



BIRMINGHAM

Market Report

TABLE OF CONTENTS

3	—	<i>Overview</i>
4	—	<i>Alabama</i>
5	—	<i>Birmingham</i>
6	—	<i>Employment</i>
7	—	<i>Millennial Appeal</i>
8-9	—	<i>Downtown Revamp</i>
10	—	<i>Spartan Focus</i>
11	—	<i>Our Rehab Process</i>
12-13	—	<i>Before & Afters</i>
14-16	—	<i>Spartan by the Numbers</i>
17	—	<i>Conclusion</i>

OVERVIEW

Your market of choice can have a tremendous impact on your real estate investment returns. In most cases, as an investor, you're looking for a market with a combination of high yields, strong economic growth, high employment and a low cost of living- that's the gold standard.

In the last 10 years, the Birmingham metropolitan area grew by about 4.3%, and the city is now home to more than 1.1 million residents. The Magic City earned the #2 spot in *U.S. News and World Report's* "Best Places to Live in Alabama in 2022-2023" ranking.

Birmingham's homes boast a median listing price of \$189,500. At just \$123 per square foot, Birmingham real estate is affordable, clocking in at just over half of the nationwide median of \$227 per square foot.

But the city's housing stock has also rapidly appreciated, rising 13.6% in the last year. For this reason, Realtor.com places the Magic City among the top 25 housing markets for 2022.



ALABAMA

In 2021, businesses poured \$7.74 billion in capital investments into the state. Projects supported by these investments will create an estimated 10,000 new jobs.

According to the Alabama Department of Commerce, the state attracted 44 foreign direct investment (FDI) projects in 2021. Valued at \$1.1 billion, these projects are expected to generate more than 1,700 jobs.

Alabama scored a deal of the year by recruiting Landing, a technology-focused company that provides a network of fully-furnished apartments for rent. Landing moved its headquarters from San Francisco to Birmingham in 2021, creating over 800 full-time jobs. The Alabama Department of Commerce projects that the relocation will generate \$112 million in new state revenue, \$1.3 billion in new payroll, and a 356% return on investment over the next 20 years.

Alabama boasts the second-lowest property tax rate in the nation in 2022, behind only Hawaii. Jefferson County's effective property tax rate came in at 0.640%, slightly higher than the statewide average of 0.406%. For the average Alabamian, this equates to a mere \$609 in annual property taxes—barely a quarter of the national average.

BIRMINGHAM

According to Zillow, the Birmingham housing market saw a 19.3% year-over-year rise in home values in July 2022, which is higher than the national average of 18.2%. This bodes well for investors who want to buy real estate in healthy, appreciating markets.

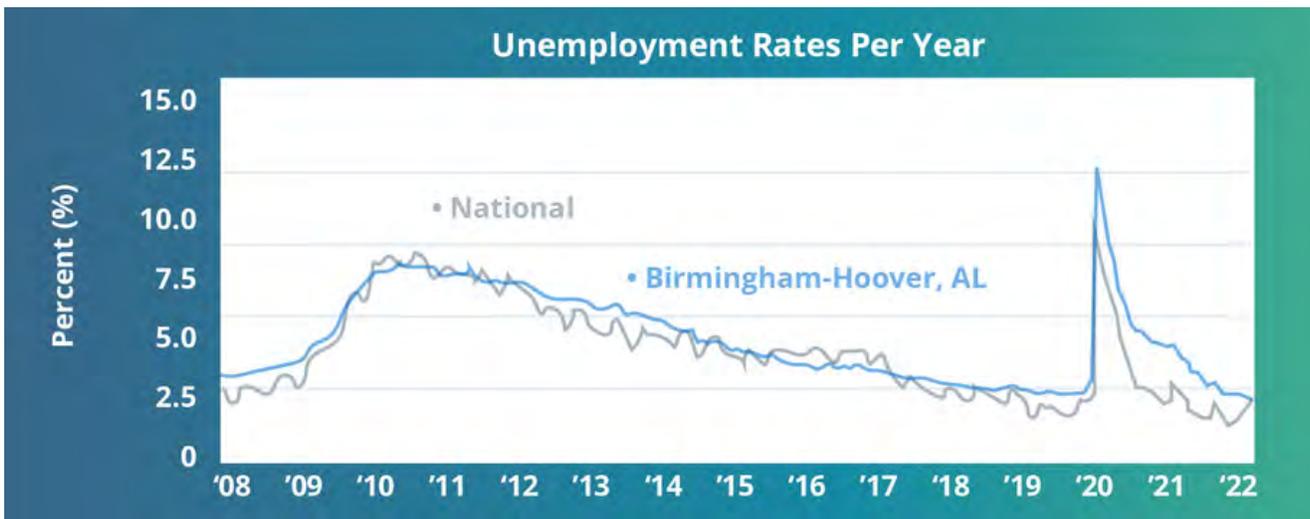
As per RentCafe, the city sports a cost of living that is 6% below the national average. In fact, the Waller, Weeks, and Johnson Rental Index notes that Birmingham has the 18th lowest rent out of 107 major metropolitan areas. Despite being relatively affordable compared to other metro areas, rents in Birmingham have increased by 11.47% since 2021, making it an attractive rental market for investors.

The Birmingham metro area grew 0.82% in 2022, gaining 10,000 new residents. Wages have also grown, with average incomes in the city up by 4% this year.

EMPLOYMENT

According to the U.S. Bureau of Labor Statistics (BLS), Birmingham's unemployment rate decreased from 4.0% in June 2021 to 3.0% in June 2022. That's a full 0.6 percentage points lower than the national unemployment rate.

The Birmingham metro is home to three Fortune 1000 companies, including Regions Financial Corporation, Encompass Health, and Vulcan Metals Company. The Magic City's strong employment figures have earned it acclaim from Forbes as a top 10 promising job market.



MILLENNIAL APPEAL

Employment numbers are an important indicator of the viability of a given real estate market. However, you need to take a granular look at the makeup of the local workforce. While overall population growth in Birmingham has been modest, demographic changes over the last 17 years tell an interesting story.

The Birmingham-Hoover MSA is home to more than 250,000 millennials, who make up the largest portion of the region's workforce. Millennials are the most highly-educated generation in American history and stand to benefit from that by moving into high-earning positions over the next 5-10 years. Additionally, they are set to inherit over \$30 trillion over the next several decades. Both of these metrics bode well for Birmingham's future. A highly educated, newly affluent population is about as good as you can ask for in any market.



DOWNTOWN REVAMP



Through financing and historic tax incentives, Birmingham has worked with local, national, and international industries to bring the Magic back to Birmingham. More than \$1 billion in capital investments have been deployed to completely revitalize the downtown business district, and the investment is paying big dividends for businesses and the community as a whole.

Downtown Birmingham is experiencing a resurgence with new investment and development. Luxury travel magazine Condé Nast Traveler named Birmingham one of "the 22 best places to go in 2022". The area attracts residents and visitors alike, with features like the Jones Valley Teaching Farm, the gorgeous Alabama Theater, a bustling downtown restaurant and hotel district, and the only LEED-certified library in the state.

The Northern Beltline project will receive \$369 million in federal funding over five years. An economic analysis estimated that the completed project could create nearly 14,000 jobs and impact the local economy to the tune of \$2.67 billion.

PROJECT	CATEGORY	BUDGET	STATUS
Grandview Physician Plaza II	Healthcare	\$50 Million	Complete
Palmer Parkside	Residential	\$37 Million	Completed
Protective Stadium	Sports and Events	\$180 Million	Completed
Building Trades Tower	Residential	\$40 Million	Under Construction
Frank Nelson Building	Residential	\$40 Million	Under Construction
Legacy Arena	Sports and Events	\$300 Million	Under Construction
CityWalk BHAM	Mixed Use	\$34 Million	Under Construction
Carraway Hospital Redevelopment	Healthcare	\$13 Million	Proposed
The Tracks	Residential	\$41 Million	Proposed

SPARTAN'S FOCUS

Birmingham is undoubtedly a hot market for real estate investment- the numbers back that up. However, citywide trends do not necessarily extend to every neighborhood in a city. Every investor worth their salt knows that things can change drastically from street to street and block to block. That's why it's critical to work with a turnkey provider with a physical presence in the area - people that live and work in the market they're selling and promoting. At Spartan, we know Birmingham inside and out - we know which neighborhoods are on the rise, where cash flow is king but appreciation isn't off the table - this isn't just an investment market, it's our home.



This boots-on-the-ground approach, along with our granular local market knowledge, is why we've been able to hone our focus on only the most profitable B and B+ class properties in the Birmingham region. We work in neighborhoods that attract stable, long-term tenants with solid employment. And, while rental demand is crucial - and the most recent data shows that more than 32% of Birmingham residents rent - we know there's more to long-term investment success. By choosing properties and neighborhoods that people want to live in, we maximize our clients' chances of seeing real appreciation - and eventually selling to an owner-occupant, not just another investor looking to cut a deal.

OUR REHAB PROCESS

Actions are more valuable than words, especially when it comes to the renovation and rehabilitation of a turnkey property for an investor. At Spartan, we take great pride in our top-to-bottom rehab process. We're never going to sell a property that doesn't meet our rigorous standards. That means we're going to ensure that the property is somewhere we would be happy to live with our families.

Beyond outward appearance, for a home, good bones are important. It's what's on the inside that counts. And that means inside walls, inside plumbing, and inside big capital expense items.

Our team are experts at finding properties that may have seen better days, but still, have the solid bones and high-quality internal systems that provide the foundation for a low-maintenance rental investment. Then, we get to work. In addition to taking care of any existing issues with a property and updating standard cosmetic items, we execute the following rehab items in about 80% of our properties:

- New HVAC system (15-20 year life)
- New Like-Wood Vinyl Flooring (20-year life)
- Refinishing of Existing Hardwoods (8-12 year life)
- New Tin Roof (40-year life)
- New Water Heater (10-year life)
- New Granite Countertops
- New Kitchen and Bath Fixtures
- New Window Treatments
- Updated Landscaping

BEFORE & AFTER

While intensive rehab work is not necessary for many of our properties, when we run into that situation we embrace it. We never shy away from stripping a property down to the studs if that's what's necessary. Our goal is to provide properties that won't require work for years to come, keeping your tenants happy and maintenance rates and costs low. Listed below are a few of our properties, both before and after our rehab team works their magic:

Before

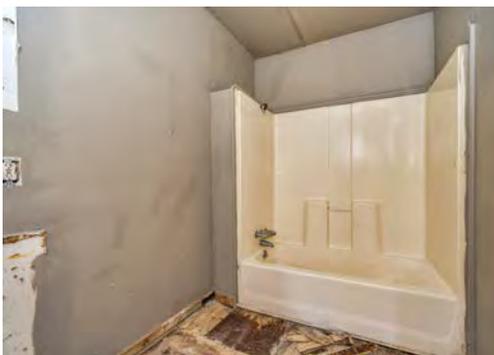


After



BEFORE & AFTER

Before



After



SPARTAN - BY THE NUMBERS

While our rehab process is focused on keeping expenses down long-term, there's more to a solid rental investment than just maintenance. We take pride in our craftsmanship and attention to detail, but our white-glove property management service is the jewel in the Spartan crown. Our leasing team works tirelessly to find the best possible tenants for each property - we're not in the business of just getting bodies in the door, we want qualified tenants who will stay long after the initial two-year lease is up.

Putting in the work to find the right tenants means lower tenant turnover, fewer move-outs, and lower average move-out costs as well as minimal vacancy.

- Average Time to First Lease: **31 Days**
- Average Time Between Tenants: **40 Days**
- Average Length of Stay: **2.9 Years**
- Current Occupancy Rate: **96%**
- Current Maintenance Rate: **4.1%**

*Figures as of July 2022.

SPARTAN - BY THE NUMBERS

Once a tenant is in place, our management team makes sure rent is on time and good tenants stay content. That means taking care of any maintenance issues within 24-hours and ensuring that both investor and tenant always get what they pay for. Our proactive management ethos means that good tenants stay longer, occupancy stays up, and investor cash flow keeps rolling in month after month.

- Average First-Year Returns on Cash Purchase: **6.5-9%**
- Average First-Year Returns on Financed Purchase: **8-12%**
- Average Annual Return After 30-Year Note Pay-Off: **30-40%**

*Based on average returns from real properties in our portfolio, with values from \$85-\$200k.

*Figures as of July 2022.

The result is consistent, reliable income for our investors and increasing returns year after year as tenants pay down your mortgage and build up your equity. While cash flow is king, never underestimate the power of having your tenants pay off your mortgage. Financing your purchase can double the overall return on your investment in the very first year; once that loan is paid off, your annual cash-on-cash return skyrockets.



CONCLUSION

From historic renovations to new educational facilities to new luxe hotels and lush outdoor spaces, Birmingham's renaissance is in full swing. With property values growing and rental demand as strong as ever, Birmingham is the perfect market for long-term cash flow investors. And, with Spartan at the helm, you can rest assured that your investment is a priority long before you cut a check.

As a full-service turnkey provider we work hard from day one to ensure every property meets the highest quality standards, every tenant is stringently vetted, and every investment is managed with the care we would take with our own portfolios. We don't just sell Birmingham investments, we personally own them. That means, when you work with Spartan, you'll be invested in the very same neighborhoods we are. The rehab work, tenant quality, and ongoing management of your properties are directly tied to the success of our own investments- in other words, our interests are aligned. So let's succeed together.



spartaninvest.com