

HUD PD&R Housing Market Profiles

Hickory-Morganton-Lenoir, North Carolina

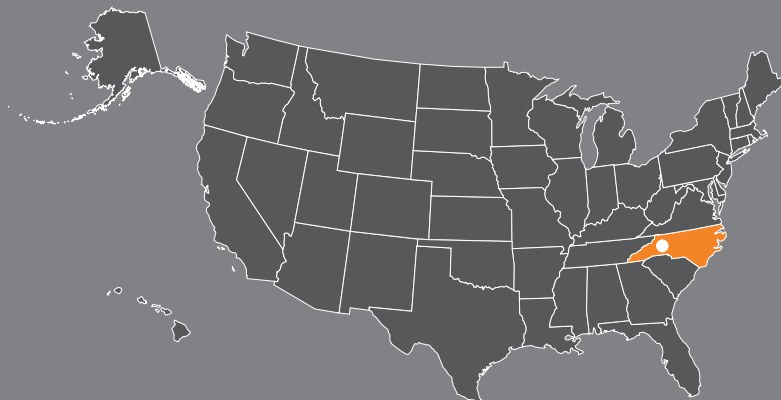


Quick Facts About Hickory-Morganton-Lenoir

Hickory, North Carolina

By Maciej Misztal | As of May 1, 2022

- Current sales market conditions: slightly tight
- Current rental market conditions: slightly tight
- The area contains the oldest known European non-coastal settlement. Fort San Juan was established in 1567 in present-day Burke County, almost 40 years before Jamestown was settled.



Overview

The Hickory-Morganton-Lenoir, NC metropolitan area (hereafter, Hickory metropolitan area) in northwestern North Carolina is coterminous with the Hickory-Lenoir-Morganton, NC Metropolitan Statistical Area, which consists of Alexander, Burke, Caldwell, and Catawba Counties. Catawba County, which contains the majority of the city of Hickory, is the largest county by population, followed by Caldwell and Burke Counties, which contain the cities of Lenoir and Morganton, respectively. The Hickory metropolitan area is in the piedmont of the Blue Ridge Mountains, an area of abundant hardwood, and it is known for its skilled furniture artisanship. The beautiful Appalachian backdrop, moderate weather, and flat income tax rate make the area attractive to retirees. Entertainment venues in the area include Hickory Motor Speedway, which is one of the most famous National Association for Stock Car Auto Racing (NASCAR) short tracks, and the LP Frans Stadium, home of the Hickory Crawdads, a Minor League Baseball team affiliated with the Texas Rangers.

- As of May 1, 2022, the estimated population of the Hickory metropolitan area was 367,000, up by an average of 730,

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- or 0.2 percent, annually since 2015. By comparison, the population declined by an average of 660 people, or 0.2 percent, annually from 2010 to 2015 (Census Bureau population estimates as of July 1 and estimates by the analyst). Population increased in the second half of the decade as in-migration replaced out-migration due to improving economic conditions.
- Individuals aged 60 years and older contributed significantly to the recent population growth in the Hickory metropolitan area. That age cohort represented 21.4 percent of the population in 2010 but accounted for 26.3 percent of the total in 2019 (American Community Survey [ACS] 1-year estimates). The median age in the metropolitan area increased from 40.3 years in 2010 to 43.3 years in 2019, compared with the median age of 37.2 in 2010 and 38.5 in 2019 for the nation.
- Partly due to the increasing share of older residents, net natural decline accelerated in the metropolitan area since the early 2010s. After averaging a decrease of 30 people annually from 2010 to 2014, net natural decline averaged 600 people a year since 2014. Increases in net in-migration have offset the net natural decline since 2015.
- The most populous county in the Hickory metropolitan area is Catawba County, which accounts for 44 percent of the total population. The counties of Alexander, Burke, and Caldwell consist of 10, 24, and 22 percent of the population, respectively. Catawba County was the only county in the metropolitan area with growth since 2010, which averaged 0.4 percent annually.

Economic Conditions

The Hickory metropolitan area had been historically known as a hub for furniture manufacturing, but it has diversified into the production of telecommunications cables, electronics, automobile parts, clothing, and paper products. Due to its decline as a manufacturing hub during the second half of the 20th century, the Hickory metropolitan area has generally been slower to recover from economic shocks than the national average. For example, during the recovery of nonfarm payrolls after the Great Recession from 2010 through 2014, job gains averaged a 0.2-percent increase annually, compared with

an average of 1.1 percent annually in the nation. Economic conditions in the Hickory metropolitan area have been quicker to recover from the effects of the COVID-19 pandemic than in the previous two recessions. All 21,900 jobs lost in the metropolitan area, from the prepandemic high of February 2020 to the low of April 2020, have been recovered as of May 2022 (monthly data; not seasonally adjusted). During the 3 months ending April 2022, nonfarm payrolls were 300 jobs, or 0.2 percent, higher than the same period in 2019, compared with 0.4 percent higher for the nation.

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Nonfarm payrolls increased 3.5 percent in the Hickory metropolitan area during the 3 months ending April 2022.

	3 Months Ending		Year-Over-Year Change	
	April 2021 (Thousands)	April 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	150.1	155.3	5.2	3.5
Goods-Producing Sectors	44.3	46.8	2.5	5.6
Mining, Logging, & Construction	5.0	5.2	0.2	4.0
Manufacturing	39.3	41.6	2.3	5.9
Service-Providing Sectors	105.8	108.5	2.7	2.6
Wholesale & Retail Trade	23.9	24.4	0.5	2.1
Transportation & Utilities	6.5	6.7	0.2	3.1
Information	0.7	0.7	0.0	0.0
Financial Activities	3.1	3.1	0.0	0.0
Professional & Business Services	13.7	14.8	1.1	8.0
Education & Health Services	18.7	18.8	0.1	0.5
Leisure & Hospitality	12.3	12.7	0.4	3.3
Other Services	4.6	4.6	0.0	0.0
Government	22.2	22.7	0.5	2.3
Unemployment Rate	5.2%	3.3%		

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

Source: U.S. Bureau of Labor Statistics



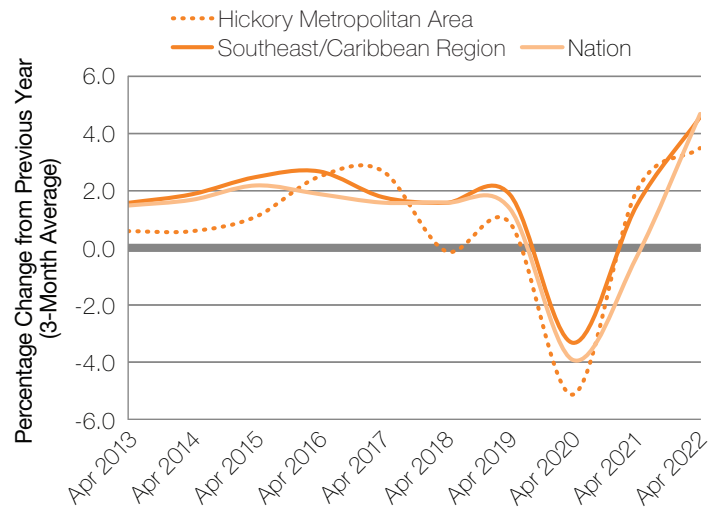
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During the 3 months ending April 2022—

- Nonfarm payrolls totaled 155,300 jobs, an increase of 5,200 jobs, or 3.5 percent, from the same period a year earlier, whereas nonfarm payrolls in the Southeast/Caribbean region and the nation grew 4.6 and 4.7 percent, respectively.
- The professional and business services sector was up by 1,100 jobs, or 8.0 percent, accounting for the largest percentage increase of any sector. The mining, logging, and construction sector was up by 200 jobs, or 4.0 percent, accounting for the third largest percentage increase in nonfarm payrolls after the manufacturing sector. The greater demand for residential and commercial construction contributed to the increase in the mining, logging, and construction sector, benefiting the construction subsector.
- The third largest numerical job gains occurred in the government sector, which increased by 500 jobs, or 2.3 percent, and the wholesale and retail trade sector, which increased by 500 jobs, or 2.1 percent. In 2021, Merchants Distributors, LLC broke ground on a \$120 million dollar expansion that is expected to create 110 jobs. The company was founded in the city of Hickory.
- The unemployment rate averaged 3.3 percent, down from 5.2 percent a year earlier. By comparison, the unemployment rate for the nation averaged 3.6 percent during the same period, down from 6.0 percent a year earlier.

The manufacturing sector was the largest payroll sector in the metropolitan area during the 3 months ending April 2022, with 41,600 jobs, or 27 percent of all nonfarm payrolls, compared with an 8-percent share nationally. During the 3 months ending April 2022, the number of jobs in the manufacturing sector increased by 2,300, or 5.9 percent, compared with a year earlier, the largest numerical job increase of any sector. By comparison, the sector increased by 400 jobs, or 0.9 percent, during the same period in 2021, despite temporary layoffs caused by COVID-19-related plant closures. Temporary foreign plant closures due to the COVID-19 pandemic and subsequent supply-chain shortages have made local furniture manufacturers competitive nationally. Stay-at-home mandates and work-from-home flexibility increased the demand for quality furniture, revitalizing the industry. Vanguard

During the 3 months ending April 2022, nonfarm payrolls in the Hickory metropolitan area, the Southeast/Caribbean Region, and the nation all had their fastest gain in more than a decade.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Hickory Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Catawba Valley Medical Center	Education & Health Services	1000+
Target Corporation Distribution Center	Wholesale & Retail Trade	1000+
CommScope	Manufacturing	1000+

Note: Excludes local school districts.

Source: Western Piedmont Council of Governments

Furniture Co. Inc. of Burke County is currently expanding and creating more than 150 new jobs. Other manufacturers are also expanding, including Corning Incorporated, a special materials manufacturer in Catawba County; UNIX Packaging, LLC a beverage company with manufacturing in Burke County; and MaxPax LLC, a contract packaging company out of the city of Hickory, which have announced near-future expansions of 200, 226, and 300 jobs, respectively.

Sales Market Conditions

Sales housing market conditions in the Hickory metropolitan area are slightly tight. Previously modest home sales price growth has accelerated since mid-2020. The average sales price of new and existing homes increased 15 percent to \$212,900 during the 12 months ending March 2022, unchanged from a 15-percent increase during the same

period a year earlier (CoreLogic, Inc., with adjustments by the analyst). The supply of single-family homes available for sale in the Hickory metropolitan area fell from 1.7 months of supply in April 2021 to 1.5 months of supply in April 2022 (CoreLogic, Inc.), illustrating the tightening market. The rate of seriously delinquent mortgages and real estate owned (REO) properties

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was 1.9 percent of all home loans during March 2022, down from 3.2 percent during March 2021. The rate fell after reaching a recent high of 3.8 percent during October 2020 in the wake of the COVID-19 pandemic shutdown.

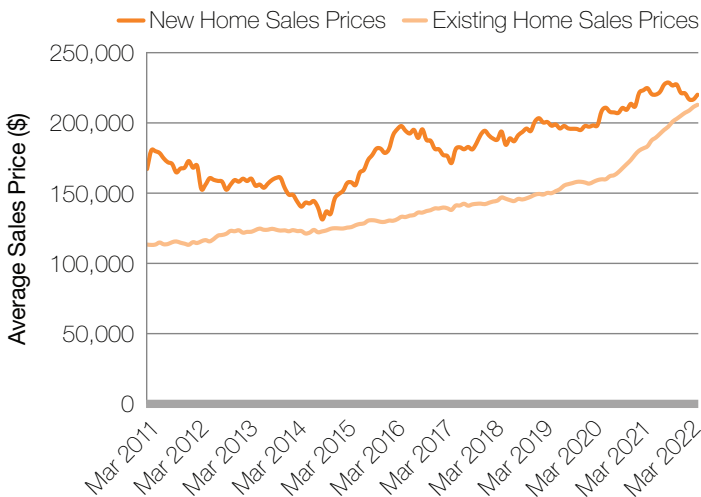
During the 12 months ending March 2022—

- New and existing home sales increased 19 percent from a year ago to 8,700.
- New home sales totaled 375, up 15 percent from 320 sales a year ago. Despite the increased number of homes sold, the average sales price for a new home was \$220,000, down 2 percent from a year earlier, following strong price growth since the beginning of the pandemic.
- Existing home sales totaled 8,325, up 19 percent from the 7,025 homes sold a year ago. The average sales price for an existing home was \$212,600, up 16 percent from a year earlier.
- REO sales accounted for less than 1 percent of existing home sales, slightly down from a year earlier and well below the 41-percent peak in late 2010.

In response to tightening market conditions and a low inventory of homes for sale, single-family construction, as measured by the number of homes permitted, increased in 2020 and 2021 compared with 2019. The number of homes permitted had increased from 2014 through 2018 before falling slightly in 2019.

- During the 12 months ending April 2022, single-family permitting increased by 400 homes, or 37 percent, to 1,475

New home sales prices have been more volatile than existing home prices during the past decade in the Hickory metropolitan area.



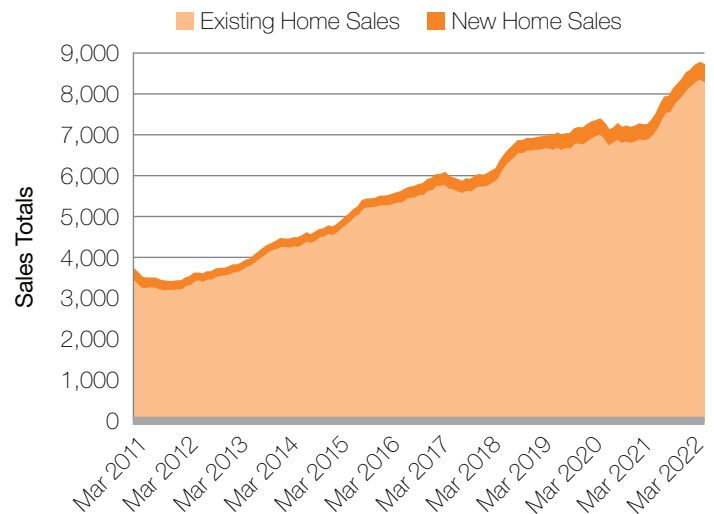
Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc. with adjustments by the analyst

homes permitted (preliminary data). By comparison, the number of units permitted increased by an average of 90 homes, or 16 percent, annually, from 2014 through 2018.

- Approximately 54 percent of all single-family homes permitted from 2016 through 2021 in the Hickory metropolitan area were in Catawba County. Alexander,

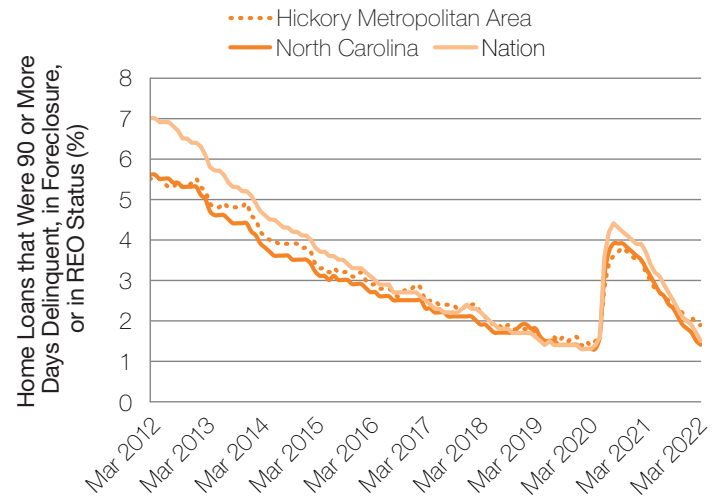
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During the past year, existing and new home sales have increased by more than 15 percent in the Hickory metropolitan area.



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

The proportion of seriously delinquent loans and REO properties in the Hickory metropolitan area has decreased rapidly since the second half of 2020.



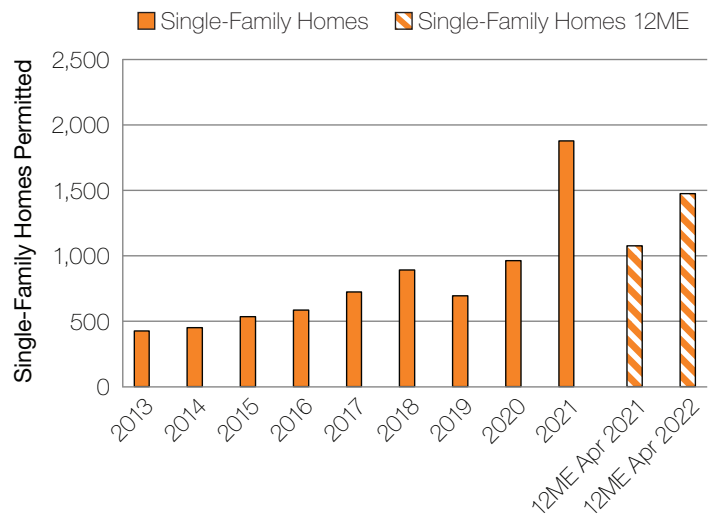
REO = real estate owned.
Source: CoreLogic, Inc.

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Burke, and Caldwell Counties permitted approximately 11, 21, and 14 percent of homes in the Hickory metropolitan area, respectively.

- On the lower priced side of new home construction, Sweetwater Village, a 50-home active adult development in Hickory, is selling two-bedroom, two-bathroom homes ranging from the mid-to-high \$200,000s. The moderately priced 220-unit Blackstone Bay Townhomes, under construction in Hickory, are selling four-bedroom units ranging from \$250,990 to \$362,990.

Single-family home construction in the Hickory metropolitan area has increased dramatically during the past year.



12ME = 12 months ending.

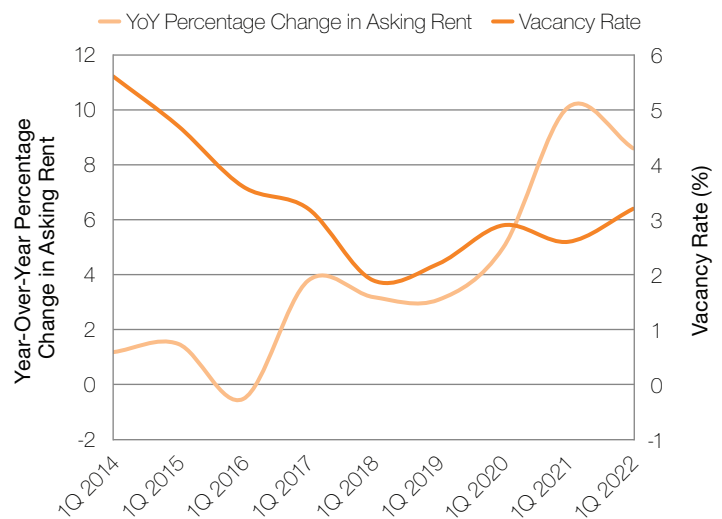
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Rental Market Conditions

Overall rental market conditions in the Hickory metropolitan area are slightly tight, with an estimated 6.6-percent vacancy rate as of May 2022, down from an 11.6-percent vacancy rate in 2010 when market conditions were soft. Apartment market conditions are also currently slightly tight, a significant improvement from the soft conditions that existed in 2014. From the first quarter of 2014 through the first quarter of 2018, the average apartment vacancy rate fell from 5.6 percent to 1.9 percent (Moody's Analytics REIS) as the economy recovered from the Great Recession. The vacancy rate increased to 2.6 percent in the first quarter 2021 and continued to rise as more apartments were completed. Despite the increase in the vacancy rate, apartment rents increased. From the first quarter of 2014 through the first quarter of 2018, year-over-year apartment rent growth averaged approximately 2 percent annually, but from the first quarter of 2018 through the first quarter of 2021, apartment rent growth more than tripled to an average of nearly 6 percent annually. This trend is accelerating as new and more expensive apartment units are built and rented.

- The apartment market in the Hickory metropolitan area is slightly tight, with a 3.2-percent vacancy rate during the first quarter of 2022—up from 2.6 percent a year earlier and substantially below the 11.4-percent rate during the first quarter of 2010 when the market was soft.

The vacancy rate increased, and the average rent rose sharply during the first quarter of 2022 in the Hickory metropolitan area.



1Q = first quarter. YoY = year-over-year.

Source: Moody's Analytics REIS

- The average rent for an apartment was \$889 in the first quarter of 2022, an increase of \$70, or 9 percent, from the first quarter of 2021 (Moody's Analytics REIS).

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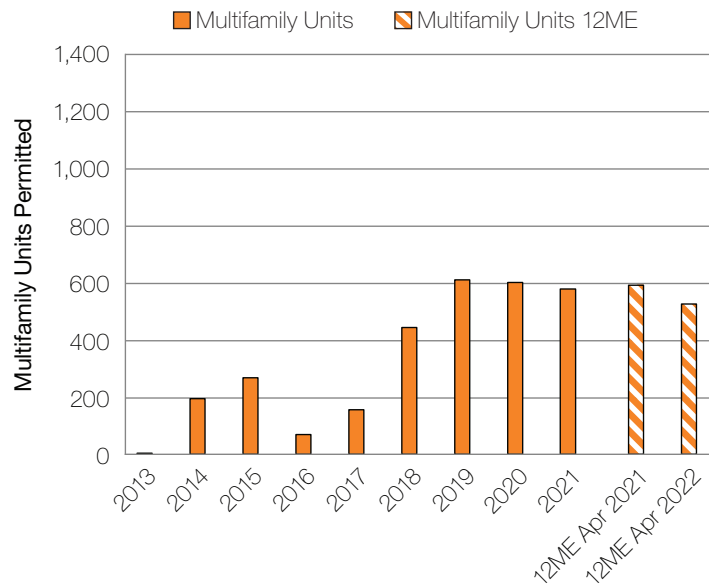
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- Single-family home rentals included approximately 34 percent of the occupied rental housing stock in the Hickory metropolitan area in 2019, down from 39 percent in 2010 (ACS 1-year data). The vacancy rate for professionally managed two-bedroom single-family home rental units was 3.0 percent during March 2022, a decline from 3.1 percent a year earlier, and the average rent for a two-bedroom single-family home rose 17 percent to \$1,101 (CoreLogic, Inc.) during the same period.

Low vacancy rates and increased in-migration have contributed to the increased multifamily construction activity in the Hickory metropolitan area since the mid-2010s.

- From 2013 through 2017, the number of multifamily units permitted averaged 140 units annually in the Hickory metropolitan area and increased to an average of 560 rental units permitted each year from 2018 through 2021 as the economy grew.
- During the 12 months ending April 2022, the number of multifamily units permitted in the Hickory metropolitan area totaled 530, a decline of 70 units, or 12 percent, from the number of multifamily units permitted during the previous year (preliminary data with adjustments by the analyst).
- Approximately 66 percent of new multifamily units added to the housing inventory in the metropolitan area from 2016 through 2021 were built in Catawba County. During the same period, the portions for Alexander, Burke, and Caldwell Counties were 1, 22, and 11 percent, respectively.
- Recent developments in the metropolitan area include The Gates at Highland, a 198-unit complex in the city of

Multifamily building activity has stabilized during the past 3 years in the Hickory metropolitan area.



12ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Hickory, which is currently in lease-up. The development includes one-bedroom, two-bedroom, and three-bedroom units, with monthly rents starting at \$975, \$1,200, and \$1,325, respectively. The 120-unit Holiday Pinecrest is an all-inclusive senior independent living development which has studio, one-bedroom, and two-bedroom units starting at \$2,489, \$2,719, and \$4,339 a month, respectively.

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. 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.
Existing Home Sales	Includes resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family, townhome, and condominium sales.
Net Natural Decline	Resident deaths are greater than resident births.
Rental Market/Rental Vacancy Rate	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.
Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1. The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.