

Economic Conditions

Economic conditions in the Charleston HMA were strong during most of the 2000s because of the growing healthcare and high-technology industries and the support that a large number of smaller companies in the professional and business services sector provide to these expanding industries, including call centers and administrative support jobs. From the end of 2001 through 2008, nonfarm payrolls increased by an average of 6,200 jobs, or 2.2 percent. During this period, the professional and business services and the education and health services sectors led growth, increasing annually by 1,400 jobs, or 3.9 percent, and 1,200 jobs, or 4.2 percent, respectively. Combined, both sectors accounted for more than 40 percent of the total annual job growth in the HMA during this period. Approximately 55 percent of the gains in the professional and business services sector occurred partially as a result of nearly 20 administrative and support companies opening or expanding, adding nearly 1,700 jobs in the HMA. These jobs are associated with the expanding healthcare and high-technology industries, including MUSC; Google, Inc.; and BAE Systems. The expansion of these industries is the result of a growing population and the relatively low cost of doing business in the HMA. In 2007, Google, Inc., opened a \$600 million state-of-the-art data center and employed 200 workers. GenPhar, Inc., a biopharmaceutical company, also added 133 new jobs to the HMA the same year. In 2009, BAE Systems, a technology professional services company, added 175 additional jobs to the HMA.

After nonfarm payrolls peaked at 301,900 jobs in 2008, the number

of jobs declined by 15,700, or 5.2 percent, to 286,200 jobs in 2009 as a result of the national recession. The largest decline occurred in the mining, logging, and construction sector, where 3,600 jobs were lost, a decrease of 18.9 percent; approximately 98 percent of the losses occurred in the construction subsector when homebuilding slowed with the declining economy. In 2010, the economy began to recover, gaining an average of 6,500 jobs, or 2.2 percent, annually through 2013. During this time, the professional and business services and the leisure and hospitality sectors led growth, increasing annually by 1,500 and 1,000 jobs, or 3.6 and 2.6 percent, respectively, coinciding with the growing economy and a strengthening in domestic tourism in the HMA after the recession. In 2012, SPARC, an information technology services and software development company, expanded into the HMA, hiring 310 workers.

After strong job gains from 2010 through 2013, the rate of job growth accelerated in 2014. During 2014, nonfarm payrolls averaged 321,600 jobs, an increase of 9,500, or 3.0 percent, compared with 2013 (Table 2), the highest number of jobs recorded in the HMA. During this time, the leisure and hospitality sector led growth, followed by the professional and business services sector, increasing by 2,100 and 2,000 jobs, or 5.3 and 4.3 percent, respectively. In 2014, the HMA received approximately 4.9 million visitors, leading to approximately \$3.3 billion in economic impact on the metropolitan area compared with approximately 4.8 million visitors and an estimated economic impact of \$3.2 billion in 2013 (Office of Tourism; College

of Charleston). APAC Customer Services, Inc., a customer care and outsourcing services company with clients in the healthcare and high-technology industries, added 200 new jobs to the HMA in 2014. The education and health services sector, another top performing sector in 2014, has had the largest sector growth since 2000 (Figure 1).

MUSC, the largest private employer in the HMA (Table 3), has 13,000 employees and had an annual economic impact on the HMA of \$2.3 billion in 2010 (2010 MUSC report; latest data available). In 2014, MUSC completed construction of a \$43.7 million, 78,000-square-foot, medical office building and a 2,800-square-foot medical research building, adding approximately 40 new jobs to the HMA. Roper St. Francis Healthcare, the only not-for-profit healthcare system in the HMA, currently employs 5,300 workers. In mid-2014, Roper announced plans to expand in the HMA with a 60,000-square-foot medical office building in the North Charleston area, with job gains expected to be minimal. During 2014, the mining, logging, and construction sector had the greatest rate of growth, at 7.3 percent, an increase of 1,100 jobs, as residential construction reached the highest level since 2007. The manufacturing sector has accounted for approximately 12 percent of net job growth since 2010, when

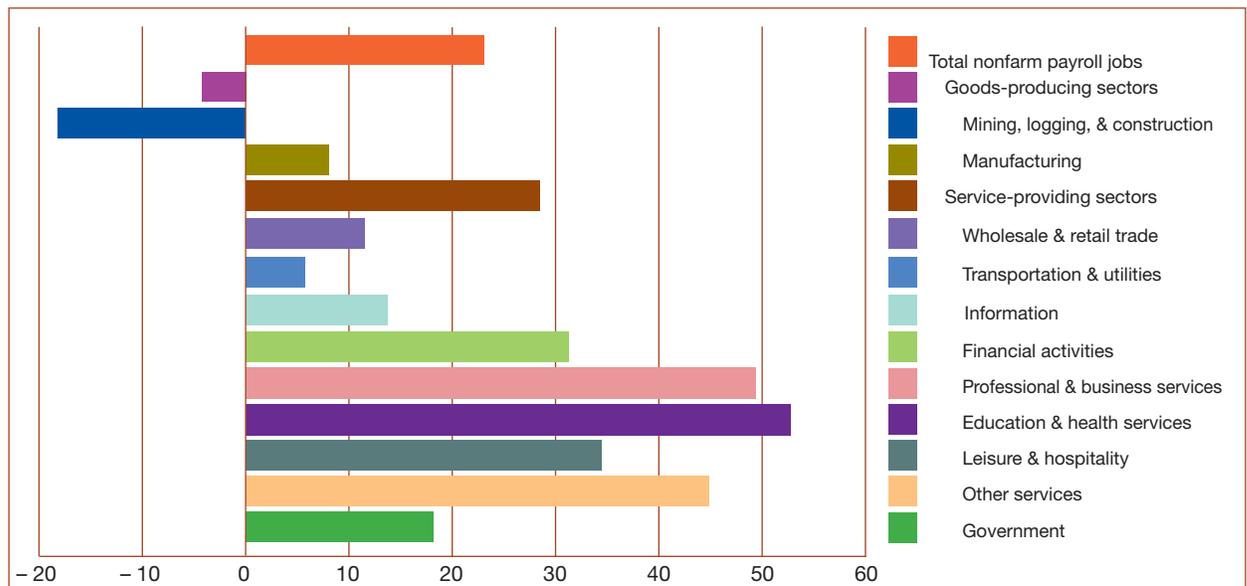
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Charleston-North Charleston HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	December 2013	December 2014		
Total nonfarm payroll jobs	312,100	321,600	9,500	3.0
Goods-producing sectors	39,000	40,800	1,800	4.6
Mining, logging, & construction	15,000	16,100	1,100	7.3
Manufacturing	24,000	24,700	700	2.9
Service-providing sectors	273,200	280,800	7,600	2.8
Wholesale & retail trade	44,800	46,300	1,500	3.3
Transportation & utilities	13,600	13,800	200	1.5
Information	5,000	5,200	200	4.0
Financial activities	12,900	13,400	500	3.9
Professional & business services	46,400	48,400	2,000	4.3
Education & health services	35,300	36,500	1,200	3.4
Leisure & hospitality	39,500	41,600	2,100	5.3
Other services	13,000	13,300	300	2.3
Government	62,600	62,300	-300	-0.5

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through December 2013 and December 2014.

Source: U.S. Bureau of Labor Statistics

Figure 1. Sector Growth in the Charleston-North Charleston HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through December 2014.

Source: U.S. Bureau of Labor Statistics

Boeing South Carolina, an assembly site for commercial aircraft in the Eastern United States, relocated to the HMA and smaller manufacturing companies followed to support aircraft parts production. In 2014, the manufacturing sector added 700 jobs to the HMA, an increase of 2.9 percent. In 2014, IMT, Inc., a manu-

facturer of components for power generation equipment, added 50 new jobs to the HMA. The average unemployment rate in the HMA during 2014 was 5.5 percent, down from 6.3 percent in 2013 and 5.6 percent in 2008. Figure 2 shows trends in the labor force, resident employment, and the unemployment rate.

Reflecting a strong military presence, the government sector, the largest payroll sector in the HMA, with 62,300 jobs, accounts for nearly 20 percent of the total number of jobs (Figure 3). During 2014, because of several layoffs in city government, the government sector was the only sector to lose jobs, declining by 300 jobs, or 0.5 percent, compared with the number of jobs in 2013. JBC, the largest employer in the HMA, employs 13,500 civilian and 8,500 permanent military personnel; the base had an estimated economic impact of approximately \$5 billion on Charleston County in 2013 (Charleston County Government; latest data available).

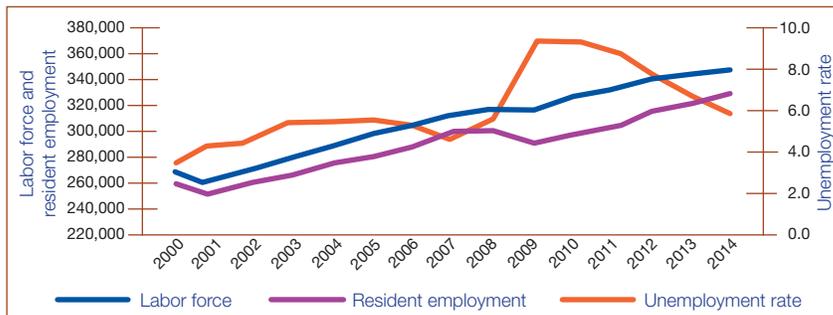
During the next 3 years, nonfarm payroll jobs in the HMA are expected to increase an average of 2.4 percent, annually, with steadily increasing payroll growth throughout the 3-year forecast period. The manufacturing sector is expected to lead job growth during the forecast period. Boeing South Carolina recently acquired 466 acres of land in Palmetto Commerce Park to begin construction of a new interior parts fabrication plant slated to open in late 2016. The project is expected to create 2,000 new jobs during the next 5 years. Mercedes-Benz Vans, a division of the German-owned Daimler Company, announced plans to expand the production facility in North Charleston with a new \$760

Table 3. Major Employers in the Charleston-North Charleston HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Joint Base Charleston	Government	22,000
Medical University of South Carolina	Education & health services	13,000
Cummins Engine Co. Inc.	Manufacturing	10,000
Boeing South Carolina	Manufacturing	6,000
Roper St. Francis Healthcare	Education & health services	5,300
JEM Restaurant Group, Inc.	Leisure & hospitality	3,000
Trident Health System	Education & health services	2,500
Wal-Mart Stores, Inc.	Wholesale & retail trade	2,300
Piggly Wiggly Carolina Company Inc.	Wholesale & retail trade	1,900

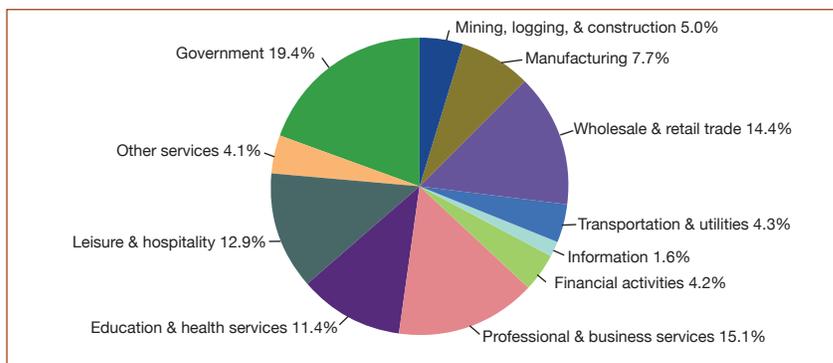
Notes: Excludes local school districts. Joint Base Charleston numbers include 8,500 military and 13,500 civilian personnel. Military personnel are not included in nonfarm payroll totals. Source: Charleston Metro Chamber of Commerce; Economy.com

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Charleston-North Charleston HMA, 2000 Through 2014



Source: U.S. Bureau of Labor Statistics

Figure 3. Current Nonfarm Payroll Jobs in the Charleston-North Charleston HMA, by Sector



Note: Based on 12-month averages through December 2014. Source: U.S. Bureau of Labor Statistics

million plant, body shop, paint shop, and assembly line for building the Sprinter vans. Construction is sched-

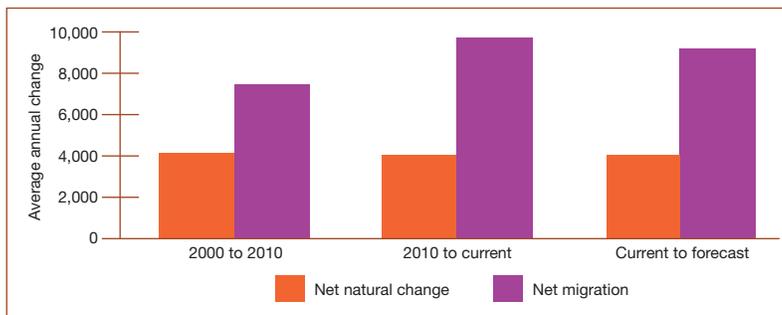
uled to begin in 2016 and is expected to add an additional 1,300 jobs after it is fully operational.

Population and Households

The population of the Charleston HMA is currently estimated at 730,200, an average increase of 13,800, or 2.0 percent, annually since 2010. 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. Figure 4 shows the components of population change in the HMA from 2000 to the forecast date. During the 2000s, population growth was greatest

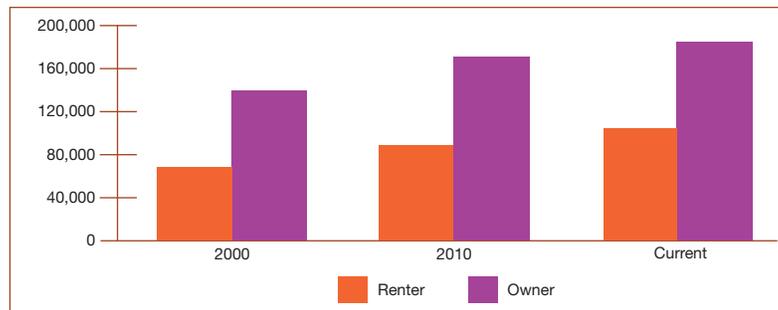
in the HMA from 2005 to 2008 (Census Bureau population estimates, as of July 1), consistent with strong economic conditions at the time; the population increased by an average of 15,100, or 2.5 percent, annually, with net in-migration accounting for 69 percent of the growth. From 2008 to 2012, when nearly 1,200 military personnel returned to the HMA after various deployments, the population increased by an average of 13,500, or 2.0 percent. Net in-migration accounted for an increase of 9,100 people, which was 67 percent of the population growth. During the next 3 years, the population is expected to increase by an average of 13,200, or 1.8 percent, annually to 769,800. Population growth is expected to be concentrated in the area of the HMA where the three counties meet. Table DP-1 at the end of this report provides information about population growth in the HMA from 2000 to the current date.

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



Notes: The current date is January 1, 2015. The forecast date is January 1, 2018.
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

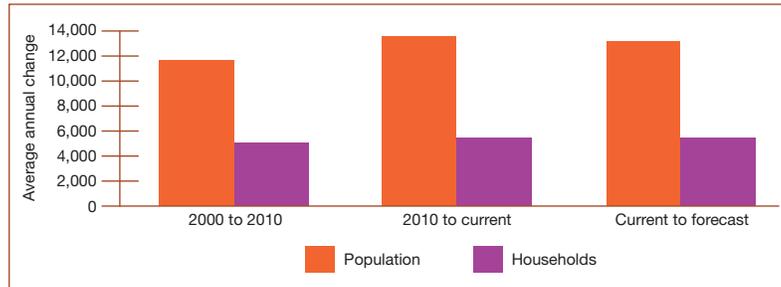
Figure 5. Number of Households by Tenure in the Charleston-North Charleston HMA, 2000 to Current



Note: The current date is January 1, 2015.
Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Of the estimated 284,900 households that currently reside in the Charleston HMA, 180,700, or 63.4 percent, are owner households (Figure 5). The number of households grew by an average of 5,200, or 2.3 percent, annually from April 2000 to April 2010 (Figure 6). Since 2010, household growth has remained stable, averaging 5,250 households, or 1.9 percent, a year. Household growth has been concentrated in the central part of

Figure 6. Population and Household Growth in the Charleston-North Charleston HMA, 2000 to Forecast



Notes: The current date is January 1, 2015. The forecast date is January 1, 2018.
 Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

the HMA where the three counties meet because of easy access to jobs, shopping, and other desirable amenities; this part of the HMA is also where most rental housing developments have been located. JBC military personnel account for approximately 8 percent of all households in the HMA. During the next 3 years, the number of households is expected to increase by 5,325, or 1.8 percent, annually, to 300,900 households.

Housing Market Trends

Sales Market

The sales housing market in the Charleston HMA is currently balanced. As of January 1, 2015, the sales vacancy rate was estimated at 1.7 percent, down from 3.0 percent as of April 2010 when conditions were soft. The strong economy and strengthening sales market were reflected in a lower percentage of seriously delinquent loans (loans that are 90 or more days delinquent or in foreclosure). The percentage of home loans in the HMA that were seriously delinquent or transitioned into real estate owned (REO) status decreased from 5.6 percent in December 2013 to 4.8 percent in December 2014, the same rate as the national rate and lower than the 5.8-percent state rate during December 2014 (Black Knight Financial Services, Inc.). Strong job growth and resulting net in-migration have contributed to improved sales market conditions since 2010.

During 2014, employment growth strengthened, and, as a result, new and existing home sales (including single-family homes, townhomes, and condominiums) increased by

640, or 4 percent, to 16,900 homes sold in the HMA compared with sales a year earlier, and the average price increased 4 percent, to \$287,200 (CoreLogic, Inc., with adjustments by the analyst). New home sales totaled 3,400, up by 200 homes, or 6 percent, from a year earlier. The average new home sales price was \$298,400, up 12 percent, during the same period because the sale of luxury-custom homes increased; approximately 40 percent of luxury home sales occurred in Berkeley County and 80 percent of those sales were in the city of Ladson (Metrostudy, A Hanley Wood Company). Existing home sales increased by 440 homes, or 3 percent, to 13,500 homes sold compared with sales from a year earlier, and the average price for an existing home increased 3 percent, to \$284,300. Since 2000, approximately 75 percent of home sales have been existing homes. From 2004 through 2006, during a period of strong economic and population growth and more lenient lending standards, new and existing home sales in the HMA were greatest, averaging 26,150 homes

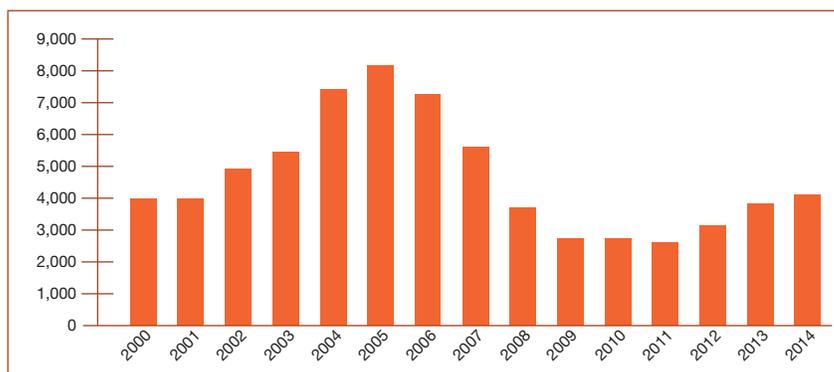
sold annually, and homes sales prices averaged \$259,600, an increase of 11 percent, annually. Employment growth began strong in 2007 but slowed during the second half of the year, resulting in a substantial decline in home sales. From 2007 through 2009, new and existing home sales declined by an average of 4,900 homes, or 25 percent, annually, and homes sales prices averaged \$276,800, a decrease of 4 percent annually. The economy began to recover in 2010 and, from 2010 through 2013, new and existing home sales increased by 1,375 homes, or 11 percent, annually, to an average of 13,100 for the period, while the average sales price increased to \$259,700, a 2-percent increase annually.

From 2012 through 2014, single-family homebuilding activity, as measured by the number of homes permitted, decreased by more than one-half after peaking at 8,100 homes in 2005 (Figure 7). Single-family home construction averaged approximately 7,100 homes permitted annually from 2004 through 2007, when employment and population growth were strong before declining to an average of 3,200 homes permitted from 2008

through 2009. Beginning in 2010, when the economy began to recover, single-family home construction averaged 2,825 homes annually through 2012. During 2013, 3,775 single-family homes were permitted, a 21-percent increase compared with the number permitted in 2012 (2012 and 2013 data are preliminary). During 2014, 4,150 single-family homes were permitted, a 12-percent increase compared with the number permitted in 2013 (2014 data are preliminary). Increases in home sales and the average home sales price helped contribute to the increased homebuilding activity during the period. Nearly 40 percent of all new construction currently occurs in the Summerville area, where one of the largest planned developments in the area, the master-planned community of Nexton, is South Carolina's first "gigabit" community, providing one gigabit-per-second high-speed Internet connections, termed "gigafi," to all its residents. The development started new home construction during the summer of 2014 and plans to release the first 75 homes in the Brighton Park Village subdivision for occupancy in the fall of 2015. After the development is completed during the next 30 years, it will consist of a mix of commercial properties, luxury apartments, and more than 10,000 homes. Home sales prices are expected range from the low \$200,000s to the mid-\$400,000s.

During the 3-year forecast period, demand is expected for 13,950 new homes in the HMA, including 150 mobile homes (Table 1). The estimated 1,500 homes currently under construction and a portion

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



Notes: Includes townhomes. Current includes data through December 2014.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends
Sales Market *Continued*

of the 17,400 other vacant units in the HMA will satisfy some of the demand. Demand is expected to be evenly distributed during the forecast

period. Approximately 25 percent of the demand is expected to be for homes priced between \$225,000 and \$250,000 (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		
130,000	149,999	1,375	10.0
150,000	169,999	2,075	15.0
170,000	199,999	2,075	15.0
200,000	224,999	2,075	15.0
225,000	249,999	3,450	25.0
250,000	and higher	2,750	20.0

Notes: The 1,500 homes currently under construction and a portion of the estimated 17,500 other vacant units in the HMA will likely satisfy some of the forecast demand. Excludes demand for mobile homes. The forecast period is January 1, 2015, to January 1, 2018.

Source: Estimates by analyst

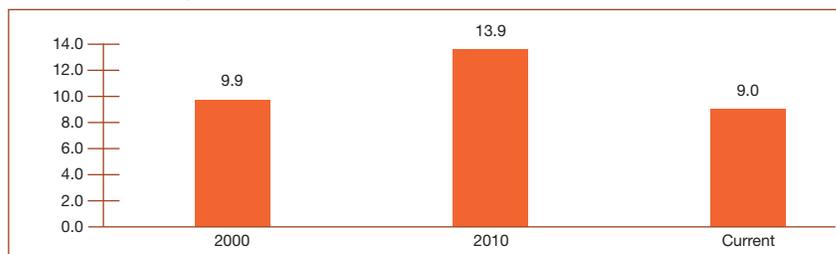
Rental Market

Overall rental housing market conditions in the Charleston HMA are currently soft, but they have improved during the past 4 years because of increased demand for rental units and minimal multifamily construction activity from 2009 through 2011. The current overall rental vacancy rate, including apartments, single-family homes, and other rental units, is estimated at 9.0 percent, down from 13.9 percent in April 2010 (Figure 8). Conditions in the apartment market are currently balanced. The apartment vacancy rate during the fourth quarter of 2014 was 5.8 percent, up from 4.4 percent during the fourth quarter of

2013 (Reis, Inc.). The average asking rent for apartments was approximately \$900, up 6 percent from a year earlier. Rents for studio, one-bedroom, two-bedroom, and three-bedroom apartment units averaged \$730, \$810, \$910, and \$1,075, respectively.

Military personnel from JBC significantly affect the rental market in the HMA. Communities that are highly populated by military personnel and closer to the base have relatively lower rental vacancy rates than the vacancy rate in the HMA as a whole. With only 545 on-base beds for unaccompanied military persons, nearly all military personnel live off base, and approximately two-thirds of off-base personnel are renters in the HMA. The apartment vacancy rate in the northern portion of Charleston County, where communities with a high proportion of military occupants are located, is currently estimated at 5.0 percent, less than the overall rate for the HMA (local sources). An estimated 8 percent of total renter households in the HMA are military households.

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



Note: The current date is January 1, 2015.

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

Housing Market Trends

Rental Market *Continued*

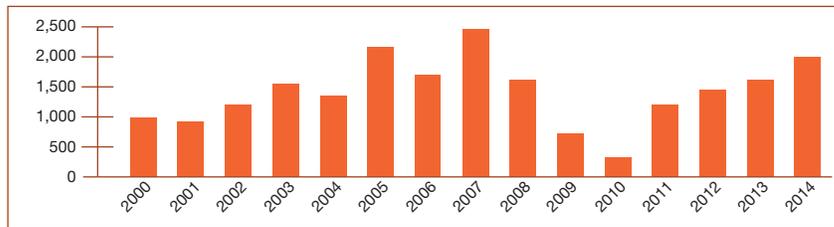
During the early 2000s to mid-2000s, multifamily construction was high, averaging 1,725 units permitted between 2003 and 2006 (Figure 9). Construction peaked in 2007, when 2,500 units were permitted and when employment growth was strongest. When employment growth began to decline in late 2008, multifamily construction declined to 1,675 units permitted. In 2009, at the same time that the largest employment losses occurred, multifamily construction declined dramatically, to 750 units permitted. In 2010, when economic conditions were weak, multifamily construction decreased further, to 360 units permitted. Improving economic conditions, coupled with increased rental demand, led to increased multifamily development beginning in 2011. During 2011 and 2012, an average of 1,350 units were permitted annually. During 2014, 2,000

multifamily units were permitted in the HMA, an increase of 22 percent compared with 1,625 multifamily units permitted a year earlier (2013 and 2014 data are preliminary).

Apartment construction is concentrated in the area of the HMA where the three counties meet. Since 2010, more than 80 percent of all apartment units permitted in the HMA have been in this area. Properties under construction in this area include the 300-unit 35 Folly Road apartments in West Ashley and the 280-unit The Standard in James Island, both expected to begin leasing in the fall of 2015. Proposed rents at these two properties are expected to start at about \$900 for one-bedroom units.

During the next 3 years, demand is expected for 3,575 new market-rate rental housing units in the HMA (Table 1). The 2,300 units currently under construction and 500 units in the planning phase will meet a portion of this demand. As a result of current rental market conditions, additional units should begin construction during the second year of the 3-year forecast period to allow for excess vacant available units to be absorbed. Table 5 shows forecast demand by the number of bedrooms and rent levels.

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



Notes: Excludes townhomes. Current includes data through December 2014.

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

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
900 to 1,099	170	975 to 1,174	1,025	1,200 to 1,399	1,425	1,425 to 1,624	400
1,100 or more	10	1,175 or more	55	1,400 to 1,599	270	1,625 to 1,824	110
				1,600 or more	90	1,825 or more	25
Total	180	Total	1,075	Total	1,800	Total	540

Notes: Numbers may not add to totals because of rounding. The 2,300 units currently under construction will likely satisfy some of the estimated demand. The forecast period is January 1, 2015, to January 1, 2018.

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	2010 to Current
Total resident employment	259,961	296,891	329,600	1.3	2.6
Unemployment rate	3.3%	9.3%	5.5%		
Nonfarm payroll jobs	261,800	287,400	321,600	0.9	2.9
Total population	549,033	664,607	730,200	1.9	2.0
Total households	207,957	259,987	284,900	2.3	1.9
Owner households	138,342	170,522	180,700	2.1	1.2
Percent owner	66.5%	65.6%	63.4%		
Renter households	69,615	89,465	104,200	2.5	3.3
Percent renter	33.5%	34.4%	36.6%		
Total housing units	232,985	298,542	315,700	2.5	1.2
Owner vacancy rate	1.4%	3.0%	1.7%		
Rental vacancy rate	9.9%	13.9%	9.0%		
Median Family Income	\$43,200	\$60,300	\$64,200	3.4	1.3

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through December 2014. Median Family Incomes are for 1999, 2009, and 2014. The current date is January 1, 2015.

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: 1/1/2015—Analyst’s estimates
 Forecast period: 1/1/2015–1/1/2018—Analyst’s estimates

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 the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, 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_15.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 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 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.