

ECONOMIC INDICATORS

CITY OF CHARLOTTE
OFFICE OF STRATEGY AND BUDGET

November 28, 2018

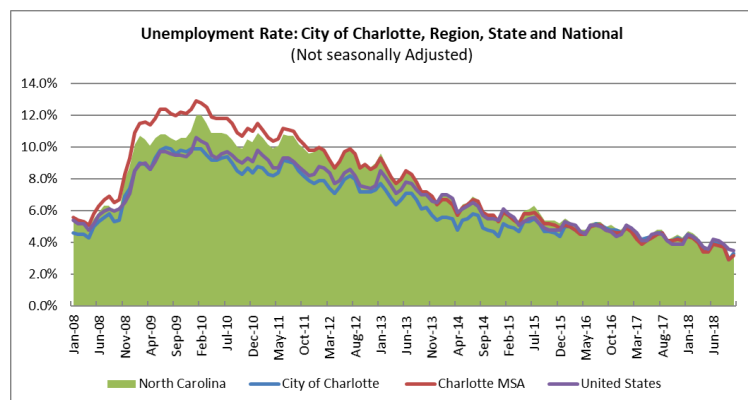
About the Report and Highlights

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 September 2018 was 2.9 percent
- The Charlotte MSA nonfarm employment grew in September 2018 by 2.7 percent which represents about 39 percent of the state total job growth over the previous 12 months
- City of Charlotte's average home sales price increased by 8.1 percent and number of homes sold fell by 16.2 percent in October 2018 compared to October 2017
- Housing permits issued in the city of Charlotte increased by 21 percent in the first half of 2018 compared to same time period last year
- General Fund Sales tax revenue grew by 3.2 percent in Q1 FY 2019 compared to Q1 FY 2018
- Consumer confidence and small business optimism are all high compared to historical standards with small business optimism reaching its fourth highest ever reading in October 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 October 2017, consumer price index increased by 2.5 percent in October 2018, not seasonally adjusted

Unemployment

The City of Charlotte's unemployment rate (not seasonally adjusted) stood at 2.9 percent in September 2018, falling down by 120 basis points from 4.1 percent in September 2017. The chart on the right shows month-over-month unemployment rate, not seasonally adjusted. Charlotte region's unemployment rate stood at 2.9 percent, the same rate as that of the



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

City. The national unemployment rate was 3.6 percent, down from 4.1 percent in September 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.

	Sept. 2018	Sept. 2017	Change
Charlotte MSA	2.9%	4.1%	-1.2%
Raleigh MSA	2.6%	3.8%	-1.2%
Winston-Salem MSA	2.9%	4.0%	-1.1%
Atlanta MSA	3.1%	4.2%	-1.1%
North Carolina	3.1%	4.2%	-1.1%
United States	3.6%	4.1%	-0.5%

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

Jobs/Employment

Statewide nonagricultural employment (seasonally unadjusted) increased year-over-year in September 2018 by 1.9 percent (adding 84,300 jobs) to 4.52 million jobs from about 4.43 million jobs in September 2017. The Charlotte MSA area nonfarm employment grew year-over-year in September 2018 by 2.7

Industry Sector	Charlotte MSA		North Carolina	
	Change	Growth	Change	Growth
Construction of Buildings	500	4.2%	2,700	6.1%
Education & Health Services	4,400	3.6%	12,700	2.1%
Financial Activities	2,700	2.9%	6,600	2.8%
Information	800	2.9%	3,500	4.5%
Leisure & Hospitality	(2,300)	-1.7%	(3,900)	-0.8%
Management of Companies & Enterprises	3,100	7.7%	3,700	4.5%
Manufacturing	(400)	-0.4%	7,900	1.7%
Mining, Logging, & Construction	2,200	3.5%	9,200	4.2%
Other Services	1,200	3.0%	(2,400)	-1.6%
Professional, Scientific, & Technical Services	5,100	7.2%	12,400	5.2%
Trade, Transportation, & Utilities	6,300	2.6%	18,200	2.2%
Government	8,200	5.3%	4,000	0.5%
Federal Government	(100)	-1.0%	(800)	-1.1%
State Government	100	0.5%	500	0.2%
Local Government	8,200	6.6%	4,300	0.9%
Total Nonfarm	32,500	2.7%	84,300	1.9%

Source: US Bureau of Labor Statistics

percent (adding 32,500 jobs) to 1.22 million jobs from 1.19 million jobs in September 2017. These 32,500 additional jobs represent about 39 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 1.7 percent at the national level, a growth rate significantly lower than that of the Charlotte MSA which stood at 2.7 percent over the same period.

In the Charlotte region, job losses were recorded in the Manufacturing and Leisure and Hospitality sectors. The table above provides a breakdown of year-over-year job change and growth in select industries. Manufacturing employment fell by 0.4 percent losing 400 jobs and the Leisure and Hospitality sector employment fell by 1.7 percent losing 2,300 jobs. Construction of Buildings, Management of Companies & Enterprises; Professional, Scientific, & Technical Services; and Government all grew by at least four percent over the period. At the state level, Construction of Buildings; Management of Companies & Enterprises; Mining, Logging, & Construction; and the Information sectors all saw growth rates above four percent between September 2017 and September 2018.

Firm Relocations and Expansions by Industry, 2018 Q3

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 third quarter of 2018, the Charlotte Chamber reported the addition of almost 3,700 jobs by 314 firms coupled with more than \$631 million in capital investments and 5.4 million in square feet expanded or improved in Charlotte Mecklenburg. Since the beginning of the year, 933 businesses have added 10,004 jobs and have made a little over \$1 billion in capital investments. The table below provides a breakdown of these jobs and investment by industry sector.

Firm Relocations and Expansions by Industry, 2018 Q3			
Industry Sector	Jobs	Sq. Feet	Capital Investment
Utilities	-	-	\$37,500
Construction	34	56,576	\$9,012,883
Manufacturing	434	211,595	\$24,764,531
Retail Trade	10	40,000	\$1,792,070
Wholesale Trade	180	205,405	\$9,293,095
Transportation and Warehousing	1,683	3,857,563	\$324,867,530
Information	20	2,000	\$1,423,400
Finance and Insurance	154	8,834	\$8,931,748
Real Estate Rental and Leasing	87	74,302	\$11,924,668
Professional, Scientific & Tech Services	133	148,897	\$4,587,700
Educational Services	19	105,738	\$36,670,809
Health Care and Social Assistance	13	426,289	\$100,350,801
Arts, Entertainment and Recreation	88	36,250	\$8,032,208
Accommodation and Food Services	520	210,139	\$54,686,986
Other Services (except Public Admin)	306	48,049	\$14,003,320
Public Administration	2	20,136	\$7,512,600
Development*	-	1,460	\$13,205,800
Total	3,683	5,453,233	\$631,097,649

Source: The Growth Report, Charlotte Chamber, October 2018

* Development represents improvements to speculative commercial real estate

Charlotte Area Housing Market

Home Sales Activity

Charlotte's year-over-year home sales decreased by 16.2 percent from 1,356 homes sold in October 2017 to 1,137 homes sold in October 2018. For the entire Charlotte region, that rate fell by 9.8 percent over the same period. The average sales price of homes sold in Charlotte increased by 8.1 percent in October 2018 to \$300,352 from \$277,946 the same time last year. For the Charlotte region, average sales price increased by six percent. The number of days a home stays on the market until sale increased slightly from 34 days to 35 days in the City of Charlotte. Properties in the region stay longer in the market than in the City but the number of days has fallen from 51 to 49 days. The inventory of homes available for supply increased from 2,545 units available in October 2017 to 2,653 homes available in October 2018, an increase of about 4.2 percent. There's more heat on home sales in Charlotte than the entire region as seen in its 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		
	Oct-17	Oct-18	Percent Change	Oct-17	Oct-18	Percent Change
New Listings	1,425	1,568	+10.0%	4,486	4,796	+6.9%
Pending Sales	1,343	1,318	-1.9%	3,895	4,091	+5.0%
Closed Sales	1,356	1,137	-16.2%	4,012	3,617	-9.8%
Median Sales Price	\$215,458	\$232,500	+7.9%	\$220,000	\$231,000	+5.0%
Average Sales Price	\$277,946	\$300,352	+8.1%	\$262,893	\$278,634	+6.0%
Percent of Original List Price Received	97.9%	96.8%	-1.1%	96.7%	96.2%	-0.5%
List to Close	80	76	-5.0%	90	91	+1.1%
Days on Market Until Sale (Cumulative)	34	35	+2.9%	51	49	-3.9%
Inventory of Homes for Sale	2,545	2,653	+4.2%	11,009	10,055	-8.7%
Months' Supply of Inventory	1.8	2.0	+11.1%	2.7	2.5	-7.4%

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

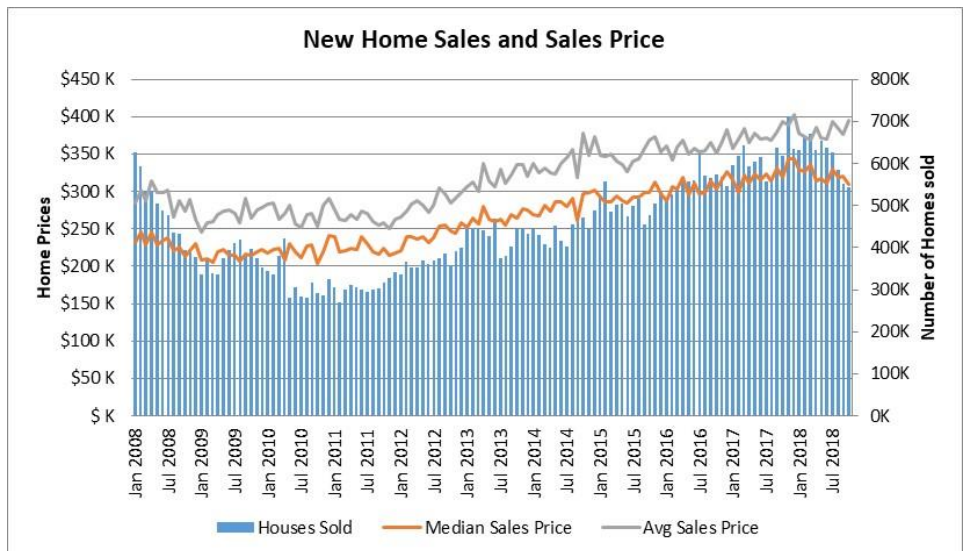
Data from the Charlotte Regional Realtor Association (CRRA) shows that in October 2018, number of homes sold declined in seven of the ten selected cities in the Charlotte region for which data is readily available compared to October 2017. Average sales price declined in three of the ten cities over the same period (1.1 percent decline in Matthews, eight percent decline in Mooresville and 4.2 percent decline in Statesville). The cities of Davidson, Huntersville, Mooresville and Waxhaw are averaging home sale prices greater than the City of Charlotte's. See the table in the next page showing number of homes sold in these cities coupled with their average sale prices.

Select Cities Housing Activity						
City	Number of Homes Sold			Average Sale Price		
	Oct-17	Oct-18	Change	Oct-17	Oct-18	Change
Charlotte	1,356	1,137	-16.2%	\$277,946	\$300,352	+8.1%
Concord	184	159	-13.6%	\$223,737	\$231,667	+3.5%
Davidson	45	31	-31.1%	\$330,805	\$413,039	+24.9%
Gastonia	130	127	-2.3%	\$161,557	\$189,447	+17.3%
Huntersville	121	143	+18.2%	\$321,563	\$343,049	+6.7%
Matthews	97	62	-36.1%	\$298,266	\$294,838	-1.1%
Monroe	74	80	+8.1%	\$200,441	\$216,695	+8.1%
Mooresville	180	159	-11.7%	\$419,518	\$386,121	-8.0%
Statesville	83	90	+8.4%	\$187,378	\$179,433	-4.2%
Waxhaw	92	87	-5.4%	\$415,803	\$456,145	+9.7%

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

National Housing Market

Sales of new single-family houses in October 2018 were at a seasonally adjusted rate of 544,000 compared to 618,000 in October 2017, a decline of 12 percent. Compared to September 2018, the



Source: U.S. Census Bureau, HUD, November 28, 2018

number of homes sold fell by 1.6 percent. Median sales price of new homes sold decreased from \$319,500 in October 2017 to \$309,000 in October 2018, a decline of about 3.1 percent. Average sales price increased by 0.3 percent over the same period.

The seasonally adjusted months' supply at current sales rate (number of months) of new homes available for sale increased from 5.6 months to 7.4 months over the same period. New housing stock or inventory that's available for sale increased from 286,000 to 336,000 single-family homes. See the chart above of new home sales and sales price at the national level since January 2008.

Existing home sales fell for the seventh straight month in October 2018 compared to same period last year. Sales of existing homes in October 2018 were at a seasonally adjusted rate of 5.22 million homes compared to 5.50 million homes sold same time last year. This represents a decline in the number of existing homes sold by 5.1

percent. Low housing supply seems to be the culprit impeding sales coupled with rising prices and mortgage interest rates. About 40.2 percent of people buying homes are buying homes in the price range of \$100,000 to \$250,000 and 35.1 percent of home buyers are buying homes in the range of \$250,000 to \$500,000.

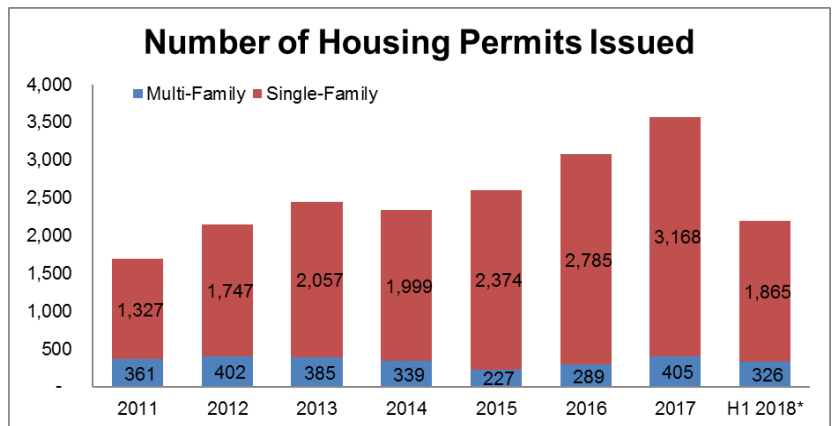


Source: National Association of Realtors (NAR)

Median existing-home sales price in October 2018 was \$255,400, which is 3.8 percent higher than the October 2017 price of \$246,000. Average existing-home sales price also increased by 2.3 percent over the same period from \$287,600 to \$294,200. Existing unsold housing inventory at the end of October 2018 stood at 1.85 million which represents an increase from 1.80 million a year ago. In terms of days on market until sale, properties stayed on the market for 33 days in October 2018 down from 34 days a year ago. 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.



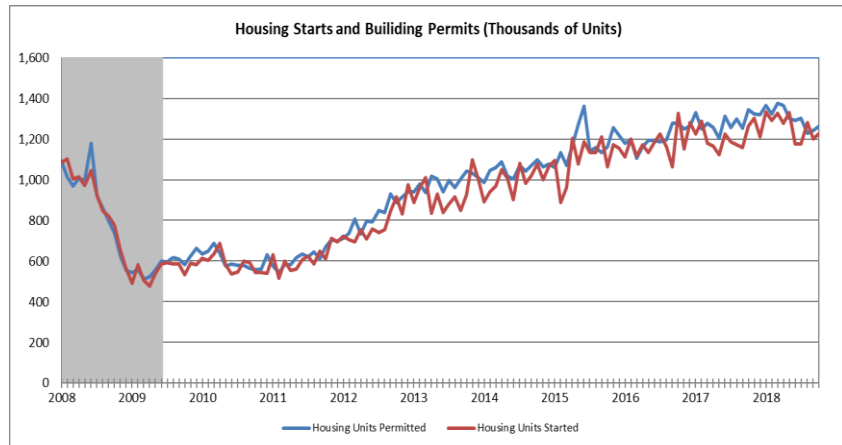
*H1 2018 represents the first half of 2018

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

National New Residential Construction

Privately-owned housing units authorized by building permits in October 2018 were at a seasonally adjusted annual rate of 1.26 million, a six percent decline compared to the October 2017 rate of 1.34 million.

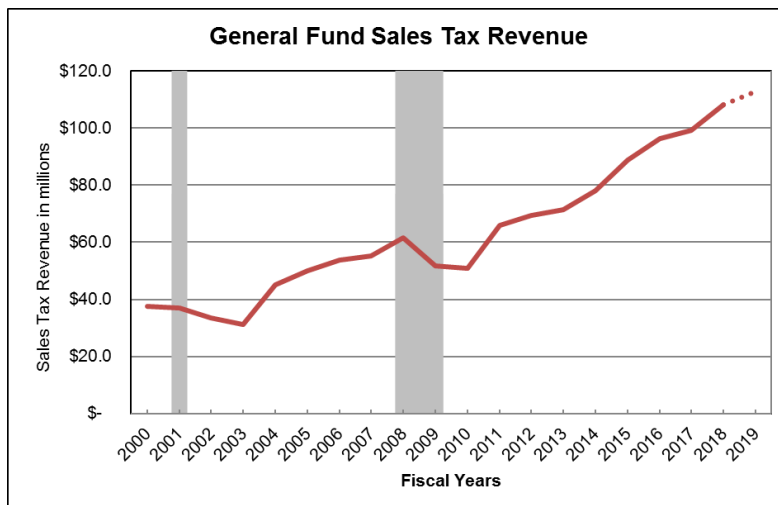
In October 2018, housing units started were at a seasonally adjusted annual rate of 1.23 million which represents a 2.9 percent decline compared to the October 2017 rate of 1.27 million. See the above chart showing housing units permitted and started since 2008. Single family housing starts were at a rate of 865,000 and for units in buildings with five units or more, the rate was 343,000. The Census Bureau defines the start of construction when excavation begins for the footings or foundation of a building.



Source: U.S. Census Bureau, HUD, November 20, 2018

Sales Tax Revenues

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



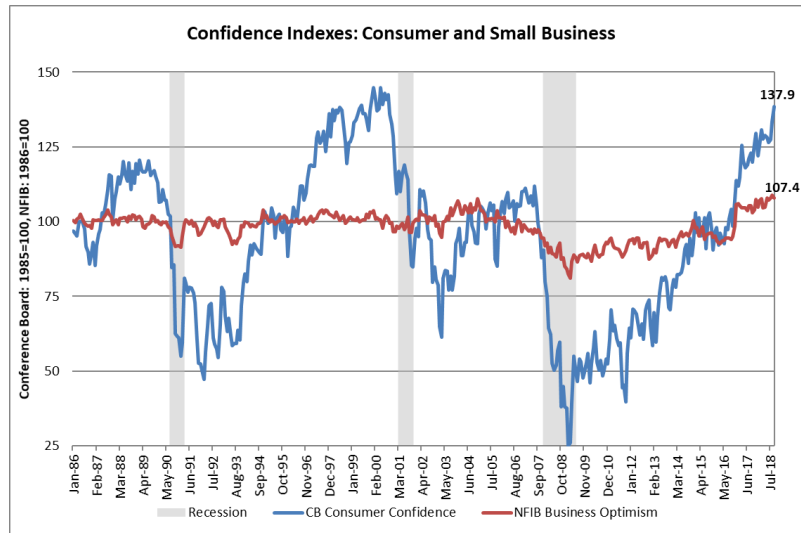
Source: NC Department of Revenue. Local Government Sales & Use Tax Distribution

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 continues to grow and revenue growth is expected to remain steady going into FY 2019.

The first quarter of sales tax data for FY 2019 was recently released. Comparing year-over-year actuals, general fund sales tax revenue grew by 3.2 percent compared to first quarter of FY 2018 primarily due to relatively high sales tax refunds.

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 October 2018, the index decreased in October following a large improvement in September 2018. The index decreased from 138.4 in September 2018 to



Source: The Conference Board and National Federation of Independent Business

137.9 in October 2018. Consumers' assessment of present-day conditions remained steady compared to last month's and for the short-term outlook; consumers' expectations decreased slightly based on a less optimistic view of future business conditions. Consumers anticipating business conditions will improve over the next six months decreased and those expecting the economy to worsen increased.

In May 2018, small business optimism reached its third-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. In October 2018, the index continued its historic trend with a high value of 107.4, albeit a decline. The index is a composite of ten seasonally adjusted components that provide an indication of the health of small businesses. The October 2018 survey report showed that the decline resulted from less optimism in expected business conditions and expected real sales and small business owners continue to face labor challenges but are raising compensation. The report identified finding qualified workers as the single most important business problem small businesses 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.

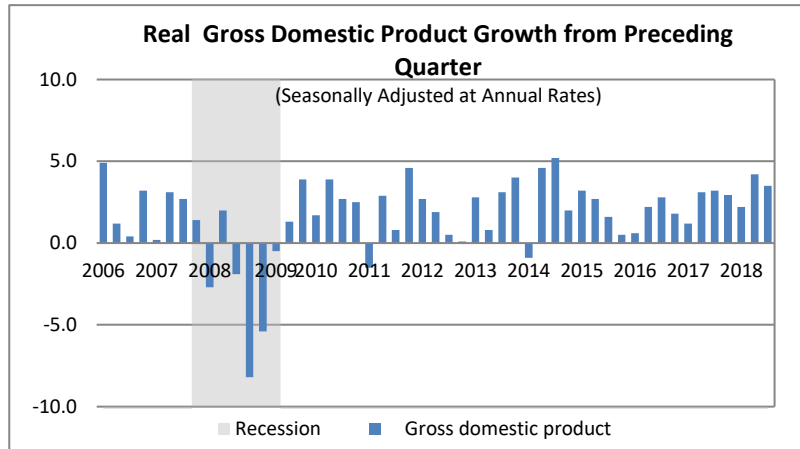
Real Gross Domestic Product

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.

At the national level, the Bureau of Economic Analysis reported real GDP increased at an annual rate of 3.5 percent in the third quarter of 2018 according to their second estimate after increasing 4.2 percent in the second quarter of 2018. The increase in real GDP is as a result of positive contributions from personal consumption expenditures (PCE), private inventory investment, state and local government

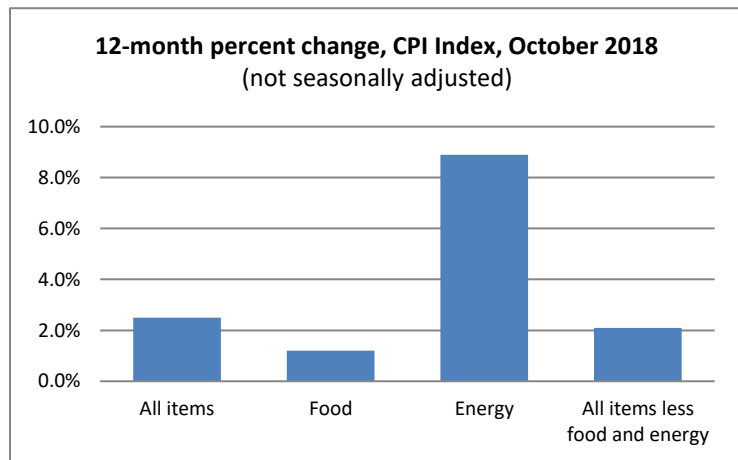
spending, federal government spending, and nonresidential fixed investment that were partly offset by negative contributions from exports and residential fixed investment. Imports which also help reduce GDP, increased. The deceleration in real GDP in the third quarter of 2018 was due to slower growth in exports, and in nonresidential fixed investment.



Source: U.S. Bureau of Economic Analysis

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 October 2018, CPI for All Urban Consumers (CPI-U) increased 0.3 percent on a seasonally adjusted basis after increasing by 0.1 percent in September 2018. Compared to October



Source: US Bureau of Labor Statistics

2017, CPI-U increased by 2.5 percent not seasonally adjusted (see the CPI Index 12-month change chart). Among the major expenditure categories, energy rose by 8.9 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 1.2 percent and the 'all items less food and energy' category grew by 2.1 percent over the same period with notable increases in motor vehicle insurance, hospital services and rent of primary residence.