

BIRMINGHAM

Q2 2026



Q2 2026 MULTIFAMILY MARKET SNAPSHOT

KEY TAKEAWAYS

1

Demand continues to outpace supply, with trailing 12-month absorption of 1,863 units exceeding 1,671 units delivered, supporting the market's transition from supply-driven softness toward stabilization.

2

The construction pipeline has contracted sharply, with trailing 12-month starts at 0 units, down from 1,018 one year ago, and just 289 units remaining under construction (0.4% of inventory), signaling a favorable supply environment ahead.

3

Rents have stabilized at \$1,229 per unit (0.3% YoY), building on steady quarterly growth, while occupancy of 88.9% remains below historical norms but is trending higher with 60 bps of annual improvement.

AVERAGE RENT

\$1,229

ANNUAL RENT CHANGE

0.3%

OCCUPANCY RATE

88.9%

YOY OCCUPANCY CHANGE

60 BASIS POINTS

NET ABSORPTION

1,863 T4Q

UNIT COMPLETIONS

1,671 T4Q

DEMAND TRENDS

Leasing activity in Birmingham held firm in Q2 2026, with 566 units absorbed, up from 508 units in the prior quarter. T4Q absorption reached 1,863 units, comfortably exceeding the 1,671 units delivered over the same period, a meaningful improvement from the 780 units absorbed a year ago. Birmingham's steady, employment base and household formation trends have supported this trajectory, and the market has shown it can work through elevated completions without further fundamental deterioration. The absence of new deliveries in Q2 also helped the demand-supply balance, though the consistency of leasing activity suggests underlying demand is genuine rather than simply a function of reduced competition from new product.

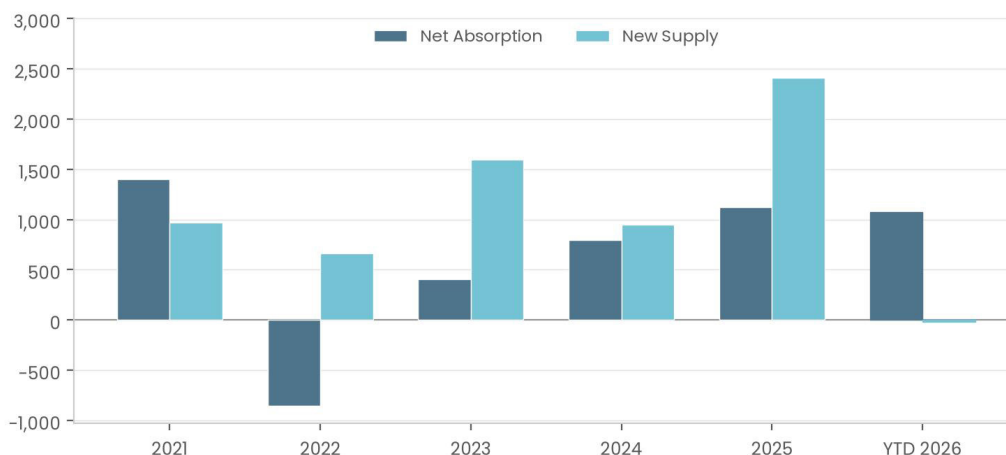
At the submarket level, demand has been broad-based, with 10 of 11 tracked submarkets posting positive trailing 12-month absorption. Homewood led with 480 units absorbed, followed by Outlying Jefferson County at 354 units and Downtown Birmingham at 272 units. Notably, Outlying Jefferson County absorbed nearly all of its 382 delivered units, maintaining 91.5% occupancy despite meaningful new supply. Only Airport posted negative net absorption of 11 units, reflecting localized softness in a small inventory base.

CONSTRUCTION TRENDS

No new units were delivered in Birmingham during Q2 2026, providing the market a reprieve after trailing 12-month completions totaled 1,671 units, up 72% from the 970 units completed in the prior annual period. This delivery wave, concentrated over recent quarters, represented the most active stretch of development Birmingham has experienced in years. As of Q2 2026, just 289 units remain under construction, equal to 0.4% of the market's inventory, positioning the pipeline at its lowest level in several years.

The pullback in development activity has been decisive. Trailing 12-month construction starts have fallen to 0 units, down from 1,018 one year ago, and the under-construction pipeline has contracted 86% over the past four quarters, from 2,022 to 289 units. This sharp decline in starts reflects developer caution amid softened occupancy and constrained rent growth. Remaining construction activity is concentrated entirely in Shelby County, where all 289 units are underway despite the submarket having received no deliveries over the past 12 months. Bessemer/Fairfield absorbed the heaviest recent supply load, with 294 units delivered trailing 12 months, contributing to its below-average 86.7% occupancy, while Hoover/Vestavia Hills received 475 units, the most of any submarket, and is contending with 86.2% occupancy as those projects continue to lease up.

UNIT COMPLETIONS VS NET ABSORPTION



NET ABSORPTION

566



UNIT COMPLETIONS

0 Q2 2026



RENT TRENDS

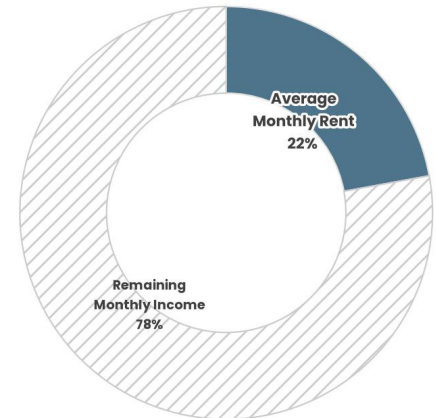
Rents in Birmingham reached \$1,229 per unit in Q2 2026, up 1.2% from the prior quarter and 0.3% higher than a year ago. While annual growth remains modest, the quarterly trajectory tells a more compelling story. Rents have reversed a stretch of quarterly declines in the second half of 2025, and the recent inflection suggests the market has moved past the trough of its pricing cycle.

Birmingham's rent recovery has been supported by demand outpacing supply, providing landlords with incrementally more pricing power. Among a peer set of similarly sized Southern metros, Birmingham is solidly in the upper half, running well ahead of both Memphis and Savannah, whose rents are down sharply on an annual basis. Charleston is the outlier on the upside, posting stronger gains than the rest of the group. With absorption running ahead of deliveries and the construction pipeline contracting sharply, the conditions for sustained rent improvement are strengthening, though performance will depend on the durability of local employment trends.

Submarket-level rent growth is uneven. St Clair County leads with 4.3% annual growth at \$1,233 per unit, supported by tight 96.4% occupancy, while Bessemer/Fairfield posted 3.2% growth as it absorbed recent deliveries.

Conversely, Shelby County recorded -2.2% annual rent declines despite 93.0% occupancy, likely reflecting concession activity ahead of its 289-unit pipeline. Eight of 11 tracked submarkets are posting positive year-over-year rent growth, indicating pricing momentum is broadening.

MONTHLY RENT AS SHARE OF INCOME



AVERAGE MONTHLY RENT
\$1,229

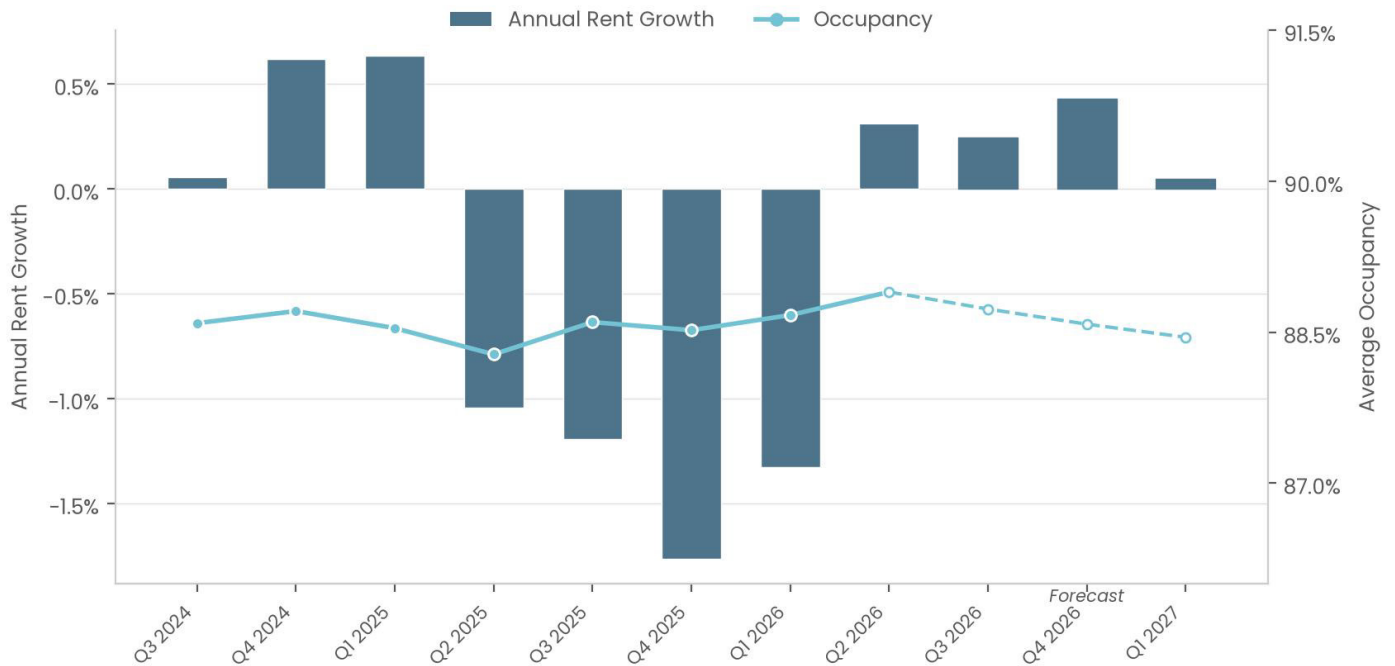
RENT & OCCUPANCY

SUBMARKET TOP 10 EFFECTIVE ANNUAL RENT GROWTH

#	Submarket	Inventory of Units	Q2 2026 Occupancy	Annual Occupancy Change	Q2 2026 Effective Annual Rent Growth	Annual Effective Rent/Unit
1	St Clair County	1,173	96.4%	3.4%	4.3%	\$1,233
2	Bessemer/Fairfield	5,369	86.7%	0.9%	3.2%	\$1,105
3	Cahaba Heights	4,360	94.0%	1.6%	2.2%	\$1,505
4	North Birmingham	1,095	91.4%	3.9%	1.3%	\$524
5	Homewood	7,902	85.9%	2.4%	0.9%	\$1,244
6	Downtown Birmingham	10,764	86.5%	-0.1%	0.4%	\$1,321
7	Outlying Jefferson County	10,026	91.5%	-1.1%	0.3%	\$1,263
8	Hoover/Vestavia Hills	11,673	86.2%	0.2%	0.1%	\$1,221
9	Center Point	4,301	85.1%	1.7%	-0.1%	\$856
10	Airport	737	92.7%	-1.5%	-1.7%	\$908

FULL SUBMARKET TABLE IN APPENDIX

ANNUAL RENT GROWTH AND OCCUPANCY



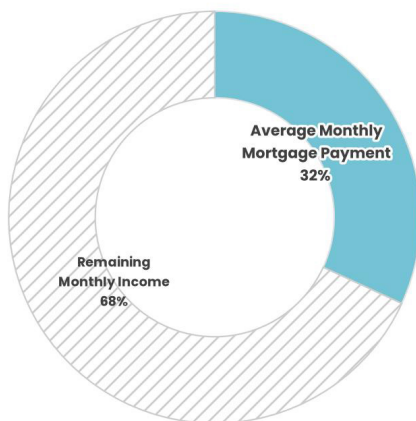
RENT & OCCUPANCY

OCCUPANCY TRENDS

Birmingham's occupancy climbed to 88.9% in Q2 2026, up 20 basis points from the prior quarter and 60 basis points higher than a year ago. While occupancy remains below historical norms, the upward trajectory over the past year marks a constructive shift, as sustained positive absorption combined with a decelerating delivery pipeline has allowed the market to begin reclaiming lost ground after an extended period of supply-driven pressure. The trailing 12-month absorption surplus of roughly 190 units over deliveries has been the primary driver of that improvement, and with just 289 units under construction, supply-side headwinds are diminishing further. Against those same Southern peers, Birmingham's occupancy trails both Charleston and Savannah, while running well ahead of Memphis at the bottom of the group.

Submarket occupancy conditions reveal a 1,130 basis point spread between the tightest and weakest performers. St Clair County and Cahaba Heights lead at 96.4% and 94.0%, respectively, both benefiting from zero trailing 12-month deliveries. In contrast, Center Point (85.1%) and Homewood (85.9%) sit well below the metro average, both having absorbed meaningful new supply over the past year.

MONTHLY MORTGAGE AS SHARE OF INCOME



AVERAGE MONTHLY MORTGAGE
\$1,771

MARKET OUTLOOK

Birmingham enters the second half of 2026 well past the peak of its supply cycle, with construction starts and the active pipeline both near historic lows. This supply-side relief, combined with sustained positive absorption, positions the market for gradual improvement in both occupancy and rent fundamentals heading into 2027.

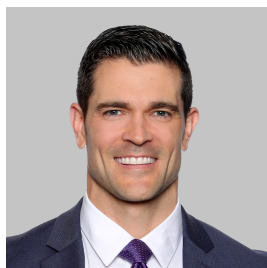
The rent trajectory is encouraging. After a stretch of quarterly declines in late 2025, effective rents have returned to growth, suggesting the pricing trough has passed. Occupancy, however, still trails most tracked peers, and the market lacks the tightness needed for aggressive rent acceleration. Owners should expect incremental rather than rapid improvement, with performance tied closely to local labor market conditions. The near-term forecast projects rents flat on a year-over-year basis by Q1 2027, with occupancy near 88.5%, reflecting a cautious but stabilizing trajectory.

Submarket dynamics will shape the recovery unevenly. Shelby County holds the only remaining pipeline of consequence, and its lease-up performance will be a bellwether for the broader market. High-occupancy submarkets like St Clair County and Cahaba Heights should see the earliest pricing power, while supply-heavy areas such as Hoover/Vestavia Hills and Bessemer/Fairfield may take additional quarters to stabilize. The roughly 282 units still projected to deliver through the forecast horizon should be manageable given current absorption trends.

Sources: Costar; U.S. Census Bureau; Federal Reserve Bank of St. Louis; National Association of Realtors



To gain further insights, contact our team:



Alex Blagojevich
EXECUTIVE MANAGING DIRECTOR
& FOUNDING PARTNER
alex.blagojevich@mmgrea.com



Michael Sullivan
EXECUTIVE MANAGING DIRECTOR
& FOUNDING PARTNER
michael.sullivan@mmgrea.com



Brett Meinzer
MANAGING DIRECTOR - CMC
brett.meinzer@mmgrea.com



Simon Turner
SENIOR DIRECTOR - CMC
simon.turner@mmgrea.com



Thomas Skevington
SENIOR ADVISOR - CMC
thomas.skevington@mmgrea.com



Jake Sullivan
SENIOR ADVISOR - CMC
jake.sullivan@mmgrea.com



Kyle Shoemaker
MANAGING DIRECTOR -
AFFORDABLE HOUSING
kyle.shoemaker@mmgrea.com



Bill Brading
SENIOR DIRECTOR -
AFFORDABLE HOUSING
bill.brading@mmgrea.com



Tyler Kishimoto
ASSOCIATE ADVISOR -
AFFORDABLE HOUSING
tyler.kishimoto@mmgrea.com



Brady Robinson
ASSOCIATE -
AFFORDABLE HOUSING
brady.robinson@mmgrea.com

APPENDIX

SUBMARKET FUNDAMENTALS

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9	Center Point	4,301	85.1%	1.7%	-0.1%	\$856
10	Airport	737	92.7%	-1.5%	-1.7%	\$908
11	Shelby County	9,791	93.0%	0.5%	-2.2%	\$1,259