

HUD PD&R Housing Market Profiles

Charleston-North Charleston, South Carolina



Quick Facts About Charleston-North Charleston

Charleston, South Carolina

By David Kelley | As of April 1, 2020

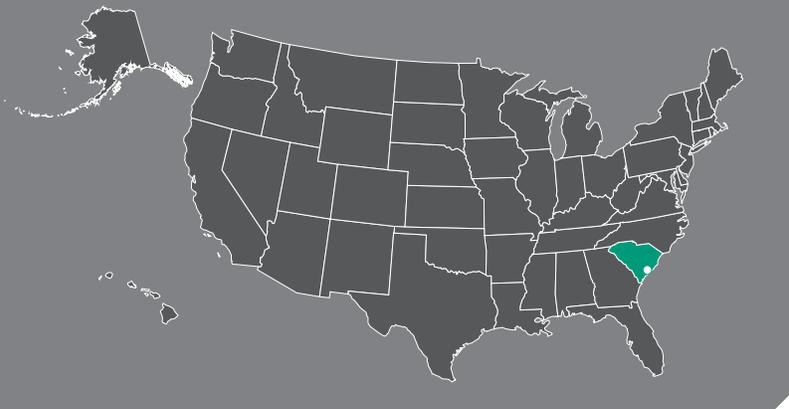
- **Current sales market conditions: balanced**
- **Current rental market conditions: balanced, but softening**
- **Joint Base Charleston had an estimated \$10.6-billion economic impact in the metropolitan area and the surrounding area during 2017 (University of South Carolina). The Boeing Company and the base are the largest private and public employers in the metropolitan area. The base employs approximately 22,000 people and supports 71,000 veterans and 15,100 retirees (University of South Carolina).**

Overview

The Charleston-North Charleston (hereafter, Charleston) metropolitan area consists of Charleston, Berkeley, and Dorchester Counties in South Carolina. Located on the Atlantic coast, the popular vacation and retirement area is home to the Port of Charleston. The port supports Joint Base Charleston and imports \$11.1 billion in nuclear reactors, boilers, and other durable goods related to the base (University of South Carolina). The total economic impact of the Port of Charleston on the Lowcountry region of South Carolina (a group of counties in the southern and southeastern part of the state), along with the Port of Georgetown outside the metropolitan area, is estimated to be \$7.8 billion annually (University of South Carolina). Although the port employs only about 500 workers, the growth in cargo volume and the growth in advanced manufacturing jobs have increased at the same rate, up more than 80 percent from July 2011 to January 2019 (University of South Carolina).

- As of April 1, 2020, the estimated population of the Charleston metropolitan area is 810,000. Strong economic conditions since the Great Recession have led to relatively stable net in-migration since 2010. Net in-migration averaged 7,550 people annually from 2000 to 2010, whereas net

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in-migration from 2010 to 2019 averaged 11,200 people annually due to nonfarm payroll growth increasing from an average annual rate of 1.0 to 3.0 percent for the respective periods.

- Despite higher net in-migration, slowing net natural change (resident births minus resident deaths) from an average of 4,100 people annually from 2010 to 2017 to an average of 3,075 annually from 2017 to 2019 meant that population growth had been stable at 2.0 percent since 2010.

- Adults aged 25 to 64 years moving into the area accounted for 56 percent of the growth from 2010 to 2018, averaging 2.2 percent annual growth (U.S. Census Bureau, 2010 and 2018 5-year estimates).
- The fastest rate of population growth has been in retirement-age adults aged 65 years and older, which increased 5.5 percent annually, but retirement-age adults made up only 11 percent of the population increase.

Economic Conditions

Economic conditions in the Charleston metropolitan area have been stronger than those of the region and the nation since the economy began recovering from the Great Recession in late 2010, but growth has slowed during the past year. The metropolitan area surpassed prerecession highs in late 2012, and from 2012 through 2019, nonfarm payrolls increased by an average of 3.0 percent annually compared with growth of 1.7 percent for the nation. The unemployment rate declined to 2.4 percent in 2019 from 2.9 percent in 2018. Of the larger sectors in the metropolitan area, manufacturing grew the fastest from 2010 through 2019, averaging 4.2 percent annually, with the expansion of automobile manufacturing.

During the first quarter of 2020—

- Nonfarm payrolls increased to 374,200—an increase of 4,200 jobs, or 1.1 percent, from a year earlier. That increase is a sharp decline from the 10,500 jobs, or 2.9 percent, added during the first quarter of 2019 and the slowest growth since 2010.
- Government is the largest sector in the Charleston metropolitan area and was the only large sector to have an increased rate of growth since 2019. The government sector increased by 1,100 jobs, or 1.7 percent, during the first quarter of 2020—up from the 800-job, or 1.3-percent, increase in the first quarter of 2019.

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The professional and business services sector in the Charleston metropolitan area declined significantly during the first quarter of 2020.

	3 Months Ending		Year-Over-Year Change	
	March 2019 (Thousands)	March 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	370.0	374.2	4.2	1.1
Goods-Producing Sectors	51.5	52.5	1.0	1.9
Mining, Logging, & Construction	21.5	22.2	0.7	3.3
Manufacturing	29.9	30.3	0.4	1.3
Service-Providing Sectors	318.6	321.7	3.1	1.0
Wholesale & Retail Trade	52.0	52.8	0.8	1.5
Transportation & Utilities	15.8	16.4	0.6	3.8
Information	5.3	5.4	0.1	1.9
Financial Activities	15.5	16.0	0.5	3.2
Professional & Business Services	58.2	57.4	-0.8	-1.4
Education & Health Services	42.0	42.6	0.6	1.4
Leisure & Hospitality	48.5	48.4	-0.1	-0.2
Other Services	14.7	15.1	0.4	2.7
Government	66.5	67.6	1.1	1.7
Unemployment Rate	3.1%	2.5%		

Note: Numbers may not add to totals due to rounding.

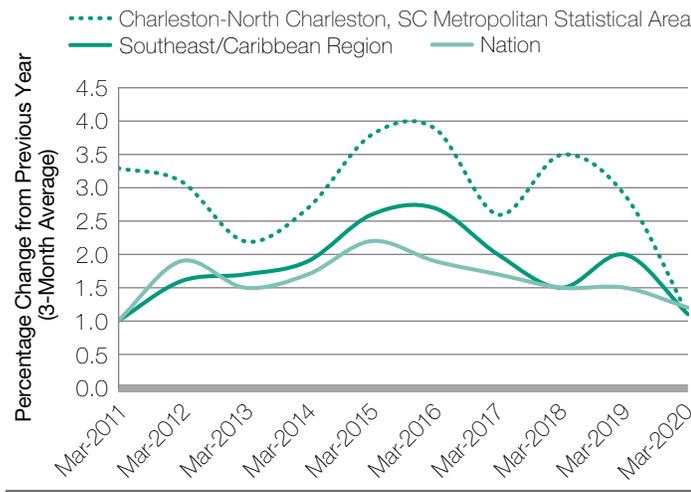
Source: U.S. Bureau of Labor Statistics



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- The unemployment rate declined to an average of 2.5 percent from 3.1 percent during the first quarter of 2019 and 3.4 percent during the first quarter of 2018.
- Although the government sector added the most jobs during this period, the next largest job increase occurred in the wholesale and retail trade and the mining, logging, and

Nonfarm payroll growth in the Charleston metropolitan area has far outpaced growth in the region and the nation since 2011.



Source: U.S. Bureau of Labor Statistics

Post-Analysis Update

COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020. On March 16, 2020, the city of Charleston issued a stay-at-home order and closure of nonessential businesses that is to remain in place for 60 days. Since then, some nonessential businesses, such as retail stores and parks in the area, have been allowed to reopen at a reduced capacity. This reduction in economic activity has led to a significant number of restaurants and hotels being affected, such as Kiawah Island Golf Resort, which laid off 1,100 employees. The leisure and hospitality sector declined by 21,200 jobs, or 46.4 percent, from March 2020 to April 2020.

Sales Market Conditions

The sales market in the Charleston metropolitan area is currently balanced, with an estimated vacancy rate of 1.5 percent as of April 1, 2020—down from 3.0 percent during April 2010. Despite the economic recovery in the area by 2010 from the decline in 2008, existing home prices in the metropolitan area did not

begin to increase until late 2011. By 2016, existing home prices exceeded prerecession levels. The slow rise in existing home prices is in stark contrast to new construction sales prices, which had surpassed prerecession highs by 2014. From the lows reached in 2009, existing home sales prices increased

- construction sectors, which increased by averages of 800 and 700 jobs, or 1.5 percent and 3.3 percent, respectively.
- The transportation and utilities sector was the fastest growing sector, increasing 3.8 percent and adding 600 jobs from the same period in 2019. Kuehne+Nagel Inc. launched a new facility in late 2018, with plans to add 180 jobs during the next 3 years.

The Port of Charleston has become an increasingly important piece of the economy not only in the metropolitan area but also in the state, along with the Port of Georgetown. The largest export from the two ports is automobiles, which helped Volvo Cars decide to expand its current facilities in the metropolitan area, where it will produce batteries for its all-electric XC90 SUV. With about 800 workers currently at the Ridgeville plant, the planned expansion will bring the number of employees to 4,000 by early 2022.

Largest Employers in the Charleston Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Joint Base Charleston	Government	22,000
Medical University of South Carolina	Government	17,000
The Boeing Company	Manufacturing	7,000

Note: Excludes local school districts.

Source: Charleston County Economic Development

Total nonfarm payrolls declined by 42,100 jobs, or 11.4 percent, during the month of April, and the unemployment rate spiked to 12.1 percent from 2.2 percent in April 2019. The Boeing Company announced job cuts in 2020 that will take place after voluntary layoff packages have been accepted. Approximately 1,000 jobs are expected to be cut in the Charleston metropolitan area because COVID-19 has greatly reduced demand for commercial airliners. In addition to the impact of COVID-19 on The Boeing Company, the Port of Charleston had reduced cargo volume through the port in April 2020—a 14-percent decline from April 2019.

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New and existing home sales prices in the Charleston metropolitan area have declined during the past year.



Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

New home sales in the Charleston metropolitan area have declined during the past year, whereas existing home sales have increased.



Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

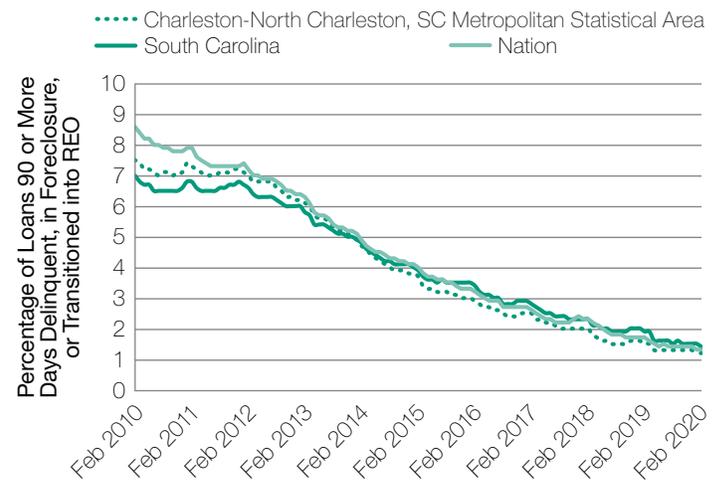
an average 3 percent annually through 2019 (Metrostudy, A Hanley Wood Company), versus new construction sales prices, which have increased much faster, averaging 6-percent gains annually since 2011.

- During the 12 months ending March 2020, sales of existing homes (single-family homes, townhomes, and condominiums) increased to 17,700, a 4-percent increase from the previous year. Existing home sales prices declined by 1 percent, compared with a 9-percent gain the previous year.
- New construction sales declined to 4,225 homes during the 12 months ending March 2020, a 3-percent decline from the previous year. New construction sales prices decreased 2 percent—a significant slowdown from the 8-percent increase during the previous year.
- In February 2020, the percentage of loans that transitioned into real estate owned (REO) status or were seriously delinquent (90 or more days delinquent or in foreclosure) in the Charleston metropolitan area fell to 1.2 percent from 1.5 percent a year earlier, in line with the percentages for the state and the nation, at 1.4 and 1.3 percent, respectively (CoreLogic, Inc.).
- During the 12 months ending February 2020, REO sales declined 34 percent from the previous year, totaling 480 homes, or 2 percent of total home sales. During the recession, REO sales peaked at 6,150 homes in 2011, or 50 percent of total home sales, and have fallen steadily since then.

After the Great Recession, strong population and economic growth led to increased housing demand and an acceleration in building activity, as measured by the number of single-family homes permitted after 2011. New home construction growth has slowed slightly since 2016 despite continuing population

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The rate of seriously delinquent mortgages and REO properties has declined significantly in the Charleston metropolitan area since the early 2010s and is currently only slightly higher than the rate for the nation.



REO = real estate owned. Source: CoreLogic, Inc.



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and economic growth. Most of the new construction activity in the metropolitan area has occurred in Charleston County; however, permitting activity in Berkeley County has been increasing since 2017.

- A total of 5,000 single-family homes were permitted during the 12 months ending March 2020, a slight increase from the 4,975 single-family homes permitted during the same period a year earlier.
- From 2000 through 2007, an average of 5,800 units were permitted annually before the number fell to an average of 3,075 units permitted annually from 2008 through 2010, as economic conditions deteriorated. As the economy recovered from the recession, an average of 3,425 homes were permitted annually from 2011 to 2014, and permitting continued to rise to an average of 4,725 units permitted annually from 2015 through 2019, as economic conditions remained strong.

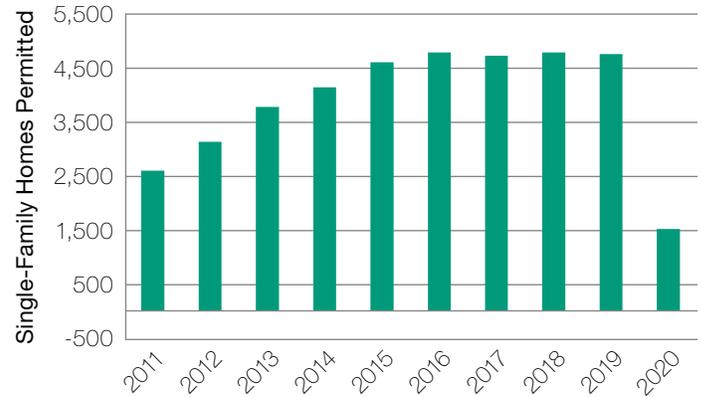
Rental Market Conditions

Rental housing market conditions in the Charleston metropolitan area are currently balanced but softening, with a large number of units under construction as vacancy rates increase. The overall rental vacancy rate (including single-family homes, mobile homes, and apartments) is estimated at 9.5 percent as of April 1, 2020—a decrease from 13.9 percent in April 2010. Apartment market conditions improved from 2010 to 2017 and were slightly tight during 2017; however, current conditions are balanced but softening. Apartment construction since 2016 has exceeded demand, and apartment vacancy rates have increased from a low of 4.4 percent in the third quarter of 2016 to 8.1 percent in the first quarter of 2020, and rent growth has slowed since the fourth quarter of 2018 (Reis, Inc.).

During the first quarter of 2020—

- The apartment market vacancy rate increased to 8.1 percent, up from 7.8 percent a year ago. The Reis Inc.-defined Hanahan/North Charleston market area—which contains part of Joint Base Charleston, downtown Charleston, the College of Charleston, and the Medical University of South Carolina (MUSC)—had the highest vacancy rate, increasing to 10.4 percent from 9.5 percent a year ago due to the large number of recently completed units. More than 2,300 units of the 6,000 units under construction are in the Hanahan/North Charleston market area.
- Veterans and active-duty military members make up about 9 percent of all renters in Charleston, and students make up 7 percent. The median rent paid by veterans and active-

Single-family home permitting in the Charleston metropolitan area increased from 2012 through 2016 and has remained relatively steady.



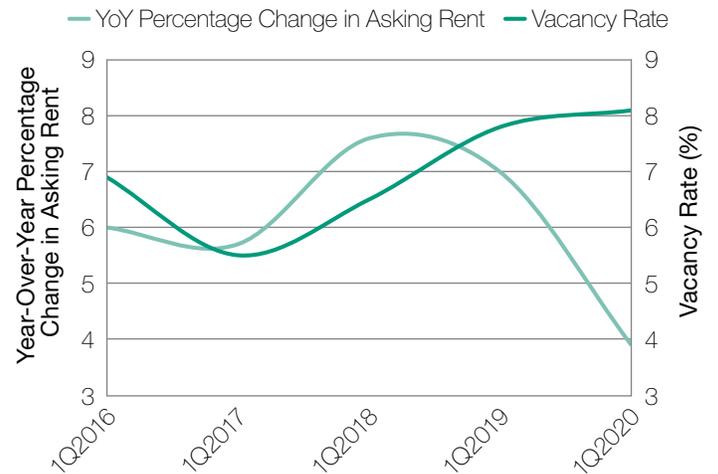
Note: Includes preliminary data from January 2020 through March 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

duty military members is \$1,300, and the median rent for students is \$1,250, compared with median rent for the remainder of the Charleston metropolitan area of \$1,125 (IPUMS USA, 2018 American Community Survey [ACS] 5-year estimates).

- The vacancy rate in the Airport/North Charleston market area has also risen in the first quarter of 2020, to 6.8 percent from 5.7 percent a year ago. The Central and Mount Pleasant

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Vacancy rates in the Charleston metropolitan area have increased steadily since 2016, whereas rent growth began slowing in 2019.



1Q = first quarter. YoY = year-over-year. Source: Reis, Inc.



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market areas have both had declining vacancy rates during the same period, from 7.4 to 7.3 percent and 9.5 to 8.7 percent, respectively.

- The highest growth in building activity among the market areas has been in the Mount Pleasant market area, where rents averaged \$1,475. By comparison, rents for the entire metropolitan area averaged \$1,175.

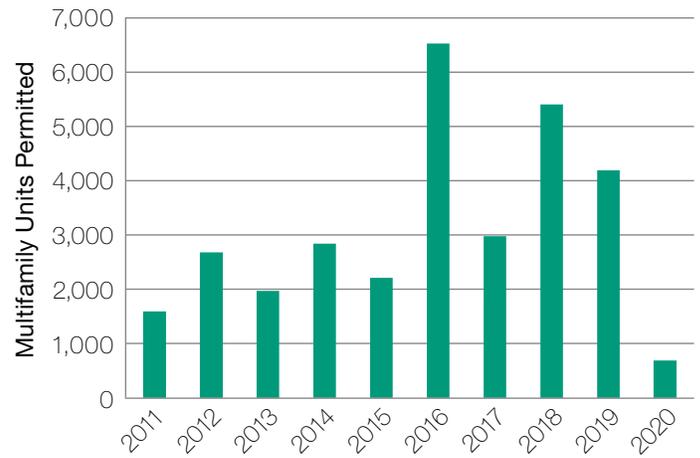
Multifamily construction activity, as measured by the number of units permitted, accelerated in 2016, as strong economic conditions and population growth since the recession created slightly tight apartment conditions. Although construction has slowed since then, current levels are notably higher than any other period before 2016.

- From 2016 through 2019, multifamily permitting averaged 4,775 units—more than double the 2011-through-2015 period, when an average of 2,250 units were permitted.
- From 2000 through 2010, an average of 1,225 multifamily units were permitted, when nonfarm payroll growth averaged just 1.0 percent annually. By comparison, nonfarm payroll growth from 2011 through 2019 averaged 3.0 percent annually.
- Recently completed apartments in the downtown Charleston area, where vacancy rates are rising, include the 350-unit 10 WestEdge, a nine-story apartment building close to MUSC. Rents for studio, one-bedroom, and two-bedroom units start at \$1,550, \$1,900, and \$3,500, respectively. Near the downtown area, 511 Meeting includes 221 apartment units in a 7-story

building. Rents for one- and two-bedroom units start at \$1,732 and \$2,520, respectively. Morrison Yard Apartments, a 10-story building with 380 units, is expected to be completed in 2021.

- Recently completed units in North Charleston, near Joint Base Charleston, include The Atlantic on the Boulevard, with 280 units and four stories. Rents for one-, two-, and three-bedroom units start at \$1,031, \$1,311, and \$1,479, respectively.

Multifamily permitting in the Charleston metropolitan area increased significantly during 2016 and has remained at a high level ever since.



Note: Includes preliminary data from January 2020 through March 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

