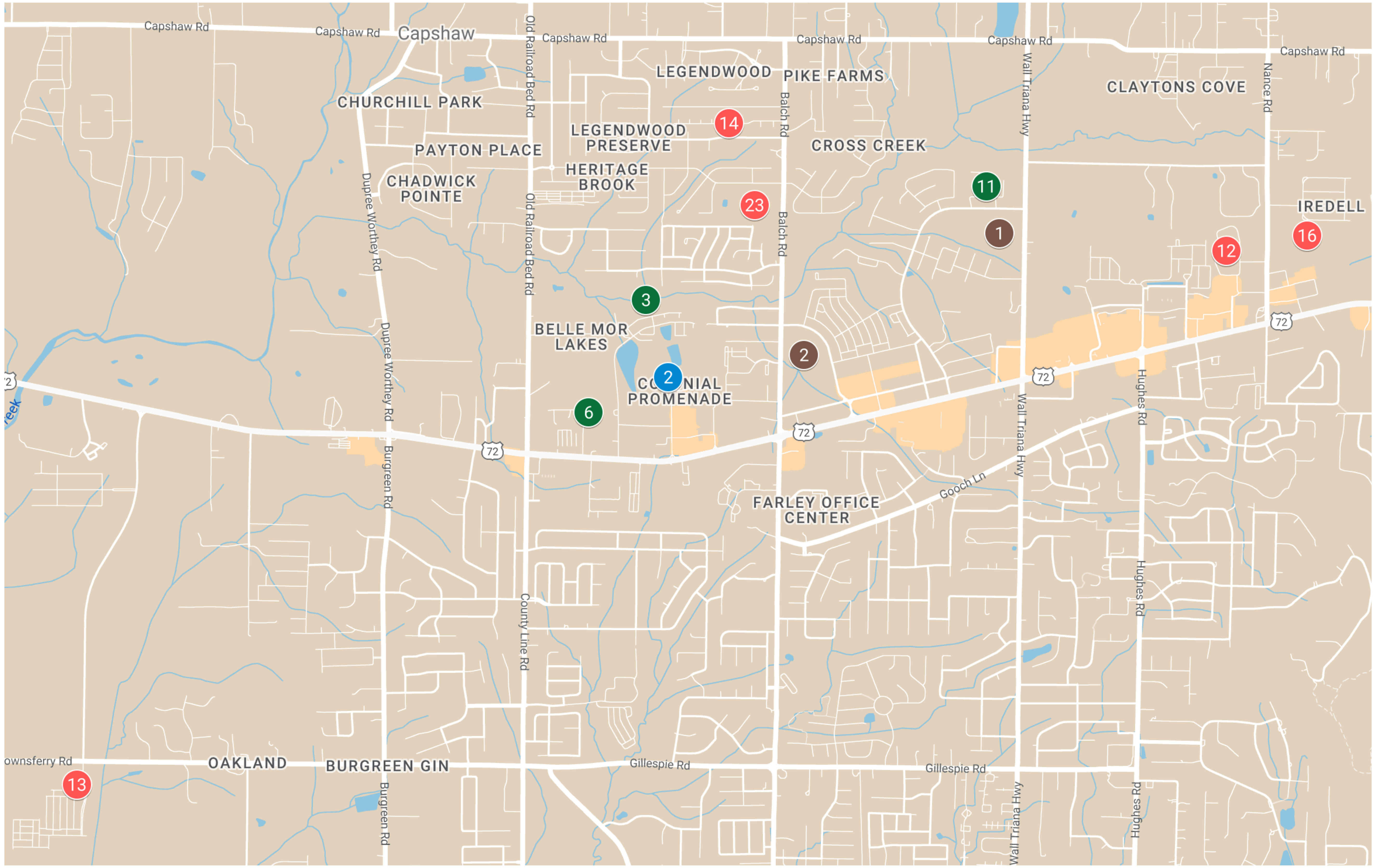
Underway, No Deliveries Yet

2 Properties –729 Units

Brown

Started, But On-Hold

2 Properties – 578 Units



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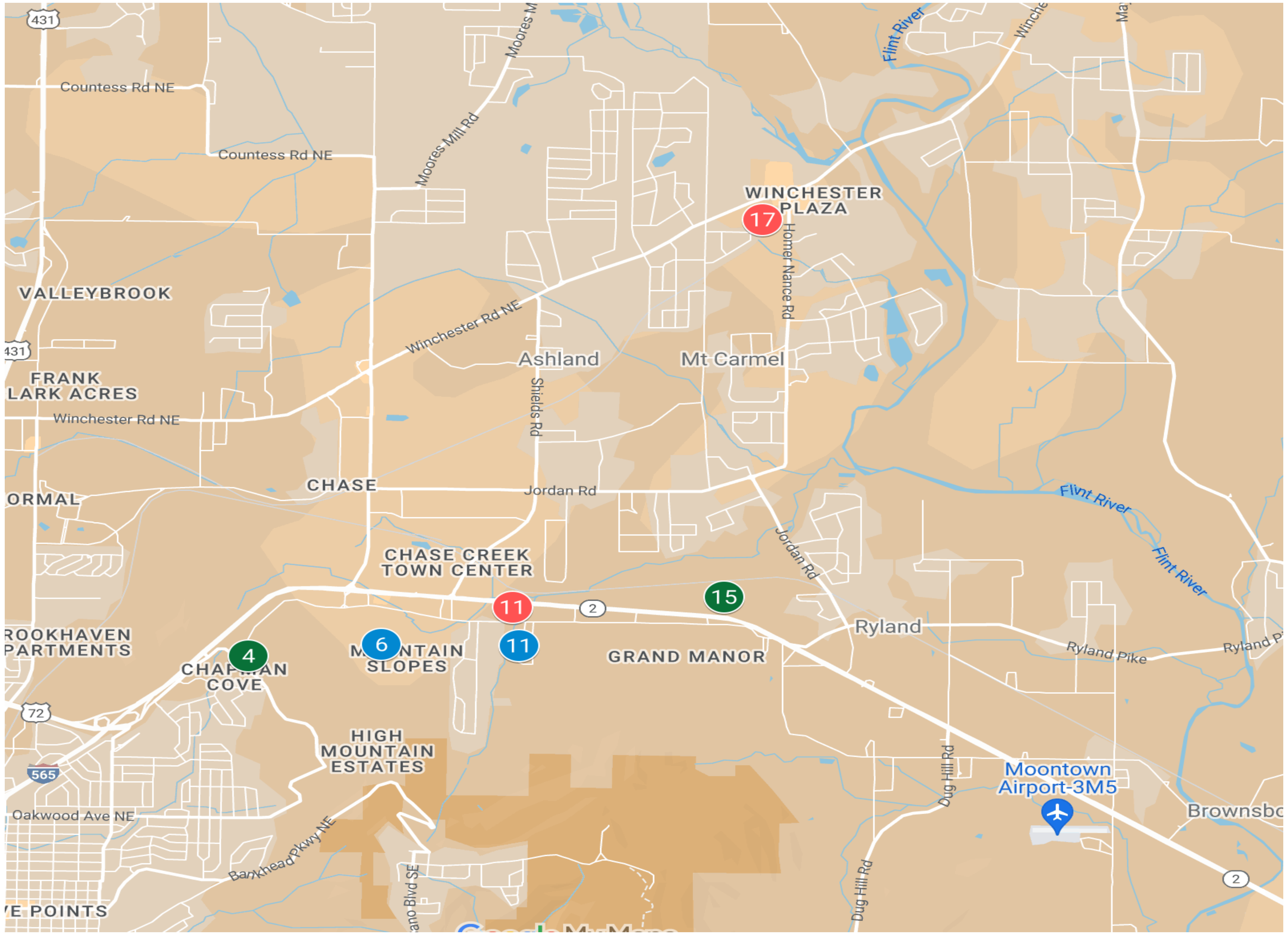

Hot Spot #5

East Huntsville

Red

Complete, In Lease-Up

2 Properties – 588 Units

Avg Occupancy – Held Confidential

Blue

Partially Complete, Leasing

2 Properties – 454 Units

Avg Occupancy – Held Confidential

Green

Underway, No Deliveries Yet

2 Properties – 438 Units

NEW CONSTRUCTION HIGHLIGHTS

2020 AT PROVIDENCE

2020

AT PROVIDENCE

BEST IN CLASS

1st Deliveries – May 2024
Completed – Dec. 2024

360 Apartment Units
+20,000 SF Retail

Market Rents – Over $2.00/SF
No Concessions

FRONT ROW
HUNTSVILLE

UNDER CONSTRUCTION
Framing Just Getting Started
1st Deliveries – Target 2026

545 Apartment Units
over
+ 47,000 SF of retail/
restaurants/office

MIDCITY

MULTIFAMILY OFFERINGS

Metronome – 298 Units
Complete – Stabilized

Encore MidCity – 232 Units
Complete – In Lease-Up

Wellory Living – 328 Units "Net Zero"
Underway, 1st Units in Late 2025

Anthem House – 330 Micro Units
Underway – 1st Units in Late 2025

TOTAL UNITS – 1,188

Approx. 50% of Anthem House will be offered as extended stay hotel

HOW'D WE GET OVER-SUPPLIED?

- Several years of very low deliveries (2018-2020)
- 3+ years of very high Effective Rent Growth
- 3+ years of 96% Occupancy
- Continuously improving Absorption
- Fantastic employment growth, coupled with high incomes
- Numerous #1 rankings nationally for Quality of Life, "Best Place to…"
- Cheap money - ridiculously low interest rates
- Abundant vacant land - no barriers to entry

- 3rd-party data under-reporting supply/deliveries

- 3rd-party sources continuing to report occupancy rates of 93% - despite the deluge of supply – and some still are today

OCCUPANCY

+

HOW LONG TO STABILIZATION?

+

RENTS

OVERALL OCCUPANCY – as of 12.31.24

	Properties	Units	Occupancy Rate
Established Properties	133	29,204	93.0% (assumed; per 3rd parties)
Fully Complete / In Lease-Up -	30	7,367	53.0%
Under Construction – Partially Complete	12	3,084	69.2% on delivered units
OVERALL -	**175**	**39,655**	**84.3% on delivered units**
Under Construction – No Deliveries	18	4,649	0%
TOTAL SUPPLY/INVENTORY	**193**	**44,304**	

Source: David Wilson, MAI. See footnotes on following page for important notes.

OVERALL OCCUPANCY RATE ESTIMATE – Here's The Math

OVERALL OCCUPANCY RATE ESTIMATE Market-Rate Properties - Huntsville/Madison/East Limestone Area (Excludes Athens) as of 12.31.24								
							Occupancy Rate	
Status	Total Properties	Delivered Units	Under Construction	Total Units	Vacant Units (Includes Non-Delivered)	Occupied Units	On Delivered Units	On Total Units
Established Properties	133	29,204	0	29,204	2,044	27,160	93.0%	93.0%
Completed, Actively In Lease-Up	30	7,367	0	7,367	3,462	3,905	53.0%	53.0%
Under Construction, Partially Complete	12	1,571	1,513	3,084	1,997	1,087	69.2%	35.3%
OVERALL	**175**	**38,142**	**1,513**	**39,655**	**7,504**	**32,151**	**84.3%**	**81.1%**
				Excluding non-delivered	5,991			

NOTE 1 *- Established Properties count based on various publications by David Wilson from 1994-2024 and includes properties with 60+ units, of all ages/class, excluding LIHTC, student and public housing.*

NOTE 2 *- Established Properties occupancy rate of 93% is an assumption and "approximate" based on various national publications.*

Source: David Wilson, MAI; Crunkleton Commercial Real Estate Group

ABSORPTION

- 2023 Absorption = 2,700 to 5,200 units, depending on source
- 2024 Absorption = 4,850 to 6,500 units, depending on source

- Absorption trend has been steadily improving – setting new records each quarter
- The “macro” absorption has been record-setting; but individual property is weak
- Many new properties are leasing at pace of under 10 Units per Month
- Concessions use intensifying to propel absorption

In 2024, Alabama A&M University master-leased two whole properties (526 units collectively) and also leased blocks of units at numerous properties, helping to inflate organic absorption.

HOW LONG TO STABILIZATION?

Not a Forecast: Just Math Assuming Absorption of 5,000/units/year

	Scenario #1	Scenario #2
Total Supply/Inventory at Completion *	44,304	44,304
Assumed Stabilization Rate	90%	93%
Occupied Units at Stabilization Rate	39,874	41,203
Total Occupied Units – 12.31.24	32,151	32,151
Absorption Need to Achieve Stabilization	7,722	9,051
Annual Absorption "Assumed"	5,000	5,000
Years to Achieve Stabilization	**1.54**	**1.81**

* Based on existing properties and those actively under construction as of 12.31.24, excluding 3 that were halted

Source: David Wilson

RENTAL RATES

- Effective Rent Growth is negative - and has been for 2+ years
- Concessions of 1-3 months free is the norm for new construction
- Only 1 new construction property is NOT offering concessions (2020 Providence)
- Concessions use is intensifying as count of new projects in lease-up escalates

- Top-of-Market Rent – Just over $2.00/SF at 2020 Providence (Best in Class)
- Downtown rents have usually been highest – but most now $1.50 to $1.75
- Suburban Class A “effective” rents are now $1.20 - $1.50/SF, but some higher, some lower

Rent growth will likely not turn positive until occupancy trend improves. **But the stage is being set for some substantial rent growth in a year or so, if absorption holds up, as 2026+ deliveries are very likely to be a fraction of their current pace.**

TRANSACTIONS

NOTABLE PROPERTIES SOLD - LAST 12 MONTHS

Price per Unit	$230,757
Total Units / Year Built / Status	264 / 2024 / In Lease-Up
Location:	Winchester Road corridor / East Huntsville

Price per Unit	$105,000
Total Units / Year Built / Status	100 / 1984 / Stable
Location:	Madison - South

TRANSACTION OVERVIEW

- Interest rate spikes in early-2022 “froze” the capital markets - nationwide
  - Cap rates increased accordingly – they follow interest rate trends closely
  - Triggering big declines in Market Value for apartments (20%+ in many cases in Alabama)
  - Triggered tighter lending/underwriting criteria which negatively affects values
  - Meanwhile: rents, expenses, occupancy rates and other metrics have gone the wrong direction
- RESULT: Sellers are still in shock and are reluctant to sell at the steeply lower values
- National transaction volume in 2023 and 2024 at “all-time lows”
- Buyers are waiting for “distress” – but it hasn’t happened
- Lenders are reluctant to force sales – instead they “extend and hope for improvement”
- Nationally, economy is healthy and multifamily world expects things to “thaw-out” soon

Huntsville area sales volume in 2024 was weak in keeping with national trends. Only 4 sales involving properties of 60+ units. Normal annual sales count is 17 to 20+.

CONCLUSION

CONCLUSION - THE GOOD NEWS

- Multifamily supply deliveries will slow as 2025 progresses
- Absorption has been continually increasing – record pace
- Huntsville's rapid growth is continually escalating
- **Outlook for Huntsville's continued growth is exceptional**
  - FBI expansion could lead to 4,000 direct jobs in next few years
  - Huntsville's mix of technology, missile defense, cybersecurity, genetics research and other STEM-economy jobs are recipe for future growth
  - City of Huntsville investing heavily in Quality of Life initiatives, making Huntsville "cool" and inviting to young professionals and others
  - Expectation is high for U.S. Space Force move to Huntsville

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