

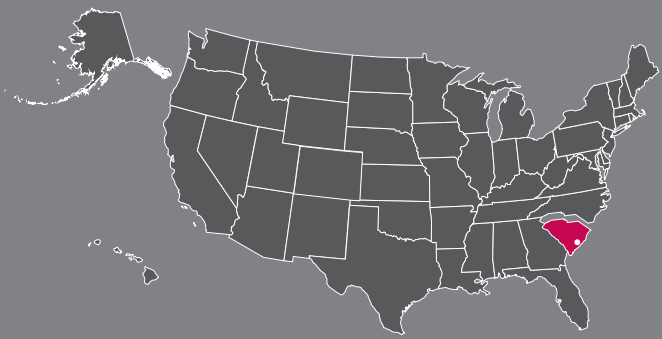
HUD PD&R Housing Market Profiles

Charleston-North Charleston, South Carolina



Quick Facts About Charleston-North Charleston

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: balanced but softening.**
- **The Charleston metropolitan area is home to Joint Base Charleston, 1 of 12 U.S. Department of Defense Joint Bases. The base has approximately 21,950 employees, including approximately 9,200 active-duty military personnel and 12,750 civilian employees, contractors, and reservists (Joint Base Charleston) and provides a \$4.3 billion direct and a \$2.3 billion indirect economic impact on the metropolitan area annually (University of South Carolina).**



By Tammy Fayed | As of October 1, 2017

Overview

The Charleston-North Charleston, SC Metropolitan Statistical Area (hereafter, Charleston metropolitan area) includes Berkeley, Charleston, and Dorchester Counties in southeast South Carolina along the Atlantic coast. The metropolitan area has a strong tourism and military foundation with a growing manufacturing industry because of its strategic location at the Port of Charleston. More than 4.5 million people visit the metropolitan area each year, providing a \$3.2 billion annual economic impact (City of Charleston).

- Since 2014, population growth in the metropolitan area has been strong, averaging 16,500 people, or 2.2 percent, annually, primarily as a result of strong economic conditions during the period. Since 2011, nonfarm payroll growth exceeded 2.0 percent a year, with rapid growth of more than 3.0 percent a year from 2014 through 2016.
- Population is currently estimated at 780,700 as of October 1, 2017, up from 664,607 in 2010.
- An estimated 76 percent of population growth since 2014 was a result of net in-migration, which averaged 12,550 people annually. Nearly one-half of the growth in the metropolitan area was in Charleston County, including the high-growth areas of downtown Charleston and the city of Mount Pleasant.



The leisure and hospitality sector was the only sector in the Charleston area to decline significantly during the third quarter of 2017, partly because of the effects of Hurricane Irma.

| | 3 Months Ending | | Year-Over-Year Change | |
|------------------------------------|-------------------------------|-------------------------------|-------------------------|---------|
| | September 2016 (thousands) | September 2017 (thousands) | Absolute (thousands) | Percent |
| Total nonfarm payrolls | 348.1 | 353.6 | 5.5 | 1.6 |
| Goods-producing sectors | 45.4 | 47.6 | 2.2 | 4.8 |
| Mining, logging, and construction | 19.3 | 20.7 | 1.4 | 7.3 |
| Manufacturing | 26.1 | 26.9 | 0.8 | 3.1 |
| Service-providing sectors | 302.7 | 306.0 | 3.3 | 1.1 |
| Wholesale and retail trade | 49.8 | 50.1 | 0.3 | 0.6 |
| Transportation and utilities | 14.4 | 14.3 | -0.1 | -0.7 |
| Information | 5.5 | 5.8 | 0.3 | 5.5 |
| Financial activities | 14.5 | 14.8 | 0.3 | 2.1 |
| Professional and business services | 53.3 | 55.8 | 2.5 | 4.7 |
| Education and health services | 38.9 | 39.3 | 0.4 | 1.0 |
| Leisure and hospitality | 48.0 | 46.3 | -1.7 | -3.5 |
| Other services | 13.9 | 14.0 | 0.1 | 0.7 |
| Government | 64.4 | 65.6 | 1.2 | 1.9 |
| | (percent) | (percent) | | |
| Unemployment rate | 4.2 | 3.6 | | |

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

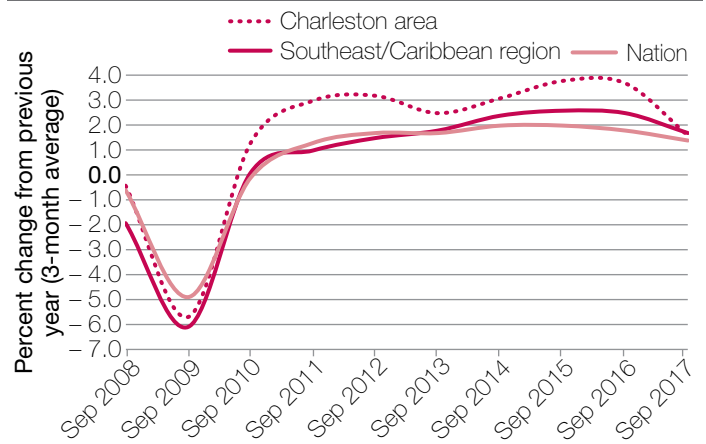
Economic Conditions

After a brief downturn in 2009, the economy of the Charleston metropolitan area began to stabilize in 2010 and recover in 2011. From 2014 through 2016, nonfarm payroll growth was rapid, at more than 11,000 jobs, or 3.0 percent, annually, but in 2017, the unusually high-growth rate started to slow to a more typical rate for the metropolitan area.

During the third quarter of 2017—

- Nonfarm payrolls increased by 5,500 jobs, or 1.6 percent, compared with the third quarter of 2016; however, part of the slowdown was a result of the impact of flooding from Hurricane Irma in September 2017.
- The professional and business services sector led employment growth by adding 2,500 jobs, or 4.7 percent, annually, to reach 55,800 jobs. The sector is expected to continue to expand when T-Mobile USA, Inc., a wireless service provider, relocates its existing 800-employee customer care center from Daniel Island to a newly renovated \$16.7 million center in North Charleston. The first of the 400 new jobs are expected to be filled in November 2017.
- The leisure and hospitality sector was the only payroll sector to decline by more than 100 jobs. The 1,700-job, or 3.5-percent,

Nonfarm payroll growth was strong in the Charleston area during the third quarter of 2017 but slowed from a year ago.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

loss in the sector was a reversal of a growth trend in the sector. Prior to the third quarter of 2017, the sector had been the second highest growth sector since 2000, after the professional and business services sector. Part of the job decline in the sector can be attributed to the impact of the flooding, particularly in downtown Charleston, from Hurricane Irma in September 2017.

continued on page 3

continued from page 2

- The unemployment rate fell to 3.6 percent from 4.2 percent during the third quarter of 2016. The current unemployment rate is the lowest rate for the metropolitan area since the fourth quarter of 2000 when the unemployment rate averaged 3.0 percent.

After several expansions in recent years, The Boeing Company announced plans for layoffs at its 787 Dreamliner plant in North Charleston. The June 2017 cuts were the first layoffs for the company at the North Charleston plant since the company invested more \$2 billion in its North Charleston manufacturing sites in 2009 and began production of the 787 Dreamliner. According to the company, financial incentives were initially offered for voluntary layoffs that were part of company cost-cutting measures. Since the beginning of 2017, employment at the company has fallen by more

than 600 employees to approximately 6,950 in September 2017 with additional declines expected, although the exact number has not yet been announced.

Largest employers in the Charleston area

| Name of Employer | Nonfarm Payroll Sector | Number of Employees |
|--------------------------------------|------------------------|---------------------|
| Joint Base Charleston | Government | 21,950 |
| Medical University of South Carolina | Government | 13,000 |
| The Boeing Company | Manufacturing | 6,800 |

Notes: Excludes local school districts. Joint Base Charleston data include approximately 9,200 active-duty military personnel, who are generally not included in nonfarm payroll survey data, and 12,750 civilian employees, contractors, and reservists. Sources: Joint Base Charleston; Charleston Metro Chamber of Commerce; The Boeing Company

Sales Market Conditions

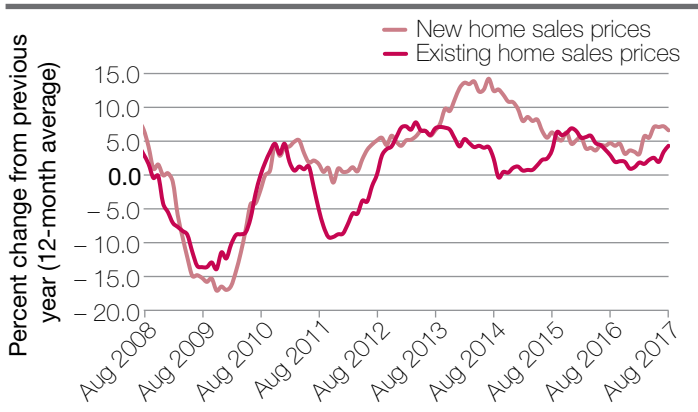
The sales housing market in the Charleston metropolitan area is currently balanced and has tightened significantly since 2010 when the sales market was soft. Home sales increased in 2010 following the national recession, but a large percentage of home sales were of distressed (short sales and real estate owned [REO]) homes. Distressed home sales peaked in mid-2013 and have declined since because of stronger economic conditions. During the 12 months ending August 2017, approximately 930 distressed homes sold, representing 6 percent of existing home sales compared with 1,625 distressed homes, or 10 percent of existing home sales, a year ago and a peak of nearly 3,400 homes, or 29 percent, during the 12 months ending May 2013 (CoreLogic, Inc. with adjustments by the analyst).

During the 12 months ending August 2017—

- Approximately 16,500 existing homes (including single-family homes, townhomes, and condominiums) sold, 2 percent more than a year earlier. The number of homes sold during the period was the highest since 2006.
- New home sales increased 5 percent from the previous 12 months to approximately 3,975. New home sales recovered more slowly than existing homes after the recession because of the large number of existing distressed homes that sold. After declining from 2006 through 2011, new home sales began to increase in 2012 but currently remain less than one-half the 8,925 new homes sold during 2005 before the sales housing crisis.

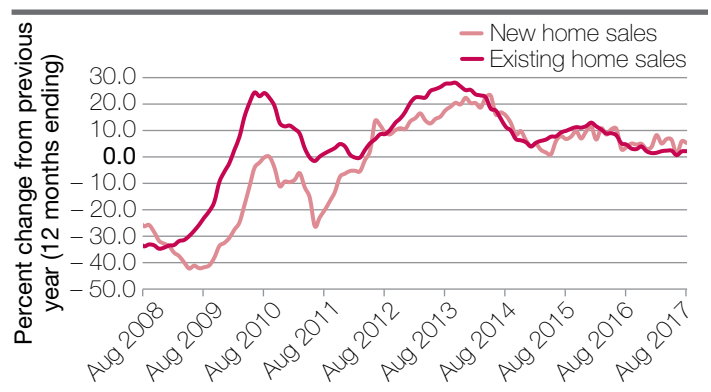
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After a 7-percent increase during the past 12 months, new home prices in the Charleston area reached a record average high of \$342,100.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

Existing home sales in the Charleston area began to increase in 2010, sooner than new home sales because of the large number of distressed existing home sales.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst



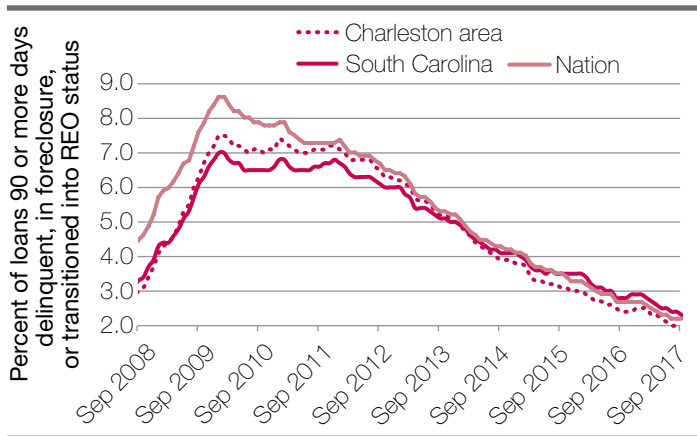
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- At \$312,200, the average price for an existing home increased 4 percent from a year earlier and nearly reached the record high of \$313,700 set during the 12 months ending July 2008 after existing home sales had already begun to decline.
- New home prices exceeded record highs, averaging \$342,100, a 7-percent increase from a year earlier. New home prices began reaching new record highs in 2014, after declining 17 percent in 2009 but immediately beginning to increase again in 2010.

Mirroring steady increases in new home sales, builders increased production of new homes in the Charleston metropolitan area beginning in 2012.

- During the 12 months ending September 2017, permits were issued for approximately 4,725 single-family homes, 2 percent fewer than during the previous 12 months (preliminary data).

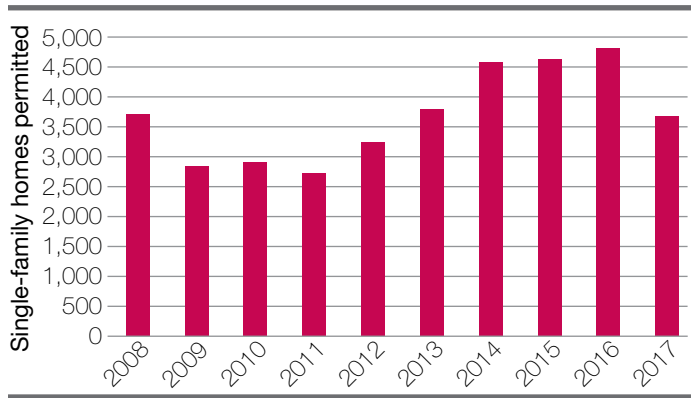
In September 2017, 2.0 percent of mortgages in the Charleston area were seriously delinquent or in REO status, the lowest percentage in more than a decade.



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

- Permits for single-family homes reached a low of approximately 2,700 homes in 2011 at the same time new home sales continued to fall. When home sales began to increase in 2012, the number of homes permitted increased 20 percent to approximately 3,250 homes.
- From 2013 through 2016, single-family homes permitted increased by an average of 390 homes, or 10 percent, a year to reach nearly 4,800 homes in 2016. Mount Pleasant accounted for nearly 20 percent of homebuilding activity in the metropolitan area during this period.
- One of the most actively selling communities in the metropolitan area during 2017 is the Four Seasons at Lakes of Cane Bay community in Summerville. The gated waterfront community for adults aged 55 years and older has sold 157 of its potential 260 lots. Homes in the community sell from the mid-\$200,000s to the mid-\$500,000s, depending on home and lot size, location within the community, and chosen options.

Single-family home permitting increased during the past 5 years to satisfy a greater demand for sales housing in the Charleston area.



Note: Includes preliminary data from January 2017 through September 2017.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

The apartment market in the Charleston metropolitan area is balanced but began to soften during the past year because of the large number of units completed.

- During the third quarter of 2017, the apartment vacancy rate was 5.9 percent, up from 3.5 percent during the third quarter of 2016 (MPF Research).
- In the MPF Research-defined Downtown/Mount Pleasant/Islands market area where apartment construction has been

concentrated, the vacancy rate increased from a slightly tight 4.4 percent during the third quarter of 2016 to a slightly soft 7.7 percent during the third quarter of 2017.

- Average rent in the metropolitan area increased 7 percent during the past year to \$1,112. Rents for one-, two-, and three-bedroom units averaged \$1,028, \$1,097, and \$1,360, respectively.
- Annual rent growth ranged from 4 to 9 percent for each quarter since the third quarter of 2013. Much of the rent growth in the metropolitan area is a result of the production of luxury

continued on page 5



continued from page 4

apartments with upgraded amenities rather than rent growth at existing properties. Rents for Class A properties increased an average of 7 percent a year since the third quarter of 2013 compared with an average of 5 percent a year for Class B and C properties.

Strong population growth, coupled with stringent mortgage lending standards and a greater preference for renting, increased demand for apartments in the early 2010s, resulting in a surge in production to meet the demand.

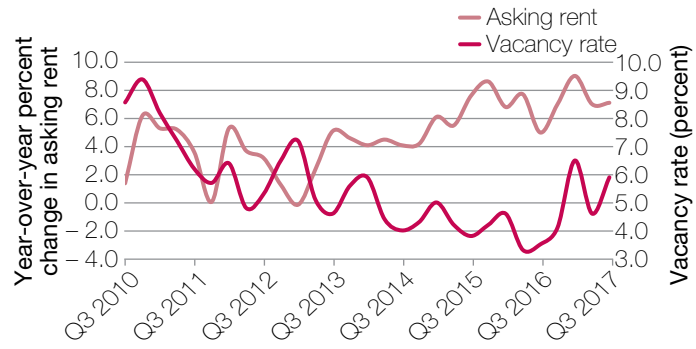
- After recovering from overbuilding and a weak economy that increased the apartment vacancy rate to a peak of 15.1 percent in 2009 (MPF Research), multifamily construction slowly began to increase in 2011 and then accelerated to a record high of nearly 4,300 units in 2016.
- Despite the large number of units under construction, multifamily production continued at a rapid pace in 2017. During the 12 months ending September 2017, approximately 4,375 multifam-

ily units were permitted, virtually unchanged from the 4,350 units permitted a year earlier (preliminary data, with adjustments by the analyst).

- Approximately 2,650 units were completed during the past year, and an estimated 5,300 units are currently under construction (MPF Research). Because of the large number of units under construction, the vacancy rate is expected to continue to rise in the next year despite strong population and household growth.
- Nearly 60 percent of units currently under construction are in the central Downtown/Mount Pleasant/Islands market area. Because of continued construction, the market area is expected to soften significantly in the coming year.

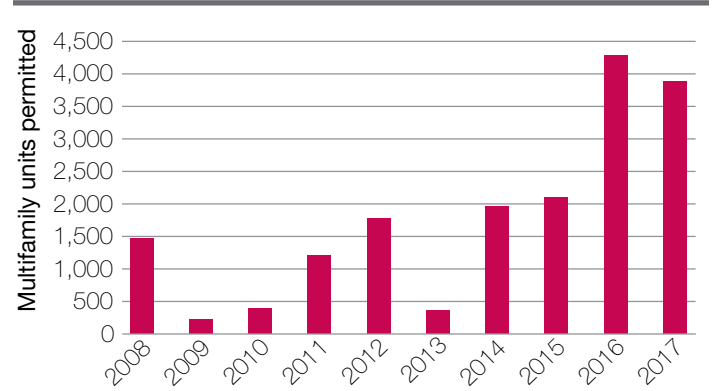
One of the largest properties currently under construction in the Downtown/Mount Pleasant/Islands market area is the mixed-use 10 WestEdge in downtown Charleston. The 336 one-bedroom, one-bathroom units are expected to be complete in late 2018 and feature grocery and retail space on the ground floor. Asking rents for the property have not yet been announced.

Vacancy rates in the Charleston area increased during the past year, but rent growth remained strong.



Q3 = third quarter.
Source: MPF Research

Permits for multifamily units reached a record high in the Charleston area in 2016 despite the large number of units already under construction.



Note: Includes preliminary data from January 2017 through September 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by the analyst

