ECONOMIC OUTLOOK FORECAST
2020 - 2021
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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 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 2020 Forecast marks the 29th Annual Conference and Forecast.

The region is expanding by 34 new residents each day, of which 26 are people moving here and eight are net new births. As of 2018, the Charleston Metro Area population is 787,643.

2019 estimates due to be released March 2020; U.S. Census Bureau.
Economically, 2019 was another vigorous year for the Charleston Metro Area. The region was named a “Small Powerhouse” by McKinsey Global Institute in its Future of Work in America study in 2019. According to the report, Small Powerhouse communities are smaller than the largest U.S. metros like New York, Los Angeles and Miami, but are the fastest-growing in terms of GDP, population and jobs. Charleston also received top marks from Forbes, ranking it in the top five metros of “where the jobs will be in 2020”.

The region’s labor force and job growth accelerated in 2019 compared to 2018, slightly more than forecasted. The workforce grew by 2.3% (9,000 workers) and employment grew by 2.8% (10,000 new jobs). In addition, 30 new and expanding firms in the region announced $260 million in capital investment and 2,100 new jobs that will be added to the market over the next several years. These jobs span numerous fields from logistics to machined components manufacturing, from IT and robotics to customer service, headquarters and more. Our region’s overall labor force participation rate remained at 65.5%, higher than the U.S. average of 63%.

Single-family home construction permits issued were essentially the same in 2019 as in 2018, about 4,800 units. Multi-family permits, while still strong in our market, dropped below 2,000 units for the first time since 2015, which left total residential permits down slightly in 2019. The number of homes sold in 2019 outpaced expectations, with more than 18,500 closings or 2.1% growth over 2018. The median sales price was $277,500 and the average was $365,989, up 4.2% and 1.6%, respectively. This robust activity level, coupled with fewer new residential construction permits issued, resulted in much lower inventory (-17%) or about three months’ supply at year end.

Final retail sales figures for 2019 were not yet reported at the time this forecast was prepared, but estimates put the Metro Area’s total at about the same as in 2018, near $30 billion. Area accommodations sold 4.8 million room nights in 2019, a 3.7% increase, while continuing to add room inventory. Average occupancy rates remained high at an average of 74.5% for 2019, and attendance at area museums, gardens and similar attractions increased 1.3% compared to 2018.

Charleston International Airport (CHS) had another record-breaking year, with more than 4.8 million passengers handled, 9% more than in 2018. Airlines continued to add new flights, including British Airways, which brought CHS its first nonstop transatlantic flight, connecting the Charleston region to London’s Heathrow. Capital expansion continues to add parking and passenger capacity at the newly renovated facilities. The South Carolina Ports Authority reported more activity than expected in 2019, an increase of 5.2% over 2018. Their newest economic impact study was released, showing a $63.4 billion annual impact on the state’s economy. Locally, the impact is nearly $8 billion, with almost 28,000 Lowcountry jobs sustained because of port operations.

Military remains a top economic driver in our region with a $10.8 billion dollar annual impact. That will continue to strengthen as Charleston becomes one of the Coast Guard’s largest bases in the nation over the next several years.

The Charleston region is thriving and the 2020-2021 forecast indicates continued economic expansion. While our economy is strong and diverse, we must continue aligning talent skillsets with our growing jobs and ensuring housing options are affordable for all residents.
2020 Economic Forecast at a Glance

- **Labor Force**: +2.0%
- **Employment**: +2.5%
- **Attractions**: +0.3%
- **Residential Units Sold**: +1.0%
- **Retail Sales**: +1.9%
- **Single Family Permits**: +0.5%
- **TEUs**: +4.3%
- **Airport**: +8.0%
- **RevPar**: -1.0%
EMPLOYMENT AND LABOR FORCE

The Charleston region’s labor force and job growth accelerated in 2019 compared to 2018, slightly more than our forecast. Residents participating in the labor force grew by about 9,000 and those employed grew by about 10,000, leaving the unemployment rate averaging 2.5% in 2019, a record annual low. Our region’s overall labor force participation rate has remained at about 65.5% for the past few years, higher than the U.S. average of 63% over the same time period.

Whether ranked by growth in number or by percentage, the three sectors with the most job growth in the region in 2019 include construction (+4%), trade, transportation and utilities (+3.6%) and leisure and hospitality (+3.4%).

The forecast is for the local labor force to grow by 2% again in 2020, as employment grows at 2.5%, leaving the unemployment rate hovering around 2% on average for the year. In 2021, roughly this same pace is expected, and the labor force living inside the three county region will surpass 400,000 for the first time.

RESIDENTIAL CONSTRUCTION

Single-family home construction permits in the Charleston Metro Area were essentially the same in 2019 as in 2018 and didn’t slow down as much as predicted. Multi-family permits dropped below 2,000 units for the first time since 2015, which left total residential permits down slightly (-3.5%) in 2019 compared to 2018.

Residential building permits issued statewide also decreased (-1.5%) in 2019 compared to 2018. Nationally, single-family units permitted were flat in 2019, while multi-family units permitted were up double digits, leaving overall residential construction permits up by 3.9% compared to the prior year.

The forecast for 2020 and 2021 is for single-family homes permitted in the Charleston Metro Area to edge up by just under 1% each year, while multi-family units permitted remain robust but not at the pace of the past several years. This will allow demand to catch up to the recent increase in supply of multi-family properties in the region.
Labor Force / Employment Charleston Region

Source: U.S. Bureau of Labor Statistics
(f) forecast

Total Residential Permits

Source: U.S. Bureau of the Census
(f) forecast
RESIDENTIAL SALES

Homes sold in the Charleston Metro Area in 2019 outpaced expectations, with 2.1% growth over 2018. Nationwide, the overall strength of the economy, record low unemployment and record high stock markets improved the asset bases of millions of Americans. These factors, coupled with low mortgage rates and the attractive quality of life of the Charleston region, helped the local housing market perform better than expected.

In December 2019, the Charleston Metro Area was named one of the “Top Ten Outperforming Metro Markets for the Next 3-5 Years” by the National Association of Realtors. This accolade was based on numerous factors, including migration patterns, job growth relative to the national average, home price appreciation and other variables.

The forecast for 2020 and 2021 is for local home sales to increase by 1% and 1.5%, respectively, and for continued demand to elevate the median sales price above $280,000 and the average above $370,000.

RETAIL SALES

Retail sales for the full calendar year of 2019 were not yet reported at the time this forecast was prepared, but estimates put the Metro Area’s total at about the same as in 2018, around $30 billion. Due to some notable increases in the last quarter of 2018 in Berkeley County, likely related to some large non-manufacturing capital investments similar to some in 2016, and therefore not necessarily annually recurring, preliminary 2019 sales in the region show a slight decrease compared to 2018.

Still, all three counties have seen robust retail activity in the past several years, and total regional sales are almost double what they were a decade ago during the middle of the Great Recession. Despite the retail industry’s struggle globally to adapt to changing consumer behavior and technology, the Charleston area’s population growth and economic strength have helped its retail sector succeed during this evolution. According to local retail market analysts’ reports, the Charleston Metro Area added approximately 900,000 square feet of retail space in 2019, and yet the vacancy rate remained low at 4.8%.

With more than 300,000 square feet of retail space under construction in the fourth quarter of 2019, the forecast for the region’s total retail sales in 2020 and 2021 is for more typical increases of about 2% to 2.5% annually.
Residential Home Sales

<table>
<thead>
<tr>
<th>Year</th>
<th># Sold</th>
<th>Average Sales Price</th>
<th>Median Sales Price</th>
</tr>
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<tbody>
<tr>
<td>2015</td>
<td>16,221</td>
<td>$307,415</td>
<td>$229,000</td>
</tr>
<tr>
<td>2016</td>
<td>17,829</td>
<td>$320,677</td>
<td>$240,000</td>
</tr>
<tr>
<td>2017</td>
<td>18,411</td>
<td>$340,186</td>
<td>$251,500</td>
</tr>
<tr>
<td>2018</td>
<td>18,193</td>
<td>$360,072</td>
<td>$266,263</td>
</tr>
<tr>
<td>2019</td>
<td>18,576</td>
<td>$365,989</td>
<td>$277,500</td>
</tr>
<tr>
<td>2020 (f)</td>
<td>18,762</td>
<td>$373,309</td>
<td>$280,275</td>
</tr>
<tr>
<td>2021 (f)</td>
<td>19,043</td>
<td>$375,175</td>
<td>$284,479</td>
</tr>
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Source: Charleston Trident Association of Realtors
(f) forecast

Gross Retail Sales ($000)

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

The South Carolina Ports Authority reported higher activity than expected in 2019, with more than 2.4 million TEUs handled, an increase of 5.2% over 2018. Assembled vehicles handled through the port topped 225,000, up 4.4%, and breakbulk tonnage was also up 9.6% in calendar year 2019.

The South Carolina Ports Authority’s newest economic impact study shows a $63.4 billion annual impact on the state’s economy. Current improvements to this mighty statewide asset include the harbor deepening and the new Hugh K. Leatherman, Sr. Terminal, the only permitted new container terminal on the U.S. East and Gulf Coasts. The Charleston harbor deepening project is on track to achieve a 52-foot depth in 2021, making Charleston the deepest harbor on the East Coast. The entrance channel is also being deepened to 54 feet, up from 47 feet. The new Leatherman Terminal’s first phase is also on track to open in 2021, and at full build-out, the 280-acre terminal is expected to boost capacity by a full 50%.

As one of the top ten ports in the United States, Charleston continues to demonstrate its vital connection and prominent position on the world stage. The Port’s forecast for 2020 is for an increase of 4.3% in TEU activity compared to 2019, and 2021 will bring another 3.3% increase.

TRANSPORTATION (AIRPORT)

Charleston International Airport’s (CHS) forecast for 2019 was right on target with 4.8 million passengers handled, 9% more than in 2018.

The region’s new British Airways flight, direct from CHS to London’s Heathrow Airport on a seasonal basis, is the first nonstop transatlantic flight for Charleston International. Reports are that its inaugural year was a success and plans are to return in 2020. Additional new flights added in 2019 by nearly every airline serving CHS bring the number of flights arriving and departing daily to about 180. More flights scheduled to be added in 2020 have also been announced by Allegiant, Southwest and Alaska Airlines.

The forecast for 2020 and 2021 is for increased passenger volumes of about 8% each year and to surpass the five-million-passenger mark for the first time in 2020.
VISITOR INDUSTRY

In 2019, readers of Travel + Leisure magazine voted Charleston the number one U.S. city to visit for the seventh year in a row, as well as naming it among the world’s top 15 destinations. Area accommodations sold 4.8 million room nights in 2019, a 3.7% increase in demand from the previous year, even while continuing to add room inventory. There were 850 more local hotel rooms available during any month in 2019, on average, than in 2018 and a total inventory of 18,162 rooms as of December 2019. As expected, more hotel rooms added to competition, putting some downward pressure on RevPAR (revenue per available room) by 1.9% for 2019.

Hurricane Dorian, while not a direct hit in Charleston, affected visitor activity in all Southeast Atlantic destinations in September, but the local industry quickly rebounded. Occupancy rates remained high at an average of 74.5% for 2019, down only 0.4% compared to 2018, and ADR (the average daily rate or the price paid for those rooms that were sold) decreased only 0.3% to $148.46.

At least 500 new rooms are expected to be added in 2020, and area professionals tout increasing demand, in particular, for properties with meeting space. These new rooms are expected to keep pressure on RevPAR to the tune of about 1% per year in 2020 and 2021, but the area’s seven million visitors and 40,000+ hospitality professionals can expect another robust couple of years.

ATTRACTION ATTENDANCE

Admissions tracked within this indicator include approximately 20 area historic homes, museums, gardens and other attractions. Though the region boasts numerous new sites to see and things to do each year, this set of attraction data has remained constant for decades, allowing for apples-to-apples tracking annually.

New attractions in the local area draw more first-time visitors to the region, increasing attendance at other area attractions including those in this subset. This, coupled with increased access via additional flights at Charleston International Airport, plus more room nights sold at area hotels, contributes to the boost in attraction attendance by 1.3% seen in 2019. One of the Charleston area’s newest historical site broke ground in October 2019, the International African American Museum - a twenty-year project in the making. The museum aims to tell the story of the journey of enslaved Africans brought to America hundreds of years ago, half of whom arrived through a single port, Charleston.

The area’s continued popularity as both a business and leisure visitor destination prompt a forecast of increased attraction attendance for both 2020 and 2021.
### Attendance at Area Attractions

<table>
<thead>
<tr>
<th>Year</th>
<th>Attendance</th>
<th>% Change From Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2,447,565</td>
<td>0.5%</td>
</tr>
<tr>
<td>2016</td>
<td>2,571,589</td>
<td>5.1%</td>
</tr>
<tr>
<td>2017</td>
<td>2,627,933</td>
<td>2.2%</td>
</tr>
<tr>
<td>2018</td>
<td>2,503,469</td>
<td>-4.7%</td>
</tr>
<tr>
<td>2019</td>
<td>2,537,115</td>
<td>1.3%</td>
</tr>
<tr>
<td>2020 (f)</td>
<td>2,545,201</td>
<td>0.3%</td>
</tr>
<tr>
<td>2021 (f)</td>
<td>2,552,445</td>
<td>0.3%</td>
</tr>
</tbody>
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*Attractions include: Historic homes, museums, gardens and other attractions.*

*Source: Charleston Area Convention & Visitors Bureau/Explore Charleston  (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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We are thankful for our Charleston relationships and look forward to future opportunities to serve the CMCC.

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