



Charleston Metro
Chamber of Commerce

ECONOMIC OUTLOOK FORECAST

2019 - 2020

#EOCCHS

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INTRODUCTION

The annual economic forecast for the Charleston region is a partnership project between the Charleston Metro Chamber of Commerce's Center for Business Research and the College of Charleston's Office of Economic Analysis.

The forecast is based upon historical data tracked and collected by the Chamber's Center for Business Research. Data on each of the key economic indicators that drive the region's economy are collected and provided to the College of Charleston's School of Business. An econometric forecasting model is used to develop a projection for each indicator. The model also takes into account national indicators.

The key to the success of the forecasting project has been the Economic Outlook Board comprised of local business leaders from every major economic sector. Their collective insight provides information that may not be picked up in a statistical analysis of the data. The Board often has information on future developments that no statistical model would capture. Furthermore, the data is often reported in a lag - the Economic Outlook Board reviews the statistical forecast and adds the "real-time, real-knowledge" insight into the actual performance of the local economy.

The 2019 Forecast marks the 28th Annual Conference and Forecast.

POPULATION GROWTH



38  = PEOPLE PER DAY

The region is expanding by 38 new residents each day, of which 28 are people moving here and 10 are net new births. As of 2017, the Charleston Metro Area population is 775,831.

2018 estimates due to be released March 2019; U.S. Census Bureau.

 **MOVE HERE**

 **BORN HERE**

FORECAST SUMMARY

Comprised of three counties – Berkeley, Charleston and Dorchester – the Charleston Metro Area of South Carolina is an economically diverse market located on the U.S. Atlantic coast approximately halfway between New York and Miami.

The region's strong economic performance was recently touted in the Milken Institute's 2018 Best Performing Cities report, ranking the Charleston Metro Area #16 overall in the 'Large U.S. Cities' category and #5 for one-year high-tech GDP growth. Milken points out that Charleston's economic diversity makes us less vulnerable to external shocks, and our steady population growth helps support the region's future economic prosperity.

In 2018, more than \$1.1 billion in capital investment and 2,000 new jobs were announced by 30+ companies – about 40% were new to the region and 60% were already located here. The first phases of Volvo Cars' and Mercedes-Benz Vans' manufacturing plants became fully operational, together adding almost 2,000 new jobs. Job gains in our region are expected to continue, adding 6,000 to 8,000 net new jobs per year particularly in production, hospitality, medical, business operations and information technology. The region's biggest challenge is filling the jobs with skilled talent. We must continue efforts to activate students for our region's high-demand jobs, advance opportunities for all to succeed after high school and further align our employers and education systems.

As Charleston was once again ranked the #1 travel destination in the U.S. by *Travel + Leisure* readers, the visitor industry remains strong. More than 600 new hotel rooms were added in 2018, with another 1,200 planned or proposed for 2019. Because of this increase in inventory, some indicators are forecasted to remain flat over the next two years.

Residential real estate locally was challenged by a smaller expansion in supply and higher mortgage interest rates, much like the national market overall. Our region is facing a housing attainability crisis as prices continue to rise and additional restrictions on building are being implemented. Through the Investment Opportunity Study, the Chamber is working to build collaborative partnerships with local governments to help address critical issues such as attainable housing and development timelines.

Joint Base Charleston and the region's military presence overall remain strong with approximately 20,000 total civilian and active-duty personnel. South Carolina ranks #19 in defense spending as a percentage of state GDP, according to the Federal Office of Economic Adjustment. Billions of dollars in defense industry payroll and contract spending flow into South Carolina, with the Charleston region being the biggest benefactor.

Records were set locally in 2018 at both the Port of Charleston and at Charleston International Airport. Both predict continued gains over the next two years, but at more modest rates. The deepening of Charleston Harbor will make us the deepest harbor on the East Coast, and with British Airways adding Charleston International Airport's first transatlantic flight, the region's global importance has never been stronger.

The 2019-2020 forecast for the region indicates continued economic expansion, though at a more moderate pace than in recent years. The nation has seen 10 years of expansion since the Great Recession, soon to become the longest period of economic expansion in U.S. history. Barring any unforeseen circumstances, there is no recession forecasted for the immediate future.

2019 ECONOMIC FORECAST AT A GLANCE

+2.0%

LABOR FORCE



+2.1%

EMPLOYMENT



+4.0%

ATTRACTIONS



-1.7%

**RESIDENTIAL
UNITS SOLD**



+3.7%

**RETAIL
SALES**



-2.1%

**SINGLE FAMILY
PERMITS**



+2.0%

TEUs



+9.5%

AIRPORT



-0.8%

REVPAR



EMPLOYMENT AND LABOR FORCE

The pace of growth of the region's labor force, as measured by residents working or looking for work, slowed in 2018 according to preliminary annual figures. With employers creating jobs faster than they can fill them, this tightening of area labor markets is a nationwide trend in thriving communities.

While the number of Charleston Metro Area residents who are employed grew by nearly 3,000 in 2018, job growth in our metro, as measured by workplace, showed 6,000 net new jobs, compared to the 8,000 added in 2017. This, along with commuting pattern data, shows that the region is attracting more workers than ever who live outside the three-county area and commute in for work. This trend provides a larger labor pool to hire from than just the 378,000 workers who live inside the region. Employment sectors with the highest growth rates include Construction (+7%), Education & Health Services (+5.3%), Information (+4.6%) and Manufacturing (+3.6%), according to preliminary 2018 annual estimates.

The 2019 forecast is for the local labor force to grow by 2%, as employment grows at about the same rate. This will leave the unemployment rate hovering around 3%. Roughly this same pace is projected in 2020. The Chamber, in partnership with the Charleston Regional Development Alliance, released an update to the Talent Demand Study in 2018 to emphasize our region's talent shortage. Along with identifying the highest growth areas, it highlights the efforts being taken to address our needs through our emerging workforce, higher education and workforce training.



RESIDENTIAL CONSTRUCTION

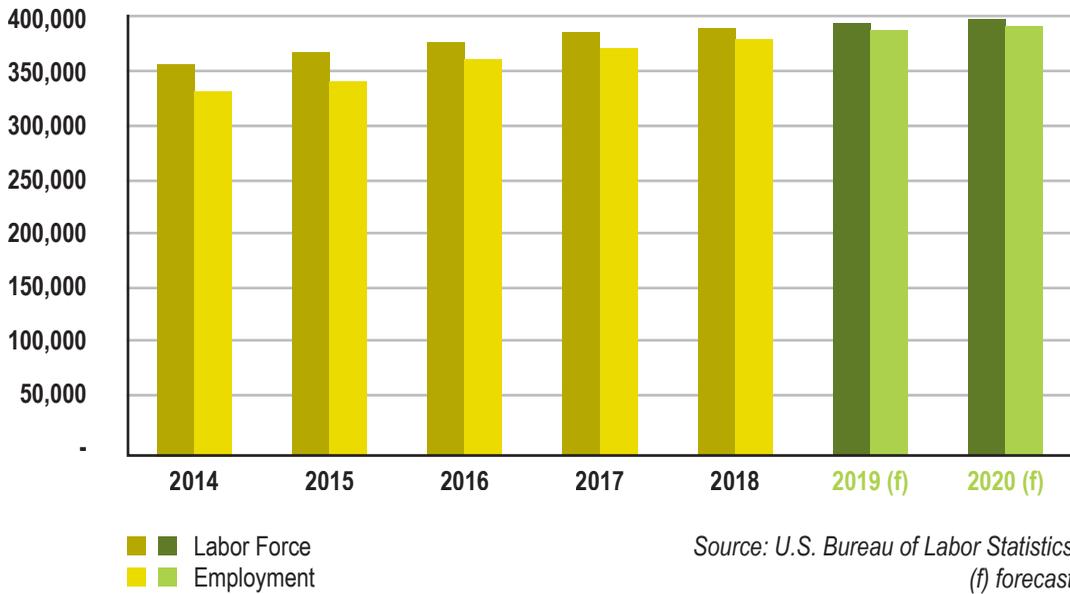
As you drive around the region, you cannot miss the construction of single-family homes and multi-family units. While it looks like a lot of housing, in reality we are still not reaching the approximately 7,500 net new housing units needed to keep pace with our steady, average population growth of 2.2%. In 2018, fewer than 7,000 units were permitted across all three counties. Pair this with rising construction costs, a tight labor force and increased permitting constraints and it is clear why we are facing a housing attainability crisis.

Permits for single-family homes were on par with 2017, just under 5,000, while permits issued for multi-family units in 2018 were fewer than 2,000. In total, new housing units permitted decreased compared to 2017 figures. Total housing units permitted in 2019 are expected to be approximately 6,400, with an additional 6,100 units projected in 2020 regionwide.

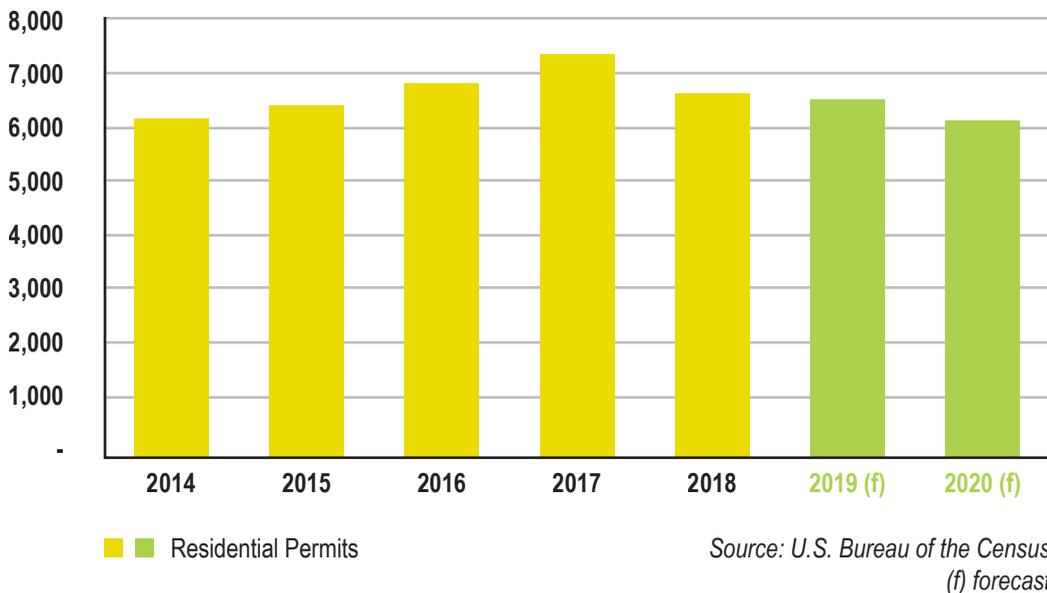
The forecast for 2019 and 2020 shows a slowing in the permitting of housing units in the Charleston region. The Economic Outlook Board emphasizes that this is not due to an economic downturn. Rather numerous factors are likely at play, including an expected rise in mortgage interest rates, the imposition of increased building restrictions in some jurisdictions and continually rising construction costs. Through the Investment Opportunity Study, the Chamber is establishing a fact-based platform for collaborative partnerships with local governments on shared priorities, such as attainable housing and development timelines.



Labor Force / Employment Charleston Region



Total Residential Permits



RESIDENTIAL SALES

2018 home sales in the Charleston region totaled more than 18,000, approximately the same as in 2017. Rising interest rates along with strong demand made affordability an increasing issue – particularly for first-time buyers. The median and average home sales prices each increased about 6% to \$266,000 and \$360,000, respectively.

Market fundamentals and the overall economy remain strong, but a shrinking inventory in the region (*only about 3.5 months supply at year-end*) provide fewer options for home buyers. With new housing permits in 2019 not expected to increase over 2018 levels, a low inventory of homes for sale will persist. This coupled with expected increases in mortgage rates creates an environment where prices are likely to increase, further shrinking demand. If this trend continues into 2020, the market may balance with some flattening of prices.



RETAIL SALES

With more consumers employed and spending, along with an active tourism industry, gross retail sales for 2018 are expected to show steady growth (*final figures have not yet been reported*). Despite an anomaly in 2016, a one-time blip in Berkeley County's gross retail sales related to the industrial sector, total sales returned to normal trends in 2017 and 2018.

The forecast for 2019 and 2020 is for the more typical increases of between 3 and 4% annually in gross retail sales in the three counties.

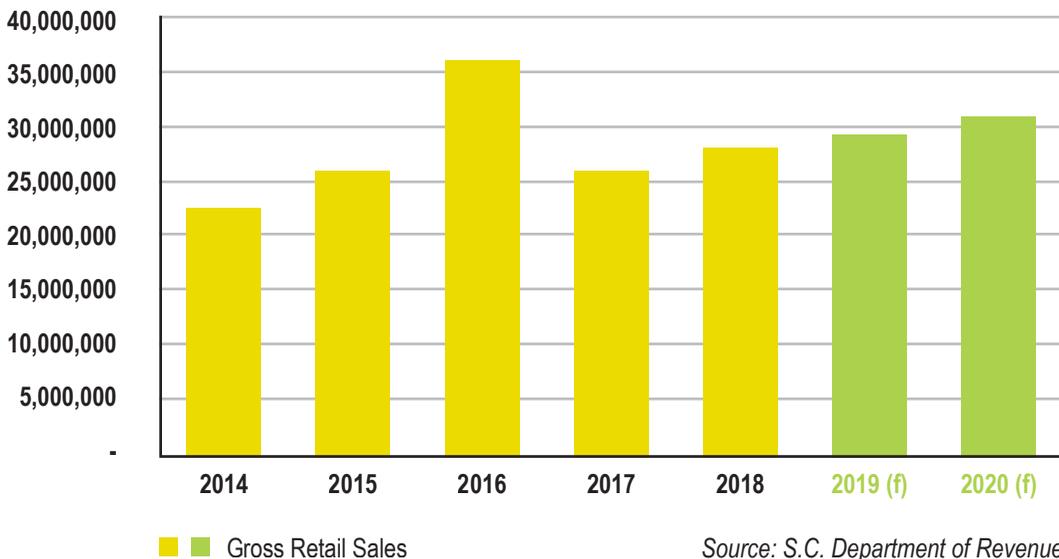


Residential Home Sales

Year	# Sold	Average Sales Price	Median Sales Price
2014	14,257	\$290,822	\$215,000
2015	16,221	\$307,415	\$229,000
2016	17,829	\$320,703	\$240,000
2017	18,410	\$340,183	\$251,333
2018	18,159	\$359,900	\$266,700
2019 (f)	17,900	\$363,000	\$270,000
2020 (f)	17,700	\$362,300	\$266,900

Source: Charleston Trident Association of Realtors
(f) forecast

Gross Retail Sales (\$000)



Source: S.C. Department of Revenue
(f) forecast

TRANSPORTATION (PORT)

Charleston has been one of the nation's most important seaports since its establishment in 1670. Today, the South Carolina Ports Authority (SCPA) remains in the top 10 ports in the United States, ranking eighth in terms of the dollar value of goods shipped. 2018 was another record year for SCPA, handling more than 2.3 million TEUs (twenty-foot equivalent units) and recording a 6.4% increase over 2017 volumes. A second inland facility opened in Dillon, and construction of the Hugh K. Leatherman Port Terminal continued with Phase 1 expected to open in 2021. Dredging of the Charleston Harbor also began in 2018, which will take depths to 52 feet and make Charleston the deepest port on the East Coast once completed, further enhancing our region's global competitiveness.

The Port of Charleston forecasts continued growth in 2019 and 2020, with a 2% increase for 2019 and at least a 4% increase for fiscal year 2020. With the new headquarters building now in Mount Pleasant near the Wando Welch Terminal, and other improvements underway, ever-increasing efficiencies are expected to add an uptick in volume for 2020.



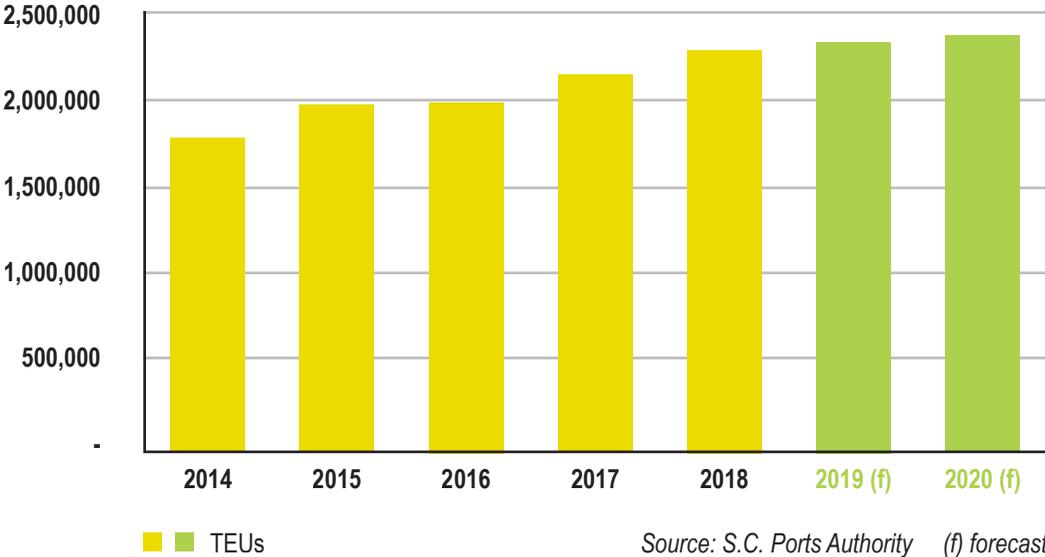
TRANSPORTATION (AIRPORT)

As airlines added flights in 2018, the Charleston International Airport reached a new record passenger volume of 4.4 million, a 12% increase over 2017. Recent expansions and improvements at CHS proved valuable, as the region welcomed the announcement by British Airways to add a flight between Charleston and London's Heathrow Airport starting in spring of 2019. This is the first transatlantic flight for Charleston International Airport and is expected to boost both leisure and business travel to and from Europe, increasing the Charleston region's visibility on the global stage.

Additionally, Allegiant and Frontier announced expansion of service with more domestic flights to be added locally in 2019. The next two years are predicted to show increased passenger volumes by 9.5% in 2019 and to surpass the five-million-passenger mark in 2020.

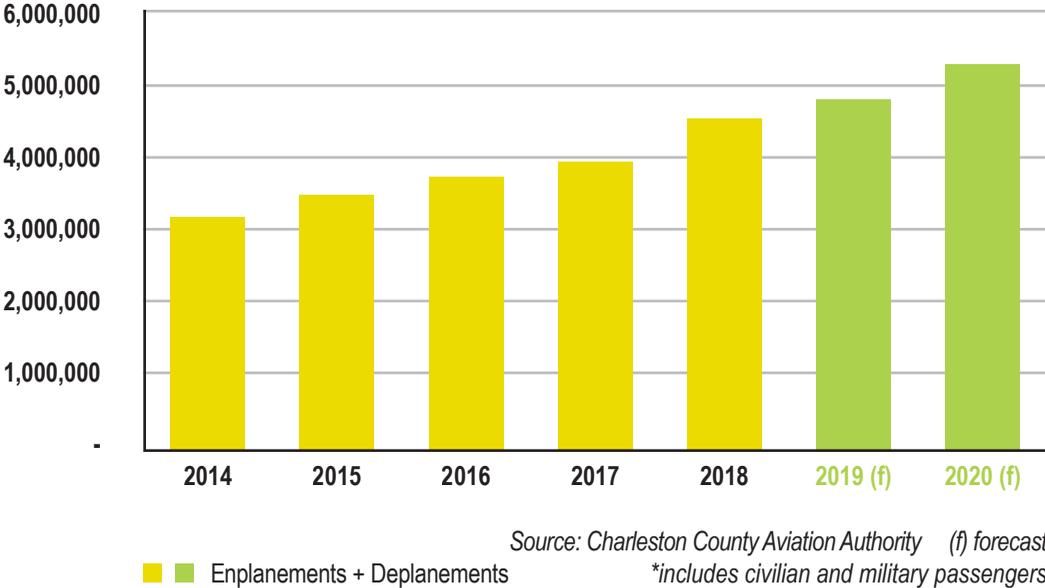


Port of Charleston Activity (TEUs)



Source: S.C. Ports Authority (f) forecast
 *TEUs: twenty-foot equivalent units

Charleston International Airport Passenger Activity



Source: Charleston County Aviation Authority (f) forecast
 *includes civilian and military passengers

VISITOR INDUSTRY

In 2018, readers of *Travel + Leisure* magazine voted Charleston the number one U.S. city to visit for the sixth year in a row. Charleston also made the publication's list of the world's top 15 destinations. The economic impact of tourism in the greater Charleston area is now \$7.4 billion, employing more than 40,000 workers, as estimated by the College of Charleston's Office of Tourism Analysis.

Due to the success of the tourism industry locally, hospitality investors continue to be attracted to this region. More than 640 new hotel rooms were in-market in 2018 versus the prior year, and still the sector experienced a 2.3% increase in room-nights sold (a measure of demand). At the same time, only a 0.6% decrease in the average daily rate (or the average price paid for those rooms sold) occurred. Hurricanes Michael and Florence in the fall stalled visitor activity for all destinations in the Southeast including Charleston, thus 2018 resulted in a slight decrease in RevPAR--or revenue per available room (hotels' room revenues divided by the total number of available rooms) --compared to 2017.

An additional 1,200 rooms are planned or proposed for 2019 and 500 more for 2020. This is expected to keep pressure on RevPAR, holding it flat or with ever-so-slight decreases in 2019 and 2020 overall.

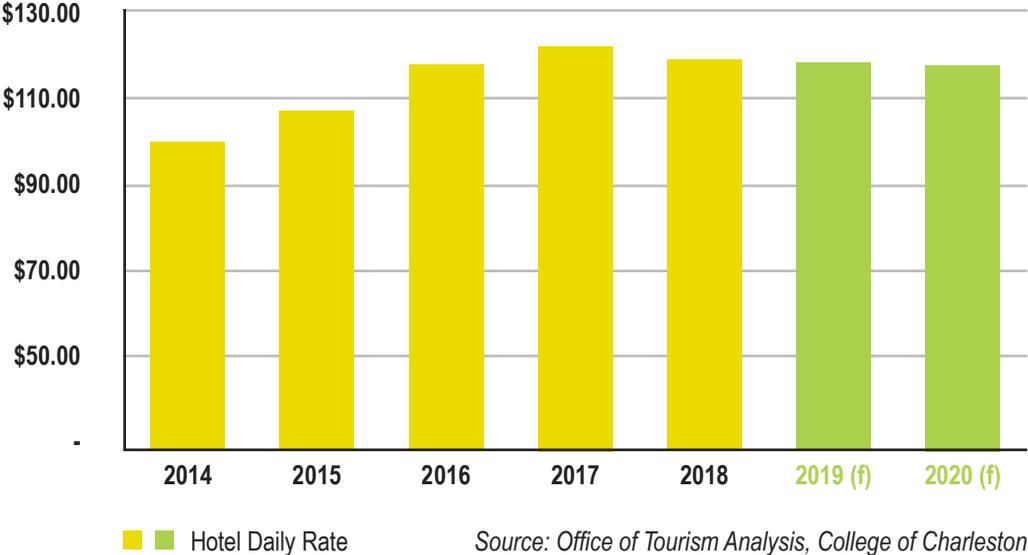


ATTRACTION ATTENDANCE

Attractions tracked for this indicator include nearly 20 area historic homes, museums, gardens and other attractions. Hurricane Florence in September and Hurricane Michael in October put downward pressure on visitor activity in all Atlantic Coast destinations, including the Charleston area, resulting in attendance at area attractions to drop by 4.8% in 2018. However, attendance is expected to increase again in 2019 and 2020.



RevPAR (Revenue Per Available Room)



Source: Office of Tourism Analysis, College of Charleston (f) forecast

Attendance at Area Attractions

Year	Attendance	% Change From Previous Year
2014	2,435,544	3.4%
2015	2,447,565	0.5%
2016	2,571,589	5.1%
2017	2,627,933	2.2%
2018	2,500,757	-4.8%
2019 (f)	2,600,787	4.0%
2020 (f)	2,652,803	2.0%

Attractions include: Historic homes, museums, plantations and other attractions.
 Source: Charleston Area Convention & Visitors Bureau (f) forecast

ECONOMIC OUTLOOK BOARD

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METHODOLOGY

Data for the forecast is collected by the Charleston Metro Chamber of Commerce's Center for Business Research and reviewed by the College of Charleston. Data reported by national and state agencies, such as employment, inflation and interest rates, are downloaded directly from those agencies.

The statistical methodology used to generate the forecast herein is Vector Autoregression or VAR.

For a digital copy of the forecast, please visit:

**[www.charlestonchamber.org/
economicforecast](http://www.charlestonchamber.org/economicforecast)**

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