



Economic Outlook **FORECAST**

Recovery, Resiliency & Acceleration

presented by



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Charleston Metro
Chamber of Commerce

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FORECAST SUMMARY

THIRTY YEARS AGO, the Charleston Metro Chamber hosted the first Economic Outlook Conference. Over that time span, our region's economy has seen dramatic change. Our population has grown by 58% and the number of private sector employers has increased by 73%.

While military and tourism remain strong and important components of our economy, we are no longer solely reliant on them. We have seen a shift to a much more diverse landscape, which includes a healthy mix of manufacturing, information technology and others.

2020 brought on many unexpected challenges, propelling the nation into a recession, while unemployment rates hit record highs. However, the strength of our diverse economy has allowed the Charleston region to be resilient. While some sectors have seen tremendous losses, we anticipate a healthy recovery.

Unemployment rates skyrocketed at the peak of the pandemic, but even so, the labor force remained stable overall in 2020. Unsurprisingly, the Leisure and Hospitality sector has been the hardest hit. Other industries were able to innovate and allow employees to work from home, ultimately resulting in 50% of employment sectors being back in positive territory, or close to it, by year end.

The Charleston Metro continues to struggle with attainable housing, a crisis that is being exacerbated by a lack of inventory. There was a

boost in single-family home construction permits in 2020, and the forecast is for both single-family and multi-family permits to remain similar to 2020 levels for the next two years. With favorable interest rates, migration from dense cities and an increased need for more space, homes sold at record levels. Inventory will remain the biggest challenge, further driving the median sales price over \$300,000.

Coming off of record years, accommodations and the airport experienced record lows in 2020. Rooms sold were only 60% of 2019 levels and the average daily rate was down 20%. Airport activity was down by more than half; however, several airlines began announcing new flights towards the end of the year. As vaccines become more readily available and travel confidence returns, airport activity and accommodations will begin to slowly rise.

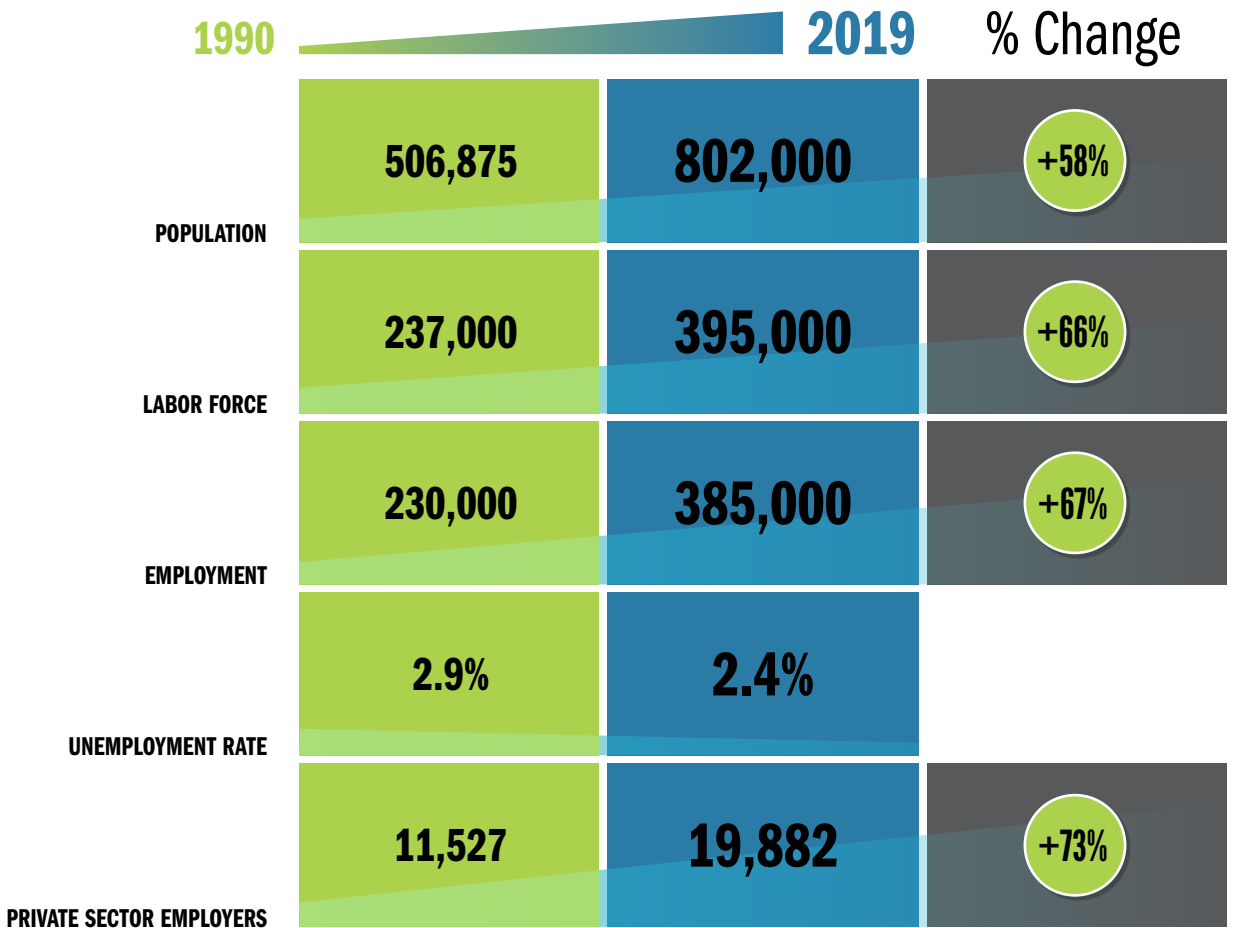
While retail sales saw an overall decrease of about 12%, consumer spending is indicating a positive outlook. The pandemic has shifted how people spend their money, propelling trends towards e-commerce. It is forecasted that retail sales will see an increase of 2.5 - 3% this year.

Before the pandemic, the Charleston region had a healthy, thriving economy. It is this foundation that will allow for a quick recovery. There have been many great lessons and innovations that will improve the resiliency of our region and ensure a prosperous future.



30 YEARS OF CHANGE

From our first Economic Outlook Conference to this one, our region and economy look very different. Our region's economy was heavily dependent on the military and tourism. Since that time, we have seen a diversification that has fueled our metro's success.



Sources: US Census Bureau, US Bureau of Labor Statistics, Metro Business Patterns

2021 ECONOMIC FORECAST AT A GLANCE

+1.0%

LABOR FORCE



+2.0%

EMPLOYMENT



-3.0%

SINGLE-FAMILY PERMITS



+5.0%

HOME SALES PRICE



+3.5%

RESIDENTIAL UNITS SOLD



+2.5%

RETAIL SALES



+6.7%

TEUS



+10%

AIRPORT



+25%

REVPAR



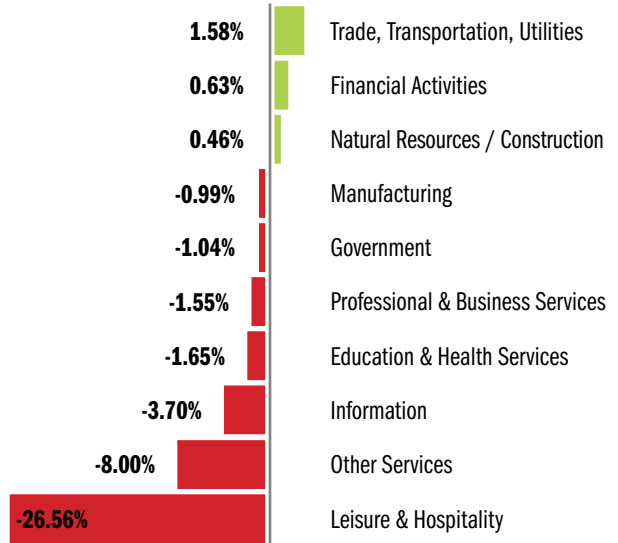


LABOR FORCE & EMPLOYMENT

EVEN WITH SOME MONTHS SHOWING significant COVID-related declines, the Charleston region's labor force remained stable overall during 2020, compared to 2019. However, employment fell by 3.8% for the year. With efforts to contain the spread of COVID, events, travel and restaurant dining became a rarity. As a result, the local job sector impacted the most was Leisure and Hospitality. Still, the strength of the Charleston area's foundational economy shone – by the end of the year, 50% of employment sectors were back in positive territory or within a percentage point of pre-COVID levels.

The forecast is for the local labor force to grow by 1% in 2021 and 2022, as employment grows at 2 to 2.5% each year, returning to growth levels of 7,000 to 9,000 jobs per year. This will result in the unemployment rate dropping to around 5% for the year 2021 and then 4% for 2022.

Charleston Metro Employment by Sector
December 2020 vs. Pre-COVID January 2020

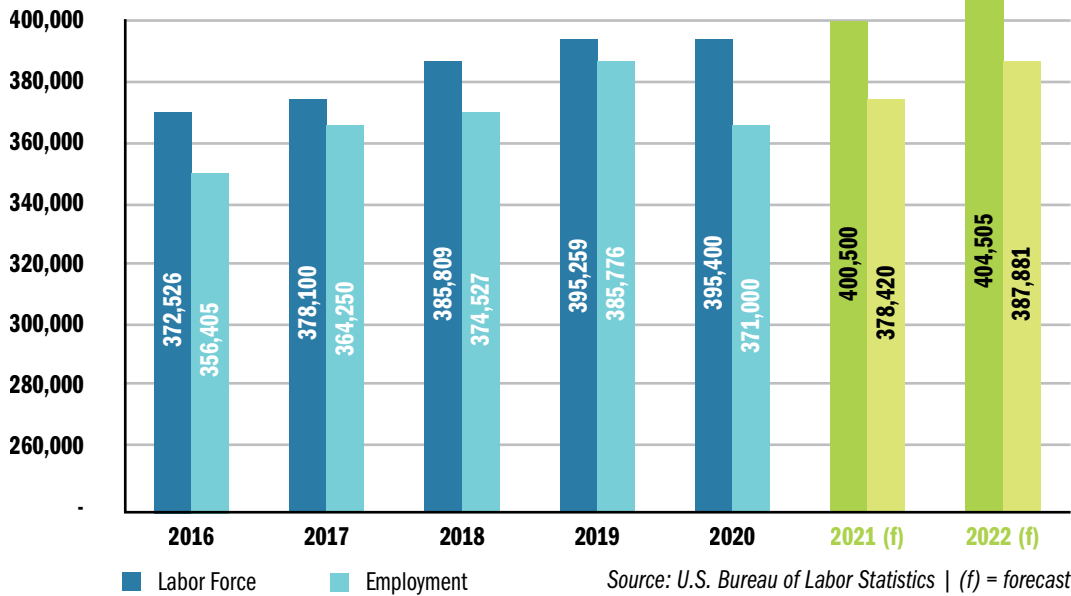


RETAIL SALES

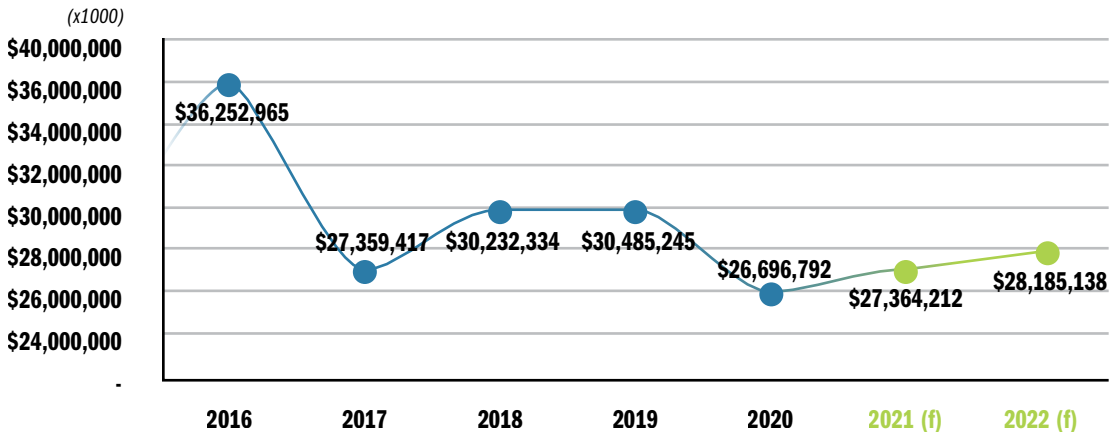
WHILE RETAIL SALES FOR ALL OF 2020 were not yet reported at the time this forecast was prepared, estimates put the Charleston Metro Area's total at just under \$27 billion, reflecting a decrease of about 12%. However, more current local consumer spending patterns at the end of January 2021 are indicating a positive outlook, with spending up approximately 12% compared to January 2020. Consumption includes spending beyond retail sales such as on transportation and healthcare. The pandemic has also exacerbated trends towards e-commerce with less in-store shopping.

As tourism recovers regionally and our population continues to grow, the Charleston area is expected to see retail sales begin to increase again this year and the next by 2.5 to 3% each year.

Labor Force / Employment Charleston Region



Gross Retail Sales





RESIDENTIAL CONSTRUCTION

SINGLE-FAMILY HOME CONSTRUCTION PERMITS in the Charleston Metro Area saw a boost in 2020, a welcome sign based on the increase in housing demand in the market. Multi-family permits dropped below 2,000 units in 2020 but remained a significant portion of all construction.

The forecast for 2021 and 2022 is for both single-family homes and multi-family units permitted in the Charleston Metro Area to drop slightly but remain relatively similar to 2020 levels. The Charleston Metro Area remains a strong, attractive economy for migrating workforce and families as well as local students aging into adulthood and prime workforce age.

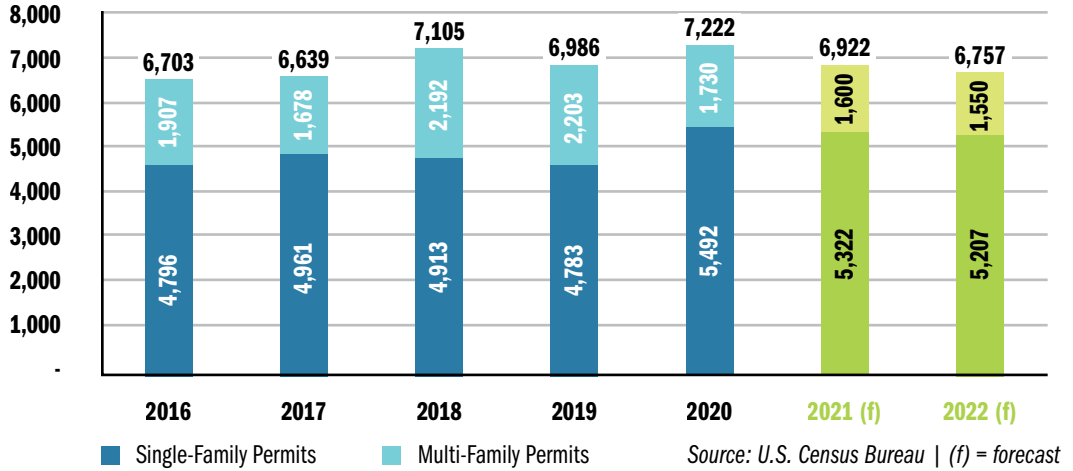


RESIDENTIAL HOME SALES

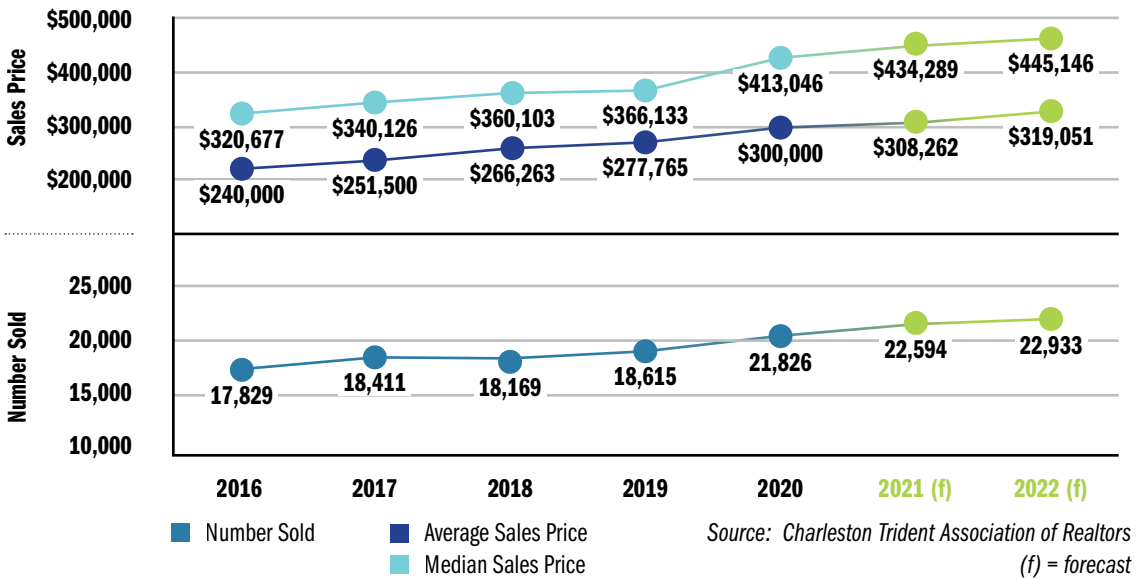
DESPITE THE PANDEMIC, HOMES IN THE CHARLESTON METRO AREA SOLD at record levels in 2020. In fact, favorable interest rates (lowered due to the pandemic) drove many renters to buy. There was also an increase in working from home and online schooling, which fostered many to buy larger homes with more space conducive to this need. Additionally, mid-size markets with less dense living opportunities and more open space, like Charleston, experienced an influx of people from larger, more dense urban metros nationwide. As a result, we were left with an inventory issue. Not surprisingly, the Charleston Metro Area was named one of the 'Top Ten Metro Markets During and In a Post-COVID Environment in 2021-2022' 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 2021 and 2022 is for local home sales to increase by 3.5% and 1.5%, respectively. The continued demand for housing will also elevate the median sales price above \$300,000 and the average above \$430,000. The biggest challenge will be inventory, as the latest figures show only about one month's supply, whereas a healthy inventory is usually four to six months' supply. This will only further exacerbate our housing attainability crisis.

Residential Construction



Residential Home Sales





ACCOMMODATIONS

COVID-19 DEVASTATED THE HOTEL INDUSTRY IN 2020. Rooms sold during the year were only 60% of what they were in 2019, which was a record year. Average Daily Rate charged was \$120, down 20% for the year, and RevPAR, a measure combining daily rate and occupancy, was down by half. Beach properties and extended stay accommodations fared the best, as they are more conducive to social distancing and open space. Short term rentals such as VRBO and Airbnb properties also fared well, but these are not included in the accommodations data in this report.

Still, readers of *Travel + Leisure* magazine named Charleston the Best City in the U.S. in the publication's 2020 World's Best Award for the eighth year in a row. In addition, the Holy City was ranked in the top 20 best destinations in the world. As vaccinations become widely available in 2021, travel is expected to resume and occupancy and revenues at area accommodations will follow suit.

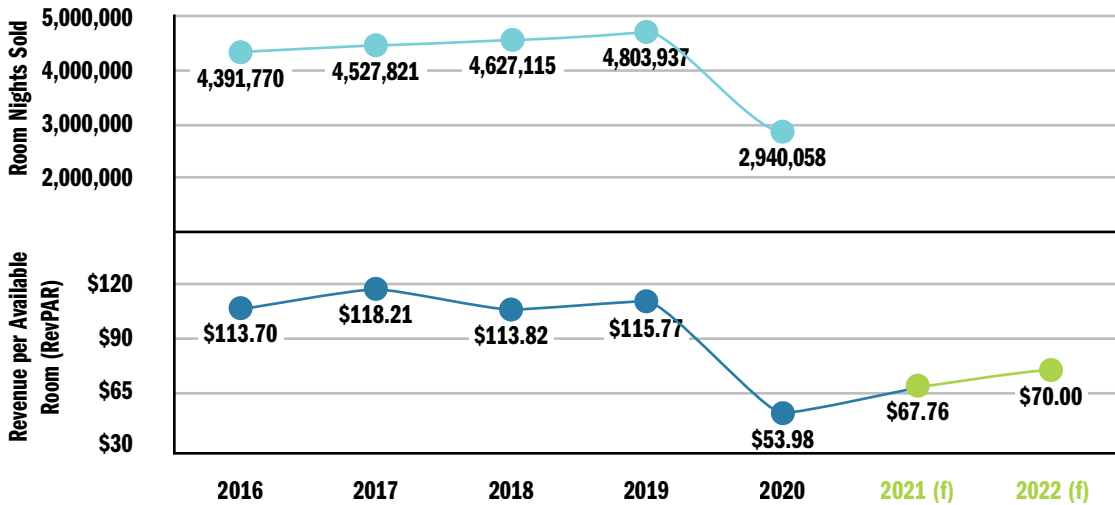


AIRPORT

CHARLESTON INTERNATIONAL AIRPORT'S FORECAST FOR 2019 WAS RIGHT ON TARGET, with a record 4.8 million passengers handled. But at that time, no one predicted a global pandemic would cut activity for 2020 by more than half. Both domestic and global air travel came nearly to a halt for many months. In a show of confidence in the Charleston market, however, airlines began announcing new flights including to Los Angeles, St. Louis and Louisville. As 2021 progresses, travel is expected to begin to resume, however, most airlines do not expect to hit pre-COVID levels until 2023, when business and leisure passengers feel comfortable traveling in the close quarters of an airplane.

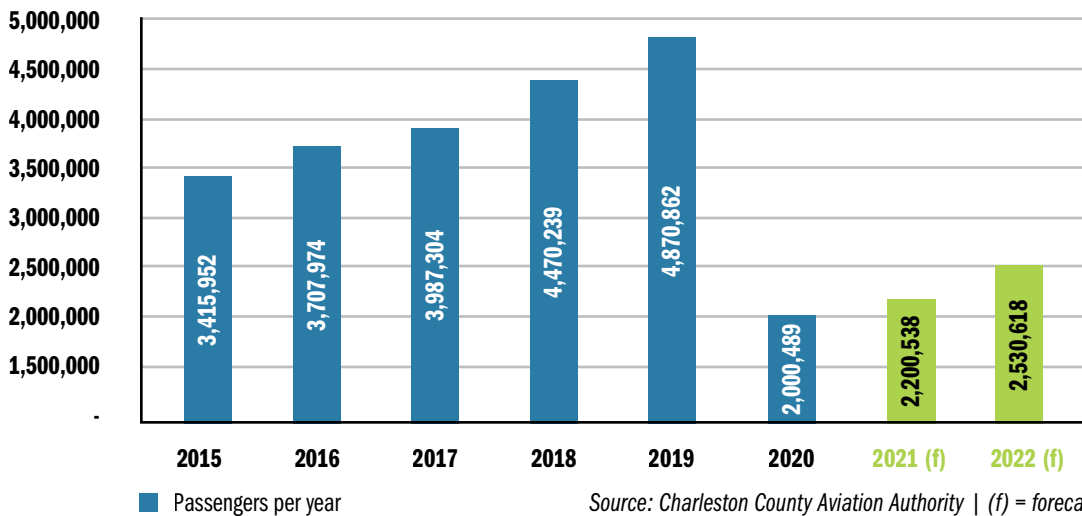
The forecast for 2020 and 2021 is for increased passenger volumes of about 10-15% each year as the world gets back to traveling.

Accommodations



Source: College of Charleston's Office of Tourism Analysis | (f) = forecast

Charleston International Airport



Source: Charleston County Aviation Authority | (f) = forecast

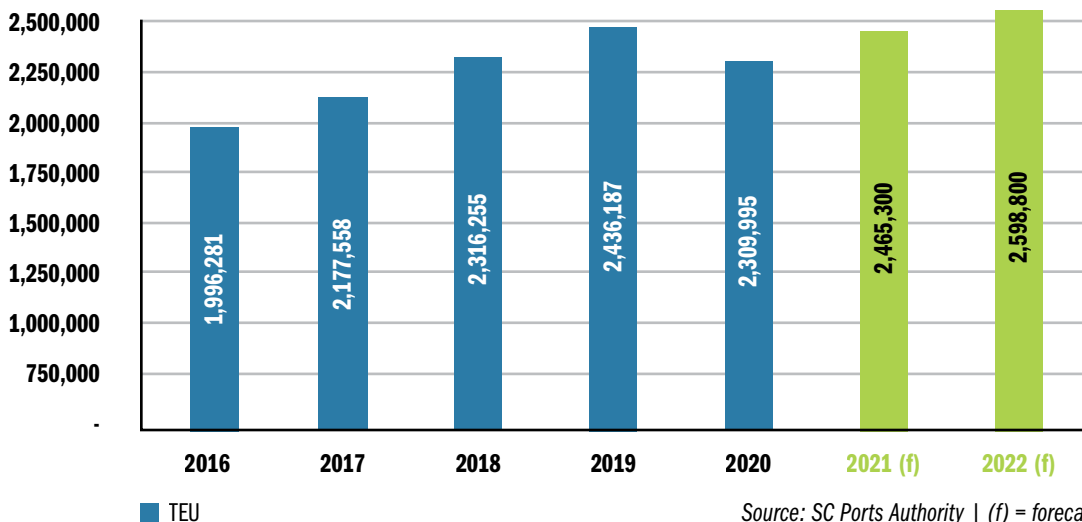


SOUTH CAROLINA PORTS AUTHORITY

AS COVID-19 AFFECTED INTERNATIONAL TRADE and disrupted supply chains globally, container activity at the South Carolina Ports Authority followed suit, with double-digit declines in spring and summer of 2020. By year-end, though, container activity, breakbulk cargo and assembled vehicles passing through Charleston's terminals had returned to robust levels, resulting in just a 5% decline from records set in 2019. As the new Hugh K. Leatherman, Sr. Terminal, the only permitted new container terminal on the U.S. East and Gulf Coasts, opens its first phase in March 2021, the outlook is bright. At full build-out in 2033, the three-wharf terminal will double the South Carolina Ports' current capacity, keeping the Port of Charleston one of the U.S.'s top ranked and one of the world's most competitive ports.

The Ports' forecast for 2021 is for an increase of 6.7% in TEU (twenty-foot equivalent unit containers) activity compared to 2020, and 2022 will bring another 5% increase.

TEU Activity: Port of Charleston



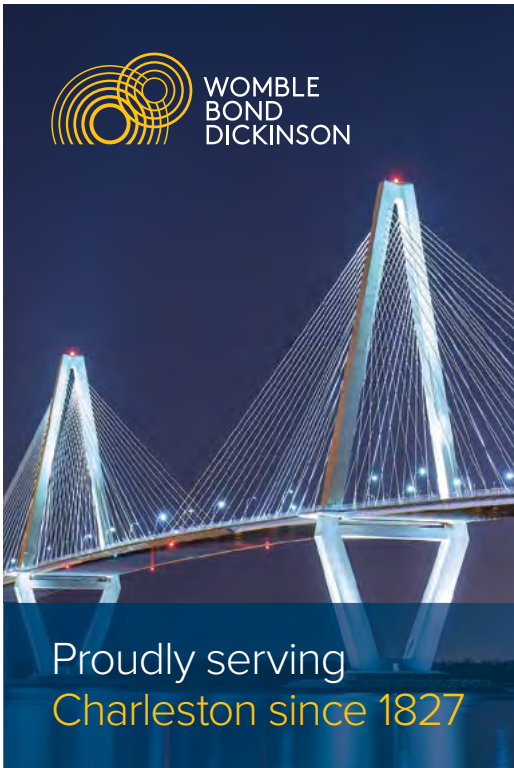
Source: SC Ports Authority | (f) = forecast
TEU = twenty-foot equivalent unit containers

ABOUT THE FORECAST

THE ANNUAL ECONOMIC FORECAST for the Charleston region is a partnership project between the Charleston Metro Chamber'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 Center for Business Research. Data reported by national and state agencies, such as employment, inflation and interest rates, are downloaded directly from those agencies. 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. Additionally, 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 economy.



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