COMPREHENSIVE HOUSING MARKET ANALYSIS

Charleston-North Charleston, South Carolina

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2017

PD&R

Housing Market Area

The Charleston-North Charleston Housing Market Area (hereafter, Charleston HMA) is coterminous with the Charleston-North Charleston, SC Metropolitan Statistical Area and includes Berkeley, Charleston, and Dorchester Counties in southeast South Carolina, along the Atlantic coast. The HMA is a rapidly growing tourism- and military-based area with a thriving manufacturing industry because of its strategic location at the Port of Charleston.

Market Details

Summary

Economy

Despite significant job losses in 2009 resulting from the national recession, the Charleston HMA immediately began to recover in 2010 and by 2012 had exceeded prerecession employment levels. During the 12 months ending June 2017, nonfarm payrolls averaged 350,700, an average increase of 10,100 jobs, or 3.0 percent, from a year earlier, down from the 3.9-percent increase during the previous 12 months, because the economy began to stabilize after the rapid recovery from the recession. During the 3-year forecast period, nonfarm payrolls are expected to remain strong but to continue to moderate with job growth averaging 2.3 percent annually.

Sales Market

The sales housing market in the HMA is currently balanced with an estimated vacancy rate of 1.3 percent. Home sales in the HMA increased rapidly after the sales housing crisis from 2006 through 2009, but sales prices were slower to recover because of a large number of foreclosures and short-sale purchases. Home sales increased 1 percent to 20,200 homes, and the average price of a home increased 4 percent to $314,300 during the 12 months ending May 2017 (most representative 12-month data available). During the forecast period, demand is estimated for 14,250 new homes. The 1,850 homes currently under construction and some of the 18,000 other vacant units that may reenter the market will meet a portion of the demand (Table 1).

Rental Market

The rental housing market in the HMA, including single-family homes, mobile homes, and other rental units, is balanced with a current estimated vacancy rate of 8.0 percent, but the apartment market is slightly tight with a vacancy rate of 4.6 percent during the second quarter of 2017 (MPF Research). Demand for an estimated 7,475 market-rate rental units is expected during the forecast period. The 4,650 units currently under construction will partially satisfy the estimated demand (Table 1).

Table 1. Housing Demand in the Charleston-North Charleston HMA During the Forecast Period

	Charleston-North Charleston HMA	
	Sales Units	Rental Units
Total demand	14,250	7,475
Under construction	1,850	4,650

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2017. A portion of the estimated 18,000 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is July 1, 2017, to July 1, 2020.

Source: Estimates by analyst

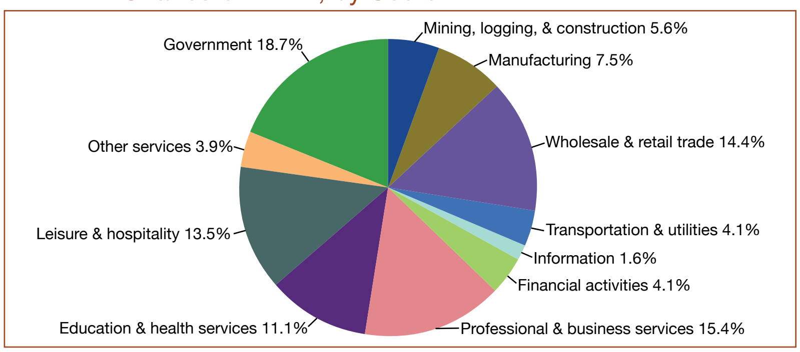
Economic Conditions

Founded in 1670, the port city of Charleston and the surrounding area were primarily an agricultural region during the 1700s and 1800s, but as the Charleston HMA grew, trade became more significant because of the strategic city location where the Ashley and Cooper Rivers flow into the Atlantic Ocean. Today, the HMA is known for its historic landmarks and architecture that it has retained from the past three centuries, but it also boasts an economic base that spans multiple industries, including tourism, manufacturing, and transportation. The government sector is the largest nonfarm payroll sector in the HMA (Figure 1), partly because of Joint Base Charleston, 1 of 12 Department of Defense Joint Bases. The base has approximately 21,950 employees (Table 2), including approximately 9,200 active military personnel and 12,750 civilian employees, contractors, and reservists (Joint Base Charleston). In addition to current active military personnel, approximately 9,700 military retirees are linked to the base. The large number of people in the metropolitan area that are connected to the base translates to a $4.3 billion direct and $2.3 billion indirect economic impact on the HMA annually (University of South Carolina).

Because of the historic charm of the city and the five local beaches and other coastal-related recreational activities, the HMA has a thriving tourism industry with more than 4.5 million visitors each year, providing a $3.2 billion annual economic impact on the HMA (city of Charleston). Of the 10,100 nonfarm payroll jobs added in the HMA during the 12 months ending June 2017, nearly 20 percent were in the leisure and hospitality sector, which increased by 2,000 jobs, or 4.4 percent. Since 2000, the sector has increased 52 percent, only surpassed by growth in the professional business services and the education and health services sectors (Figure 2).

Like many other areas of South Carolina that lost manufacturing jobs from 2001 through 2010, the HMA lost 2,200 manufacturing jobs, or nearly 10 percent of all the HMA manufacturing jobs, during the period, including approximately 500 jobs at automotive supplier Robert Bosch LLC. The number of jobs in the sector fell from 22,900 in 2000 to 20,700 in 2010. Since bottoming in 2010, however, manufacturing sector jobs in the HMA have increased 27 percent, or by an average of 900 jobs, or 3.8 percent, annually, to reach an average of 26,300 jobs

Figure 1. Current Nonfarm Payroll Jobs in the Charleston-North Charleston HMA, by Sector



Note: Based on 12-month averages through June 2017.
Source: U.S. Bureau of Labor Statistics

Table 2. Major Employers in the Charleston-North Charleston HMA

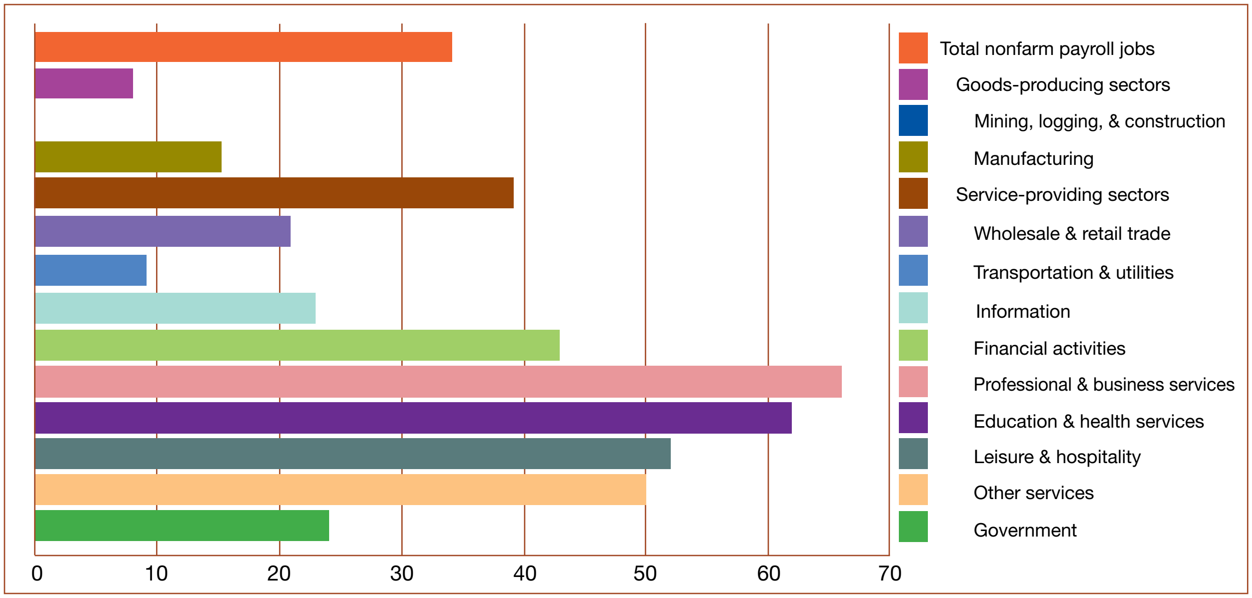
Name of Employer	Nonfarm Payroll Sector	Number of Employees
Joint Base Charleston	Government	21,950*
Medical University of South Carolina	Government	13,000
The Boeing Company	Manufacturing	8,200
Roper St. Francis	Education & health services	5,500
Wal-Mart Stores, Inc.	Wholesale & retail trade	2,300
College of Charleston	Government	2,200
Trident Health System	Education & health services	2,000
Robert Bosch LLC	Manufacturing	1,800

** Includes approximately 9,200 active military personnel and 12,750 civilian employees, contractors, and reservists.*

Notes: Excludes local school districts. Data include military personnel, who are generally not included in nonfarm payroll survey data.

Sources: Joint Base Charleston; Charleston Metro Chamber of Commerce

Figure 2. Sector Growth in the Charleston-North Charleston HMA, Percentage Change, 2000 to Current



Notes: Current is based on 12-month averages through June 2017. During this period, payrolls in the mining, logging, and construction sector showed no net change.
Source: U.S. Bureau of Labor Statistics

during the 12 months ending June 2017. Many those jobs were a result of the expansion of airplane manufacturer The Boeing Company to produce its 787 Dreamliner. Since late 2009, the company has invested more than $2 billion in its North Charleston manufacturing sites. The investment was timely, because in 2009, the HMA lost 15,700 jobs, or 5.2 percent of nonfarm payrolls, and 1,900 of those jobs were in the manufacturing sector. In 2011, when Boeing began production of the 787 Dreamliner, however, both total nonfarm payrolls and the manufacturing sector began to increase, by 8,400 and 1,600 jobs, or 2.9 and 7.7 percent, respectively, a recording-setting year of growth for the local manufacturing sector. Currently, Boeing is one of the largest employers in the HMA, with 8,200 employees, and its total economic impact on the HMA is estimated at $11 billion annually (Charleston Metro Chamber of Commerce).

Other notable examples of the growth in the manufacturing sector in the HMA include Mercedes-Benz Vans, LLC, a division of Mercedes-Benz Vans of Daimler AG, Germany, which assembles Sprinter vans under the brands Mercedes-Benz and Freightliner for the U.S. market (Daimler AG). The company opened its Charleston assembly plant in 2006 and currently has approximately 200 employees. In 2015, the company announced plans for a new $500 million Sprinter production plant that is expected to provide as many as 1,300 new jobs once the facility is complete in 2019. In addition, Volvo Car USA broke ground in 2015 on its first U.S. factory, which is expected to begin production in 2018 and create 2,000 initial direct jobs with as many as 2,000 additional jobs in the future. A contributor to the continued expansion in the manufacturing sector is the active involvement of readySC™, part of the South Carolina Technical College System that works with local companies—including Boeing, Mercedes-Benz Vans, and Volvo—to train employees with the specific skills the companies need to operate their production facilities. In fiscal year 2015–2016, nearly 4,000 people in South Carolina were trained under the state-sponsored program (readySC™).

In addition to the importance of local training, access to transportation has been critical for the local economy to attract new businesses, and the HMA location on the Atlantic coast has made the Port of Charleston an important source of trade for the past three centuries. During the 12 months ending June 2017, the transportation and utilities sector added 300 jobs, an increase of 2.2 percent (Table 3). Fewer than 500 people are employed at the port, but its importance extends beyond the HMA and the port itself. From 2011 through 2015, more than $10 billion was invested in South Carolina by port-dependent businesses (South Carolina Ports Authority). In 2015, Rite Aid Corporation, Dollar Tree, Inc., and Techtronic Industries each announced plans to build distribution centers in northwestern South Carolina, primarily as a result of access to rail shipping between the Port of Charleston and the Inland Port of Greer, roughly 210 miles away in Greer, South Carolina. Approximately 1 in 11 jobs in South Carolina and 1 in 20 jobs in the eight-county Charleston region, including the three counties of the HMA and five additional surrounding counties, are directly or indirectly related to the port, a $6.3 billion annual economic impact on the region. To expand the size of vessels that can access the port, an $800 million harbor deepening project is currently under way and is expected to be complete in 2020. In addition, the Hugh K. Leatherman, Sr. Terminal, a 280-acre facility, is expected to open in 2018 and increase container capacity at the port 50 percent. Although the direct number of jobs to be added as a result of the port expansion is unknown, the expansion is expected to attract additional cargo shipments and investments to the local economy.

With a diverse group of growing industries, the Charleston HMA has withstood periods of economic decline better than larger cities in the Southeast like Atlanta and Charlotte, which each had 3-year job declines during the most recent economic downturn compared with a 1-year decline in Charleston. After each of the past two recessions, strong recoveries followed the brief economic downturns in the HMA. In 2001, nonfarm payrolls fell by 3,100 jobs, or 1.2 percent, to 258,700 jobs before rebounding in 2002 to greater than the prerecession level. From 2002 through 2008, job growth was strong, averaging 6,200 jobs, or 2.2 percent, a year. The professional

Table 3. 12-Month Average Nonfarm Payroll Jobs in the Charleston-North Charleston HMA, by Sector

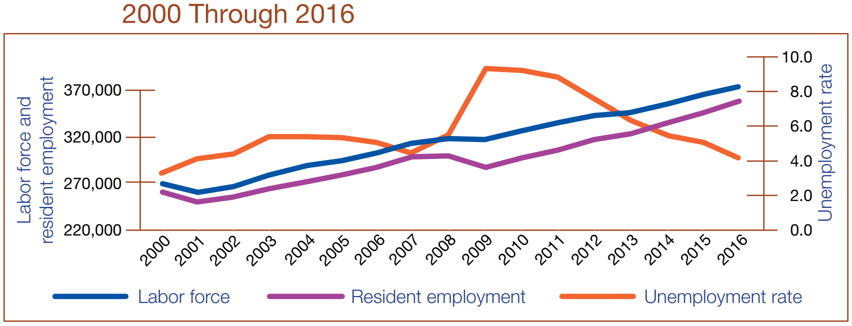
	12 Months Ending		Absolute Change	Percent Change
	June 2016	June 2017		
Total nonfarm payroll jobs	340,600	350,700	10,100	3.0
Goods-producing sectors	44,300	46,100	1,800	4.1
Mining, logging, & construction	18,500	19,800	1,300	7.0
Manufacturing	25,900	26,300	400	1.5
Service-providing sectors	296,200	304,600	8,400	2.8
Wholesale & retail trade	49,000	50,300	1,300	2.7
Transportation & utilities	13,900	14,200	300	2.2
Information	5,600	5,700	100	1.8
Financial activities	14,300	14,500	200	1.4
Professional & business services	51,200	54,100	2,900	5.7
Education & health services	38,400	39,000	600	1.6
Leisure & hospitality	45,300	47,300	2,000	4.4
Other services	13,800	13,800	0	0.0
Government	64,800	65,600	800	1.2

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through June 2016 and June 2017.

Source: U.S. Bureau of Labor Statistics and business services, education and health services, and government sectors led growth during the period with average gains of 1,400, 1,200, and 1,200 jobs, or 3.9, 4.2, and 2.1 percent, respectively. In 2009, nonfarm payrolls in the HMA—with its tourism- and trade-reliant economy—declined by 15,700 jobs, or 5.2 percent, as a result of the national recession and the sales housing crisis. The largest sector declines were in the mining, logging, and construction and the wholesale and retail trade sectors, which fell 18.9 and 6.6 percent, or by 3,600 and 3,000 jobs, respectively. The leisure and hospitality sector also fell by 1,600 jobs, or 4.3 percent. The unemployment rate peaked at 9.3 percent in 2009 and remained at that rate in 2010 (Figure 3). Partly because of the Boeing investment beginning in 2009, nonfarm payrolls stabilized in 2010 and began a strong recovery in 2011. From 2010 through 2015, nonfarm payrolls increased by an average of 8,000 jobs, or 2.6 percent, a year, with gains distributed across all sectors. The largest average sector increases of 1,600 and 1,400 jobs, or 3.7 and 3.6 percent, a year occurred in the professional and business services and the leisure and hospitality sectors, which grew to support expanding businesses and to accommodate larger numbers of recreational travelers, respectively. During the 12 months ending June 2017, the unemployment rate in the HMA fell to 3.7 percent from 4.6 percent a year earlier, and nonfarm payrolls averaged 350,700, an increase of 10,100 jobs, or 3.0 percent, compared with a 3.9-percent, or 12,700-job, increase during the previous 12 months. Although nonfarm payroll growth remains strong, the rapid recovery following the recession appears to be stabilizing toward a more typical growth rate for the HMA. During the past 12 months, the largest sector growth occurred in the professional and business services and the leisure and hospitality sectors, which increased by 2,900 and 2,000 jobs, or 5.7 and 4.4 percent, respectively.

During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 2.3 percent annually as growth returns to a more typical long-term rate. Growth is expected to be highest in the professional and business services and the leisure and hospitality sectors to support expanding businesses and tourism, but growth is also expected to continue in the manufacturing sector as a result of investments in the HMA, including expansions at Mercedes-Benz Vans and Volvo. The continued improvements in the port are also expected to attract new businesses.

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Charleston-North Charleston HMA, 2000 Through 2016

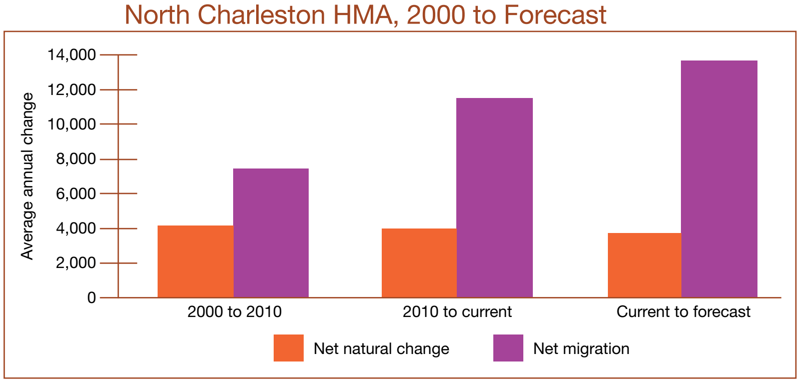


Source: U.S. Bureau of Labor Statistics

Population and Households

Population growth in the Charleston HMA has followed employment trends since 2000, to reach an estimated 776,800 as of July 1, 2017. During the early 2000s, population growth was relatively slow for the HMA, averaging 7,500 people, or 1.3 percent, annually from 2000 to 2003, and net in-migration accounted for 54 percent of growth (Census Bureau decennial census counts and population estimates as of July 1). From 2003 to 2008, when employment growth was significantly higher, population growth accelerated to 14,050 people, or 2.3 percent, a year. Most of the additional growth was a result of net in-migration, which increased to 69 percent of population growth, primarily from people moving to the HMA for jobs. During the period, the labor force increased an average of 2.3 percent a year compared with an average of 1.2 percent a year from 2001 through 2003. Population growth slowed to an average of 12,000, or 1.9 percent, from 2008 to 2010 when the economy was weak, not only because fewer jobs were available, but also because homeowners in other parts of the country were unable to sell their homes and relocate to the HMA because of the sales housing crisis. Since 2010, population growth has been strong, primarily because of the strong local economy, and has averaged an estimated 15,450 people, or 2.2 percent, a year, and 74 percent of that growth was a result of in-migration that averaged an estimated 11,500 a year (Figure 4). Roughly one-half of the net in-migration to the HMA since 2010 has come from outside the state, especially from other Southern states (Internal Revenue Service, County-to-County Migration Data).

Figure 4. Components of Population Change in the Charleston-North Charleston HMA, 2000 to Forecast

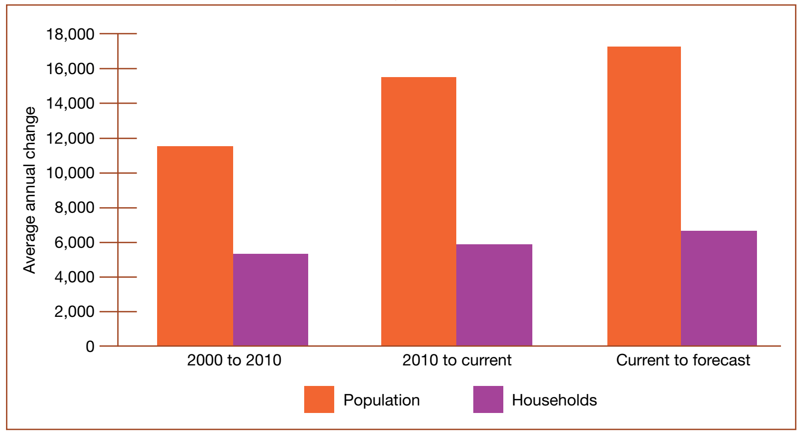


Notes: The current date is July 1, 2017. The forecast date is July 1, 2020.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Joint Base Charleston is a large part of the HMA's population, especially in the North Charleston area of Charleston County, the location of the base. In 2005, the Base Realignment and Closure (BRAC) list recommended that Naval Weapons Station Charleston and Charleston Air Force Base merge into one installation and management functions from Naval Weapons Station Charleston be relocated to Charleston Air Force Base, with an estimated loss of approximately 1,550 jobs, primarily in civilian and contractor positions. In October 2010, the two installations merged, and the Air Force, with an Air Force colonel as joint base commander and a Navy captain as deputy commander, managed the joint base. Despite eliminating duplicate positions on the base, the change had little impact on population growth in the HMA, which was sufficient to overcome any population losses as a result of the realignment.

Household growth in the HMA since 2000 has generally followed population trends. From 2000 to 2010, households increased by an average of 5,200, or 2.3 percent, a year (Figure 5). Since 2010, household growth has increased to an estimated 5,875, or 2.1 percent, a year. Although the average change in households increased slightly and

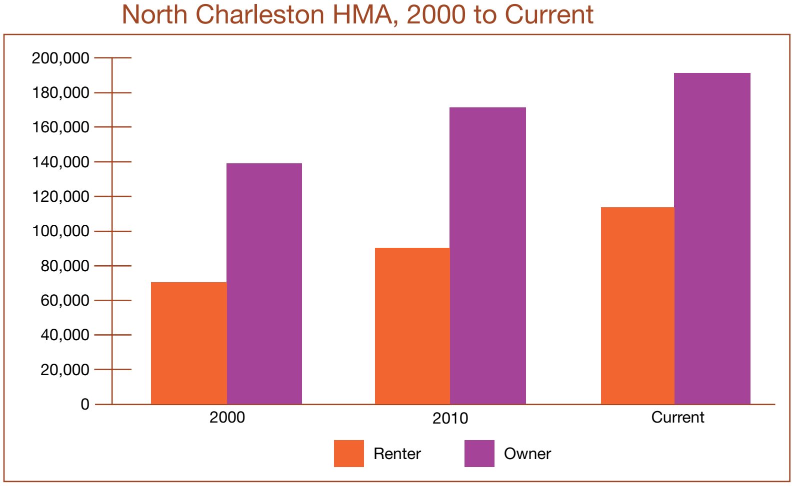
Figure 5. Population and Household Growth in the Charleston-North Charleston HMA, 2000 to Forecast



Notes: The current date is July 1, 2017. The forecast date is July 1, 2020.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

the rate of change has remained relatively stable, the composition of households changed significantly during the past decade. Of the 302,500 currently estimated households, approximately 189,600 are owners and 112,900 are renters (Figure 6), resulting in a homeownership rate of 62.7 percent, down from 65.6 percent in 2010 and 66.5 percent in 2000 (Table DP-1 at the end of this report). The shift away from homeownership and toward renter occupancy occurred in most of the country as a result of the sales housing crisis of the late 2000s. In the HMA, from 2000 to 2010, approximately 38 percent of household growth was renter households. Since 2010, that percentage has increased to 55 percent. The increased demand for rental units resulted in investors purchasing a large number of single-family homes for rental use and an increase in apartment construction throughout the HMA. In 2005, before the sales housing crisis, 75 percent of home purchases were for owner occupancy (Metrostudy, A Hanley Wood Company). By 2010, the percentage fell to a low of 66 percent before slowly beginning to increase. During the 12 months ending June 2017, 80 percent of home purchases were for owner occupancy. Although renter household growth has occurred throughout the HMA, market areas with the highest renter household growth include downtown Charleston and Mount Pleasant.

Figure 6. Number of Households by Tenure in the Charleston-North Charleston HMA, 2000 to Current



Note: The current date is July 1, 2017.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

During the 3-year forecast period, population growth is expected to average 17,250 people, or 2.2 percent, a year, similar to the 2.2-percent annual increase since 2010. Household growth is also expected to remain consistent with recent trends, averaging 6,575, or 2.1 percent, annually. Because the HMA largely recovered from the sales housing crisis and foreclosures decreased significantly, the growth in renter households is expected to moderate and make up 43 percent of new households.

Housing Market Trends

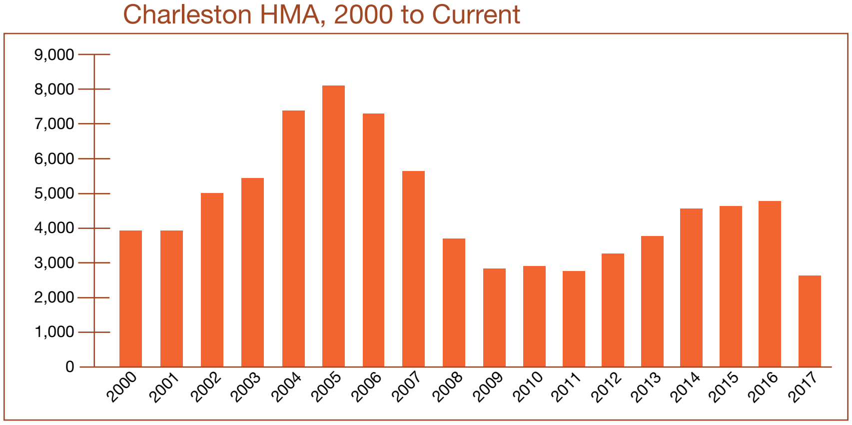
Sales Market

The sales housing market in the Charleston HMA is currently balanced with a vacancy rate estimated at 1.3 percent, down from 3.0 percent in 2010 when the market was soft and the sales housing crisis was at its peak. In January 2010, the percentage of seriously delinquent loans (loans that are 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties peaked at 7.5 percent (CoreLogic, Inc.), but the rate has steadily declined since then with the improving economy. In June 2017, 2.1 percent of loans were seriously delinquent or in REO status, down from 2.6 percent a year earlier and the lowest rate since 2007. By comparison, the rate was 2.5 percent for the state and 2.3 percent for the nation in June 2017. In addition to economic conditions, strong renter household growth—both from an increasing preference for renting and credit restrictions that limited purchasing ability—resulted in a large increase in investor purchases in the HMA that decreased the number of delinquent loans and REO properties. In January 2011, the number of seriously delinquent loans and REO properties peaked at approximately 8,300, but in June 2017, that number fell dramatically to approximately 2,325.

Although the HMA economy began to recover in 2010 after a 1-year downturn, it took longer for the sales market to recover. Sales of new and existing homes (including single-family homes, townhomes, and condominiums) began to decrease in 2006, earlier than in many regions of the country and earlier than the economic decline in 2009. Home sales peaked at approximately 28,650 homes in 2005 but fell an average of 22 percent a year from 2006 through 2009, to reach a low of approximately 10,800 homes in 2009 (CoreLogic, Inc., with adjustments by the analyst). Home sales began to improve in 2010 when the economy began to recover, but the 6-percent increase in total sales was primarily a result of a 42-percent, or 820-home, increase in distressed home sales (REO and short sales), many of which were investor purchases for rental use. In 2005, about 2 percent of existing home sales were distressed homes, but by 2010, that percentage had increased to 31 percent and continued to increase to a peak of 35 percent in 2011. As a result of the large number of distressed sales, the average price for all homes sold fell to $244,100 in 2011 from a peak of $295,400 in 2007, an average decline of 5 percent a year. By comparison, the average price of a regular (nondistressed) home was $289,000 in 2011, while the average price of a distressed home was $172,000. From 2012 through 2015, home sales increased an average of 14 percent annually to reach 19,550, most of which was a result of a 20-percent average annual increase in regular resales. Distressed home sales fell an average of 12 percent a year during the period, because the inventory of distressed homes depleted. Because a greater number of homes that sold during the period were regular resales, home prices rose an average of 5 percent a year to $301,100 in 2015. During the 12 months ending May 2017 (the most recent representative 12 months of data available), home sales increased 1 percent from the previous 12 months to 20,200 homes, and the average price of a home increased 4 percent to $314,300.

Single-family homebuilding in the HMA (as measured by the number of homes permitted) peaked in 2005 and mirrored home sales trends (Figure 7). From 2002 through 2005, an average of 6,450 homes a year were permitted with a peak of approximately 8,075 homes in 2005. When homes sales started to fall in 2006, builders began to cut back on production, and the number of single-family homes permitted fell an average of 23 percent a year from 2006 through 2008 before stabilizing at an average of 2,825 homes a year from 2009 through 2011, when the economy was weak. When home sales started to increase and job growth accelerated, homebuilding followed, with a 12-percent average annual increase in the number of homes permitted from 2012 through 2016, to approximately 4,775 homes. Because employment and home sales growth slowed slightly during the past year, single-family homebuilding growth also slowed. During the 12 months ending June 2017, 4,750 homes were permitted, 3 percent more than a year earlier (preliminary data). The most active location for single-family homebuilding in the HMA is currently Mount Pleasant in Charleston County, where approximately 20 percent of all single-family homes were permitted during the past 3 years. New homes in Mount Pleasant typically sell for at least 30 percent above the average HMA new home price of $330,100. Examples of communities under construction in Mount Pleasant include the master-planned community of Stratton by the Sound, where three-to-five-bedroom homes start from the low $400,000s to more than $700,000. Of the 62 lots in the community, 13 sold so far.

Figure 7. Single-Family Homes Permitted in the Charleston-North Charleston HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through June 2017.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

During the 3-year forecast period, demand is expected for 14,250 new homes, including condominiums and townhomes. The 1,850 homes currently under construction will satisfy a portion of the demand. In addition, some of the estimated 18,000 other vacant units may reenter the market and satisfy part of the forecast demand. Demand is expected to be relatively stable throughout the forecast with the highest demand for homes ranging from $200,000 to $300,000 (Table 4).

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Charleston-North Charleston HMA During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
135,000	199,999	2,125	15.0
200,000	249,999	3,550	25.0
250,000	299,999	2,850	20.0
300,000	349,999	2,125	15.0
350,000	and higher	3,550	25.0

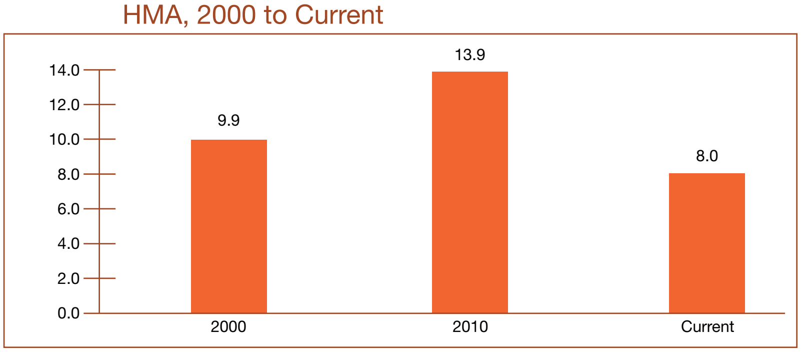
Notes: The 1,850 homes currently under construction and a portion of the estimated 18,000 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is July 1, 2017, to July 1, 2020.

Source: Estimates by analyst

Rental Market

The rental housing market in the Charleston HMA, including single-family homes, mobile homes, and other rental units, is balanced with a current vacancy rate estimated at 8.0 percent (Figure 8), down from 13.9 percent when the market was soft in 2010. Approximately 33 percent of occupied rental units in the HMA were single-family homes and townhomes in 2010, but the percentage peaked at approximately 40 percent in 2012 following the sales housing crisis when investors purchased and rented homes, but as the sales market recovered, the percentage declined to approximately 35 percent in 2016 (2010–2016 American Community Survey 1-year data). Like the overall rental market, the apartment market was soft in 2010, with a vacancy rate of 11.6 percent during the first quarter of 2010 (MPF Research). While the sales housing crisis lingered, demand for apartments increased, and the apartment vacancy rate began to decline. By the end of 2011, the apartment market became balanced with a vacancy rate of 5.7 percent, but the overall rental market did not improve as rapidly because of the large number of distressed homes that were purchased and converted to rental use during the period. The apartment market continued to tighten during the next 3 years, with only temporary increases in the vacancy rate when apartments were completed, and the overall rental market slowly began to recover as the large number of rental single-family homes was absorbed. During the second quarter of 2017, the apartment market was slightly tight with a vacancy rate of 4.6 percent, up from 3.3 percent a year earlier as a result of an estimated 2,400 units that were completed during the past 12 months. Because of the large number of units currently under construction, the vacancy rate is expected to continue to rise in the next 12 months.

Figure 8. Rental Vacancy Rates in the Charleston-North Charleston HMA, 2000 to Current



Note: The current date is July 1, 2017.

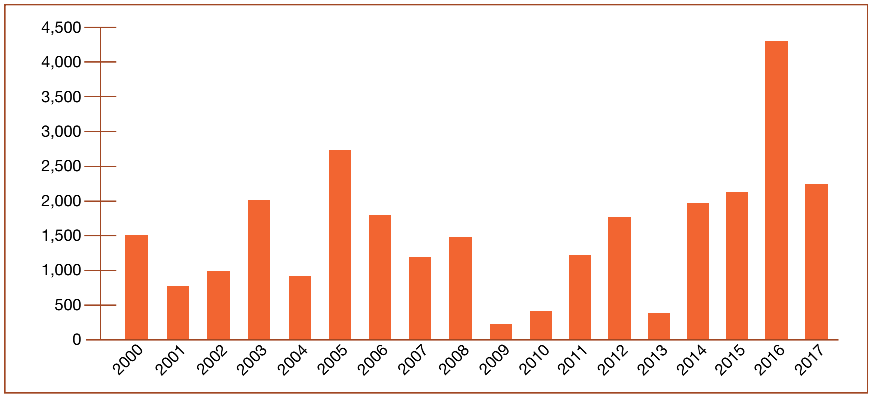
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Average rent growth in the HMA has been high relative to past trends, because the market tightened. During the second quarter of 2017, average rent increased 7 percent to $1,090; rents for one-, two-, and three-bedroom units averaged $991, $1,079, and $1,331, respectively (MPF Research). Rent increases were in the 5-to-8 percent range during the past 3 years, compared with increases of 2 to 4 percent during the beginning of the decade. Rent increases have not been limited to newer properties with high-end amenities. Older properties built before 2000 and properties with fewer amenities have also had rent increases, generally ranging from 5 to 9 percent during the past 3 years.

Joint Base Charleston has a significant impact on the local rental market. The base has approximately 1,550 single-family homes that were privatized in 2007 and 2011 (Joint Base Charleston). In 2014, two sections of the homes on the Naval Weapons Station were opened to the public. In addition, the base has approximately 4,500 beds for unaccompanied military personnel, including 3,560 beds at the Naval Nuclear Power Training Command. The military, civilian, contractor, and retiree renters are estimated to account for 15 percent of renter households in the HMA. Since 2000, an estimated 20 percent of rental units permitted in the HMA have been built within a short commuting distance to the base. Despite the significant number of units added, the apartment market in the MPF Research-defined North Charleston/Goose Creek market area, the location of the base, was slightly tight during the second quarter of 2017, with a vacancy rate of 3.9 percent, up from 3.0 percent a year earlier because of recent completions. Rents in the North Charleston/Goose Creek market area averaged $843, $936, and $1,092 for one-, two-, and three-bedroom units, or 7, 4, and 7 percent higher than a year earlier, respectively.

Permitting for multifamily units has been highly variable in the HMA since 2000 in response to swings in rental market conditions. From 2000 through 2004, an average of 1,250 units were permitted, and an estimated 25 percent of those units were condominiums. During the homeownership surge of the mid-2000s, multifamily permitting increased to an average of 1,800 units a year from 2005 through 2008, with a peak of approximately 2,725 units in 2005. An estimated 32 percent of the units during the period were condominiums. As a result of the economic downturn in 2009, the rental market became very soft, and condominium construction virtually stopped. In 2009 and 2010, an average of 310 units a year were permitted, and less than 5 percent of those units were condominiums. Strong renter household growth since 2010 has led to a dramatic increase in apartment construction. From 2011 through 2015, an average of 1,500 units a year were permitted, but demand exceeded production, and the vacancy rate declined. In 2016, a record-setting 4,300 multifamily units were permitted (Figure 9), many of which are still under construction. During the 12 months ending June 2017, approximately 4,625 multifamily units were permitted, a 64-percent increase from the 2,825 units permitted during the previous 12 months (preliminary data). Because of the current completion of a large number of units from 2016, the vacancy rate has begun to rise. With an estimated 4,650 apartments still under construction, the vacancy rate is expected to continue to increase during the next 12 to 18 months. One of the largest

Figure 9. Multifamily Units Permitted in the Charleston-North Charleston HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through June 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

properties currently under construction in the HMA is the 440-unit The Haven at Indigo Square in Mount Pleasant, one of the high-growth communities of the HMA. Construction began in 2016 and is expected to be complete in mid-2018. Rents at the property start at $1,195, $1,450, $1,940, and $2,200 for studio, one-bedroom, two-bedroom, and three-bedroom units, respectively.

During the next 3 years, demand is expected for 7,475 new market-rate rental units (Table 1). Because an estimated 4,650 units are currently under construction, additional units will not be needed until the end of the second year of the 3-year forecast period. Demand is expected to be highest in the central portions of Charleston County, including the cities of Charleston and Mount Pleasant. Rents for new units are expected to start at $850, $900, $1,200, and $1,450 for studio, one-, two-, and three-bedroom units. Table 5 provides the estimated demand for new market-rate rental housing by number of bedrooms and rent ranges during the forecast period.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Charleston-North Charleston HMA During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
850 to 1,049	30	900 to 1,099	300	1,200 to 1,399	340	1,450 to 1,649	95
1,050 or more	120	1,100 to 1,299	1,500	1,400 to 1,599	1,675	1,650 to 1,849	490
		1,300 to 1,499	900	1,600 to 1,799	1,000	1,850 to 2,049	290
		1,500 or more	300	1,800 or more	340	2,050 or more	100
Total	150	Total	3,000	Total	3,375	Total	980

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 4,650 units currently under construction will likely satisfy some of the estimated demand. The forecast period is July 1, 2017, to July 1, 2020.

Source: Estimates by analyst

Data Profile

Table DP-1. Charleston-North Charleston HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	259,960	296,883	363,400	1.3	3.2
Unemployment rate	3.3%	9.3%	3.7%		
Nonfarm payroll jobs	261,800	287,400	350,700	0.9	3.1
Total population	549,033	664,607	776,800	1.9	2.2
Total households	207,957	259,987	302,500	2.3	2.1
Owner households	138,342	170,522	189,600	2.1	1.5
Percent owner	66.5%	65.6%	62.7%		
Renter households	69,615	89,465	112,900	2.5	3.3
Percent renter	33.5%	34.4%	37.3%		
Total housing units	232,985	298,542	332,900	2.5	1.5
Owner vacancy rate	1.4%	3.0%	1.3%		
Rental vacancy rate	9.9%	13.9%	8.0%		
Median Family Income	$43,200	$60,300	$62,900	3.4	0.7

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through June 2017. Median Family Incomes are for 1999, 2009, and 2015. The current date is July 1, 2017.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 7/1/2017—Estimates by the analyst
Forecast period: 7/1/2017–7/1/2020—Estimates by the analyst

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Charleston_NorthCharlestonSC_17.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.