

HUD PD&R Housing Market Profiles

Charleston-North Charleston-Summerville, South Carolina



Quick Facts About Charleston-North Charleston-Summerville

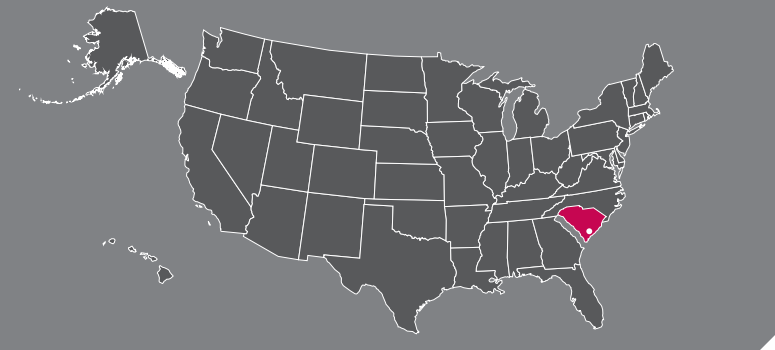
- **Current sales market conditions: slightly soft but improving.**
- **Current apartment market conditions: balanced.**
- **The city of North Charleston is home to Boeing South Carolina, one of two major manufacturing, assembly, and delivery sites for commercial aircraft in the Eastern United States. The plant, one of the largest employers in South Carolina, employs approximately 6,500 workers in the metropolitan area.**

By Yvonne R. McNeil | As of July 1, 2014

Overview

The Charleston-North Charleston-Summerville (hereafter, Charleston) metropolitan area, along the Atlantic Coast, consists of Berkeley, Charleston, and Dorchester Counties in South Carolina. The metropolitan area is home to the city of Charleston, the oldest city in South Carolina. Joint Base Charleston (JBC), the Medical University of South Carolina (MUSC), and The Citadel—the Military College of South Carolina are among the largest employers and contribute to the economic stability and growth of the metropolitan area. JBC has an estimated economic impact of approximately \$5 billion on Charleston County (Charleston County Government).

- As of July 1, 2014, the population of the metropolitan area was estimated at 721,000.
- Since April 2010, population growth has averaged 14,600 people, or 2.1 percent, a year, up from an average of 13,500 people, or 1.9 percent, a year from 2008 through 2009.
- Because of improved economic conditions, net in-migration has accounted for 72 percent of population growth since 2010, the highest percentage in the past decade, compared with 69 percent of growth from 2005 through 2009.



Nonfarm payrolls in the Charleston area are at the highest level recorded in the past 10 years.

	3 Months Ending		Year-Over-Year Change	
	June 2013 (thousands)	June 2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	311.7	314.4	2.7	0.9
Goods-producing sectors	38.7	39.0	0.3	0.8
Mining, logging, and construction	14.8	14.7	-0.1	-0.7
Manufacturing	23.9	24.3	0.4	1.7
Service-providing sectors	273.0	275.4	2.4	0.9
Wholesale and retail trade	44.2	45.2	1.0	2.3
Transportation and utilities	13.8	14.3	0.5	3.6
Information	5.1	5.3	0.2	3.9
Financial activities	12.8	12.8	0.0	0.0
Professional and business services	46.3	46.1	-0.2	-0.4
Education and health services	35.0	36.9	1.9	5.4
Leisure and hospitality	40.7	39.7	-1.0	-2.5
Other services	13.1	13.1	0.0	0.0
Government	62.1	62.3	0.2	0.3
	(percent)	(percent)		
Unemployment rate	6.4	4.4		

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

Economic Conditions

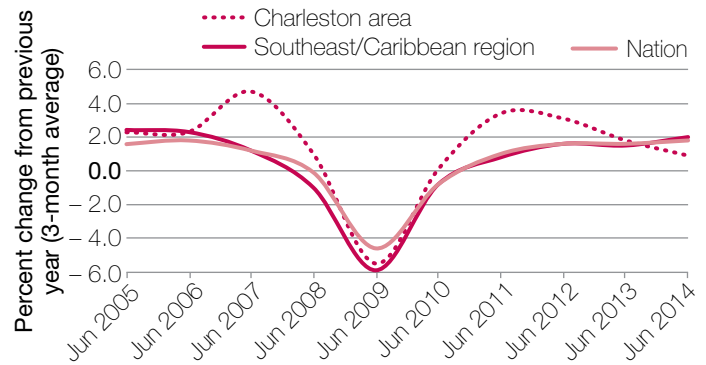
Economic conditions in the Charleston metropolitan area strengthened during the past 4 years after a decline during 2009, the only year since 2000 when job losses occurred.

During the 3 months ending June 2014—

- Nonfarm payrolls averaged 314,400 jobs, the most jobs ever recorded in the metropolitan area, reflecting an increase of 2,700 jobs, or 0.9 percent, from the same 3-month period a year earlier.
- The education and health services sector led growth with an increase of 1,900 jobs, or 5.4 percent.
- The leisure and hospitality sector declined by 1,000 jobs, or 2.5 percent, from the same 3-month period a year earlier. Despite the recent decrease, domestic tourism remains a significant part of the economy. In 2013, the Charleston metropolitan area received approximately 4.8 million visitors, leading to approximately \$2.8 billion in economic impact on the metropolitan area (Charleston Area Convention & Visitors Bureau).
- The average unemployment rate decreased to 4.4 percent from 6.4 percent during the same 3 months a year ago.

MUSC, the second largest employer in the metropolitan area, has 13,000 employees and has an annual economic impact on the metropolitan area of \$2.3 billion (2010 MUSC report). In 2014, MUSC completed construction on a \$43.7 million, 78,000-square-foot

Nonfarm payrolls in the Charleston area have been increasing since 2010, although growth slowed to a more moderate pace during the past year.



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

Largest employers in the Charleston area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Joint Base Charleston	Government	22,000
Medical University of South Carolina	Government	13,000
Boeing South Carolina	Manufacturing	6,500

Note: Excludes local school districts.
Source: Charleston Metro Chamber of Commerce

medical office building and a 2,800-square-foot medical research building. Boeing South Carolina recently acquired 466 acres of land in Palmetto Commerce Park to begin construction of a new interior parts fabrication plant. The project is expected to create 2,000 new jobs during the next 5 years.

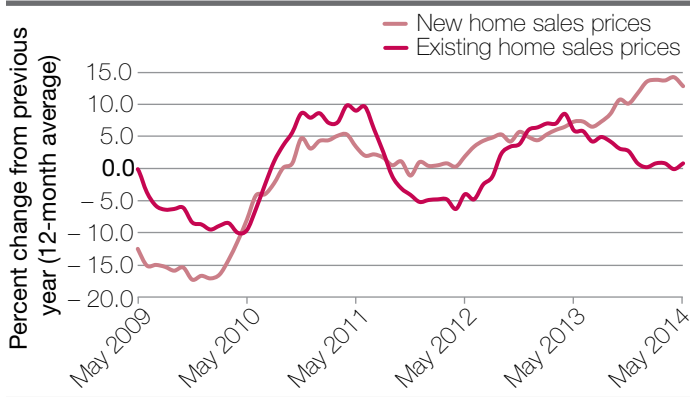


Sales Market Conditions

The sales housing market in the Charleston metropolitan area is currently slightly soft, an improvement compared with soft conditions in 2010. During the 12 months ending May 2014, approximately 10,100 existing single-family homes, townhomes, and condominiums sold, an increase of 2,250 homes, or 29 percent, from the 12 months ending May 2013. The average existing home sales price increased approximately 1 percent, to \$320,200 (CoreLogic, Inc.; adjustments by the analyst). Recent employment growth and better access to credit contributed to an increase in sales demand.

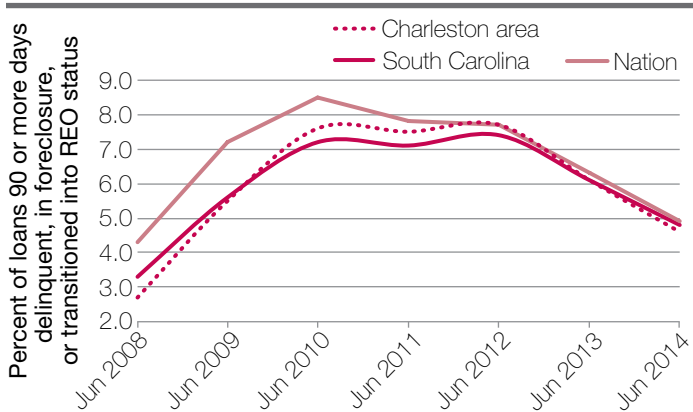
- From 2009 through 2011, an average of 5,850 existing homes sold annually.
- The number of REO (Real Estate Owned) sales declined slightly, to 15 percent of existing homes sold during the 12 months

Sales prices for new homes in the Charleston area have increased sharply since late 2012.



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

The distressed loan rate reached its lowest percentage in the Charleston area since 2009.



REO = Real Estate Owned. Source: Black Knight Financial Services, Inc.

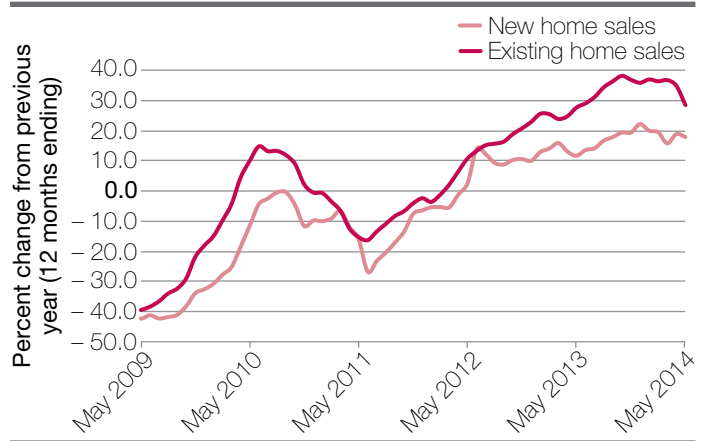
ending May 2014, down from 18 percent of sales during the previous 12 months. By comparison, from 2009 through 2011, REO sales accounted for 14 percent of existing homes sold.

- As of June 2014, 4.6 percent of home loans were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 6.1 percent a year earlier (Black Knight Financial Services, Inc.).

Single-family home construction activity, as measured by the number of single-family homes permitted, increased during the 3 months ending June 2014 when compared with single-family permitting a year earlier in response to an improving economy.

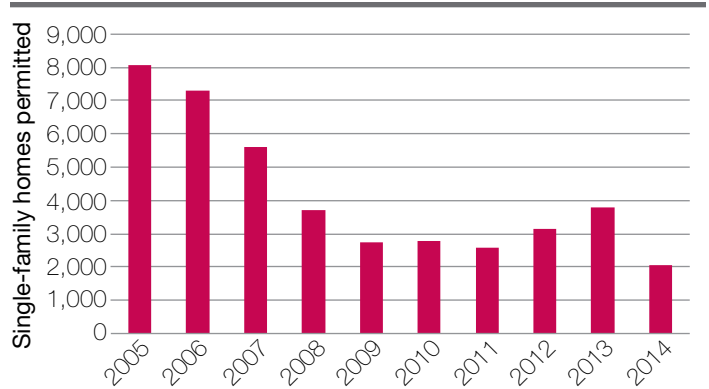
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Improved economic conditions in the Charleston area have led to an increase in new and existing home sales since 2012.



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

Single-family permitting activity in the Charleston area in 2013 was only approximately one-half of the annual average from 2005 through 2007.



Note: Includes preliminary data from January 2014 through June 2014. Source: U.S. Census Bureau, Building Permits Survey



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- Approximately 1,125 single-family homes were permitted during the 3 months ending June 2014, a 7-percent increase from the 1,050 homes permitted during the same 3-month period a year ago (preliminary data).
- An average of 2,875 homes were permitted from 2009 through 2012, when lending practices were stricter compared with practices during the period from 2006 through 2008, when an average of 5,525 homes were permitted annually.

- One of the largest planned developments is the master-planned community of Nexton, South Carolina's first "gigabit" community, which will provide a high-capacity telecommunications network to all its residents. The development, in Summerville, plans a mix of commercial properties and more than 10,000 homes at buildout. New home construction is expected to start during the late summer of 2014, with occupancy to begin in early 2015. Home prices are expected range from the low \$200,000s to the mid-\$200,000s.

Apartment Market Conditions

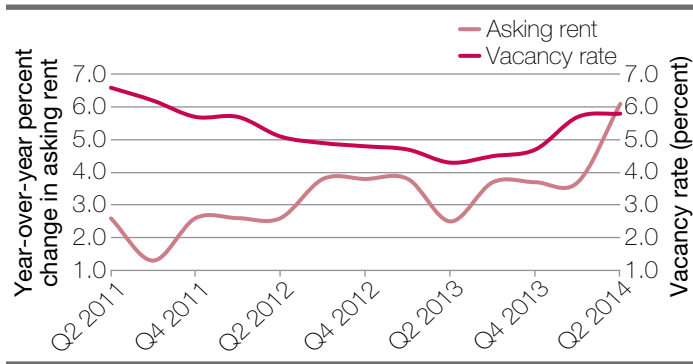
Apartment market conditions in the Charleston metropolitan area are currently balanced. The overall apartment market improved during the past 4 years due to increased demand for rental units and minimal multifamily construction activity from 2009 through 2011.

During the second quarter of 2014—

- The apartment vacancy rate increased in the Charleston metropolitan area, but the market remains balanced at 5.8 percent, up from 4.3 percent a year earlier because new units entered the market. The apartment vacancy rate was 11.6 percent in 2010 (Reis, Inc.).
- The average asking rent increased 6 percent from the same quarter a year earlier, to \$870. The average rent has increased at least 2 percent every year since 2012.
- The average rents were \$900, \$800, \$870, and \$1,025 for studio, one-bedroom, two-bedroom, and three-bedroom apartments, respectively.

Apartment construction is concentrated where the three counties in the metropolitan area meet. Since 2010, more than 80 percent of

Apartment rents in the Charleston area have increased each year since 2010 because of increasing demand for rental units.

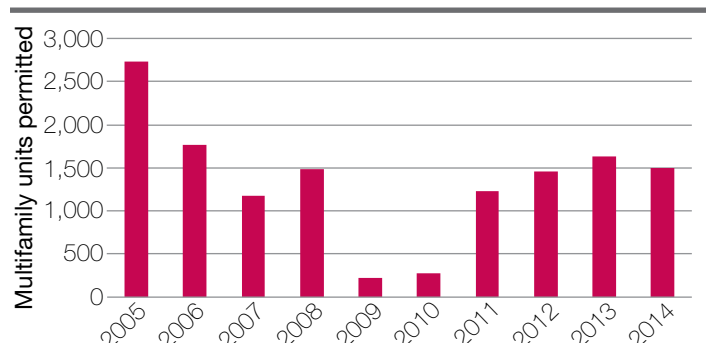


Source: Reis, Inc.

all apartment units permitted in the metropolitan area have been in this area, and nearly 95 percent of multifamily units permitted have been apartments.

- During the 3 months ending June 2014, 125 multifamily units were permitted compared with 230 units permitted a year earlier (preliminary data).
- An average of 380 units were permitted during the corresponding 3-month periods from 2004 through 2007, when rental demand was strongest. Multifamily building activity declined to an average of 160 units permitted during the same 3 months from 2009 through 2011.
- Approximately 2,260 apartments are currently under construction, a relatively large construction pipeline for the metropolitan area. As these units enter the market during the next 12 months, the apartment vacancy rate is expected to rise.
- Properties under construction include the 300-unit 35 Folly Road apartments in West Ashley and the 280-unit The Standard in James Island. Proposed rents at these two properties are expected to start at about \$975 for one-bedroom units.

Multifamily construction in the Charleston area has increased since 2009 and 2010 because of improved rental market conditions.



Note: Includes preliminary data from January 2014 through June 2014.

Source: U.S. Census Bureau, Building Permits Survey

