

ECONOMIC INDICATORS

CITY OF CHARLOTTE
OFFICE OF STRATEGY AND BUDGET

November 22, 2019

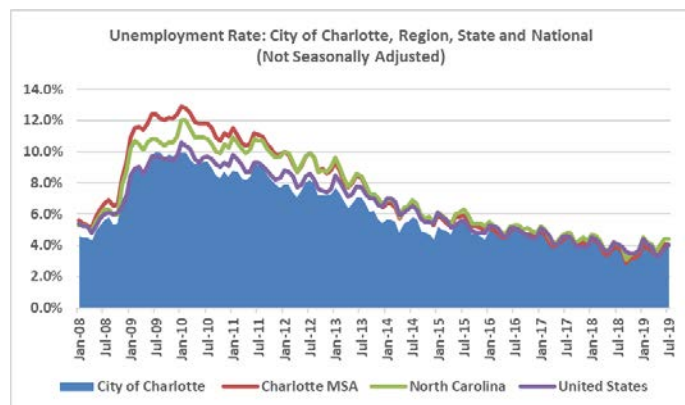
About the Report and Highlights

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 2019 was 3.3 percent
- The Charlotte MSA nonfarm employment grew in September 2019 by 2.5 percent which represents about 29.2 percent of the state total job growth over the previous 12 months
- City of Charlotte’s average home sales price increased by 9.7 percent and number of homes sold also increased by 12.2 percent in September 2019 compared to September 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 5.3 percent in FY 2019 over FY 2018
- 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 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 September 2018, consumer price index increased by 1.7 percent in September 2019, not seasonally adjusted. The energy component of the index fell by 4.8 percent

Unemployment

The City of Charlotte’s unemployment rate (not seasonally adjusted) stood at 3.3 percent in September 2019, increasing by 40 basis points from 2.9 percent in September 2018. The chart on the right shows month-over-month unemployment rate, not seasonally adjusted. Charlotte region’s unemployment rate stood at 3.1 percent, a rate slightly lower than that of the City. The national



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

Unemployment Rate: Charlotte Region and Comparison Areas			
	Sep-19	Sep-18	Change
Charlotte MSA	3.3%	2.9%	+0.4%
Raleigh MSA	3.1%	3.0%	+0.1%
Winston-Salem MSA	3.3%	3.3%	0.0%
Atlanta MSA	2.9%	3.4%	-0.5%
North Carolina	3.5%	3.1%	+0.4%
United States	3.3%	3.6%	-0.3%

unemployment rate was 3.3 percent, down from 3.6 percent in September 2018. Charlotte region's 3.1 percent unemployment rate continues to be lower than the state's 3.5 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
September 2019 numbers are preliminary estimates and subject to revision

Jobs/Employment

Statewide nonagricultural employment (seasonally unadjusted) increased year-over-year in September 2019 by 2.3 percent (adding 103,400 jobs) to 4.59 million jobs from about 4.83 million jobs in September 2018. The Charlotte MSA area nonfarm employment grew year-over-year in September 2019 by 2.5

Year-over-Year Job Change and Growth in Select Industries, September 2019 (Not Seasonally Adjusted)				
Industry Sector	Charlotte MSA		North Carolina	
	Change	Growth	Change	Growth
Construction of Buildings	400	3.2%	1,600	3.3%
Manufacturing	700	0.6%	(5,600)	-1.2%
Trade, Transportation, & Utilities	5,000	2.1%	29,400	3.6%
Information	900	3.1%	2,400	3.0%
Financial Activities	4,200	4.4%	8,600	3.6%
Professional & Business Services	10,100	4.8%	16,500	2.6%
Management of Companies & Enterprises	1,000	2.4%	900	1.1%
Education & Health Services	5,700	4.6%	17,400	2.9%
Leisure & Hospitality	6,100	4.4%	27,800	5.6%
Other Services	2,500	6.1%	5,500	3.6%
Government	(1,600)	-1.0%	3,300	0.4%
Federal Government	300	2.9%	2,500	3.4%
State Government	100	0.5%	1,000	0.5%
Local Government	(2,000)	-1.6%	(200)	0.0%
Total Nonfarm	30,200	2.5%	103,400	2.3%

percent (adding 30,200 jobs) to 1.24 million jobs from 1.21 million jobs in September 2018. These 30,200 additional jobs represent about 29.2 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 1.5 percent at the national level, a growth rate lower than that of the Charlotte MSA which stood at 2.5 percent over the same period.

Source: US Bureau of Labor Statistics

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 1.0 percent losing 1,600 jobs. Financial Activities, Information, Professional and Business Services, Education and Health Services, Leisure and Hospitality and Other Services all grew by at least four percent over the period. At the state level, Construction of Buildings, Manufacturing, Trade, Transportation, & Utilities, Information, Financial Activities, Professional & Business Services, Management of Companies & Enterprises, Education & Health Services, Leisure & Hospitality, Other Services, and Federal Government sectors all saw growth rates above three percent between September 2018 and September 2019.

Firm Relocations and Expansions, Second 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 second quarter of 2019, the Alliance reported the addition of almost 3,500 jobs by 13 projects coupled with more than \$250.1 million in capital investments in the Charlotte region.

In 2018, there was a total of 118 projects adding nearly 12,000 net new jobs with capital investments totaling \$1.53 billion in the region.

The chart to the right provides a breakdown of these jobs and investment by quarter, since the third quarter of 2018.

Q2 2019		Q1 2019	
PROJECTS	JOB	PROJECTS	JOB
13	3,431	25	909
CAPITAL INVESTMENT		CAPITAL INVESTMENT	
\$250.1M		\$93.6M	
Q4 2018		Q3 2018	
PROJECTS	JOB	PROJECTS	JOB
38	5,699	24	2,904
CAPITAL INVESTMENT		CAPITAL INVESTMENT	
\$613.3M		\$561.7M	
TOTAL	PROJECTS	JOB	CAPITAL INVESTMENT
	100	12,943	\$1.5B

Source: The Growth Report, Charlotte Chamber, Q2 2019

Charlotte Area Housing Market

Home Sales Activity

The city of Charlotte's year-over-year home sales increased by 12.2 percent from 1,246 homes sold in September 2018 to 1,398 homes sold in September 2019. For the entire Charlotte region, that rate increased by 8.3 percent over the same period. The average sales price of homes sold in Charlotte rose by 9.7 percent in September 2019 to \$324,088 from \$295,472 the same time last year. For the Charlotte region, average sales price increased by 6.8 percent. The number of days a home stays on the market until sale increased from 32 days to 39 days in the city of Charlotte. Properties in the region stay longer in the market than in the City and the number of days has increased from 43 to 47 days. The inventory of homes available for sale decreased from 3,028 units available in September 2018 to 2,454 homes available in September 2019, a decrease of about 19 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		
	Sep-18	Sep-19	Percent Change	Sep-18	Sep-19	Percent Change
New Listings	1,481	1,541	+4.1%	4,359	4,886	+12.1%
Pending Sales	1,108	1,471	+32.8%	3,314	4,560	+37.6%
Closed Sales	1,246	1,398	+12.2%	3,844	4,162	+8.3%
Median Sales Price	\$230,000	\$260,000	+13.0%	\$235,000	\$259,479	+10.4%
Average Sales Price	\$295,472	\$324,088	+9.7%	\$280,960	\$300,175	+6.8%
Percent of Original List Price Received	97.7%	97.2%	-0.5%	96.7%	96.8%	+0.1%
List to Close	78	83	+6.4%	88	90	+2.3%
Days on Market Until Sale (Cumulative)	32	39	+21.9%	43	47	+9.3%
Inventory of Homes for Sale	3,028	2,454	-19.0%	11,446	9,272	-19.0%
Months' Supply of Inventory	2.3	1.8	-21.7%	2.8	2.2	-21.4%

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

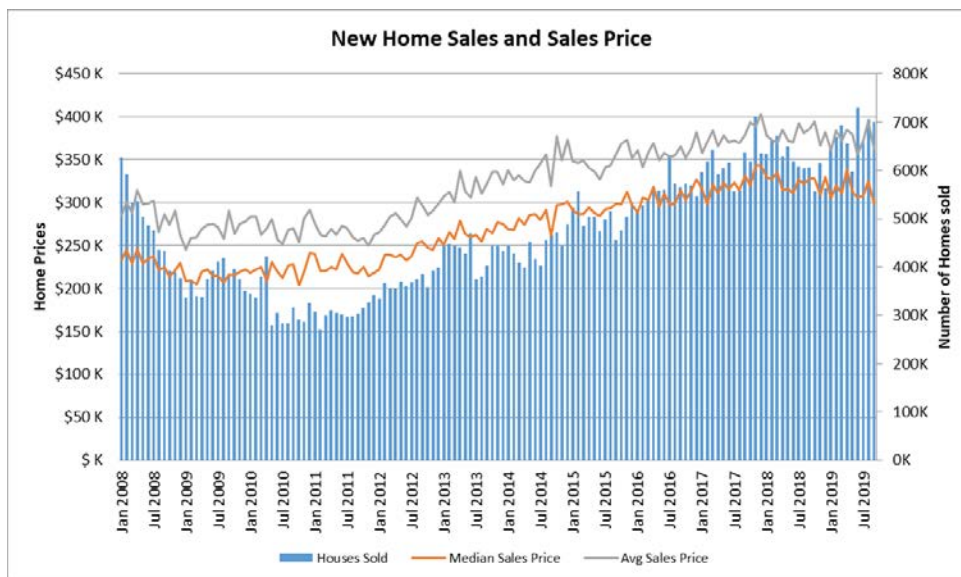
Data from the Charlotte Regional Realtor Association (CRRA) shows that in September 2019, number of homes sold declined in two of the ten selected cities in the Charlotte region for which data is readily available compared to September 2018. Average sales price increased in all but two of the ten cities 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		
	Sep-18	Sep-19	Change	Sep-18	Sep-19	Change
Charlotte	1,246	1,398	+12.2%	\$295,472	\$324,088	+9.7%
Concord	206	210	+1.9%	\$231,822	\$273,835	+18.1%
Davidson	34	45	+32.4%	\$453,759	\$384,247	-15.3%
Gastonia	115	107	-7.0%	\$176,259	\$177,681	+0.8%
Huntersville	162	141	-13.0%	\$358,816	\$366,219	+2.1%
Matthews	99	105	+6.1%	\$334,045	\$335,047	+0.3%
Monroe	94	97	+3.2%	\$216,105	\$250,858	+16.1%
Mooresville	172	181	+5.2%	\$361,836	\$394,058	+8.9%
Statesville	80	82	+2.5%	\$196,073	\$179,883	-8.3%
Waxhaw	80	105	+31.3%	\$423,537	\$443,434	+4.7%

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

National Housing Market

The sales of new single-family houses in September 2019 were at a seasonally adjusted rate of 701,000 compared to 607,000 in September 2018, an increase of 15.5 percent. Compared to August 2019, the

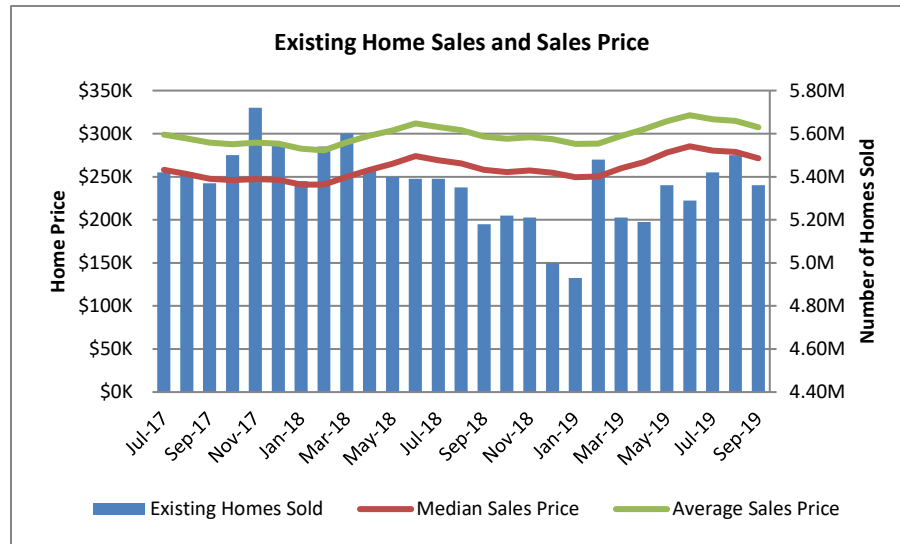


Source: U.S. Census Bureau, HUD, October 24, 2019

number of homes sold decreased by one percent. Median sales price of new homes sold decreased by 8.8 percent from \$328,300 in September 2018 to \$299,400 in September 2019. Average sales price also decreased by 6.1 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 6.4 months to 5.5 months over the same period. New housing stock or inventory that's available for sale decreased from 324,000 to 321,000 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 September 2019 compared to same period last year at the national level. Sales of existing homes in September 2019 were at a seasonally adjusted rate of 5.36 million



Source: National Association of Realtors (NAR)

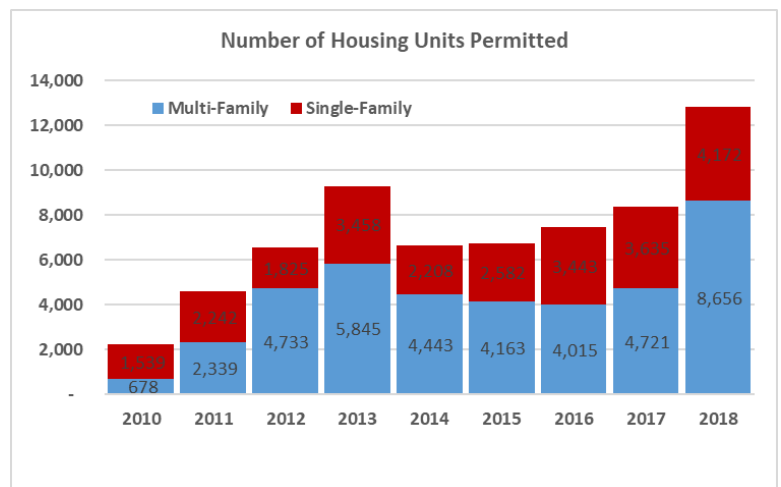
homes compared to 5.18 million homes sold same time last year. This represents an increase in the number of existing homes sold by 3.5 percent. The recent declines in mortgage rates increases housing affordability. However, low housing supply continues to push up home prices. About 37.1 percent of people buying homes are buying homes

in the price range of \$100,000 to \$250,000 and 38.4 percent of home buyers are buying homes in the range of \$250,000 to \$500,000.

Median existing-home sales price in September 2019 was \$271,500, which is 5.2 percent higher than the September 2018 price of \$258,100. Average existing-home sales price also increased by 3.6 percent over the same period from \$296,800 to \$307,500. Existing unsold housing inventory at the end of September 2019 stood at 1.83 million, a 2.7 percent decrease from 1.88 million a year ago. In terms of days on market until sale, properties stayed on the market for 32 days in September 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.

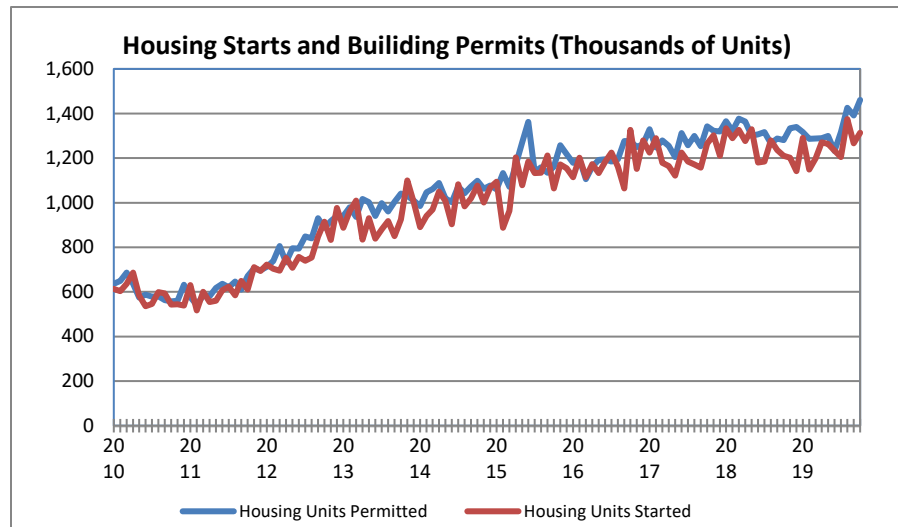


Source: Mecklenburg County's Land Use & Environmental Services Agency

National New Residential Construction

Privately-owned housing units authorized by building permits in September 2019 were at a seasonally adjusted annual rate of 1.39 million, an eight percent increase compared to the September 2018 rate of 1.29 million.

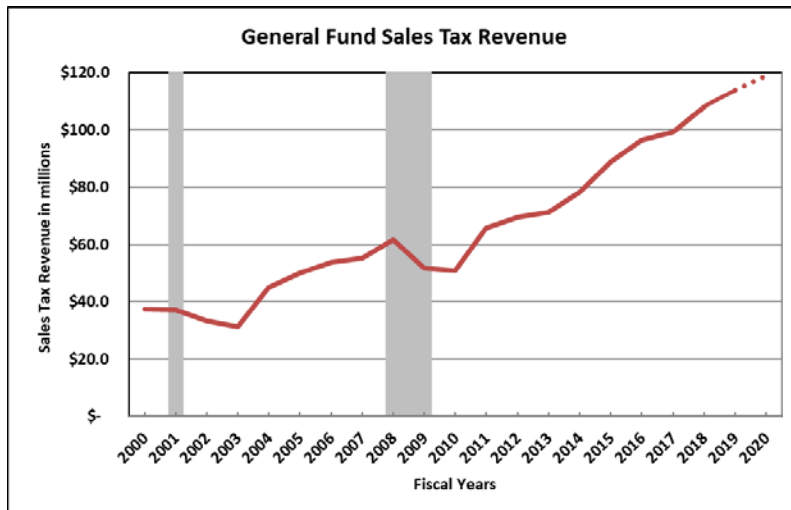
In September 2019, housing units started were at a seasonally adjusted annual rate of 1.27 million which represents a 2.4 percent increase compared to the September 2018 rate of 1.24 million. See the right chart showing housing units permitted and started since 2010. Single family housing starts were at a rate of 918,000 and for units in buildings with five units or more, the rate was 362,000. 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, October 23, 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 two

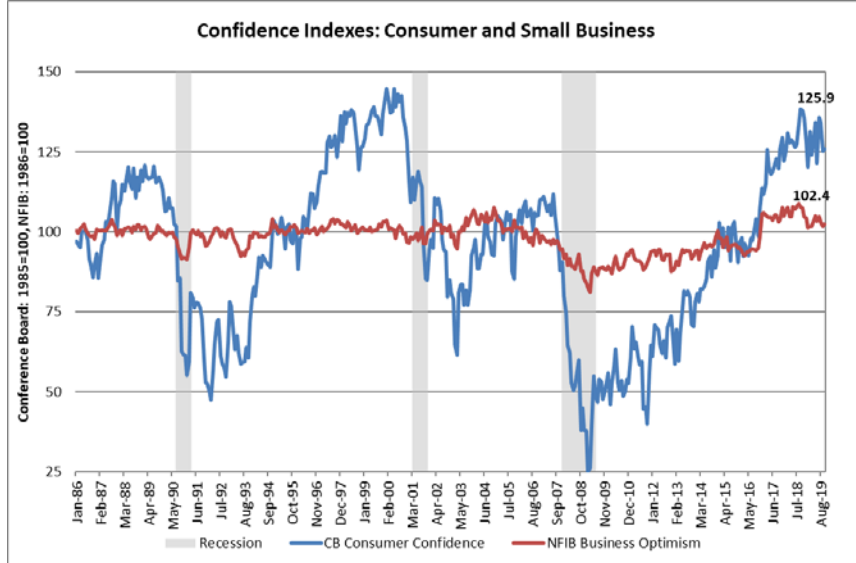
months of sales tax received shows an increase of 14.4 percent. A key variable affecting the amount of sales tax distributed is sales tax refunds to nonprofit entities that make purchases in the City. While it is hard to predict refunds as they are processed in a non-technical fashion, the economy continues 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 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 decreased slightly in October 2019 following a decrease in September 2019. The index decreased from 126.3 in September 2019 to 125.9 in October 2019, following a decrease in August. Consumers' assessment of present-day

conditions improved compared to last month's and for the short-term outlook; consumers' expectations decreased based on a less optimistic view of future business and labor market conditions.

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 October 2019, the index remained historically high with a value of 102.4 increasing slightly from 101.8 the previous month. The index is a composite of ten seasonally adjusted components that provide an indication of the health of small businesses. Eight of the components increased and two fell. The October 2019 survey showed the uncertainty index fell by four points. Business owners' plans to raise compensation rose four points to a net of 22 percent. The report also showed that 25 percent of owners pointed "finding qualified labor" as their top business problem. 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

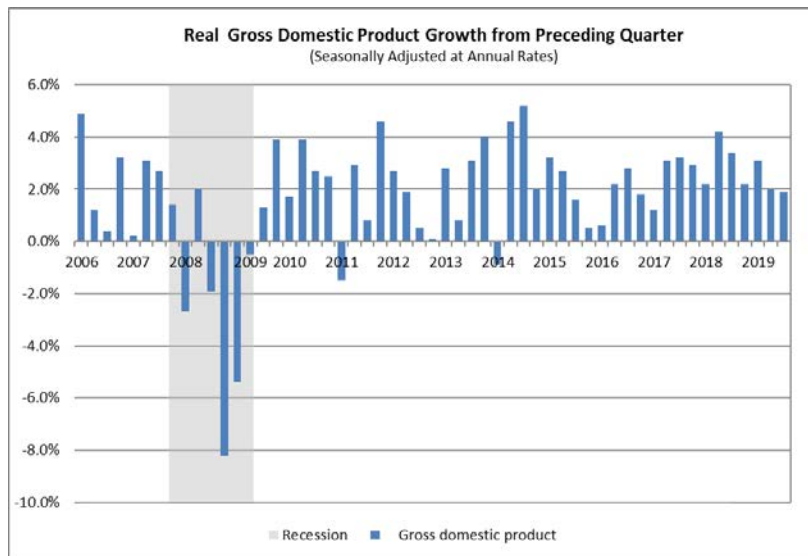
Real Gross Domestic Product

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 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 2.9 percent in 2018

and forecasters from the Belk College of Business expect a growth rate of 2.8 percent over the 2018 level in 2019.

At the national level, the Bureau of Economic Analysis reported real GDP increased at an annual rate of 1.9 percent in the third quarter of 2019 according to their “advance” 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, state and local government spending, and exports that were partly offset by

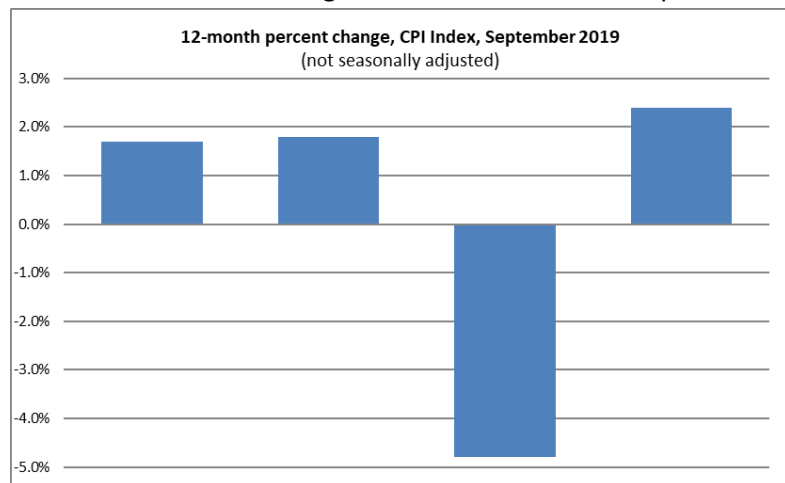
negative contributions from nonresidential fixed investment and private inventory investment. Imports which also help reduce GDP, increased. The deceleration in real GDP in the third quarter of 2019 was due to decelerations in PCE, federal government spending, and state and local government spending, and a larger decrease 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 August 2019, CPI for All Urban Consumers (CPI-U) increased by 0.1 percent on a seasonally adjusted basis after rising by 0.3 percent in July 2019. Compared to September 2018, CPI-U increased by 1.7 percent not seasonally adjusted (see the CPI Index 12-month change chart). Among the major expenditure categories, energy fell by 4.8 percent over the 12-month



Source: US Bureau of Labor Statistics

period due to falling prices in energy commodities such as fuel oil and motor fuel. The food expenditure category grew by 1.8 percent and the ‘all items less food and energy’ category grew by 2.4 percent over the same period with notable increases in tobacco and smoking products, and medical services.