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# Alabama Economic & Real Estate Report

**February 2024**

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# ALABAMA MONTHLY HOME SALES REPORT

## FEBRUARY 2024

### KEY TAKEAWAYS

- Alabama had **4,710 home sales** in February. This is a decrease of 2,753 sales compared to February of last year.
- The median sales price decreased by \$326 compared to a year ago to **\$200,324**. This is an annual decrease of 0.2%.
- The sold volume was **\$1.0 billion** in February, a decrease of \$0.8 billion from last February. This is a 44.4% annual decrease.
- The **14,090 active listings** at the end of February mark an increase of 26.9% compared to the 11,104 one year ago.
- The **507 foreclosures** in February represent a 30.3% year-over-year increase. It is a 1.7% decrease in foreclosures since last month.

### ALABAMA HOUSING MARKET SUMMARY, FEBRUARY 2024

	Feb-23	Feb-24	Change	% Change	YTD '23	YTD '24	Change	% Change
Sales	7,463	4,710	-2,753	-36.9%	15,551	9,396	-6,155	-39.6%
Median Sales Price (\$)	200,650	200,324	-326	-0.2%	203,992	205,653	1,661	0.8%
Average Sales Price (\$)	243,398	218,457	-24,941	-10.2%	245,150	219,690	-25,460	-10.4%
Sales Volume (\$ billions)	1.8	1.0	-0.8	-44.4%	3.8	2.1	-1.7	-44.7%
Average Days on Market	68	72	4.0	5.9%	71.5	74.5	3.0	4.2%
Active Listings	11,104	14,090	2,986	26.9%	11,374	14,029	2,655	23.3%
Months of Supply	2.2	4.2	2.0	90.9%	2.1	4.1	2.0	95.2%
Foreclosures	389	507	118	30.3%	817	1,023	206	25.2%

## ECONOMIC OVERVIEW

The Consumer Price Index (CPI) climbed from a year-over-year value of 3.1% in January to 3.2% in February for the CPI for all items. The February value was above the consensus expectation and signals a persistence to inflation. This also suggests the Federal Reserve's fight to bring inflation down to 2% may take some time. The primary driver of the increase in the CPI for all items was the 3.8% increase in the CPI for all items less food and energy. Food prices increased by only 2.2%, while energy prices declined by 1.9%. The CPI for the South once again remains higher than the national index at 3.7%, year-over-year, increasing from 3.4% in January. Like the increase in the national CPI, the CPI for the South was driven by price increases for all items except food and energy, which increased by 4.4% year-over-year in the region. The food index increased by 2.4%, again driven by the increase in the food away from home index, while the energy index decreased by 1.3% for the South. This decrease was driven by a 3.5% decline in the gasoline index. Average 30-year mortgage rates increased by 31 basis points through February, from 6.63% to 6.94%, and have decreased through the first two weeks of March to 6.74%.

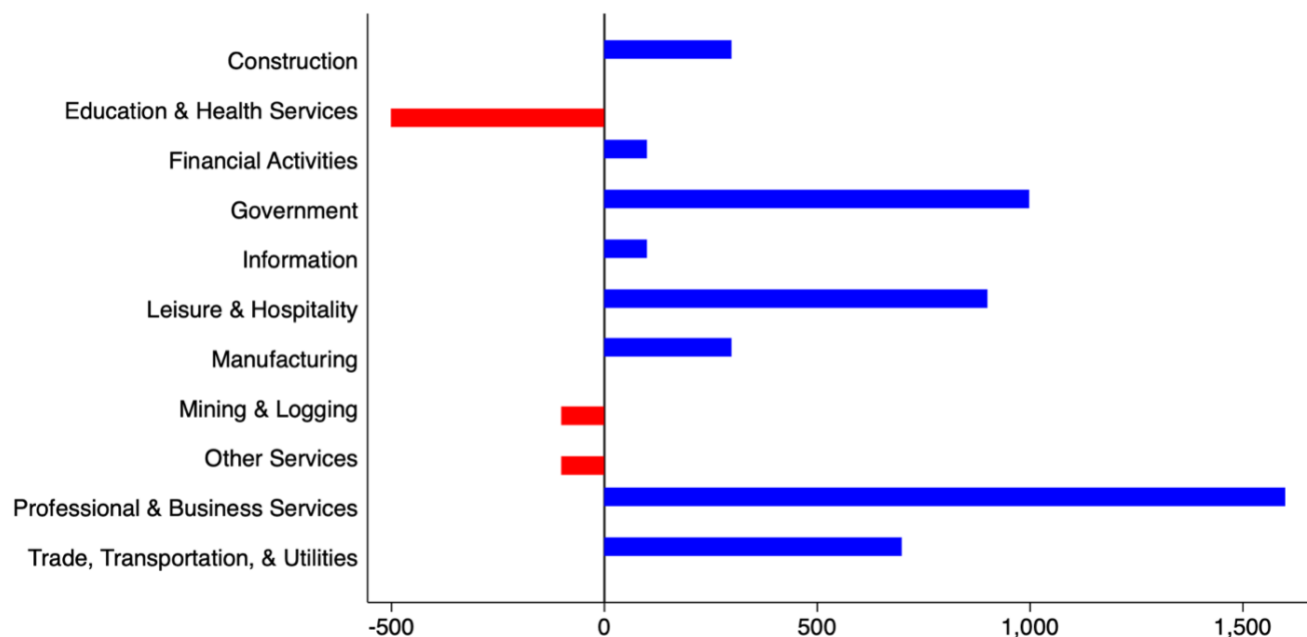
The state unemployment rate increased by a tenth of a percentage point after holding steady for the previous three months. Nevertheless, it continued to remain below the national average in January 2024. The national unemployment rate remained at 3.7% in January 2024 for the third consecutive month but climbed to 3.8% in February. The number of jobs added for the nation was revised downward from 353,000 to 229,000 for January, with preliminary figures suggesting the state added 4,300 jobs in January after adding 1,800 in December. The nation added 275,000 jobs in February.

The fed funds rate target will likely remain in place following the Federal Reserve's meeting in March. The target is currently at 5.25-5.50%, where it has been since last summer. Given that inflation ticked upward slightly in February, it is difficult to imagine the Fed cutting rates. Additionally, the current national unemployment rate remains below the natural rate of unemployment, allowing the Fed room to continue its "higher for longer" approach to the fed funds rate. The CME FedWatch Tool currently lists the likelihood of the target remaining unchanged at 93.6% for the Fed's May meeting, which is a significant increase from the 61.6% for the May meeting listed in last month's report. As of the time of this writing the market puts the odds of a rate cut at 58.8% at the Fed's June meeting. However, it should be noted that the odds of the rate remaining constant at the June meeting have increased from 24.1% in mid-February to 41.2% one month later.

## JOBS

Alabama added 4,300 jobs in January, bringing the total number of jobs in the state to 2,185,300, based on preliminary reporting by the Bureau of Labor Statistics. This is a substantial increase in job growth relative to last month and marks the third consecutive month of job gains. The Professional and Business Services sector led all sectors in Alabama, adding 1,600 jobs since December. This was followed by Government, which added 1,000 jobs and Leisure & Hospitality, which added 900 jobs. Sectors that lost jobs since November include Education & Health Services (500), Mining & Logging (100) and Other Services (100 jobs).

Alabama Jobs Changes from December 2023 to January 2024

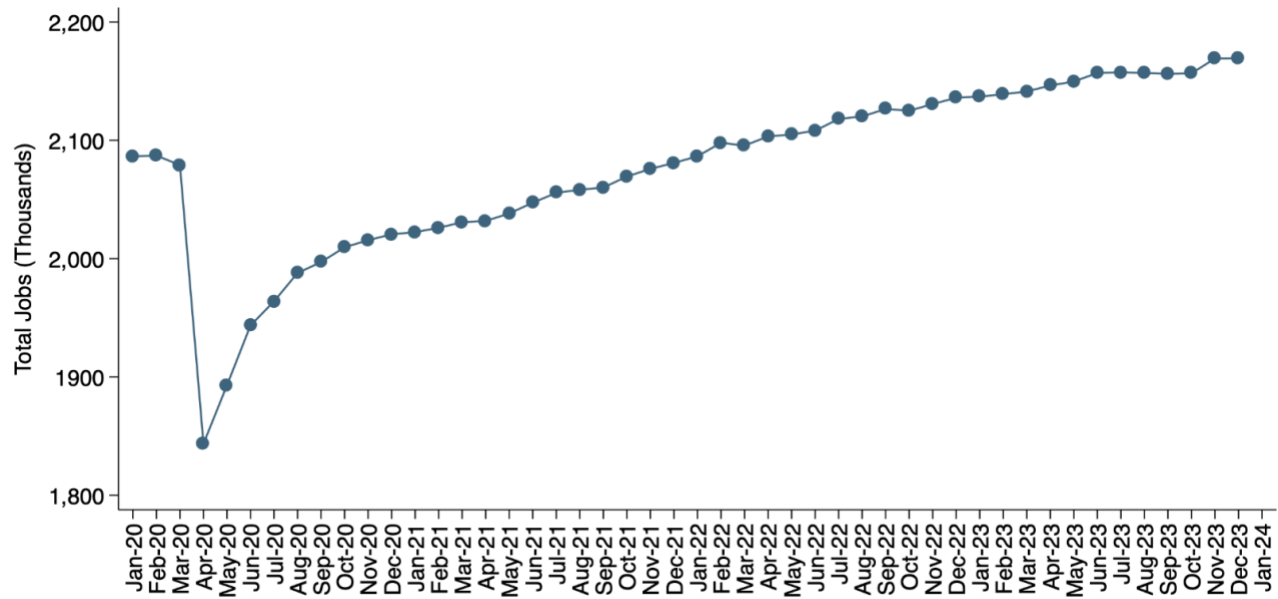


## EMPLOYMENT

The preliminary value for the unemployment rate in Alabama was 2.9% in January 2024, marking a slow and steady increase from the revised recent low of 2.3% in February 2023. The national unemployment rate increased to 3.9% in February, its first increase in 4 months and its highest value since January 2022. The state's unemployment rate was 0.8 percentage points below the national unemployment rate in January.

Alabama's labor force participation rate declined for the second consecutive month to 57.4% in January. Following another revision by the Bureau of Labor Statistics, this marks a slight decrease from the recent high of 57.8% in November 2023, which was the highest value since October 2020. For comparison, the national labor force participation rate was 62.5% in January. Additionally, the national rate remained steady at 62.5% in February 2024 for the third consecutive month.

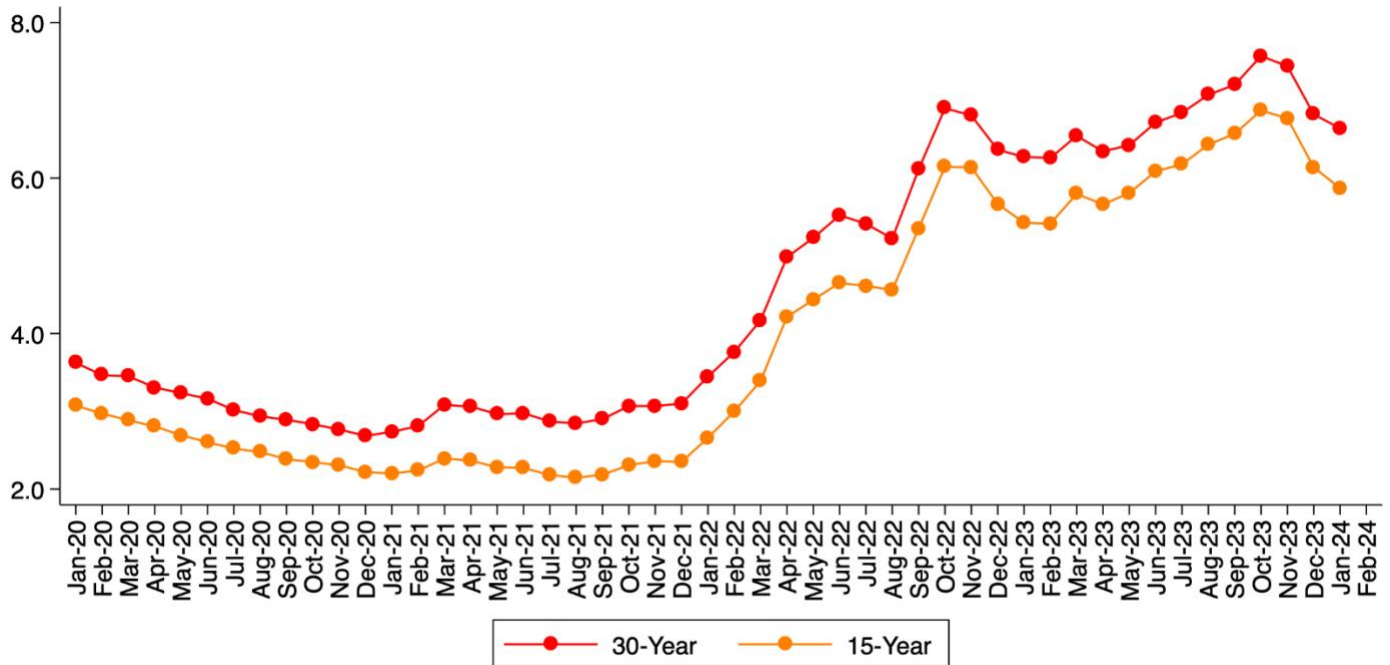
Alabama Labor Force Participation (Thousands)



## MORTGAGE RATES

The average 30-year fixed-rate mortgage increased by 31 basis points throughout the month of February, from 6.63% to 6.94%. The average weekly rate of 6.94% is the highest value of 2024. However, rates have fallen through the first two weeks of March, with the average 30-year fixed-rate mortgage decreasing to 6.74% as of March 14, 2024.

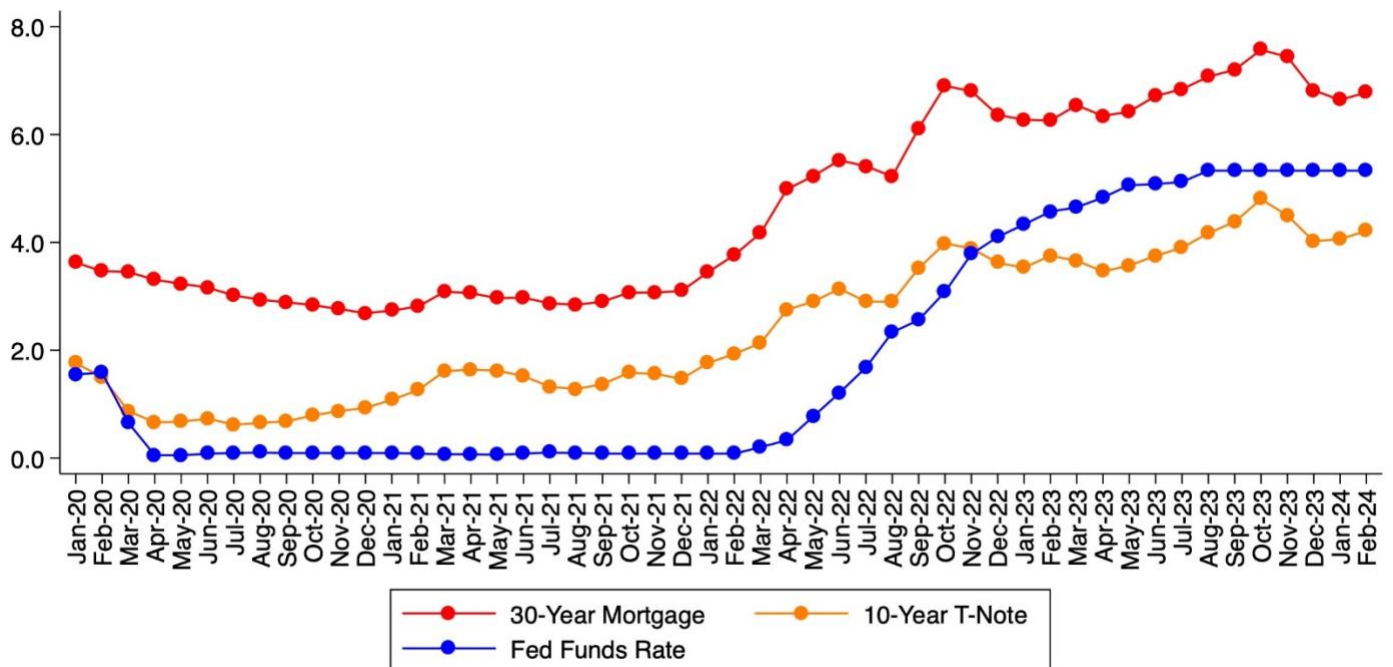
### U.S. Fixed-Rate Mortgage Averages



## RATES SNAPSHOT

The chart below shows the 10-year Treasury yield and average 30-year fixed-rates rising in response to increasing inflation in 2021. This was followed by the Federal Reserve increasing in the Fed Funds rate target beginning in early 2022, with the recent target of 5.25-5.50% being in place since late July 2023. The effective Fed Funds rate of approximately 5.33% has similarly been in place for the last seven months. Additionally, the 2-year Treasury yield (not shown) has exceeded that of the 10-year Treasury since July 2022, resulting in what is known as an inverted yield curve. Since that time, the spread between the average 30-year mortgage rate and the 10-year Treasury yield has increased.

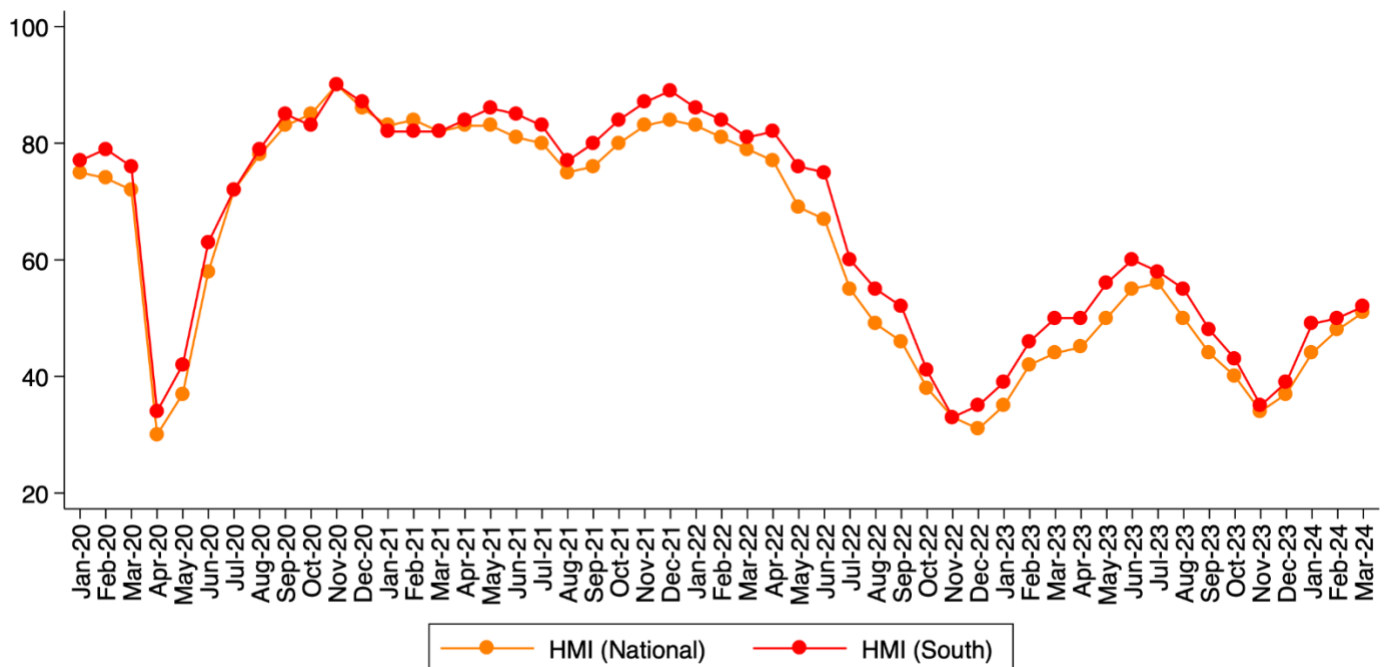
Fed Funds Rate, 10 Year Treasury Rate, and the Average 30-year Mortgage Rate



## HOUSING MARKET INDICES

The National Association of Home Builders/Wells Fargo Housing Market Index (HMI) increased for the fourth consecutive month in February 2024. Additionally, the preliminary March HMI reports a value of 52, which is 2 points higher than the value one year ago (a value above 50 indicates more home builders view conditions favorably). These increases in the HMI continue to be driven by the "Single Family Sales: Next 6 Months" component, with a revised value of 60 in February being 3 points higher than last month's value. Furthermore, the preliminary March value of 62 is equal to the highest value in the last 12 months, which occurred in June 2023. The South HMI increased as well with a revised February value of 50, which is a slight increase over the January value. Additionally, the preliminary March value is reported to be 52. The South HMI has been above the National HMI for more than a year and the preliminary March values suggest that the South HMI will be higher for a sixteenth consecutive month. These results suggest that home builders in the South continue to view conditions more favorably than the nation as a whole, although the gap between the values has closed recently. However, home builders in the Northeast have reported the highest HMI values in the country since October 2023, with a revised value of 62 for February.

### NAHB/Wells Fargo HMI Indices



## HOUSING MARKET OVERVIEW

### SALES

The number of sales transactions that closed during the month

Home sales activity increased in February 2024 relative to last month. The 4,710 sales represent a 0.5% month-over-month increase in sales. This marks the first increase in sales after seven consecutive months of declines. As sales often decrease in February, this may mark an early start to the spring selling season.

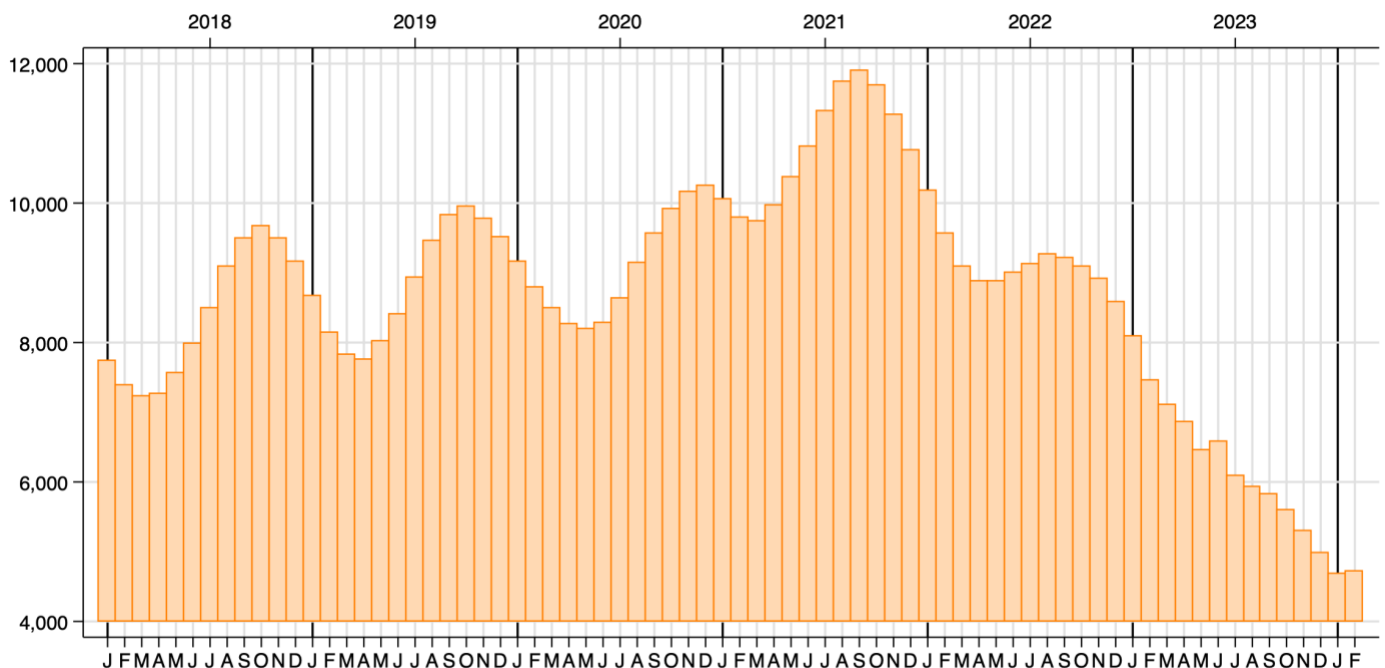
#### AAR's Forecast

AAR projects that state total home sales will increase between February and March 2024 by approximately 0.3% to 4,725.

Alabama Monthly Home Sales Figures

Month	Sales	Percent Change Year-over-Year
Year-to-Date	9,396	-39.6%
February 2024	4,710	-36.9%
January 2024	4,686	-42.1%
December 2023	4,984	-41.9%
November 2023	5,299	-40.5%
October 2023	5,596	-38.4%
September 2023	5,818	-36.8%
August 2023	5,935	-35.9%
July 2023	6,084	-33.3%
June 2023	6,577	-26.9%
May 2023	6,453	-27.4%
April 2023	6,863	-22.7%
March 2023	7,098	-21.9%
February 2023	7,463	-21.9%

Alabama Home Sales, Monthly Figures





## HOUSING MARKET OVERVIEW

## MEDIAN SALES PRICE

Measures the “middle” price of homes that sold (half of the homes sold for a higher price, and half sold for less)

The median sales price decreased by 0.2% year-over-year in February 2024. Additionally, the median sales price has decreased through the first two months of 2024. Median sales prices decreased 5.1% month-over-month indicating continued sales activity in less expensive housing since the start of the year.

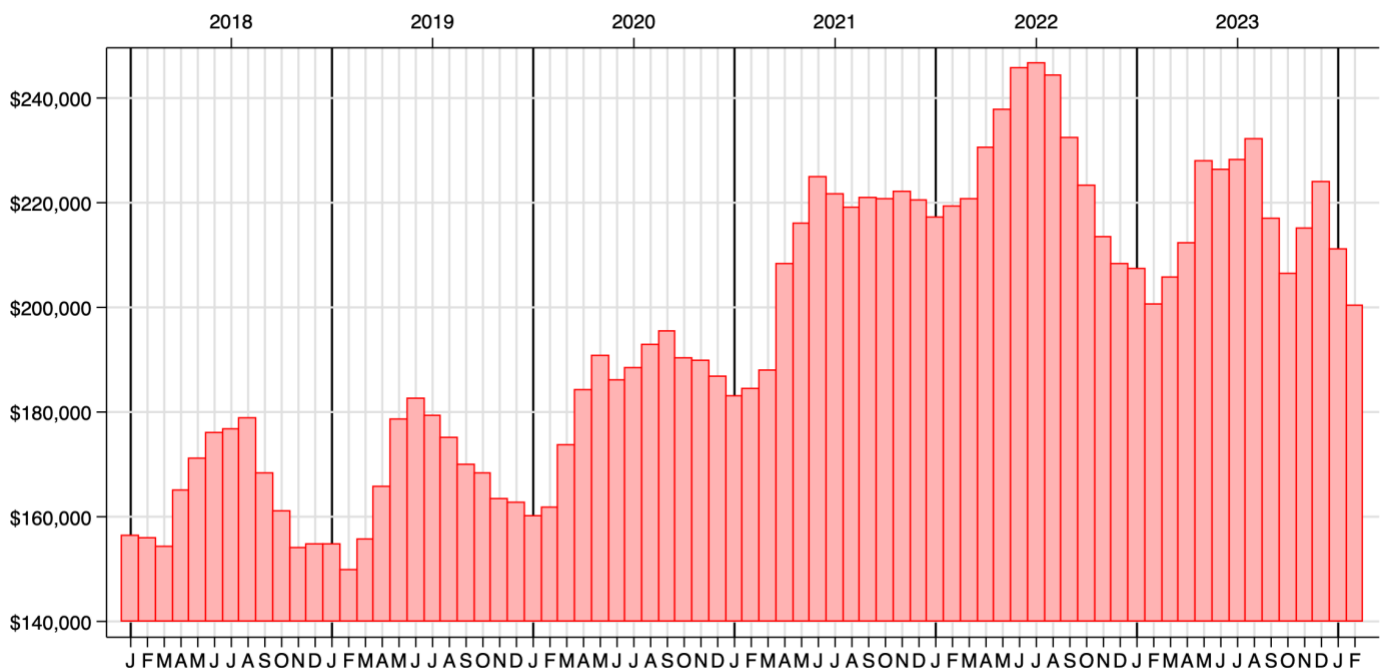
Alabama Median Sales Prices

Month	Median Sales Price (\$)	Percent Change Year-over-Year
Year-to-Date	205,653	0.8%
February 2024	200,324	-0.2%
January 2024	210,982	1.8%
December 2023	223,982	7.5%
November 2023	215,018	0.8%
October 2023	206,317	-7.6%
September 2023	216,883	-6.7%
August 2023	232,200	-5.0%
July 2023	228,030	-7.5%
June 2023	226,216	-7.9%
May 2023	227,876	-4.3%
April 2023	212,276	-7.9%
March 2023	205,633	-6.8%
February 2023	200,650	-8.4%

## AAR's Forecast

AAR projects that state median home sales prices will decrease between February and March 2024 by approximately 2.2% to \$196,012.

Alabama Median Sales Prices (\$), Monthly Figures



## HOUSING MARKET OVERVIEW

### AVERAGE SALES PRICE

The sum of all sales in dollars divided by the number of homes sold

The average, or mean, Alabama sales price decreased by \$2,465 relative to last month. Average home sales prices decreased 1.1% compared to January 2024, and decreased by 10.2% year-over-year.

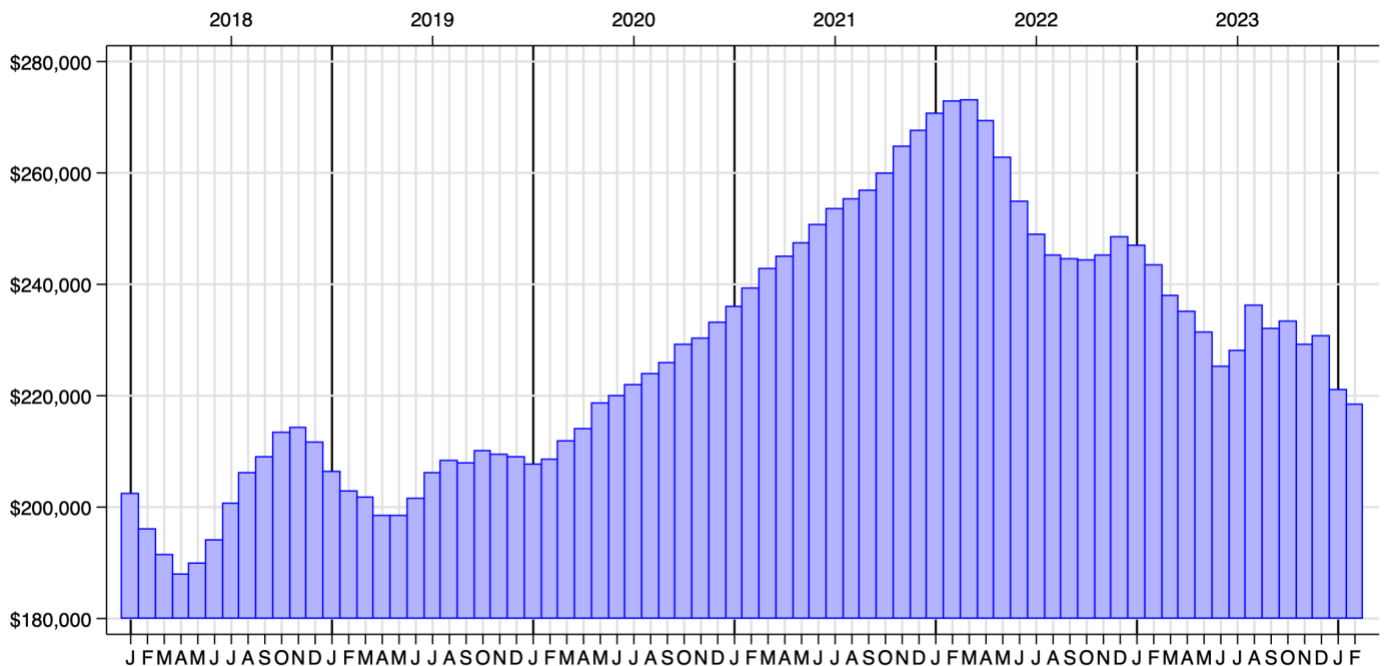
#### AAR's Forecast

AAR projects that state average home sales prices will decrease between February and March 2024 by approximately 0.6% to \$217,126.

Alabama Average Sales Prices

Month	Average Sales Price (\$)	Percent Change Year-over-Year
Year-to-Date	219,690	-10.4%
February 2024	218,457	-10.2%
January 2024	220,922	-10.5%
December 2023	230,625	-7.1%
November 2023	229,105	-6.5%
October 2023	233,226	-4.6%
September 2023	231,898	-5.1%
August 2023	236,135	-3.7%
July 2023	228,112	-8.4%
June 2023	225,102	-11.7%
May 2023	231,296	-11.9%
April 2023	235,087	-12.7%
March 2023	238,004	-12.9%
February 2023	243,398	-10.8%

Alabama Average Sales Prices (\$), Monthly Figures



## HOUSING MARKET OVERVIEW

## SALES VOLUME

Measures the combined sales price of all homes that closed during the month

The sold dollar volume in February 2024 was \$1.0 billion, which is down \$0.8 billion from February 2023. This sales figure represents a 44.4% decrease, year-over-year. The significant decrease in sales combined with the lower average sales price relative to a year ago led to the lower sales volume. The sold dollar volume in February continues to match the lowest level in 5 years.

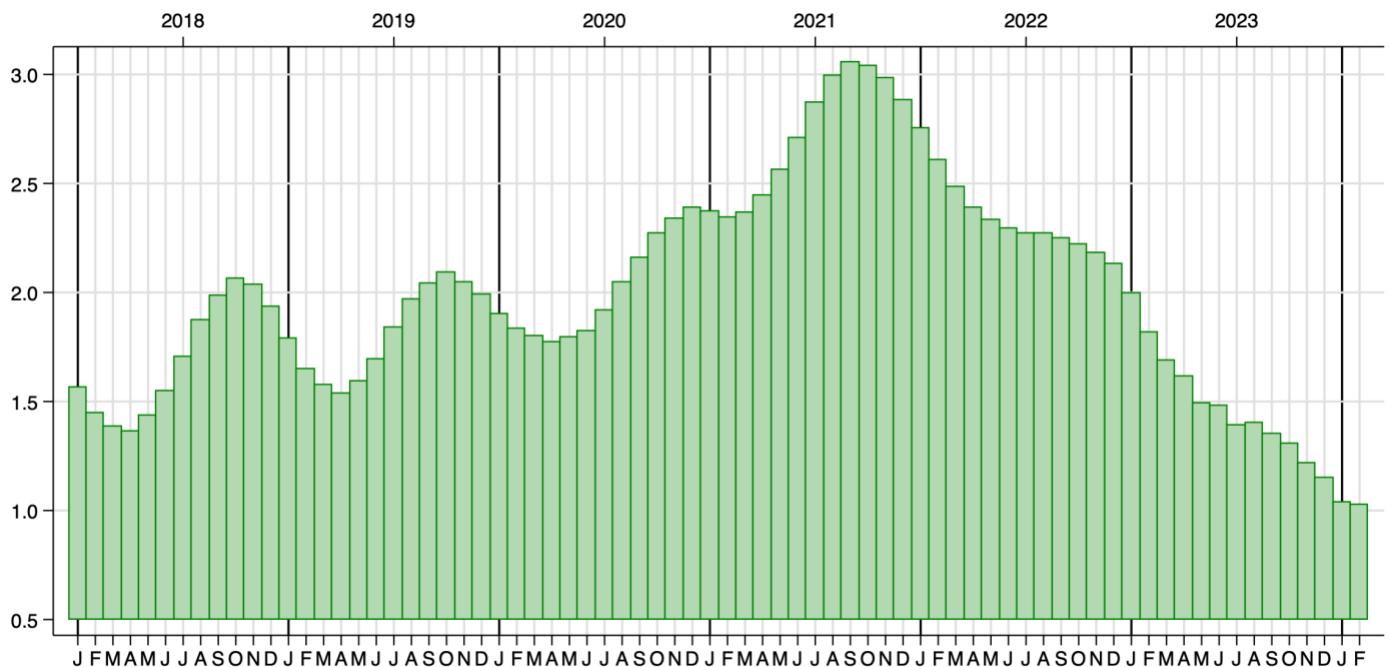
## AAR's Forecast

AAR projects that state sales volume will remain roughly unchanged between February and March 2024 at approximately \$1.0 billion.

Alabama Sales Volume (in Billions)

Month	Sales Volume (\$)	Percent Change Year-over-Year
Year-to-Date	2.1	-44.7%
February 2024	1.0	-44.4%
January 2024	1.0	-48.0%
December 2023	1.1	-46.0%
November 2023	1.2	-45.5%
October 2023	1.3	-40.9%
September 2023	1.3	-43.5%
August 2023	1.4	-39.1%
July 2023	1.4	-39.1%
June 2023	1.5	-34.8%
May 2023	1.5	-34.8%
April 2023	1.6	-33.3%
March 2023	1.7	-32.0%
February 2023	1.8	-30.1%

Alabama Sales Volume (in Billions), Monthly Figures





HOUSING MARKET OVERVIEW

DAYS ON MARKET

Measures how long it takes a home to sell after it has been listed on the market

Alabama homes stayed on the market for fewer days in February relative to January, marking the first decrease in 6 months. Homes sold in February were on the market for 72 days, on average. This figure is five days longer than that of one year ago, yet 5 days less than that of January 2024. The average days spent on market will likely decrease in March 2024.

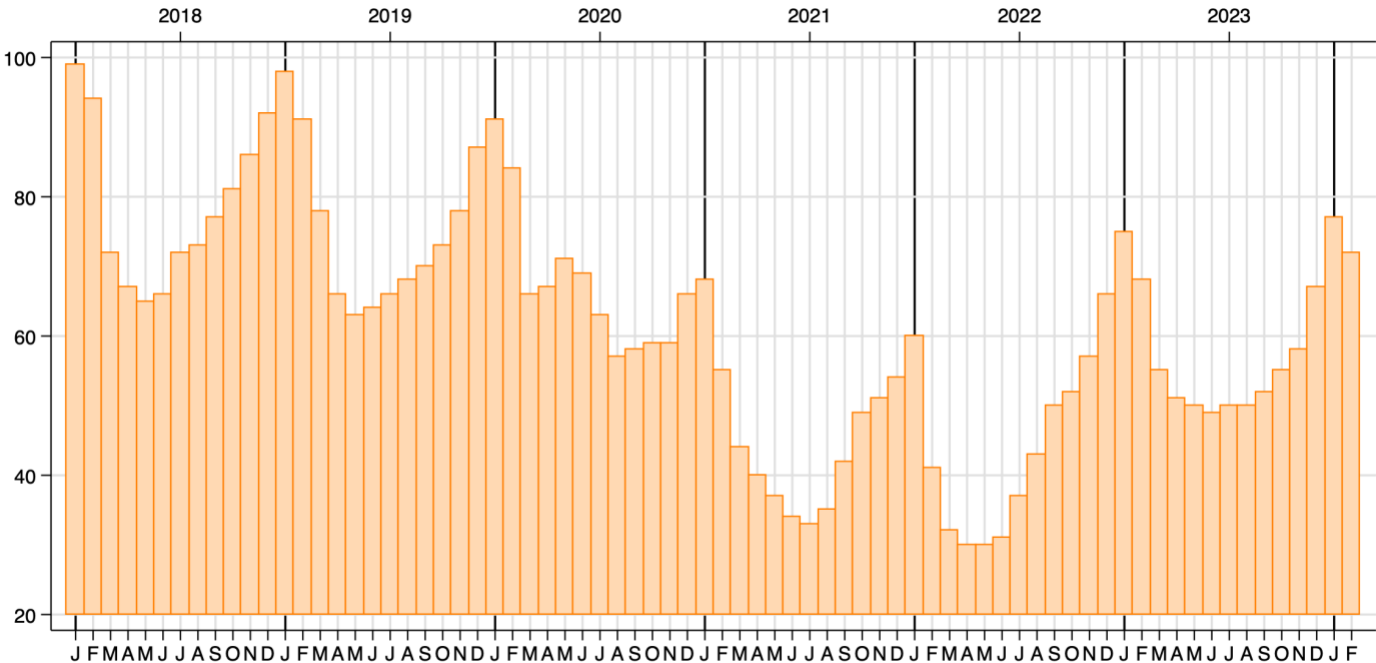
AAR’s Forecast

Based upon current economic trends, AAR projects that state residential days on market will decrease between February and March 2024 by approximately 15.3% to 61.

Alabama Residential Days on Market

Month	Days on Market	Percent Change Year-over-Year
Year-to-Date	74.5	4.2%
February 2024	72	5.9%
January 2024	77	2.7%
December 2023	67	1.5%
November 2023	58	1.8%
October 2023	55	1.9%
September 2023	52	0.0%
August 2023	50	16.3%
July 2023	50	31.6%
June 2023	49	48.5%
May 2023	50	56.3%
April 2023	53	65.6%
March 2023	58	70.6%
February 2023	67	48.9%

Alabama Residential Days on Market, Monthly Figures





HOUSING MARKET OVERVIEW

SUPPLY

Estimate of the number of months it will take for all homes listed on the market to sell

Housing supply levels increased in February 2024, relative to January 2024, as there were 4.2 months of supply. This figure is 2 months greater than one year ago, a new recent high, and the highest level in 5 years.

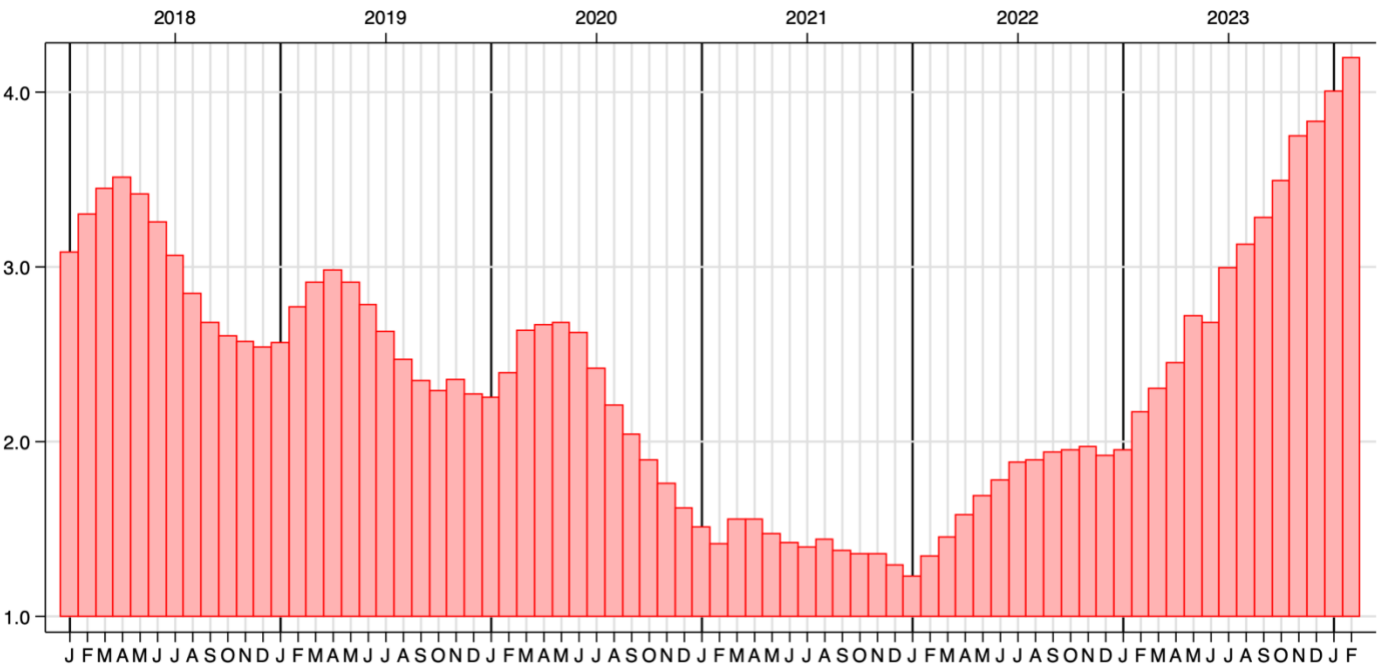
AAR's Forecast

AAR projects that state housing supply will increase between February and March 2024 by approximately 2.4% to 4.3.

Alabama Months of Supply

Month	Months of Supply	Percent Change Year-over-Year
Year-to-Date	4.1	95.2%
February 2024	4.2	90.9%
January 2024	4.0	110.5%
December 2023	3.8	100.0%
November 2023	3.8	90.0%
October 2023	3.5	75.0%
September 2023	3.3	73.7%
August 2023	3.1	63.2%
July 2023	3.0	57.9%
June 2023	2.7	50.0%
May 2023	2.7	58.8%
April 2023	2.5	56.3%
March 2023	2.3	53.3%
February 2023	2.2	69.2%

Alabama Months of Supply, Monthly Figures



## HOUSING MARKET OVERVIEW

## RESIDENTIAL LISTINGS

The number of properties listed on the market during the year

Alabama had more active listings at the end of February (14,090) compared to one year ago (11,104). This figure represents a 26.9% annual increase. February listings were up by 122 listings relative to January, ending two months of declines.

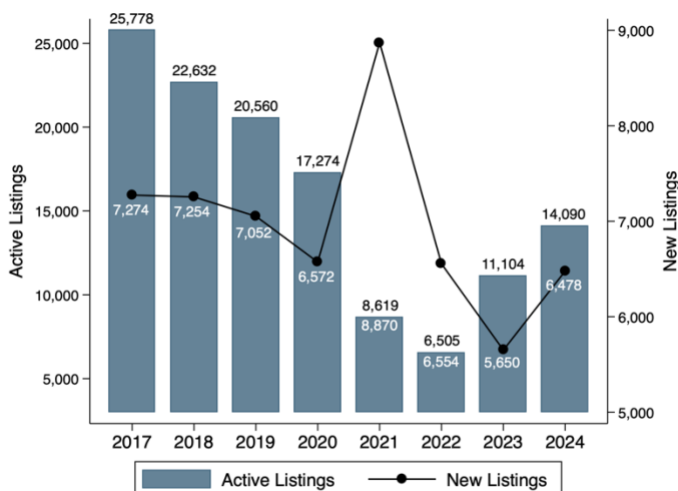
## AAR's Forecast

Based upon current economic trends, AAR projects state residential active listings will increase between February and March by approximately 0.4% to 14,143.

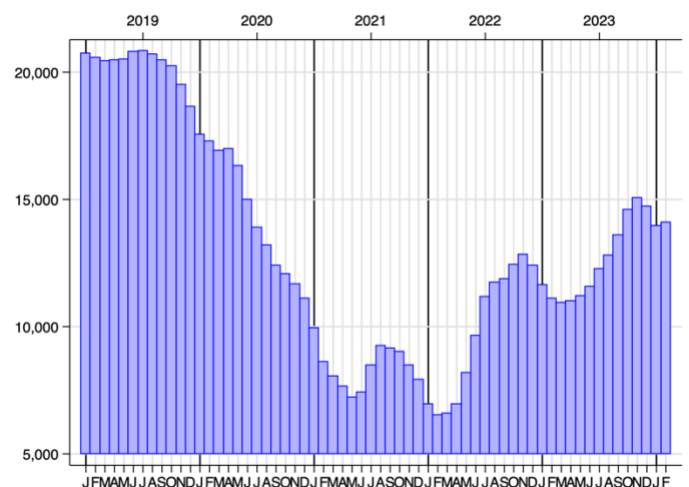
Alabama Active Residential Listings

Month	Active Listings	Percent Change Year-over-Year
Year-to-Date	14,029	23.3%
February 2024	14,090	26.9%
January 2024	13,968	20.0%
December 2023	14,723	18.7%
November 2023	15,055	17.4%
October 2023	14,578	16.5%
September 2023	13,603	13.9%
August 2023	12,783	8.2%
July 2023	12,259	9.0%
June 2023	11,570	19.2%
May 2023	11,195	35.7%
April 2023	10,988	56.3%
March 2023	10,927	64.1%
February 2023	11,104	68.7%

Alabama Active and New Residential Listings, February Figures



Alabama Active Residential Listings, Monthly Figures



## HOUSING MARKET OVERVIEW

### FORECLOSURES

Homeowners failing to pay their mortgages, resulting in lender repossessed homes or foreclosure auctions

Alabama had 118 more foreclosures in February 2024 (507) compared to one year ago (389). However, February foreclosures decreased 1.7% month-over-month relative to January in the state. Foreclosures through February are at the highest level to start a year since 2020.

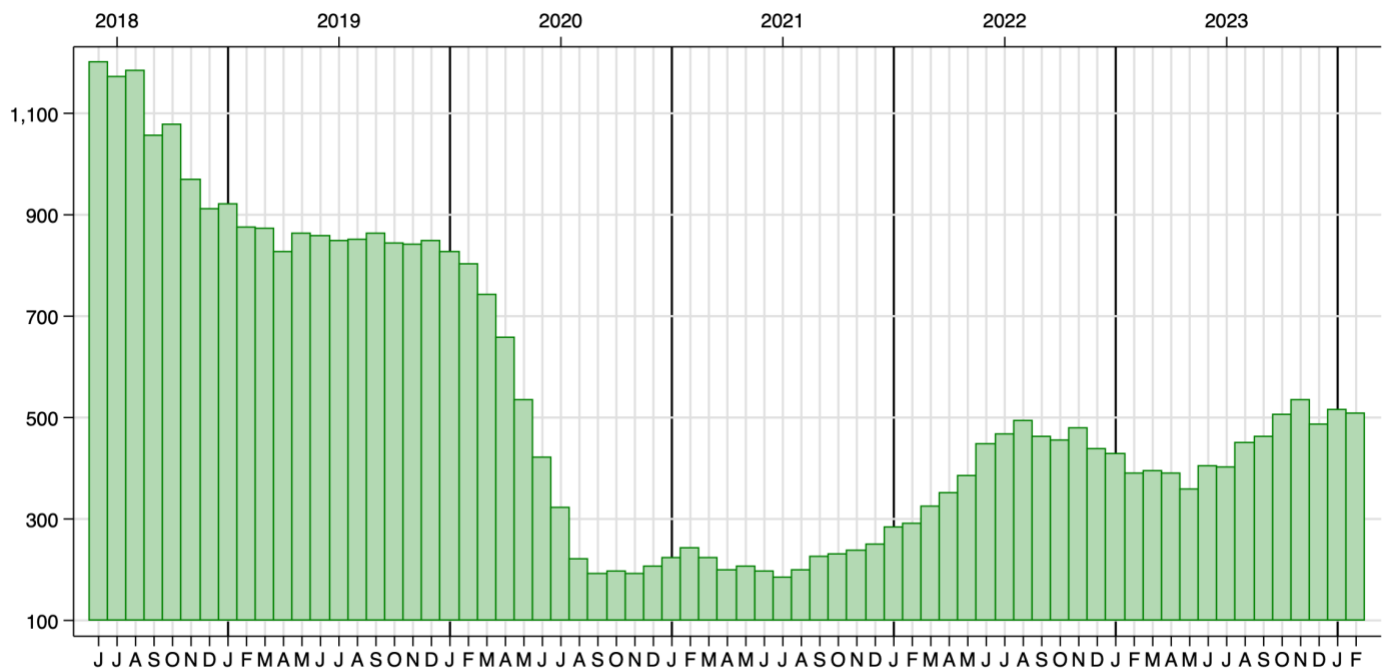
#### AAR's Forecast

AAR projects that state housing foreclosures will decrease between February and March 2024 by approximately 2.0% to 497.

Alabama Residential Foreclosures

Month	Foreclosures	Percent Change Year-over-Year
Year-to-Date	1,023	25.2%
February 2024	507	30.3%
January 2024	516	20.6%
December 2023	487	10.9%
November 2023	535	11.9%
October 2023	505	11.2%
September 2023	463	0.2%
August 2023	449	-9.1%
July 2023	402	-13.7%
June 2023	405	-9.4%
May 2023	359	-6.8%
April 2023	390	11.1%
March 2023	395	21.9%
February 2023	389	34.1%

Alabama Residential Foreclosures, Monthly Figures



## HOUSING MARKET OVERVIEW

## NEW HOME BUILDING PERMITS

Permits for construction of new one-unit residential homes owned by individuals

Building permits for new homes increased by 48 units in January 2024 relative to December 2023. This represents a 4.0% increase month-over-month, and an increase of 27.4% year-over-year. Permits generally trend upward during the 1<sup>st</sup> quarter of the year.

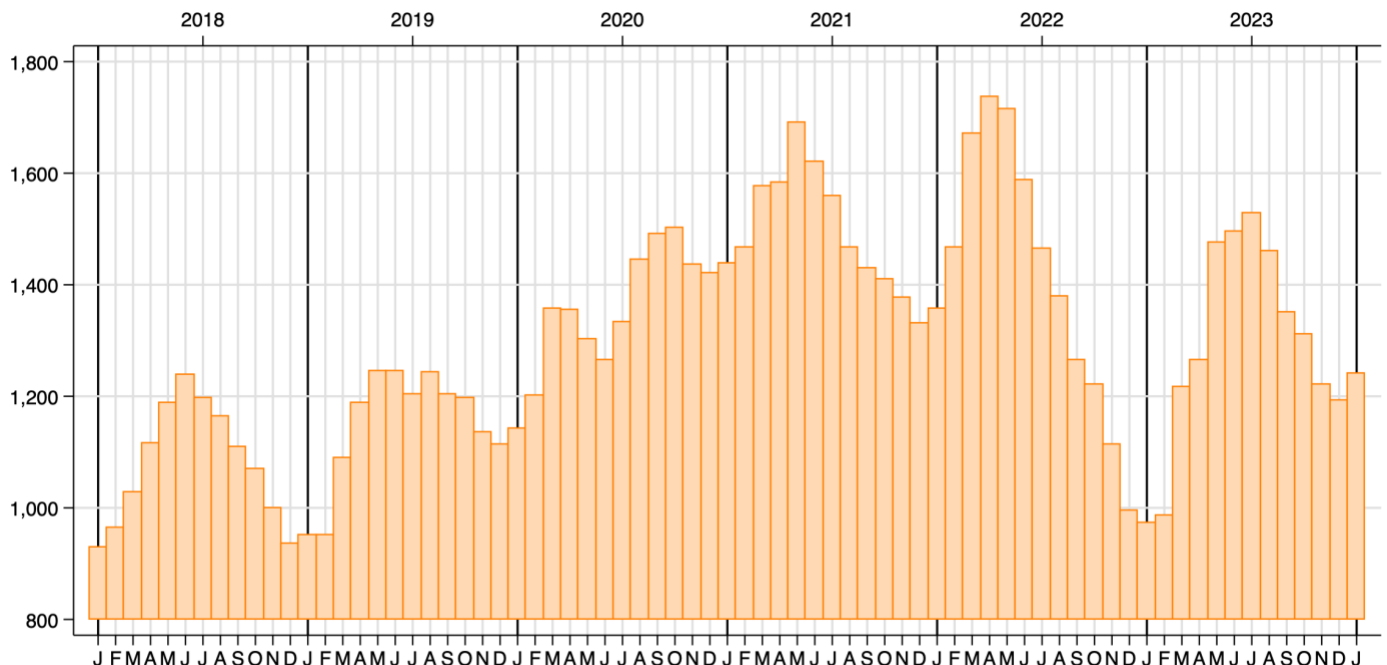
Alabama New Home Building Permits

Month	Days on Market	Percent Change Year-over-Year
Year-to-Date	2,434	24.1%
January 2024	1,241	27.4%
December 2023	1,193	20.0%
November 2023	1,220	9.6%
October 2023	1,311	7.4%
September 2023	1,351	6.8%
August 2023	1,460	5.8%
July 2023	1,528	4.4%
June 2023	1,495	-5.9%
May 2023	1,476	-13.9%
April 2023	1,265	-27.2%
March 2023	1,217	-27.2%
February 2023	987	-32.7%
January 2023	974	-28.2%

## AAR's Forecast

Based upon current economic trends, AAR projects that state new home building permits will increase between January and February 2024 by approximately 2.2% to 1,268.

Alabama New Home Building Permits, Monthly Figures





**HOUSING MARKET OVERVIEW**

## AAR's Forecast

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After months of decline, sales in February increased, suggesting that the housing market may have reached its lowest point and is ready to rebound into Spring.

### Factors to consider in the near term:

- The US Index of Consumer Sentiment declined slightly in March, to a preliminary value of 76.5. The February value was revised downward to 76.9. Even with the recent decline, the values through the first three months of 2024 are at the highest levels since the value of 81.2 reported in July 2021. Additionally, the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) continued its recent climb to a preliminary value for March of 51, its first value above 50 since July of last year (a value above 50 indicates more home builders view conditions favorably). This increase in the HMI is driven by the "Single Family Sales: Next 6 Months" component, with a preliminary value of 62, matching its highest value since June of last year. The South HMI climbed to a preliminary March value of 52. This marks the first time the National HMI and South HMI have both been above 50 in eight months.
- Continued high inflation, coupled with a strong labor market, is delaying potential cuts to the fed funds rate target. The Consumer Price Index (CPI) inched upwards to 3.2% in February from 3.1% in January. The Producer Price Index (PPI) was above expectations as well, driven by increases in producer prices for services. Additionally, job growth continues at a strong pace with 275,000 jobs added nationally in February. While the unemployment rate has ticked up slightly in both the nation and the state, average weekly initial unemployment claims moved downward through February and into March at both the federal and state levels. For example, the 4-week-moving average of initial unemployment claims fell from 2,917 in the first week of February to 1,875 by mid-March in Alabama. Over the same period the national figure decreased from 212,750 to 208,500.
- Federal deficit spending continues, with recent reports indicating that an extra \$1 trillion is added to the national debt every 100 days. There would normally be upward pressure on Treasury yields, or interest rates, to encourage buyers to purchase this debt. However, market participants have helped keep rates on 10 year Treasuries low by moving money into longer-term debt as evidenced by the inverted yield curve. An inverted yield curve is often seen as a sign of pessimism regarding the short-term economic outlook.
- In the short term, cuts to the fed funds rate target are likely the best hope for a sizable reduction in mortgage rates. As seen on the chart comparing rates on page 5, the fed funds rate is currently acting as a floor for the average 30-year fixed mortgage rate. However, as these average mortgage rates have remained over 6.5% for almost 9 months with little evidence to suggest significant drops in the near term, buyers and sellers in the residential market will need to acclimate to the higher rate environment. There appears to be some movement in this direction.

## Alabama REALTORS® Economic and Real Estate Report

The Alabama Association of REALTORS® (AAR) is the largest statewide organization of real estate professionals comprised of over 19,000 members from 23 boards and 1,200 real estate companies. United by adherence to a Code of Ethics, our members work as real estate professionals in the sale, lease, appraisal, management and development of residential, commercial, rural and resort properties throughout Alabama.

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The goal of AAR's Economic and Real Estate Report is to produce timely, data driven economic and market analysis, authoritative business intelligence to serve members, and inform consumers, policymakers and the media in a professional and accessible manner.

### Analysis provided by the Alabama Association of REALTORS® Research Team:

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Auburn University Montgomery

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