

COMPREHENSIVE MARKET ANALYSIS REPORTS



Policy Development & Research

**Analysis of the  
Columbia-Lexington,  
South Carolina  
Housing Market**

**As of August 1, 2004**



ECONOMIC RESEARCH

U.S. Department of Housing and Urban Development

## **Foreword**

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

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

The analysis takes into consideration changes in the economic, demographic, and housing inventory characteristics of the market area during three periods: from 1990 to 2000, from 2000 to the as-of date of the analysis (Current date), and from the Current date to a Forecast date. The analysis presents counts and estimates of employment, population, households, and housing inventory as of the 1990 Census, 2000 Census, Current date, and Forecast date. For purposes of this analysis, the forecast period is 36 months.

The prospective demand expressed in the analysis should not be construed as a forecast of building activity; rather, it presents the prospective housing production that would maintain a reasonable balance in the demand-supply relationship given the market's condition on the as-of date of the analysis. This analysis was prepared by W. Victor Crain, the Division's Field Economist in the Denver, Colorado regional office, based on fieldwork conducted in August 2004. Questions regarding the findings and conclusions of the analysis may be addressed to Mr. Crain at 303-672-5289 and at [w.\\_victor\\_crain@hud.gov](mailto:w._victor_crain@hud.gov).

## **Housing Market Area**

Located in the Central Midlands region of South Carolina, the Columbia-Lexington Housing Market Area (HMA) is defined as Kershaw, Lexington, and Richland Counties. The HMA is part of the Columbia Metropolitan Statistical Area (MSA), which consists of Calhoun, Fairfield, Kershaw, Lexington, Richland, and Saluda Counties, South Carolina. Please note that the data presented regarding the Columbia MSA pertains only to Lexington and Richland Counties and does not include data for Calhoun, Fairfield, or Kershaw Counties.

Two submarkets make up the HMA: the Richland-Kershaw submarket and the Lexington submarket. Columbia, the state capital, is located in Richland County. Located in the Richland-Kershaw submarket are Fort Jackson Army Base (AB) and the University of South Carolina (USC). The county seat of Kershaw County, Camden, is approximately 25 miles east of Columbia. Approximately 15 miles west of Columbia is the city of Lexington, the economic center and county seat of Lexington County.

## **Summary**

The Columbia-Lexington, South Carolina HMA has experienced a significant slowdown in employment and population growth since 2000. Modest growth is forecast for the next 36 months, and annual job gains should slightly exceed the pace of the 1990s. The average unemployment rate reached 4.4 percent in 2003, the highest unemployment rate posted since 1994. Cutbacks in most sectors of the economy prompted the rise in unemployment. Currently, for the 12-month period ending July 31, 2004, the average unemployment rate is 4.3 percent. Employment growth during the forecast period should be supported by marginal gains made in the construction, education and health services, and leisure and hospitality sectors. Fort Jackson AB, USC, and state and local government employment will continue to be the stabilizing factors of the local economy.

Since 2000, the decline in employment opportunities has slowed in-migration. Retirees, especially military retirees, relocating to the HMA have sustained in-migration, a trend that is expected to continue through the forecast period. Population and households will continue to grow at a level consistent with the 1990s, given the forecast level of expected economic growth and in-migration.

Much of the construction of new homes is expected to continue to be in new developments along two Interstate corridors—I-20 and I-77—in the Richland-Kershaw submarket and in the vicinity of Lake Murray in the Lexington submarket. Sales of new and existing homes have remained strong as a result of low mortgage interest rates, first-time homebuyers, and numerous downpayment assistance programs. The annual forecast demand for new sales housing is expected to be comparable to the previous year's activity, averaging approximately 4,000 homes.

Conditions in the rental market are currently very soft in the Richland-Kershaw submarket, and vacancy rates are at an all-time high. A substantial increase in new market-rate rental units and the affordable and student-oriented rental developments that entered the market since 2000 contributed to the increased rental vacancy rates. The surplus of vacant rental units will continue to exist in the market at the end of the 36-month forecast period. The

forecast for the Richland-Kershaw submarket anticipates recovery of the rental market in late 2008, indicating a need to postpone construction starts of new market-rate units until mid to late 2007.

More favorable market conditions exist in the Lexington submarket and support the continued limited production of approximately 400 new rental units during the forecast period.

## **Economy of the Area**

The HMA is the center of economic activity for the Central Midlands area of South Carolina. State and local government agencies, with about 67,000 total employees, are the largest employers. Leading private sector employers located in Columbia include Palmetto Health with approximately 7,500 employees and Blue Cross and Blue Shield of South Carolina with about 5,100 employees. Major employers in the Lexington submarket include South Carolina Electric and Gas with approximately 4,000 employees and United Parcel Service with close to 3,500 employees. Two of the largest employers in Kershaw County are INVISTA with about 800 employees and Target Corporation with nearly 700 employees. Much of the manufacturing, retail, and service-oriented workforce in the two submarkets commute to the Columbia area for employment.

During the 1990s, the economy of the HMA grew at a moderate pace. Both labor force and total resident employment increased approximately 1.5 percent, or 4,000 persons, a year during the decade. As a result, the unemployment rate dropped from 3.8 percent in 1990 to 2.6 percent in 2000, equal to the lowest rate of any major market area in the state. Employment losses began to mount to 2001 and have continued through the current period. Cutbacks (centered in the manufacturing, information, and state government sectors and secondarily in the construction and professional/business services sectors) contributed to the rise in unemployment. During the 12-month period ending July 2004, the labor force averaged 316,333 and resident employment averaged 302,687, up 1.8 and 1.6 percent, respectively, over the previous 12-month period. Unemployment rose slightly during the current 12-month period to 4.3 percent compared with the previous 12-month rate of 4.1 percent. Trends in labor force, employment, and unemployment from 1990 through the current period are presented in Table 1.

Total nonfarm employment in the Columbia MSA increased steadily through the 1990s, averaging approximately 6,750, or 2.7 percent, a year. In 2000, a loss of 1,900 nonfarm jobs was posted, the first annual loss since 1991. Losses have continued through the current period and at an even greater rate. From 2000 through 2003, the Columbia MSA nonfarm employment rolls shed more than 12,000 jobs. For the current period ending July 2004, nonfarm employment was down by 8,300 jobs compared with the previous 12-month period. All sectors of the economy have recorded job losses since 1999 except for the education and health services and the leisure and hospitality sectors. Currently, nonfarm employment stands at 300,200. The trends in nonfarm employment for the Columbia MSA from 1990 to the most recent 12-month period are presented in Table 2.

In Kershaw County, covered employment (nonfarm employment data were not available) increased by about 2.9 percent, or approximately 500 jobs, for the current period ending

March 2004 (most recent data available) over the previous 12-month period. Covered employment for the 12-month period ending March 2004 was 18,193, up from 17,685 for the previous 12-month period ending March 2003. Table 3 includes covered employment data for Kershaw County by industry from 2001 through March 2004.

The construction sector should see a rebound in the near future. Several major public and private construction projects are planned or under way, including the Main Street redevelopment project in Columbia, which includes major street improvements and the renovation of the Adam's Mark Hotel. USC has a new residence hall under construction, which will be ready for occupancy for fall 2004 classes. A \$30.5 million beautification plan for the Five Points area of Columbia began in 2004.

Columbia's city council has endorsed a plan known as the East Central City Redevelopment Project Area to redevelop more than 1,050 acres of blighted inner-city property. Final development plans have not been prepared, but 21 redevelopment projects have been identified including construction and renovation of single-family and multifamily residential units, commercial development, and parks and open space areas. Once started, the redevelopment will take more than 5 years to complete.

For the past 12 months, total resident employment has shown signs of improvement, and small to moderate gains have been recorded. Although no major employment announcements have been made, total resident employment is expected to continue to grow during the forecast period. Employment growth during the forecast period should equal growth levels of the 1990s and exceed the early 2000s levels. Employment should increase at a rate of 1 to 2 percent during the first 12 months of the forecast period and by about 2 percent a year thereafter. The construction, education and health services, and leisure and hospitality sectors will lead the way in the modest employment growth. As of the Forecast date, total employment in the HMA is expected to total 320,000.

### ***Colleges and Universities***

Higher education is an important factor in the local economy and housing market. Nine institutions are located in the HMA: Allen University, Benedict College, Columbia Biblical Seminary, Columbia College, Columbia International University, Lutheran Theological Southern Seminary, Midlands Technical College, South University, and USC.

Except for Midlands Technical College and South University, all the institutions provide student housing. The colleges and universities enroll an estimated total of 42,000 students. Approximately 17,000 of the students reside in resident halls or university apartments. The remaining 25,000 students live in private sector units in the local housing market.

With a full- and part-time faculty of approximately 1,900 and a student enrollment of more than 25,000, USC ranks as the largest public university in the state. The fall 2003 enrollment totaled 25,288 (undergraduate, graduate, and professional), a slight increase of about 0.6 percent from the fall 2002 enrollment. Table 4 presents the trend in enrollment at USC since 1990. With an annual budget in excess of \$580 million, USC has a substantial impact on the HMA economy.

## **Military Installation**

Fort Jackson AB is the home of the United States Army's largest and most active Initial Entry Training Center. Located on more than 52,000 acres in Richland County, Fort Jackson AB has more than 1,000 buildings including three elementary schools, two child development centers, a hospital, a Community Activities Center, and more than 1,200 family housing units. Almost 50 percent, or roughly 35,000, of all U.S. soldiers that enter the Army each year receive basic training at the base. In addition, more than 19,000 attend courses at the Soldier Support Institute, Chaplain Center, and Drill Sergeant School. By fall 2004, Fort Jackson AB should receive an additional boost when troops that are being recalled report for active duty. Details of the recall are being developed, and how many soldiers will report to Fort Jackson AB is currently unclear.

According to the most recent data available from the Department of Defense, approximately 10,000 military and 2,000 civilian personnel are stationed at the base. USC's Moore School of Business (MSB) estimates that Fort Jackson AB contributes more than \$2.3 billion annually to the economy of the Central Midlands region of South Carolina. The economic impact of the base also supports more than 55,000 jobs and \$1.9 billion of personal income according to MSB. Currently, more than 18,000 military retirees and their families reside in the HMA because of the services offered at Fort Jackson AB.

## **Household Incomes**

Between 1990 and 2000, the median family income of the HMA increased by an average of 3.7 percent a year, slightly less than the state average increase of 4.3 percent. Lexington County's median family income was \$44,559 as of the 2000 Census, the second highest in the state. Richland and Kershaw Counties reported median family incomes of \$39,961 and \$38,804, respectively, as of the 2000 Census. HUD's Economic and Market Analysis Division estimates the 2004 median income for the Columbia MSA at \$60,600 and \$52,300 for Kershaw County.

## **Population**

The population of the HMA grew at a moderate annual average of 1.7 percent between the 1990 and 2000 Censuses. The Richland-Kershaw submarket grew at an annual rate of 1.3 percent, and the Lexington submarket grew at a substantially stronger rate of 2.6 percent. The 2000 Census reported a total population of 598,338, with approximately 63 percent of the population residing in Richland County. The population of the HMA as of the Current date is estimated to be 620,400, an average annual increase of approximately 7,200, or 1.2 percent a year since the 2000 Census.

Strong in-migration was the major reason for the growth during the 1990s. In-migration, which averaged 5,400 a year during the 1990s, was stimulated by sustained employment growth. Approximately 3,300 people a year migrated to the Lexington submarket and about 2,100 to the Richland-Kershaw submarket. Since 2000, in-migration has been dampened by the weak economy. Retirees, especially retired military personnel, relocating to the HMA have sustained the population growth but not at the levels of the 1990s. Average annual in-migration since 2000 is estimated at 2,100 for the Lexington submarket and about 2,000 for

the Richland-Kershaw submarket. Employment opportunities are expected to increase during the forecast period resulting in a strong in-migration increase. Net in-migration for the HMA is anticipated to be close to 6,900 people a year during the forecast period.

During the 1990s, net natural increase (resident births minus resident deaths) averaged 3,730 annually. Since 2000, the net natural increase has dropped to approximately 3,100 annually. The drop can be attributed to the slowdown in new families moving to the HMA due to the lack of employment opportunities. With the anticipated growth in employment during the forecast period and new families relocating to the HMA, net natural increase should increase slightly to approximately 3,300 annually.

During the 1990s, nonhousehold population in the HMA was affected in part by three events. First was the relocation of 1,300 inmates when the Central Correctional Institution closed in 1994 after 127 years of operation. Second, in fall 1997, the South Quadrangle at USC opened with the capacity to house approximately 400 students. Third was an increase of 500 soldiers living in base quarters at Fort Jackson AB. As of the 2000 Census, nonhousehold population in the HMA was 31,415. Since 2000, several factors have affected the nonhousehold population in the HMA. The addition of Greek Village at USC added 15 new fraternity and sorority houses, each able to house about 70 students. In the fall of 2000, the East Quadrangle at USC was completed and houses about 400 students. Completion of new, assisted living and nursing home units in the Lexington submarket also increased the nonhousehold population. Currently, the nonhousehold population is estimated at 32,400. Completion of the West Quadrangle at USC by fall 2004 will add another 500 students living on campus. Nonhousehold population during the forecast period is estimated to stabilize at 32,900.

Overall, the population of the HMA is expected to increase at an annual growth rate of 1.6 percent during the forecast period to 650,900 as of August 2007. Table 5 presents the trends in population and household change from 1990 to the Forecast date for the HMA and the submarkets.

## **Households**

During the 1990s, the number of households grew by approximately 4,450, or 2.2 percent annually. A factor contributing to the growth in households was the decline in household size. Between 1990 and 2000, the average household size decreased dramatically from 2.62 to 2.49, a result of retirees relocating to the HMA and more single people buying homes. The average household size has continued to decrease through the current period. Annual growth in the number of households since the 2000 Census has remained constant at 2.2 percent a year, or 5,025 annually. An estimated 245,300 households currently reside in the HMA. During the forecast period, average household size is anticipated to decrease slightly, and households will grow by 2.1 percent a year, or 5,150 annually. As of the Forecast date, households in the HMA should reach 260,700. Table 5 presents the trends in population and households change from 1990 to the Forecast date for the HMA and its submarkets.

## **Housing Inventory**

The total housing inventory in the HMA grew rapidly during the 1990s. Between the 1990 and 2000 Censuses, an annual average gain of 2.5 percent, or 4,900 units a year, was

reported. Owner-occupied units increased an average of 3,500 units annually; renter-occupied units increased an average of 980 units a year. Since the 2000 Census, the housing inventory in the HMA has grown by approximately 5,440 units annually. Currently, the HMA has an estimated 267,000 housing units. The counts of housing inventory, occupancy, and vacancy by tenure for the 1990 and 2000 Censuses and the Current date are presented in Table 6 for the HMA and its submarkets.

Single-family building permit activity in the HMA totaled about 2,400 units in 1990, and by 1999 activity had increased to almost 4,200. Through the 1990s, close to 2,000 single-family unit permits were issued a year in the Richland-Kershaw submarket and about 1,300 a year in the Lexington submarket. The construction boom began in the late 1990s and has continued to the Current date. From 2000, single-family permit activity averaged about 3,100 units annually in the Richland-Kershaw submarket and about 1,650 a year in the Lexington submarket. For the 12-month period ending July 2004, the number of single-family units permitted in both submarkets was 5,620, up from the 4,960 units permitted in the previous 12-month period.

Local and national homebuilders are currently developing more than 50 subdivisions throughout the HMA. In the Richland-Kershaw submarket, nearly all the new developments are along the I-20 and I-77 corridors and in southwest Kershaw County. In the Lexington submarket, the new developments are concentrated near Lake Murray. Prices in new developments range from approximately \$70,000 for a starter home to more than \$700,000 for a custom luxury home. Although some speculative homes are being built, most homebuilders delay pulling a building permit until a sales contract is executed.

During the 1990s, almost 80 percent of the multifamily development activity was centered in Richland County. From 1990 through 1999, almost 6,700 multifamily units were permitted in the Richland-Kershaw submarket compared with approximately 2,100 units in the Lexington submarket. In both submarkets, more than 93 percent of the permits issued were for rental units in projects consisting of five or more units per building. About 3 percent of the permits in both submarkets were for duplexes, which tend to be owner-occupied units. The remaining 4 percent of the permits were for triplexes and quadruplexes, which are typically rental units. Activity was strongest in the Richland-Kershaw submarket during the last half of the 1990s, when 60 percent of the multifamily units were permitted. In the Lexington submarket, the years 1993 through 1995 experienced the most activity when nearly 50 percent of the multifamily units were permitted.

Even as the economy began to contract in 2000 and 2001, very strong multifamily permit activity persisted in the Richland-Kershaw submarket, and about 1,070 units were permitted. Activity fell off sharply in the Lexington submarket in 2000, and only 79 multifamily units were permitted. In 2001, the number of multifamily units picked up dramatically with 420 units permitted. Despite the continued weakening of the economy and rising vacancy rates, interest in multifamily construction has not eased. The issuance of permits for multifamily units in the Richland-Kershaw submarket jumped to 988 units in 2003; thus far in 2004, more than 700 units have been permitted. Since 2001, activity in the Lexington submarket decreased significantly. Approximately 390 were permitted from 2002 to the current period, less than the total number of permits issued in 2001.



USC is required by the local planning department to obtain building permits. Building permits were issued for 106 units in the South Quadrangle, 124 units in the East Quadrangle, and 126 units in the West Quadrangle, which were built in 1997, 2000, and 2004, respectively. Building permits were obtained for the 15 fraternity and sorority houses, located in Greek Village, that have been constructed since 2000. Each house consists of 35 double occupancy rooms. Only one permit, however, was required for each house.

An estimated 1,500 single-family units in the Richland-Kershaw submarket and about 700 single-family units in the Lexington submarket are currently under construction. An estimated 1,100 multifamily units, including the 126 units in the West Quadrangle, in the Richland-Kershaw submarket and 125 units in the Lexington submarket are under construction. The trends in building permit activity from 1990 through the Current date for single-family and multifamily housing in the HMA and its submarkets are presented in Table 7.

With manufactured housing being an affordable alternative to conventionally built homes, the number of manufactured homes located in the HMA has increased steadily since the 1990 Census. Between the 1990 and 2000 Censuses, approximately 940 manufactured homes were added to the housing inventory annually. Since 2000, the Richland-Kershaw submarket added an estimated 150 manufactured homes a year, while the Lexington submarket gained about 180 a year. Approximately 35,000 manufactured homes are in the HMA with close to 60 percent located in the Lexington submarket.

### ***Subsidized Housing***

There is high demand for housing assistance in the HMA. The Columbia Housing Authority (CHA) maintains approximately 1,700 low-income housing units and close to 2,900 housing choice vouchers. Very few vacancies exist for project-based assistance, and the average waiting time for a unit usually is more than 18 months. With high utilization of housing choice vouchers, the housing authority maintains a long waiting list, with the average waiting time lasting nearly 24 months.

Interest is strong in the Section 8 Homeownership Program. Five local lenders have been accepted to participate in the program. Four families have purchased a home using a Section 8 homeownership voucher, 5 families have received loan approval, 10 families are awaiting loan approval, and 40 more families have expressed an interest in the program.

CHA currently has two major real estate developments under way in Columbia, Celia Saxon, and Rosewood Hills. The Celia Saxon development, located at the intersection of Read Street and Harden Street, has a proposed unit mix of 213 rental units and 225 homes that will be listed for sale. Rosewood Hills is located in the vicinity of Rosewood Drive and Gateway Boulevard. The proposed units mix is 66 subsidized rental units, 30 affordable rental units, 37 affordable owner units, and 54 market-rate homes and apartments.

In the Richland-Kershaw submarket, 54 different properties, including the properties maintained by CHA, provide more than 2,900 subsidized rental units. In the Lexington submarket, 16 properties have approximately 630 subsidized units.

## **Student Housing**

USC students have a significant impact on the local housing market. Approximately 26 percent of USC students reside in university housing, and the remaining 74 percent, or 18,600 students, are absorbed by the Columbia housing market. At 100-percent capacity, USC can house approximately 7,800 students on campus in 25 residence halls and apartments, not including the 15 fraternity and sorority houses. Room rent ranges from approximately \$1,200 per semester for a dorm room in Douglas Hall to \$2,300 per semester for a private apartment unit in the East Quadrangle. Scheduled to open for the fall 2004 semester is the West Quadrangle, which will be able to house an additional 500 students. The rent will be \$2,480 per semester. Students living off campus have several options available for housing, including rental homes and duplexes located near the campus and student-oriented apartment complexes. The Richland-Kershaw submarket consists of an estimated 7,400 USC student households occupying an estimated 10 percent of the current HMA rental inventory.

## **Military Housing**

Based on information obtained from the Fort Jackson AB website, an inventory of 1,260 housing units is maintained for enlisted soldiers and officers. For enlisted soldiers, 1,161 housing units are available with a unit mix of 472 two-bedroom units, 442 three-bedroom units, 246 four-bedroom units, and 1 five-bedroom unit. Officers have 99 units available; the unit mix is 12 two-bedroom units, 50 three-bedroom units, and 37 four-bedroom units. The Base Housing Office maintains a waiting list for available on-base housing. The 2000 Census indicated that 7,079 soldiers reside in military group quarters. Current data on the number of soldiers living in group quarters on the base was not available. An estimated 8,800 soldiers, officers, and their families occupy off-base housing.

## **Housing Vacancy**

During the 1990s, in-migration stimulated by the influx of new jobs resulted in significant population growth and the increased demand for housing in both submarkets. Builders and developers in the HMA were able to keep up with demand and the market stayed somewhat balanced. As a result, very little fluctuation occurred in owner and rental vacancies between the 1990 and 2000 Censuses. The owner vacancy rate remained the same, at 1.9 percent, and the rental vacancy rate slightly increased from 9.1 percent to 9.7 percent. The Richland-Kershaw and Lexington submarkets posted an owner vacancy rate of 1.8 and 1.9 percent, respectively, in 2000. The rental market was almost balanced in the Richland-Kershaw submarket in 2000 with a vacancy rate of 8.7 percent, but the Lexington submarket was soft with a 12.3-percent vacancy rate.

Decreasing employment opportunities, which led to a slowdown of in-migration, have dampened the demand for rental units, as has the shift from renter to owner tenure. The shift has been facilitated by historic low mortgage interest rates and, recently, more affordable home prices. The current homeownership rate in the HMA is 70.8 percent, up from 69.2 percent reported in the 2000 Census.

Since 2000, the owner vacancy rate in the HMA has risen slightly to 2 percent in the HMA, and an estimated 3,550 units are vacant and available for sale. The rental vacancy rate, which includes all types of rental properties, was estimated to be 10.7 percent, with approximately 8,575 vacant available units. Vacancy data for owner and rental units in the HMA and its submarkets are shown in Table 6.

## **Sales Market Conditions**

During the 1990s, the rapid growth in population and households resulted in increased demand for homes. The growing demand and relatively high volume of new homes being constructed led to a significant increase in the value of owner-occupied housing. During the decade, the median value of an owner-occupied home increased by 3.9 percent a year in Richland County, 4.4 percent a year in Kershaw County, and 4.3 percent a year in Lexington County. By the 2000 Census, the median value of an owner-occupied home in Richland County was \$98,700 and \$88,000 in Kershaw County. In the Lexington submarket, the median value reached \$106,300.

Sales of existing single-family residences primarily have taken place in the cities of Columbia and Lexington; new homes sales have occurred along the two primary transportation corridors and in the vicinity of Lake Murray. Sales activity grew in the HMA from 7,130 in 1999 to 9,351 in 2003. For the 12-month period ending June 2004 (the most recent data available), sales totaled 9,756 compared with the previous 12-month period sales of 8,497, a 14.8-percent gain. The historic low mortgage interest rates, first-time homebuyers, and numerous downpayment assistance programs have kept the sales market strong. The median sales price of a home, however, has dropped. Through the first two quarters of 2004, the median sales price was \$112,500, down from \$125,500 for the same time period in 2003. The drop in the median sales price can be attributed to sellers that reduced the sales price to hasten the sale of the home. Also, a record level of foreclosures in the HMA has contributed to the recent decline in the median sales price. Table 8 presents the trends of residential sales activity from 1999 through June 2004.

Downpayment assistance programs offer help to potential homebuyers (in most cases first-time buyers) purchase a home with little or no money down. Since January 1, 2000, according to the Federal Housing Administration Single-Family Data Warehouse, an average of 1,163 first-time homebuyers' loans were endorsed each year in the HMA. Approximately 44 percent, or 630, received downpayment assistance provided by nonprofit organizations, relatives, employers, or through various federal programs. So far in 2004, 689 first-time homebuyers' loans have been endorsed, and approximately 70 percent, or 482, received downpayment assistance. About 67 percent of the first-time homebuyer activity has been in the Richland-Kershaw submarket because of the availability of affordability housing.

## **Rental Market Conditions**

The 1990 Census reported a renter vacancy rate of 9.1 percent for the HMA. The rental market was close to balanced in the Richland-Kershaw submarket, with an 8.4-percent vacancy rate, and soft in the Lexington submarket, with an 11-percent vacancy rate. In 1992, with an improving economy and a limited supply of mostly older apartments units available, the rental market tightened in both submarkets. To meet demand, rental unit construction

increased significantly in 1993. Even with the increase in construction activity, the Richland-Kershaw submarket remained competitive; by the 2000 Census, an 8.7-percent vacancy rate was posted. On the other hand, the Lexington submarket continued to ease, and the renter vacancy rate in the Lexington submarket rose to 12.3 percent.

The economic upswing, which fueled in-migration and eventually renter household growth, lasted through the 1990s but began to slip in 2000. With the significant volume of apartment construction over the past 4 years, the lack of employment growth in the HMA, and the slowdown of in-migration, market conditions have shifted from tight to soft. The addition of more than 500 units annually since 2000 in the Richland-Kershaw submarket has resulted in a very competitive rental market. Conversely, since 2000, the Lexington submarket rental market has tightened, and the last major market-rate complex to enter the market was in the early 2000s. Activity in both submarkets since 2000 has included market-rate rentals, affordable rent-restricted units, and age-restricted units. Also, rental developments (both on- and off-campus) targeted to college and university students have been completed in Columbia.

Apartment vacancy rates have increased steadily since 2000. Currently, the apartment vacancy rate for the HMA is estimated at 10.7 percent, up from a somewhat balanced rate of 9.7 percent posted in the 2000 Census. The Richland-Kershaw submarket's current vacancy rate is estimated at 11 percent, and the Lexington submarket's rate is estimated to be 10 percent. Lease-up periods have lengthened, and rent specials are offered at some market-rate and affordable communities. Typical rent specials are no application fees, reduced deposits, and in some instances reduced rents. In addition to the rent specials, some properties offer special discounts to members of the armed forces. Since 2000, a negligible increase has occurred in the average monthly rent of about 1.4 percent a year. Currently, typical monthly rents in both submarkets for new market-rate rentals are \$540 for a one-bedroom unit, \$640 for a two-bedroom unit, and \$750 for a three-bedroom unit.

Rental developments financed by low-income housing tax credits (LIHTC) serve a wide range of income levels—from 30 to 60 percent of HUD's estimated median family income. The 111 LIHTC properties in the HMA include five projects for the elderly. The existing LIHTC projects provide close to 2,900 low-income units for families and 190 units for the elderly. Rents on the income-restricted units in the Richland-Kershaw submarket range from \$549 for an efficiency unit in Kershaw County to \$1,054 for a four-bedroom unit in Richland County. In the Lexington submarket, rents for income-restricted units range from \$636 for an efficiency unit to \$1,054 for a four-bedroom unit. The Richland-Kershaw submarket has 96 of the LIHTC properties. Two LIHTC properties are under construction in the Richland-Kershaw submarket. One property with 56 units is under construction in Richland County, and one with 30 units is being built in Kershaw County. The Lexington submarket has 15 LIHTC projects. Since most students are restricted from renting LIHTC-financed units, they have had almost no impact on this segment of the rental market.

## **Forecast Housing Demand**

Market conditions are different in the two submarkets of the HMA. Since 2000, the rental market conditions in the Richland-Kershaw submarket have softened, and rental vacancies have risen from 8.7 percent to about 11.0 percent. In the Lexington submarket, however, the

rental market has tightened. Rental vacancies in the Lexington submarket have dropped from a high of 12.3 percent in 2000 to approximately 10 percent. For the current period, owner vacancies have risen slightly in the Richland-Kershaw submarket since the 2000 Census, from 1.8 percent to about 2.0 percent, and have fallen a negligible 0.1 percent in the Lexington submarket to 1.8 percent. Because of the differences in the market conditions, forecast housing demand has been estimated separately for each submarket.

The principal factor of demand is the forecast household growth. The population of the HMA will increase during the next 36 months because of increasing job opportunities, net natural increase, and in-migration. Population growth and household growth in the HMA will be consistent with the levels of the 1990s. The increase in the number of households forms the basis of the demand for additional housing units. The projected growth in population, employment, and households was reconciled to determine the housing demand estimate.

Current market conditions and anticipated household growth in the HMA should produce demand for about 12,000 new owner-occupied housing units, not including manufactured homes, during the 36-month forecast period. Housing demand in the HMA and both submarkets has been adjusted for excess owner vacancies of approximately 360 units and the present level of owner units under construction. As a result of the level of units now under construction, owner demand should support construction of an additional 2,400 units during the first 12 months of the forecast period in the HMA, of which approximately 1,400 of the units should be constructed in the Richland-Kershaw submarket and about 1,000 in the Lexington submarket. During each of the second and third years of the forecast period, about 3,000 units should be constructed in the Richland-Kershaw submarket and approximately 1,800 units in the Lexington submarket. The forecast demand level of new construction of owner-occupied units is about equal to the previous year's level of construction activity in both submarkets. Construction at this level will keep the market in balance.

From late 2000 through the current period, lower mortgage interest rates, slower employment growth, and decreased in-migration have slowed the absorption of rental units. In addition, a substantial number of multifamily rental units are under construction in the HMA. As a result, a 3-year supply of excess vacant rental units is available.

### ***Richland-Kershaw Rental Submarket***

Currently, the Richland-Kershaw submarket has an estimated 940 excess vacant rental units and about 1,100 rental units under construction. Therefore, 2,040 units will be available during the first 12 months of the forecast period. Estimated absorption during the forecast period is about 1,200 units. With the anticipated level of absorption, an estimated 840 excess vacant rental units will remain at the end of the forecast period, more than another full year's absorption. Unless job growth and absorption pick up considerably in the next 36 months, little need will exist for additional apartment units until late 2008, implying a mid- to late 2007 construction start. The forecast projects a moderate recovery of the job market during the next 3 years. An acceleration of the economic recovery could bring some apartment demand in early to mid-2007, but the reverse also is true. If job growth does not return to rates higher than 2.0 percent by 2006, demand for major market-rate projects may not return until late 2008.

## ***Lexington Rental Submarket***

Forecast population and household growth in the Lexington submarket are to the same as for the Richland-Kershaw submarket. Due to the limited amount of multifamily construction activity, however, the rental market has tightened. Excess vacant rental units as of the Current date total 130. Currently under construction are 125 units that are proposed to be age-restricted units. Hence, only 130 general occupancy rental units will be available during the first 12 months of the forecast period. Estimated absorption over the 36-month forecast period is about 670 units. All the excess vacant rental units should be absorbed during the first 12 months of the forecast period.

Based on anticipated household growth and current market conditions in the Lexington submarket, an estimated demand for approximately 400 rental units should occur by the end of the 36-month forecast period. Approximately 200 of the units should come on the market by mid to late 2006, implying a mid-2005 start. The remaining 200 units should enter the market by the end of the forecast period, indicating a need to start construction by the end of 2006. The estimate of rental demand was based on rental units consisting of studio/efficiency units, one-bedroom units, two-bedroom units, and units with three or more bedrooms. One- and two-bedroom units with a minimum gross monthly rent between \$550 and \$650 should make up about 90 percent of the demand. Demand for studio/efficiency units and units with three or more bedrooms are split equally.

**Table 1**  
**Labor Force and Total Employment**  
**Columbia-Lexington HMA**  
**1990 to August 1, 2004**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Previous 12 Mos.	Current 12 Mos.
<b>Columbia-Lexington HMA</b>																
Labor Force	266,358	270,363	274,050	275,168	277,717	284,651	285,030	297,043	303,482	305,081	302,346	305,681	307,435	312,021	310,888	316,333
Employment	256,318	257,421	260,373	258,190	265,317	274,656	273,878	288,447	296,651	296,979	294,359	295,713	295,863	298,440	298,049	302,687
Unemployment	10,040	12,942	13,677	16,978	12,400	9,995	11,152	8,596	6,831	8,102	7,987	9,968	11,572	13,581	12,839	13,645
Rate (%)	3.8	4.8	5.0	6.2	4.5	3.5	3.9	2.9	2.3	2.7	2.6	3.3	3.8	4.4	4.1	4.3
<b>Richland-Kershaw Submarket</b>																
Labor Force	169,849	172,188	173,802	173,964	170,973	173,870	175,757	181,691	183,744	183,947	183,095	184,005	185,399	189,033	187,950	191,660
Employment	163,187	163,338	164,340	161,929	162,352	167,195	168,270	175,680	179,020	178,289	177,521	177,252	177,439	179,561	179,024	182,154
Unemployment	6,662	8,851	9,462	12,035	8,622	6,676	7,487	6,011	4,724	5,657	5,574	6,752	7,959	9,472	8,926	9,505
Rate (%)	3.9	5.1	5.4	6.9	5.0	3.8	4.3	3.3	2.6	3.1	3.0	3.7	4.3	5.0	4.8	5.0
<b>Lexington Submarket</b>																
Labor Force	96,509	98,174	100,248	101,204	106,744	110,781	109,273	115,352	119,738	121,134	119,251	121,676	122,036	122,988	122,938	124,673
Employment	93,130	94,083	96,033	96,261	102,965	107,462	105,608	112,767	117,631	118,690	116,838	118,461	118,424	118,879	119,024	120,533
Unemployment	3,379	4,092	4,215	4,943	3,779	3,320	3,665	2,585	2,107	2,444	2,413	3,215	3,613	4,109	3,914	4,140
Rate (%)	3.5	4.2	4.2	4.9	3.5	3.0	3.4	2.2	1.8	2.0	2.0	2.6	3.0	3.3	3.2	3.3

Sources: U.S. Department of Labor, Bureau of Labor Statistics  
 South Carolina Employment Security Commission, Labor Market Department

**Table 2**  
**Nonfarm Employment**  
**Columbia MSA**  
**1990 to August 1, 2004**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Previous 12 Mos.	Current 12 Mos.
Total Nonfarm	248.6	245.7	248.0	253.3	264.9	272.8	282.9	292.3	304.9	316.1	314.2	310.2	308.1	303.8	308.5	300.2
Construction and Mining	13.3	12.5	12.4	12.5	13.2	13.9	15.5	16.3	17.1	18.6	18.2	18.1	17.7	17.4	18.0	16.4
Manufacturing	25.2	24.8	24.9	25.0	25.5	24.8	24.7	25.3	26.2	26.6	26.1	25.7	24.6	23.8	24.2	23.6
Trade, Transport., & Utilities	47.5	46.7	46.5	48.1	51.2	54.2	55.9	58.4	58.6	59.6	59.8	58.6	57.2	55.8	57.3	52.7
Information	8.1	7.9	8.0	7.6	7.6	7.6	7.7	8.0	8.1	8.4	7.7	6.7	6.2	5.6	6.0	5.5
Financial Activities	20.4	18.7	19.0	18.8	19.6	20.0	21.1	21.3	23.7	25.3	24.6	25.1	25.2	25.2	25.6	25.5
Professional & Bus. Services	22.5	22.1	22.4	24.5	27.7	29.6	32.4	34.0	36.1	37.7	38.1	37.6	36.2	33.8	35.2	33.7
Education & Health Services	17.1	17.8	18.5	19.1	20.1	20.9	21.7	22.7	26.2	28.6	28.6	29.2	31.4	32.8	32.1	33.8
Leisure & Hospitality	18.7	19.1	19.0	19.9	21.0	22.4	23.5	24.5	24.6	25.6	25.4	26.2	26.3	26.2	26.1	27.1
Other Services	8.7	8.2	8.1	8.4	8.4	8.7	8.7	8.9	9.3	9.6	9.2	8.7	9.4	9.3	9.5	9.1
Government	67.1	67.9	69.0	69.3	70.7	70.8	71.8	72.8	75.2	76.2	76.4	73.5	73.7	73.8	74.4	73.0
Federal	8.0	8.1	8.3	8.1	7.9	7.9	8.1	8.2	8.2	8.3	8.5	8.3	8.5	8.4	8.5	8.2
State & Local	59.1	59.8	60.7	61.2	62.8	62.9	63.7	64.6	67.0	67.9	67.9	65.2	65.3	65.4	65.9	64.8
Total Percent Change	N/A	-1.2	0.9	2.1	4.6	3.0	3.7	3.3	4.3	3.7	-0.6	-1.3	-0.7	-1.4	N/A	-2.7

N/A = Not applicable.

Notes: Data does not include Kershaw County; Figures are in thousands; Numbers may not add to totals due to rounding.

Data are classified according to the North American Industry Classification System (NAICS).

Sources: U.S. Department of Labor, Bureau of Labor Statistics; South Carolina Employment Security Commission, Labor Market Department



**Table 3**  
**Covered Employment**  
**Kershaw County, South Carolina**  
**2001 to March 30, 2004 (Annual Average)**

	2001	2002	2003	Previous 12 Mos.	Current 12 Mos.
Total Covered Employment	17,718	17,645	18,070	17,685	18,193
Natural Resources and Mining	485	469	454	463	467
Construction	1,422	1,385	1,452	1,366	1,476
Manufacturing	4,689	4,540	4,606	4,550	4,560
Trade, Transportation, and Utilities	3,011	3,117	3,434	3,133	3,545
Information	92	271	253	271	245
Financial Activities	742	801	800	810	794
Professional and Business Services	708	705	673	705	691
Education and Health Services	1,236	1,335	1,445	1,373	1,455
Leisure and Hospitality	1,405	1,407	1,302	1,395	1,302
Other Services	421	400	403	397	402
Unclassified	29	24	46	23	59
Government	3,480	3,192	3,203	3,199	3,198
Federal	115	113	108	112	109
State and Local	3,365	3,079	3,095	3,087	3,089
Total Percent Change	N/A	-0.4	2.4	N/A	2.9

N/A = Not applicable.

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

Data are classified according to the NAICS.

Sources: U.S. Department of Labor, Bureau of Labor Statistics

South Carolina Employment Security Commission, Labor Market Department

**Table 4**  
**Fall Semester Enrollment**  
**University of South Carolina**  
**Columbia, South Carolina**  
**1990 to 2003**

Year	No. of Students	Annual Change (%)	On Campus	Annual Change (%)	Off Campus	Annual Change (%)
1990	25,613	N/A	6,362	N/A	19,251	N/A
1991	26,132	2.0	6,401	0.6	19,731	2.5
1992	26,471	1.3	6,135	-4.2	20,336	3.1
1993	26,710	0.9	5,977	-2.6	20,733	2.0
1994	26,754	0.2	5,788	-3.2	20,966	1.1
1995	26,346	-1.5	5,875	1.5	20,471	-2.4
1996	25,489	-3.3	5,414	-7.8	20,075	-1.9
1997	25,447	-0.2	6,032	11.4	19,415	-3.3
1998	25,250	-0.8	6,121	1.5	19,129	-1.5
1999	23,430	-7.2	6,086	-0.6	17,344	-9.3
2000	23,728	1.3	6,482	6.5	17,246	-0.6
2001	23,000	-3.1	6,661	2.8	16,339	-5.3
2002	25,140	9.3	6,703	0.6	18,437	12.8
2003	25,288	0.6	6,661	-0.6	18,627	1.0

N/A = Not applicable.

Sources: University of South Carolina Office of Institutional Planning and Assessment; and University Housing, On-Campus and Off-Campus Departments

**Table 5**  
**Population and Household Trends**  
**Columbia-Lexington HMA**  
**April 1, 1990 to August 1, 2007**

	April 1, 1990	April 1, 2000	Current Date	Forecast Date	Average Annual Change					
					1990 to 2000		2000 to Current		Current to Forecast	
					Number	Rate (%)	Number	Rate (%)	Number	Rate (%)
<b>Population</b>										
Columbia-Lexington HMA	496,930	589,338	620,400	650,900	9,241	1.7	7,200	1.2	10,200	1.6
Richland-Kershaw Submarket	329,319	373,324	390,500	409,400	4,401	1.3	3,975	1.0	6,300	1.6
Lexington Submarket	167,611	216,014	229,900	241,500	4,840	2.6	3,200	1.5	3,875	1.6
<b>Households</b>										
Columbia-Lexington HMA	179,033	223,529	245,300	260,700	4,450	2.2	5,025	2.2	5,150	2.1
Richland-Kershaw Submarket	117,400	140,289	153,000	162,500	2,289	1.8	2,925	2.0	3,175	2.0
Lexington Submarket	61,633	83,240	92,300	98,200	2,161	3.1	2,100	2.4	1,975	2.1

Notes: Rate of change calculated on a compound basis.  
 Numbers may not add to totals due to rounding.  
 Sources: 1990 and 2000, U.S. Census Bureau  
 Current and Forecast: Estimates by analyst

**Table 6**  
**Housing Inventory, Tenure, and Vacancy**  
**Columbia-Lexington HMA**  
**April 1, 1990 to August 1, 2004**

	Columbia-Lexington HMA			Richland-Kershaw Submarket			Lexington Submarket		
	1990	2000	Current	1990	2000	Current	1990	2000	Current
Total Housing Inventory	194,599	243,454	267,000	127,043	152,476	167,100	67,556	90,978	99,900
Occupied Units	179,033	223,529	245,300	117,400	140,289	153,000	61,633	83,240	92,300
Owners	119,930	154,581	173,700	73,030	90,316	102,300	46,900	64,265	71,400
%	67.0	69.2	70.8	62.2	64.4	66.9	76.1	77.2	77.4
Renters	59,103	68,948	71,550	44,370	49,973	50,650	14,733	18,975	20,900
%	33.0	30.8	29.2	37.8	35.6	33.1	23.9	22.8	22.6
Vacant Units	15,566	19,925	21,700	9,643	12,187	14,100	5,923	7,738	7,600
Available Units	8,196	10,385	12,125	5,496	6,463	8,350	2,700	3,922	3,800
For Sale	2,315	2,943	3,550	1,437	1,686	2,100	878	1,257	1,475
Rate (%)	1.9	1.9	2.0	1.9	1.8	2.0	1.8	1.9	1.8
For Rent	5,881	7,442	8,575	4,059	4,777	6,275	1,822	2,665	2,325
Rate (%)	9.1	9.7	10.7	8.4	8.7	11.0	11.0	12.3	10.0
Other Vacant	7,370	9,540	9,550	4,147	5,724	5,725	3,223	3,816	3,825

Note: Numbers may not add to totals due to rounding.  
Sources: 1990 and 2000: U.S. Census Bureau  
Current and Forecast: Estimates by analyst

**Table 7**  
**Residential Building Permit Activity**  
**Columbia-Lexington HMA**  
**1990 to August 1, 2004**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004 <sup>a</sup>
<b>Columbia-Lexington HMA</b>															
Total	2,919	3,252	3,404	4,183	3,991	3,986	4,324	4,853	5,135	5,855	4,584	4,676	5,076	6,107	4,309
Single-family	2,414	2,477	3,079	3,108	3,160	3,129	3,829	3,534	4,219	4,160	4,057	4,052	4,619	5,119	3,594
Multifamily	505	775	325	1,075	831	857	495	1,319	916	1,695	527	624	457	988	715
<b>Richland-Kershaw Submarket</b>															
Total	1,733	2,031	1,941	2,437	2,119	2,400	2,879	3,401	3,301	4,245	3,124	2,952	3,312	4,104	2,945
Single-family	1,399	1,343	1,626	1,584	1,726	1,971	2,475	2,144	2,692	2,835	2,676	2,746	2,965	3,270	2,355
Multifamily <sup>b</sup>	334	688	315	853	393	429	404	1,257	609	1,410	448	206	347	834	590
<b>Lexington Submarket</b>															
Total	1,186	1,221	1,436	1,746	1,872	1,586	1,445	1,452	1,834	1,610	1,460	1,724	1,764	2,003	1,364
Single-family	1,015	1,134	1,453	1,524	1,434	1,158	1,354	1,390	1,527	1,325	1,381	1,306	1,654	1,849	1,239
Multifamily	171	87	10	222	438	428	91	62	307	285	79	418	110	154	125

<sup>a</sup> Permits issued from January 1, 2004 through July 31, 2004.

<sup>b</sup> Multifamily permits include all structures with two or more units.

Sources: Central Midlands Council of Governments; U.S. Census Bureau, C40 Construction Series; local city and county planning and zoning departments

**Table 8**  
**Residential Sales Activity**  
**Greater Columbia, South Carolina Multiple Listing Services**  
**1999 to June 30, 2004**

Year	No. of Sales	Annual Change (%)	Average Sales Price (\$)	Median Sales Price (\$)	Annual Change (%)
1999	7,130	N/A	127,250	*	N/A
2000	6,992	- 1.9	131,750	*	3.5
2001	7,588	8.5	143,500	*	8.9
2002	8,053	6.1	141,000	*	- 1.7
2003	9,351	16.1	**	127,500	N/A
Jul. 2002–Jun. 2003	8,497	N/A	**	N/A	N/A
Jul. 2003–Jun. 2004	9,756	14.8	**	126,000	N/A

\* Median sales price data not available for 1999 through 2002.

\*\* Average sales price data not available for 2003 through June 2004.

N/A = Not available.

Notes: Includes counties of Richland, Lexington, Kershaw, Saluda, Fairfield, and Calhoun. Less than 10 percent of sales were in Saluda, Fairfield, and Calhoun Counties.

Source: South Carolina Association of REALTORS®