

ECONOMIC INDICATORS

CITY OF CHARLOTTE
OFFICE OF STRATEGY AND BUDGET

January 13, 2020

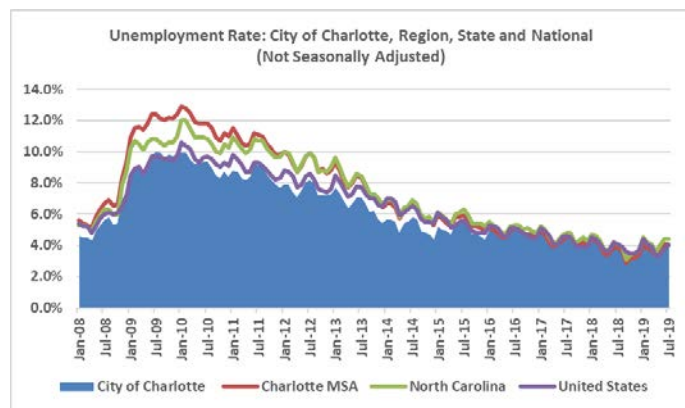
About the Report and Highlights

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 October 2019 was 3.4 percent
- The Charlotte MSA nonfarm employment grew in October 2019 by 2.3 percent which represents about 31.7 percent of the state total job growth over the previous 12 months
- City of Charlotte’s average home sales price increased by 12.5 percent and number of homes sold also increased by 15.0 percent in October 2019 compared to October 2018
- Number of housing units permitted in the city of Charlotte increased by 54 percent between 2017 and 2018 increasing from 8,356 units permitted to 12,828 housing units permitted
- General Fund Sales tax revenue grew by 9.7 percent in the first quarter of FY 2020 year-over-year
- Consumer confidence and small business optimism are all high compared to historical standards but have fallen over the past few months due to rising uncertainty about what the future holds
- Between 2017 and 2018, Charlotte MSA GDP grew by 2.1 percent; a growth rate lower than that of the nation’s which grew at 2.9 percent and that of the state of North Carolina which stood at 2.4 percent over the same period
- Compared to October 2018, consumer price index increased by 1.8 percent in October 2019, not seasonally adjusted. The energy component of the index fell by 4.2 percent

Unemployment

The City of Charlotte’s unemployment rate (not seasonally adjusted) stood at 3.4 percent in October 2019, falling by 10 basis points from 3.5 percent in October 2018. The chart on the right shows month-over-month unemployment rate, not seasonally adjusted. Charlotte region’s unemployment rate stood at 3.2 percent, a rate slightly lower than that of the City. The national



Source: Bureau of Labor Statistics and North Carolina Department of Commerce
October 2019 numbers are preliminary estimates and subject to revision

| Unemployment Rate: Charlotte Region and Comparison Areas | | | |
|--|--------|--------|--------|
| | Oct-19 | Oct-18 | Change |
| Charlotte MSA | 3.2% | 3.3% | -0.1% |
| Raleigh MSA | 3.1% | 3.2% | -0.1% |
| Winston-Salem MSA | 3.4% | 3.4% | 0.0% |
| Atlanta MSA | 2.9% | 3.6% | -0.7% |
| North Carolina | 3.6% | 3.6% | 0.0% |
| United States | 3.3% | 3.5% | -0.2% |

unemployment rate was 3.3 percent, down from 3.5 percent in October 2018. Charlotte region's 3.2 percent unemployment rate continues to be lower than the state's 3.6 percent and the nation's 3.3 percent rate.

The city of Charlotte and its region continue to grow as seen in its relatively low unemployment rate with people continually moving to the area to gain employment.

Source: Bureau of Labor Statistics and North Carolina Department of Commerce
October 2019 numbers are preliminary estimates and subject to revision

Jobs/Employment

Statewide nonagricultural employment (seasonally unadjusted) increased year-over-year in October 2019 by two percent (adding 89,600 jobs) to 4.62 million jobs from about 4.53 million jobs in October 2018. The Charlotte MSA area nonfarm employment grew year-over-year in October 2019 by 2.3

| Year-over-Year Job Change and Growth in Select Industries, October 2019 (Not Seasonally Adjusted) | | | | |
|--|---------------|--------------|----------------|-------------|
| Industry Sector | Charlotte MSA | | North Carolina | |
| | Change | Growth | Change | Growth |
| Construction of Buildings | 800 | 6.3% | 1,900 | 4.0% |
| Manufacturing | 900 | 0.8% | (2,000) | -0.4% |
| Trade, Transportation, & Utilities | 4,600 | 1.9% | 24,300 | 2.9% |
| Information | 900 | 3.1% | 2,300 | 2.9% |
| Financial Activities | 4,400 | 4.6% | 8,900 | 3.7% |
| Professional & Business Services | 7,500 | 3.5% | 8,700 | 1.3% |
| Management of Companies & Enterprises | 1,100 | 2.6% | 700 | 0.8% |
| Education & Health Services | 4,800 | 3.8% | 15,900 | 2.6% |
| Leisure & Hospitality | 6,500 | 4.6% | 25,700 | 5.1% |
| Other Services | 900 | 2.2% | 4,000 | 2.6% |
| Government | (200) | -0.1% | 3,900 | 0.5% |
| Federal Government | 200 | 1.9% | 1,900 | 2.6% |
| State Government | 100 | 0.5% | 900 | 0.4% |
| Local Government | (500) | -0.4% | 1,100 | 0.2% |
| Total Nonfarm | 28,400 | 2.3% | 89,600 | 2.0% |

Source: US Bureau of Labor Statistics

percent (adding 28,400 jobs) to 1.25 million jobs from 1.22 million jobs in October 2018. These 28,400 additional jobs represent about 31.7 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 1.4 percent at the national level, a growth rate lower than that of the Charlotte MSA which stood at 2.3 percent over the same period.

The table above provides a breakdown

of year-over-year job change and growth in select industry sectors. In the Charlotte region, job losses were recorded in the Government sector, particularly in the Local Government sector. The Government

sector employment fell by 0.1 percent losing 200 jobs. Construction of Buildings, Financial Activities and Leisure and Hospitality sectors all grew by at least four percent over the period. At the state level, Construction of Buildings, Financial Activities, and Leisure & Hospitality sectors all saw growth rates above three percent between October 2018 and October 2019.

Firm Relocations and Expansions, Third Quarter 2019

The Charlotte Regional Business Alliance 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 2019, the Alliance reported the addition of almost 4,000 jobs by 24 projects coupled with more than \$220 million in capital investments in the Charlotte region.

Since the fourth quarter of 2018, there was a total of 100 projects adding nearly 14,000 net new jobs with capital investments totaling \$1.2 billion in the region. The chart to the right provides a breakdown of these jobs and investment by quarter, since the fourth quarter of 2018.

| Q3 2019 | | Q2 2019 | |
|--------------------|-----------------|--------------------|---------------------------|
| PROJECTS | 24 | PROJECTS | 13 |
| JOB | 3,891 | JOB | 3,431 |
| CAPITAL INVESTMENT | | CAPITAL INVESTMENT | |
| \$221.7M | | \$250.1M | |
| Q1 2019 | | Q4 2018 | |
| PROJECTS | 25 | PROJECTS | 38 |
| JOB | 909 | JOB | 5,699 |
| CAPITAL INVESTMENT | | CAPITAL INVESTMENT | |
| \$93.6M | | \$613.3M | |
| TOTAL | PROJECTS | JOB | CAPITAL INVESTMENT |
| | 100 | 13,930 | \$1.2B |

Source: The Growth Report, Charlotte Chamber, Q3 2019

Charlotte Area Housing Market

Home Sales Activity

The city of Charlotte's year-over-year home sales increased by 15 percent from 1,229 homes sold in October 2018 to 1,413 homes sold in October 2019. For the entire Charlotte region, that rate increased by 10.8 percent over the same period. The average sales price of homes sold in Charlotte rose by 12.5 percent in October 2019 to \$336,418 from \$299,160 the same time last year. For the Charlotte region, average sales price increased by 12.5 percent. The number of days a home stays on the market until sale increased from 36 days to 39 days in the city of Charlotte. Properties in the region stay longer on the market than in the City but the number of days has fallen from 50 to 48 days. The inventory of homes available for sale decreased from 3,027 units available in October 2018 to 2,421 homes available in October 2019, a decrease of about 20 percent. With the low inventory challenges as seen in the city, there's more heat on home sales activity in Charlotte than the entire region as seen in its continuous lower months of supply in inventory.

| City of Charlotte Housing Market Activity | | | | | | |
|---|-------------------|-----------|----------------|------------------|-----------|----------------|
| | City of Charlotte | | | Charlotte Region | | |
| | Oct-18 | Oct-19 | Percent Change | Oct-18 | Oct-19 | Percent Change |
| New Listings | 1,576 | 1,627 | +3.2% | 4,835 | 5,122 | +5.9% |
| Pending Sales | 1,195 | 1,508 | +26.2% | 3,712 | 4,675 | +25.9% |
| Closed Sales | 1,229 | 1,413 | +15.0% | 3,865 | 4,284 | +10.8% |
| Median Sales Price | \$230,190 | \$254,500 | +10.6% | \$231,500 | \$253,000 | +9.3% |
| Average Sales Price | \$299,160 | \$336,418 | +12.5% | \$278,811 | \$305,890 | +9.7% |
| Percent of Original List Price Received | 96.7% | 96.8% | +0.1% | 96.2% | 96.5% | +0.3% |
| List to Close | 78 | 84 | +7.7% | 92 | 91 | -1.1% |
| Days on Market Until Sale (Cumulative) | 36 | 39 | +8.3% | 50 | 48 | -4.0% |
| Inventory of Homes for Sale | 3,027 | 2,421 | -20.0% | 11,291 | 9,094 | -19.5% |
| Months' Supply of Inventory | 2.3 | 1.7 | -26.1% | 2.8 | 2.1 | -25.0% |

Source: The Charlotte Regional Realtor Association. Local Market Update for October 2019

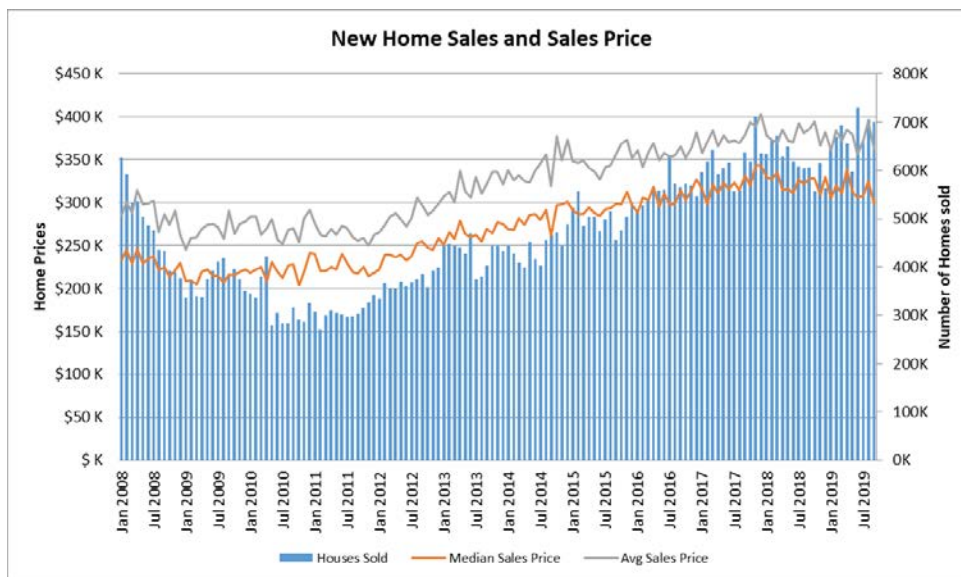
Data from the Charlotte Regional Realtor Association (CRRA) shows that in October 2019, number of homes sold declined in two of the ten selected cities in the Charlotte region for which data is readily available compared to October 2018. Average sales price increased in all but three of the ten cities over the same period. The cities of Davidson, Huntersville, Matthews, 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-18 | Oct-19 | Change | Oct-18 | Oct-19 | Change |
| Charlotte | 1,229 | 1,413 | +15.0% | \$299,160 | \$336,418 | +12.5% |
| Concord | 171 | 180 | +5.3% | \$231,012 | \$259,793 | +12.5% |
| Davidson | 35 | 45 | +28.6% | \$420,472 | \$520,542 | +23.8% |
| Gastonia | 131 | 133 | +1.5% | \$187,665 | \$181,735 | -3.2% |
| Huntersville | 146 | 164 | +12.3% | \$349,168 | \$331,070 | -5.2% |
| Matthews | 69 | 102 | +47.8% | \$293,288 | \$343,369 | +17.1% |
| Monroe | 84 | 119 | +41.7% | \$214,518 | \$249,476 | +16.3% |
| Mooresville | 170 | 198 | +16.5% | \$388,644 | \$429,826 | +10.6% |
| Statesville | 95 | 76 | -20.0% | \$175,786 | \$209,275 | +19.1% |
| Waxhaw | 96 | 87 | -9.4% | \$449,512 | \$440,889 | -1.9% |

Source: The Charlotte Regional Realtor Association, Local Market Update for October 2019

National Housing Market

The sales of new single-family houses in October 2019 were at a seasonally adjusted rate of 710,000 compared to 557,000 in October 2018, an increase of 27.5 percent. Compared to September 2019, the

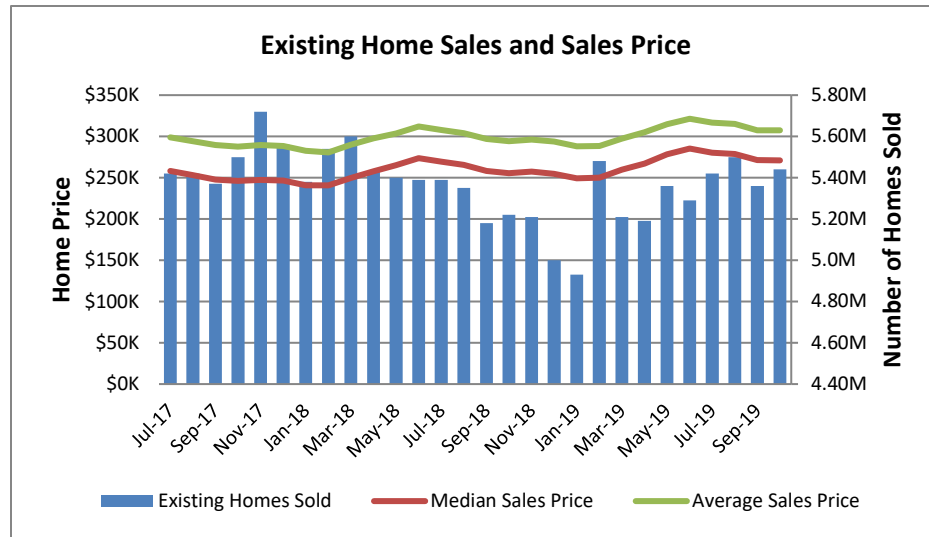


Source: U.S. Census Bureau, HUD, November 28, 2019

number of homes sold decreased by 2.7 percent. Median sales price of new homes sold decreased by 3.5 percent from \$328,300 in October 2018 to \$316,900 in October 2019. Average sales price also decreased by 4.3 percent over the same period.

The seasonally adjusted months' supply at current sales rate (number of months) of new homes available for sale decreased from 7.2 months to 5.5 months over the same period. New housing stock or inventory that's available for sale increased from 318,000 to 323,000 single-family homes over the same period. See the chart above of new home sales and sales price at the national level since January 2008.

Existing home sales increased in October 2019 compared to same period last year at the national level. Sales of existing homes in October 2019 were at a seasonally adjusted rate of 5.44 million homes



compared to 5.22 million homes sold same time last year. This represents an increase in the number of existing homes sold by 4.2 percent. The recent declines in mortgage rates increases housing affordability. However, low housing supply continues to push up home prices. About

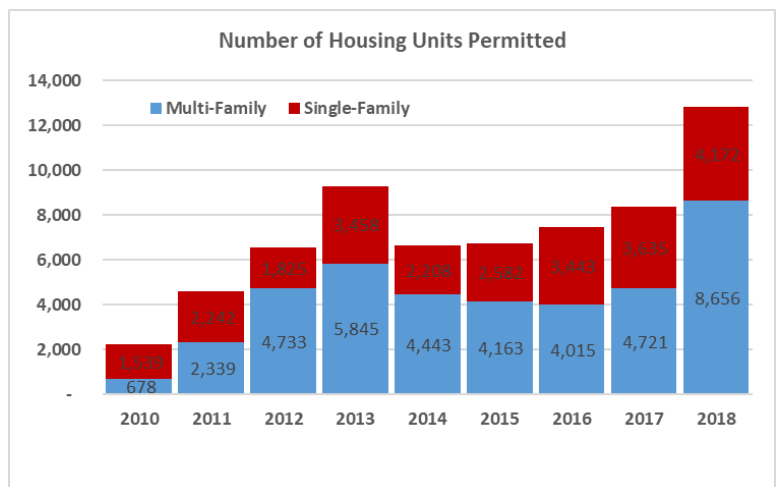
Source: National Association of Realtors (NAR)

38.2 percent of people buying homes are buying homes in the price range of \$100,000 to \$250,000 and 37.4 percent of home buyers are buying homes in the range of \$250,000 to \$500,000.

Median existing-home sales price in October 2019 was \$271,000, which is 6.1 percent higher than the October 2018 price of \$255,400. Average existing-home sales price also increased by 4.4 percent over the same period from \$294,200 to \$307,200. Existing unsold housing inventory at the end of October 2019 stood at 1.77 million, a 4.3 percent decrease from 1.85 million a year ago. In terms of days on market until sale, properties stayed on the market for 36 days in October 2019 same as 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 2010. In 2018, there were 12,828 housing units permitted in the city of Charlotte. Compared to 2017 which saw 8,356 units permitted, this represents a 54 percent increase. Multi-family units permitted increased by 83 percent and for single-family; it increased by 15 percent over the period. Comparing 2011 to 2018 annual figures, building permits issued has more than doubled growing by 180 percent representing an annual growth rate of about 26 percent.

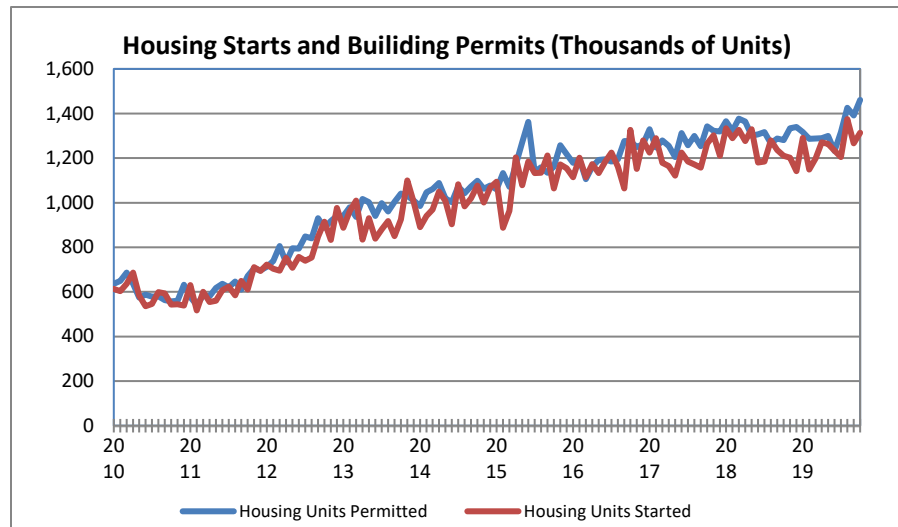


Source: Mecklenburg County's Land Use & Environmental Services Agency

National New Residential Construction

Privately-owned housing units authorized by building permits in October 2019 were at a seasonally adjusted annual rate of 1.32 million, a 14.1 percent increase compared to the October 2018 rate of 1.21 million.

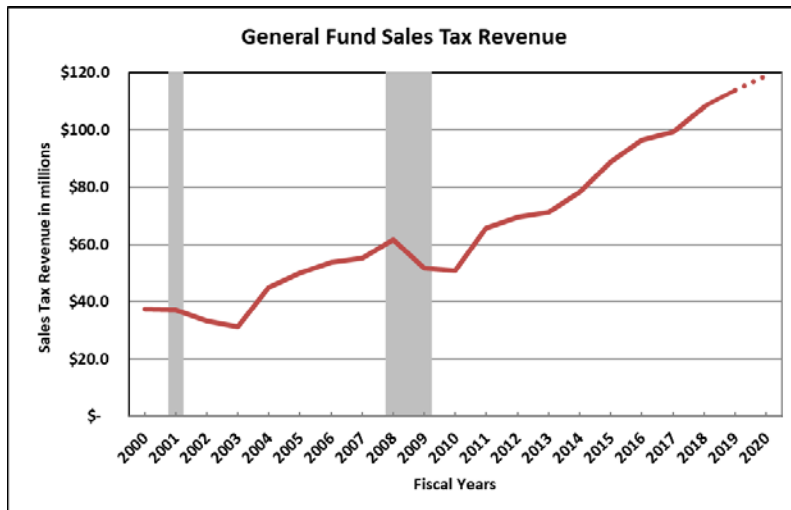
In October 2019, housing units started were at a seasonally adjusted annual rate of 1.32 million which represents a 9.2 percent increase compared to the October 2018 rate of 1.21 million. See the right chart showing housing units permitted and started since 2010. Single family housing starts were at a rate of 911,000 and for units in buildings with five units or more, the rate was 502,000. 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 19, 2019

Sales Tax Revenues

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



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

every month typically around the 10th of each month. Between FY 2010 and FY 2019, the general fund portion of sales tax revenue more than doubled, increasing by 124 percent from \$50.8 million to \$113.7 million (see sales tax chart to the left). Comparing year over year figures, sales tax revenue for FY 2019 was \$113.7 million, increasing 5.3 percent over FY 2018. In FY 2020, based on year-over-year changes, the first quarter

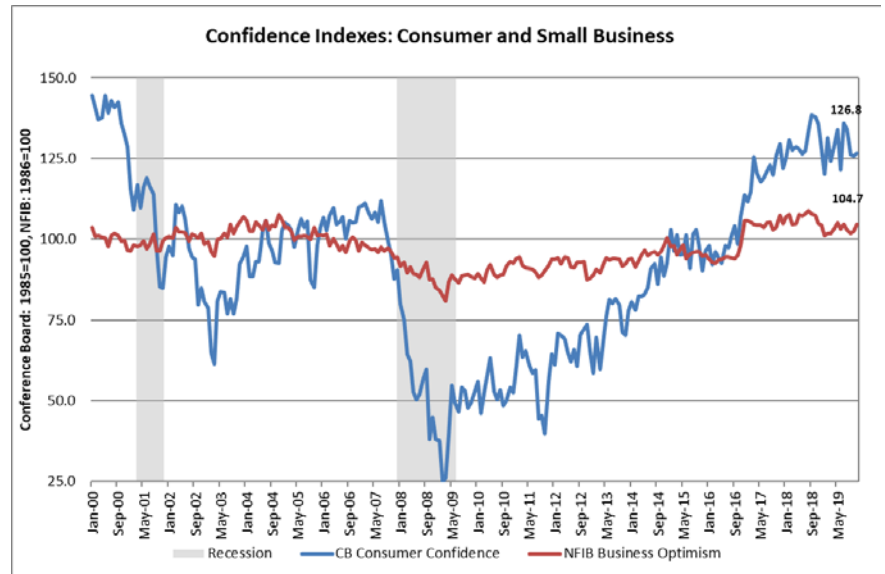
of sales tax received shows an increase of 9.7 percent. A key variable affecting the amount of sales tax distributed is sales tax refunds to nonprofit entities that make purchases in the City. While it is hard to predict refunds as they are processed in a non-technical fashion, the economy continues to grow and sales tax revenue growth is expected to do better in FY 2020 compared to FY 2019.

Consumer and Small Business Confidence

Consumer and small business owners' 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. The index increased slightly in November 2019 following a marginal decrease in October 2019. The index increased from 126.1 in October 2019 to 126.8 in November 2019, following a decrease in September.

Consumers' assessment of present-day conditions declined compared to last month's and for the short-term outlook; consumers' expectations increased based on a more optimistic view of future business conditions and income prospects.

In May 2018, small business optimism reached its third-highest level ever in the index's 45-year history a value of 107.8. In November 2019, the index saw its largest month-over-month gain since May 2018, rising 2.3 points to 104.7. The index is a composite of ten seasonally adjusted components that provide an indication of the health of small businesses. Seven of the components increased and two fell. The November 2019 survey showed the uncertainty index fell by six points. Business owners' reporting it is a good time to expand increased by six points. The report also showed that 12 percent of owners reported higher nominal sales in the past three months. The chart above shows the month-to-month fluctuations in both the consumer and small business confidences since 1986 including recession time periods.

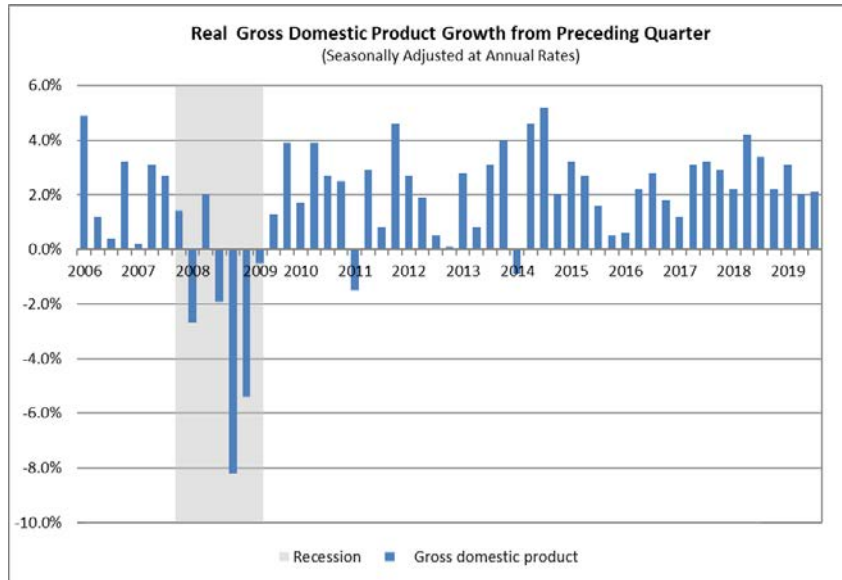


Source: The Conference Board and National Federation of Independent Business

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 2017 and 2018, Charlotte MSA grew by 2.1 percent; a growth rate lower than that of the nation which grew at 2.9 percent and the state of North Carolina which stood at 2.4 percent over the same period.

At the national level, the Bureau of Economic Analysis reported real GDP increased at an annual rate of 2.1 percent in the third quarter of 2019 according to their “third” estimate after increasing two percent in the second quarter of 2019. The increase in real GDP was because of positive contributions from personal consumption expenditures (PCE), residential fixed investment, federal government spending, state and local government spending, and exports that were partly offset by negative contributions from nonresidential fixed investment and private

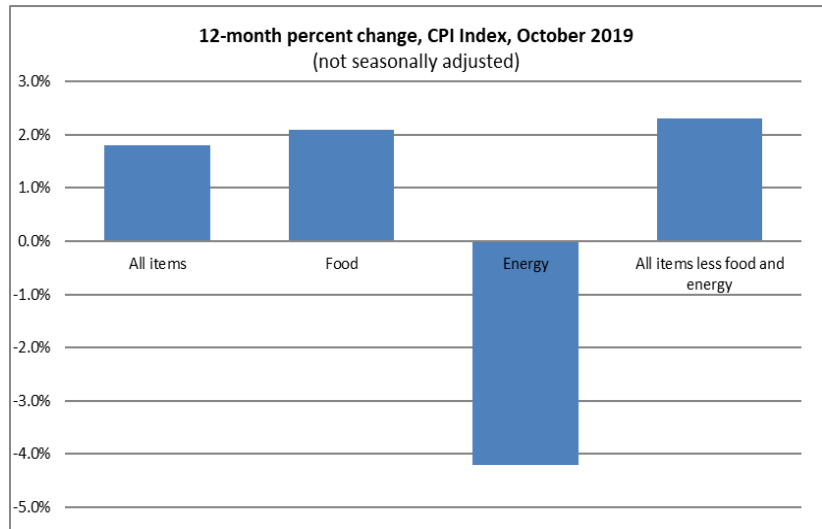


Source: U.S. Bureau of Economic Analysis

inventory investment. Imports which also help reduce GDP, increased. The acceleration in real GDP in the third quarter of 2019 was due to accelerations in exports and residential fixed investment, that was counteracted with decelerations in PCE, federal government spending and state and local government spending and a larger decrease in nonresidential fixed investment.

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 2019, CPI for All Urban Consumers (CPI-U) increased by 0.4 percent on a seasonally adjusted basis after remaining unchanged in September 2019. Compared to October 2018, CPI-U increased by 1.8



Source: US Bureau of Labor Statistics

percent not seasonally adjusted (see the CPI Index 12-month change chart). Among the major expenditure categories, energy fell by 4.2 percent over the 12-month period due to falling prices in energy commodities such as fuel oil and motor fuel. The food expenditure category grew by 2.1 percent and the ‘all items less food and energy’ category grew by 2.3 percent over the same period with notable increases in tobacco and smoking products, and medical services.