

ECONOMIC INDICATORS

CITY OF CHARLOTTE
OFFICE OF STRATEGY AND BUDGET

September 20, 2018

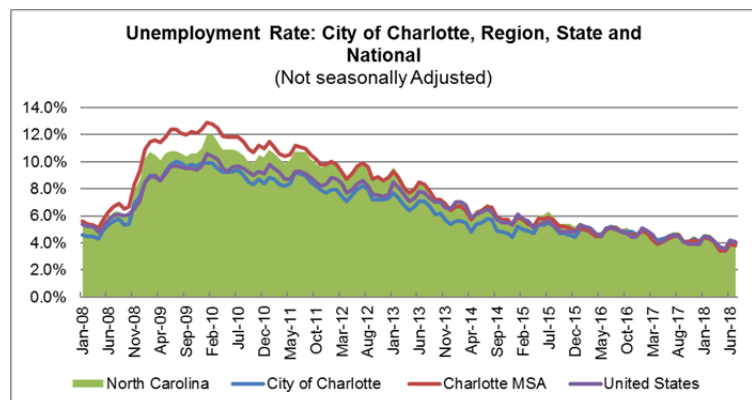
About the Report and Highlights

This report provides latest economic data on the national, state and the Charlotte region (Charlotte Metropolitan Statistical Area). Economic indicators presented include; unemployment, employment, housing and residential construction, sales tax revenues, consumer and small business confidence, real gross domestic product, and consumer price index. Some key highlights of the report include:

- The city of Charlotte's unemployment rate in July 2018 was 3.9 percent
- The Charlotte MSA nonfarm employment grew in August 2018 by 2.6 percent which represents about 28 percent of the state total job growth over the previous 12 months
- Charlotte's average home sales price increased by 11.2 percent in August 2018 compared to August 2017
- Housing permits issued increased by 21 percent in the first half of 2018 compared to same time period last year
- General Fund sales tax revenue grew by 8.9 percent in FY 2018 compared to FY 2017
- Consumer confidence and small business optimism are all relatively high compared to historical standards with small business optimism reaching all-time highs in August 2018
- Between 2016 and 2017, Charlotte MSA GDP grew by 3.5 percent; a growth rate higher than that of the nation's which grew at 2.2 percent and about one and half times that of the state of North Carolina which stood at 2.3 percent over the same period
- Compared to August 2017, consumer price index increased by 2.7 percent in August 2018, not seasonally adjusted

Unemployment

The City of Charlotte's unemployment rate (not seasonally adjusted) stood at 3.9 percent in July 2018, falling down by 70 basis points from 4.6 percent in July 2017. The chart to the right shows month-over-month unemployment rate, not seasonally adjusted. Charlotte region's unemployment rate was 3.8 percent, a rate slightly lower than the City's.



Source: Bureau of Labor Statistics and North Carolina Department of Commerce
July 2018 numbers are preliminary estimates and subject to revision

The national unemployment rate was 4.1 percent down from 4.6 percent in July 2017. Charlotte region's unemployment rate continues to be lower than the state and national rates.

With a relatively buoyant economy, a robust labor and housing market, people are continually moving to the Charlotte metro area looking for work.

Unemployment Rate: Charlotte Region and Comparisons			
	July 2018	July 2017	Change
Charlotte MSA	3.8%	4.5%	-0.7%
Raleigh MSA	3.5%	4.2%	-0.7%
Winston-Salem MSA	3.9%	4.6%	-0.7%
Atlanta MSA	3.8%	4.8%	-1.0%
North Carolina	4.1%	4.8%	-0.7%
United States	4.1%	4.6%	-0.5%

Source: Bureau of Labor Statistics and North Carolina Department of Commerce
July 2018 numbers are preliminary estimates and subject to revision

Jobs/Employment

Statewide nonagricultural employment (seasonally unadjusted) increased year-over-year in July 2018 by 2.5 percent (adding 111,000 jobs) to 4.5 million jobs from about 4.4 million jobs in July 2017. The Charlotte MSA area nonfarm employment grew year-over-year in July 2018 by 2.6 percent (adding

Year-over-Year Job Change and Growth in Select Industries, July 2018 (Not Seasonally Adjusted)				
Industry Sector	Charlotte MSA		North Carolina	
	Change	Growth	Change	Growth
Construction of Buildings	300	2.5%	2,900	6.5%
Education & Health Services	5,400	4.5%	11,700	2.0%
Trade, Transportation, & Utilities	7,900	3.3%	23,300	2.8%
Financial Activities	1,700	1.8%	4,700	2.0%
Information	1,100	3.9%	6,500	8.2%
Leisure & Hospitality	2,800	2.0%	15,600	3.0%
Manufacturing	-400	-0.4%	7,600	1.6%
Mining, Logging, & Construction	-200	-0.3%	10,500	4.8%
Other Services	1,500	3.8%	400	0.3%
Professional & Business Services	4,200	2.1%	26,000	4.2%
Government	6,800	5.1%	4,700	0.7%
Federal Government	0	0.0%	100	0.1%
State Government	0	0.0%	500	0.2%
Local Government	6,800	6.6%	4,100	1.1%
Total Nonfarm	30,800	2.6%	111,000	2.5%

Source: US Bureau of Labor Statistics

In the Charlotte region, job losses were recorded in the Manufacturing and Mining, Logging and Construction supersectors. The table below provides a breakdown of year-over-year job change and

30,800 jobs) to 1.2 million jobs from 1.17 million jobs in July 2017. These 30,800 additional jobs represent about 28 percent of the state's total job growth over the period.

The Charlotte MSA is adding jobs faster than the state and the nation. Employment grew by 1.6 percent at the national level, a growth rate significantly lower than that of the Charlotte MSA which stood at 2.5 percent over the same period.

growth in select industries. Manufacturing employment fell by 0.37 percent losing 400 jobs and the Mining, Logging and Construction supersector fell by 200 jobs. Information; Education and Health Services; Government; Trade, Transportation, & Utilities and Other Services all grew by at least three percent over the period. At the state level, Construction of Buildings and the Information sectors grew overwhelmingly by 6.5 percent and 8.2 percent respectively between July 2017 and July 2018.

Firm Relocations and Expansions by Industry, FY 2018 Q1

The Charlotte Chamber publishes the Growth Report every quarter which tracks announced openings, hiring, investments and expansions of private sector businesses in Mecklenburg County. This report captures only major

gross increases in jobs; it does not account for smaller new or expanded businesses, firm closures, or workforce reductions. In the second quarter of 2018, the Chamber reports the addition of more than 3,000 jobs coupled with more than \$325.9 million in capital investments and 2.5 million in square feet expanded or improved in

Charlotte Mecklenburg. The table below provides a breakdown of these jobs and investment by industry sector.

Firm Relocations and Expansions by Industry, FY 2018 Q2			
Industry Sector	New Employment	Square feet expanded or Improved	Capital investment
Accommodation & Food Service	920	327,112	\$100,901,306
Administrative Support and Wa	8	-	\$111,346
Arts, Entertainment and Recrea.	14	26,000	\$449,000
Construction	106	539,698	\$6,495,776
Development	-	2,901	\$2,494,480
Educational Services	16	77,567	\$25,529,048
Finance and Insurance	65	36,736	\$8,276,417
Health Care and Social Assistance	418	514,124	\$76,122,452
Information	77	14,000	\$6,606,450
Manufacturing	332	172,434	\$44,469,338
Other Services (except Public Ad...	55	25,018	\$6,506,196
Professional, Scientific and Tech..	358	90,687	\$10,088,330
Public Administration	18	6,818	\$2,806,500
Real Estate and Rental Leasing	13	81,970	\$8,373,500
Retail Trade	580	198,643	\$21,814,088
Transportation and Warehousing	34	324,590	\$3,740,720

Source: The Growth Report, Charlotte Chamber, September 2018

Charlotte Area Housing Market

Home Sales Activity

Charlotte's year-over-year home sales decreased by 14.9 percent from 1,585 homes sold in August 2017 to 1,349 homes sold in August 2018. For the entire Charlotte region, that rate fell by six percent over the same period. The average sales price of homes sold in Charlotte increased by 11.2 percent in August 2018 to \$309,299 from \$278,204 same time last year. For the Charlotte region, average sales price increased by 8.8 percent. The number of days a home stays on the market until sale is unchanged at 27 days in the City of Charlotte. Properties in the region stay longer in the market but the number of days has fallen from 43 to 38 days. The inventory of number of homes available for supply continues to decline falling from 2,755 units available in August 2017 to about 2,570 homes available in August 2018, a decline of about 6.7 percent. There's more heat on home sales in Charlotte than the entire region as seen in lower months of supply in inventory and stronger growth in both median and average sales prices.

City of Charlotte Housing Market Activity						
	City of Charlotte			Charlotte Region		
	Aug-17	Aug-18	Percent Change	Aug-17	Aug-18	Percent Change
New Listings	1,856	1,765	-4.9%	5,576	5,660	+1.5%
Pending Sales	1,487	1,468	-1.3%	4,443	4,771	+7.4%
Closed Sales	1,585	1,349	-14.9%	4,800	4,514	-6.0%
Median Sales Price	\$217,000	\$242,400	+11.7%	\$225,425	\$243,500	+8.0%
Average Sales Price	\$278,204	\$309,299	+11.2%	\$270,274	\$294,107	+8.8%
Percent of Original List Price Received	98.4%	97.5%	-0.9%	97.2%	97.0%	-20.0%
List to Close	75	75	0.0%	90	85	-5.6%
Days on Market Until Sale (Cumulative)	27	27	0.0%	43	38	-11.6%
Inventory of Homes for Sale	2,755	2,570	-6.7%	11,736	10,052	-14.3%
Months' Supply of Inventory	2.0	1.9	-5.0%	2.9	2.4	-17.2%

Source: The Charlotte Regional Realtor Association, Local Market Update for August 2018

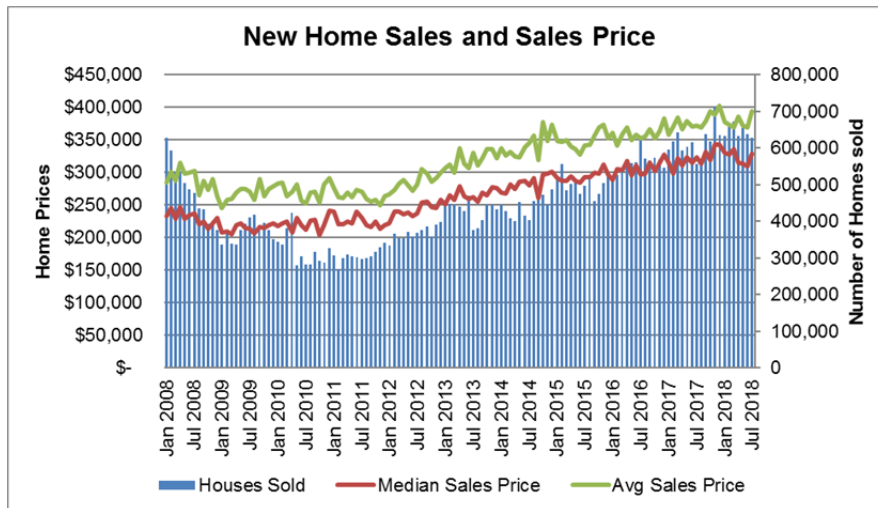
Data from the Charlotte Regional Realtor Association (CRRRA) shows that in August 2018, number of homes sold declined in about six of the ten cities in the Charlotte region for which data is readily available compared to August 2017. Average sales price declined in two of the ten cities over the same period (0.3 percent decline in Monroe and one percent decline in Waxhaw). The cities of Davidson, Matthews, Mooresville, Huntersville and Waxhaw are averaging home sale prices greater than the City of Charlotte's.

Select Cities Housing Activity						
City	Number of Homes Sold			Average Sale Price		
	Aug-17	Aug-18	Change	Aug-17	Aug-18	Change
Charlotte	1,585	1,349	-14.9%	\$278,204	\$309,299	+11.2%
Concord	250	195	-22.0%	\$227,885	\$253,920	+11.4%
Davidson	49	49	0.0%	\$438,224	\$477,186	+8.9%
Gastonia	119	136	+14.3%	\$169,188	\$187,749	+11.0%
Huntersville	168	159	-5.4%	\$326,206	\$333,480	+2.2%
Matthews	142	102	-28.2%	\$311,703	\$325,045	+4.3%
Monroe	96	87	-9.4%	\$218,038	\$217,299	-0.3%
Mooresville	196	208	+6.1%	\$376,351	\$409,071	+8.7%
Statesville	79	78	-1.3%	\$176,655	\$190,298	+7.7%
Waxhaw	126	145	+15.1%	\$464,824	\$459,973	-1.0%

Source: The Charlotte Regional Realtor Association, Local Market Update for August 2018

National Housing Market

Sales of new single-family houses in July 2018 were at a seasonally adjusted rate of 627,000 compared to 556,000 in July 2017, a growth of 14.1 percent. Compared to June 2018, number of homes sold fell by



Source: U.S. Census Bureau, HUD, September 21, 2018

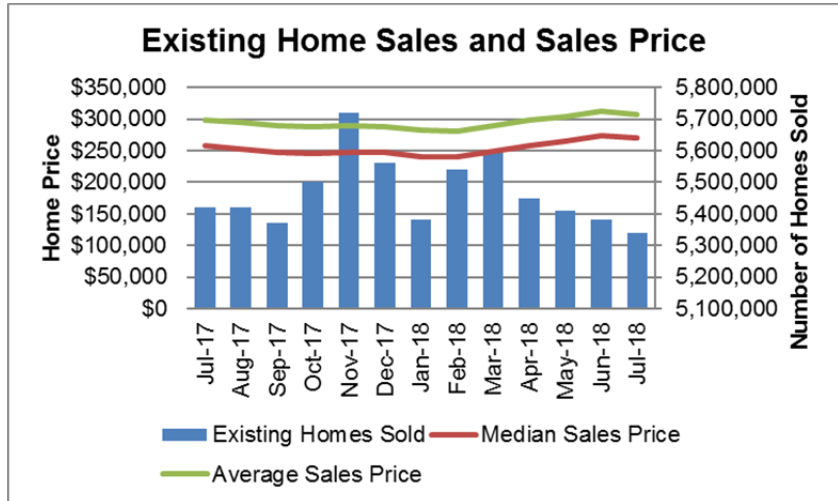
1.7 percent. Median sales price of new homes sold increased from \$322,900 in July 2017 to \$328,700 in July 2018, a growth of about 1.8 percent. Average sales price increased by 5.9 percent over the same period.

The seasonally adjusted months' supply at current sales rate (number of months) of new homes

available for sale fell from six months to 5.9 months over

the same period. New housing stock or inventory that's available for sale increased from 276,000 to 309,000 single-family homes. See the adjacent chart of new home sales and sales price at the national level since January 2008.

Existing home sales fell for the fifth straight month in July 2018 compared to same period last year. Sales of existing homes in July 2018 were at a seasonally adjusted rate of 5.34 million homes compared to 5.42 million homes sold same time last year. This represents a decline in the number of existing homes sold by 1.5 percent. Low housing supply seems to be the culprit impeding sales coupled with rising prices and mortgage interest rates.



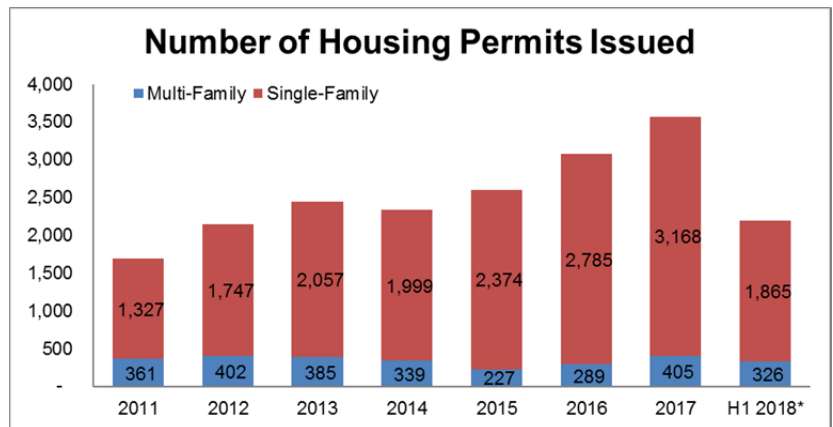
Source: National Association of Realtors (NAR)

About 38.3 percent of people buying homes are buying homes in the price range of \$100,000 to \$250,000 and 36.4 percent of home buyers are buying homes in the range of \$250,000 to \$500,000.

Median existing-home sales price in July 2018 was \$269,600, which is 4.5 percent higher than the July 2017 price of \$258,100. Average existing-home sales price also increased by three percent over the same period from \$298,300 to \$307,800. Existing unsold housing inventory at the end of July 2018 stood at 1.92 million. In terms of days on market until sale, properties stayed on the market for 27 days in July 2018. The chart above provides a visual on existing home sales activity and sale price at the national level.

Charlotte Residential Building Permits

The adjacent chart presents building permits activity data in Charlotte since 2011. In the first of half of 2018, there were 2,191 housing permits issued in the city of Charlotte. Compared to same period last year which saw 1,818 permits issued, this represents a 21 percent increase. Multi-family permits issued increased by 88 percent and for single-family; it increased by 13 percent over the period. Comparing 2011 to 2017 annual figures, building permits issued has more than doubled growing by 112 percent representing an annual growth rate of about 16 percent.

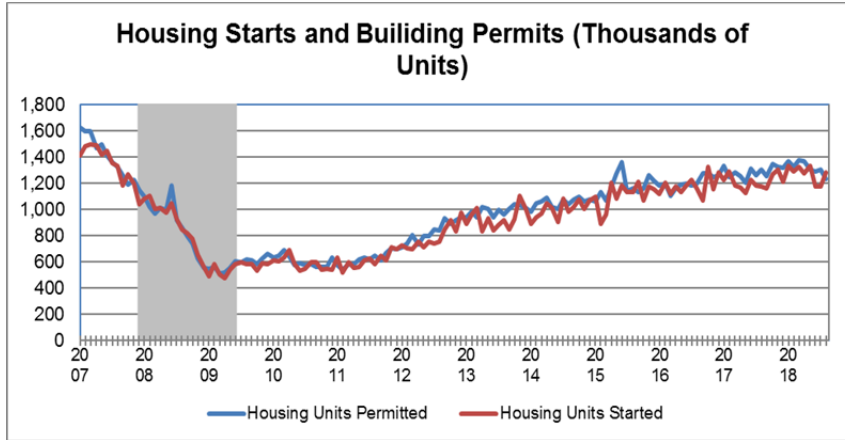


*H1 2018 represents the first half of 2018

Source: Mecklenburg County's Land Use & Environmental Services Agency

National New Residential Construction

Privately-owned housing units authorized by building permits in July 2018 were at a seasonally adjusted annual rate of 1.3 million, a 3.6 percent growth compared to July 2017.



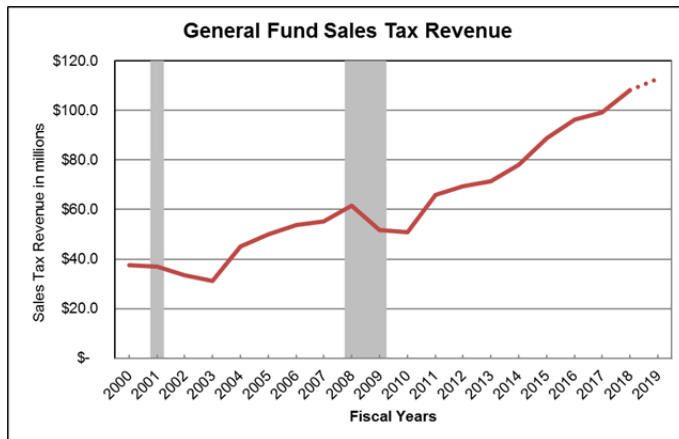
Source: U.S. Census Bureau, HUD, September 18, 2018

In July 2018, housing units started were at 1.17 million which is a one percent drop below the July 2017 rate of 1.19 million. See the adjacent chart showing housing units permitted and started since 2007. Single family housing starts were at a rate of 860,000 and for units in buildings with five units or more, the rate was 308,000. The Census Bureau defines the

start of construction when excavation begins for the footings or foundation of a building.

Sales Tax Revenues

The North Carolina Department of Revenue which administers the sales tax, reports local government



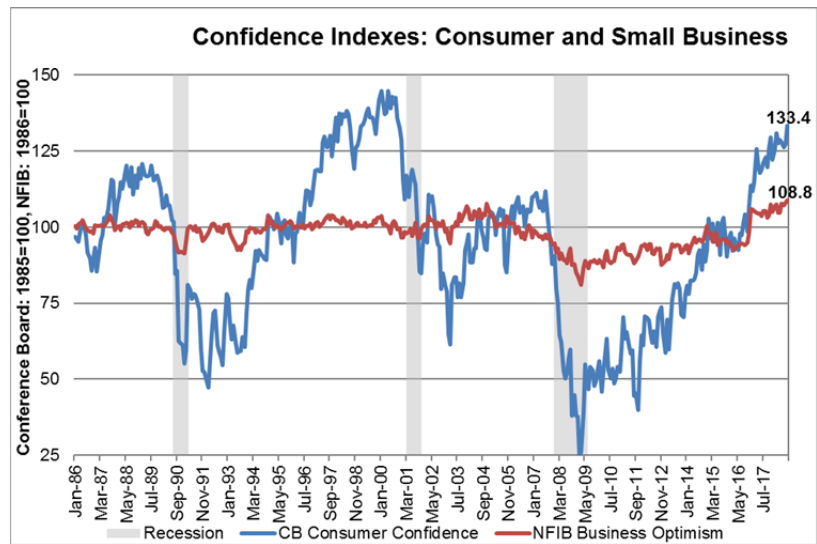
Source: North Carolina Department of Revenue, Local Government Sales and Use Tax Distribution

sales and use tax distributions every month typically around the 10th of each month. Between FY 2010 and FY 2017, the general fund portion of sales tax revenue almost doubled increasing by 95 percent from \$50.8 million to \$99.3 million (see sales tax chart to the left). Comparing year over year figures, sales tax revenue for FY 2018 stands at \$108.1 million (unaudited numbers), increasing 8.9 percent over FY 2017. A key variable affecting the amount of sales tax distributed is sales tax refunds to nonprofit entities that make purchases in the City.

While it is hard to predict refunds as they are processed in a non-technical fashion, the economy still continues to grow and revenue growth is expected to remain steady going into FY 2019.

Consumer and Small Business Confidence

Consumer expectations remain relatively high by historical standards. The consumer confidence index is published by the Conference Board and measures the degree of optimism that consumers feel about the economy and their personal financial situation. According to latest reports published for August 2018, the index increased in July following a decrease in June 2018. Consumers' assessment of present-day conditions improved and for the short-term outlook, consumers' expectations increased suggesting a strong economic growth through 2018. Consumers anticipating business conditions will improve over the next six months increased and those expecting the economy to worsen increased slightly.



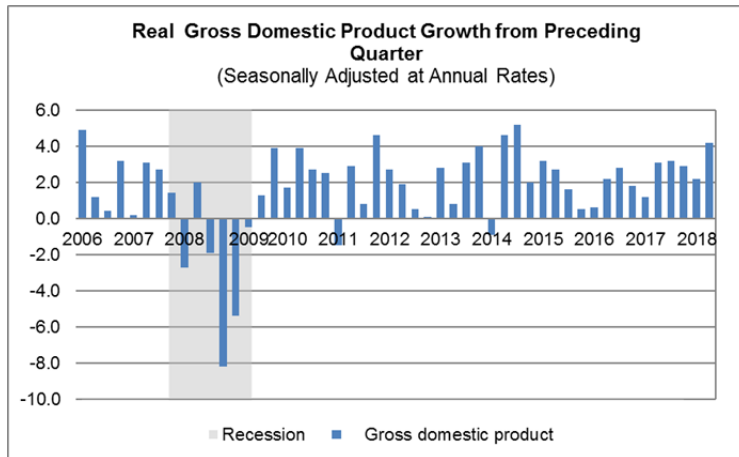
Source: The Conference Board and National Federation of Independent Business

In May 2016, small business optimism reached its second-highest level ever in the index's 45-year history rising by three points to 107.8. In August 2018, the index increased to 108.8, a new record in the survey's 45-year history, topping the July 1983 high of 108. The index is a composite of ten seasonally adjusted components that provide an indication of the health of small businesses. The August 2018 survey report showed small business owners reporting some of the strongest nominal sales, some with plans to invest in additional inventories and some with plans to create new jobs. The report identified finding qualified workers as the single most important business problem they continue to face. The chart above shows the month-to-month fluctuations in both the consumer and small business confidences since 1986 including recession time periods.

Real Gross Domestic Product

The U.S. Bureau of Economic Analysis publishes real Gross Domestic Product (GDP) at the metropolitan statistical area (MSA) level. GDP measures the total value of all goods and services produced within a given area in a particular period of time. Real GDP by MSA is an inflation-adjusted measure of each MSA's gross product that is based on national prices for the goods and services produced within the MSA. Data for MSAs are published annually while data for the nation is published quarterly. Between 2016 and 2017, Charlotte MSA grew by 3.5 percent; a growth rate higher than that of the nation's which grew at 2.2 percent and about one and a half times that of the state of North Carolina which stood at 2.3

percent over the same period. At the state level, the gross state product grew by 2.3 percent in 2017 and forecasters from the Belk College of Business expect a growth rate of 2.7 percent over the 2017 level in 2018.



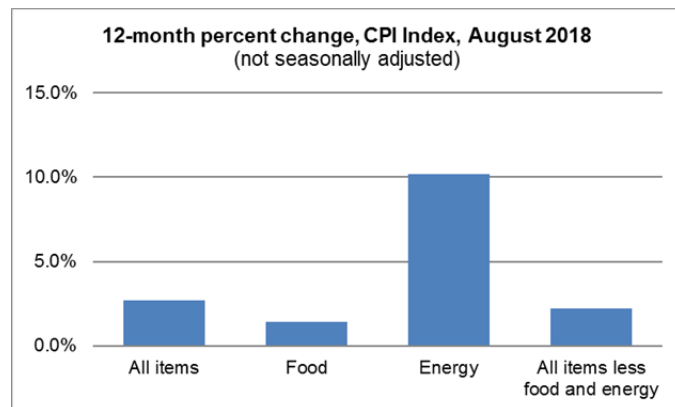
Source: U.S. Bureau of Economic Analysis

At the national level, the Bureau of Economic Analysis reported real GDP increased at an annual rate of 4.2 percent according to their second estimate after increasing by 2.2 percent in the first quarter of 2018. The increase in real GDP is as a result of positive contributions from nonresidential fixed investment, personal consumption expenditures, federal government spending, and state and local spending that were partly offset by negative contributions from

residential fixed investment and private inventory investment. Imports which also help reduce GDP, decreased. The acceleration in real GDP in the second quarter of 2018 was due to faster growth in exports, personal consumption expenditures, federal, state and local government spending, and declines in imports.

Consumer Price Index

The Bureau of Labor Statistics defines the Consumer Price Index (CPI) as the average change over time in prices paid by urban consumers for a market basket of consumer goods and services. The BLS publishes this data monthly on a seasonally-adjusted and not seasonally adjusted basis. In August 2018, CPI for All Urban Consumers (CPI-U) increased 0.1 percent on a seasonally adjusted basis after increasing by 0.1 percent in July 2018. Compared to August 2017, CPI-U



Source: US Bureau of Labor Statistics

increased by 2.7 percent not seasonally adjusted (see the CPI Index 12-month change chart). Among the major expenditure categories, energy rose by 10.2 percent over the 12-month period primarily due to increases in the fuel oil and motor fuel sub categories. The food expenditure category grew by 1.4 percent and the 'all items less food and energy' category grew by 2.2 percent over the same period with notable increases in motor vehicle insurance, hospital services and rent of primary residence.