

2016 - 2017

ECONOMIC OUTLOOK FORECAST



#EOCCHS



INTRODUCTION

The annual Economic Forecast for the Charleston region is a partnership project between the Charleston Metro Chamber of Commerce's Center for Business Research and the College of Charleston's School of Business and Economics. This year's Economic Outlook Conference marks the 25th annual conference and forecast.

The forecast is based upon historical data tracked and collected by the Chamber's Center for Business Research. Data on each of the key economic indicators that drive the region's economy are collected and provided to the College of Charleston, Office of Economic Analysis. The data is reviewed by Dr. Frank Hefner. Using an econometric forecasting model, a projection for each indicator is developed. The model also forecasts national indicators.

The key to the success of the forecasting project has been the Economic Outlook Board. The collective insight of the Economic Outlook Board 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. Furthermore, 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 local economy.

TABLE OF CONTENTS

| | |
|--------------------------|---|
| Introduction | 1 |
| Top Rankings | 2 |
| Regional Overview | 2 |
| Forecast Summary | 3 |
| Key Regional Indicators | 3 |
| Employment / Labor Force | 5 |
| Real Estate Permits | 5 |
| Real Estate Sales | 6 |
| Retail Sales | 6 |
| Transportation (Port) | 7 |
| Transportation (Airport) | 7 |
| Visitor Industry | 8 |
| Attraction Attendance | 8 |
| Economic Outlook Board | 9 |
| Methodology | 9 |

Job Growth

One of every four jobs created in the state of South Carolina between 2009 and 2014 were created in the Charleston region.

- *Avalanche Consulting*

#1 Travel Destination in the United States

Charleston was voted the Top Small City in the U.S. for the fifth year in a row, according to *Condé Nast Traveler's* annual Readers' Choice survey.

- *Condé Nast*

Charleston ranked #4 Best Performing U.S. metro for high tech GDP growth

The Milken Institute ranked the Charleston metro 4th in the nation for high tech GDP growth over the past five years. Sectors contributing to Charleston's performance include aerospace, manufacturing and increased volume at the Port.

- *The Milken Institute*

#18 of Top 100 Metros

The Charleston metro ranked #18 with 34,230 (10.5% share) employees in advanced industries sector in 2013. Advanced industries include automotive and aerospace manufacturing, energy activities, digital services like computer system design and software, and logistics and transportation.

- *Brookings Advanced Industries*

Charleston ranked in the top 10 Small American Cities of the Future 2015/16 for FDI Strategy

421 locations were analyzed and ranked based on population size. Data for the report included economic potential, business friendliness, human capital and lifestyle, cost effectiveness and connectivity.

REGIONAL OVERVIEW

Comprised of three counties – Berkeley, Charleston and Dorchester – the Charleston region is a highly diverse market, strategically located on the Atlantic coast half-way between New York and Miami. The region, which covers more than 3,100 square miles (8,192 kilometers), combines a thriving economy, rich history and breathtaking environment to offer an outstanding business climate and a quality of life that is second to none.

The Charleston metro has emerged as a globally competitive region and the economy has transformed over the past decade from a service-based economy to STEM-based thanks to Boeing, Mercedes, Google, Volvo and many others. This emergence was evidenced by this year's release of the *Advanced Industries Study* by Brookings Advanced Industries that ranks the region's economy number 18 in the U.S. among the country's top 100 metros. With a plentiful supply of skilled workers, access to the global marketplace through its logistics and transportation system and a diverse portfolio of location opportunities, the Charleston region offers a winning combination for business.

Charleston Harbor will soon be the deepest port on the East Coast of the U.S. – in time to welcome Post Panamax ships 24/7. There is no question that the Charleston metro is a profoundly different place than it was 25 years ago when the economy was centered on the nation's third largest Navy Base. There is also no doubt we will be profoundly different a decade from now when Boeing, Volvo and Mercedes are all fully operational with their supply chains in place, and our airport and port offering thriving logistics and transportation options to reach the global supply chain. Charleston has earned its place on the global map as a visitor destination and now we are also recognized as a global business destination.



FORECAST SUMMARY

The 2016 - 2017 Economic Forecast for the Charleston Metro calls for strong growth across the region. Led by strong job growth, the board rejected every indicator the computer model produced and adjusted each one upward. The 2016 and 2017 forecast is a great example of how the forecast model has worked for the past 25 years. The Economic Outlook Board

brings real world experience and knowledge to the process that an econometric model does not.

The jobs forecast is predicted to show the healthiest gain in several years. More than 9,000 net new jobs were created in the region in 2015, outpacing the predicted 6,000. As hiring begins for the Volvo and Mercedes new automotive facilities, and with continued expansion of

other sectors, it is forecasted that job growth will accelerate for the next two years, adding 20,000+ net jobs in the region.

The region's real estate market will continue to expand – on both the building permit side and in home sales and value of sales. The multi-family market is expected to grow at a slower pace with 10,000 units already announced or under construction.

KEY REGIONAL INDICATORS

+2.6%

LABOR
FORCE



+3.0%

EMPLOYMENT



-4.5%

UNEMPLOYMENT



+6.0%

REAL ESTATE
SALES



+10.0%

SINGLE FAMILY
PERMITS



The Port of Charleston will initially see a slowing of container volumes as a result of the slowing of global markets. Volumes are predicted to expand three percent in 2016 and then expand by eight percent in 2017 as the Panama Canal expansion opens. Break-bulk cargo shipped through the Port of Charleston is also expected to slow in 2016 before regaining momentum in 2017.

Charleston International Airport continues to break passenger records. The airport closed out 2015 serving a record 3.4 million passengers. The \$190+ million terminal renovation project will be finished by late spring 2016 and will provide much needed upgrades to the existing space and room for growth with the addition of five new passenger gates. The forecast calls for passenger traffic to continue a

steady rise in 2016 and 2017. The Charleston region has been ranked as the number one visitor destination in the U.S. for five years in a row. As a result, the region has experienced growth in the number of hotel properties and hotel rooms. Because of the increased inventory in the market, the forecast calls for more moderate growth in the visitor industry in 2016 and 2017.



**RETAIL
TRADE**



TEUs



AIRPORT



REVPAR



Employment and Labor Force

The region's labor market expanded in 2015, with total employment growing by 2.8 percent. The largest job gains were in Leisure and Hospitality (+6.7%), Education and Healthcare (+4.4%), Information (+3.8%), Professional and Business Services (+3.7%) and Manufacturing (+2.8%). All sectors experienced gains in 2015.

For the Charleston region, job gains are expected in both 2016 and 2017. Total employment is projected to increase by more than 10,000 net new jobs in 2016 and another 11,000 in 2017, resulting in unemployment continuing to decline, falling to 4.9 percent by the end of 2017.

Labor Force / Employment -Charleston Region

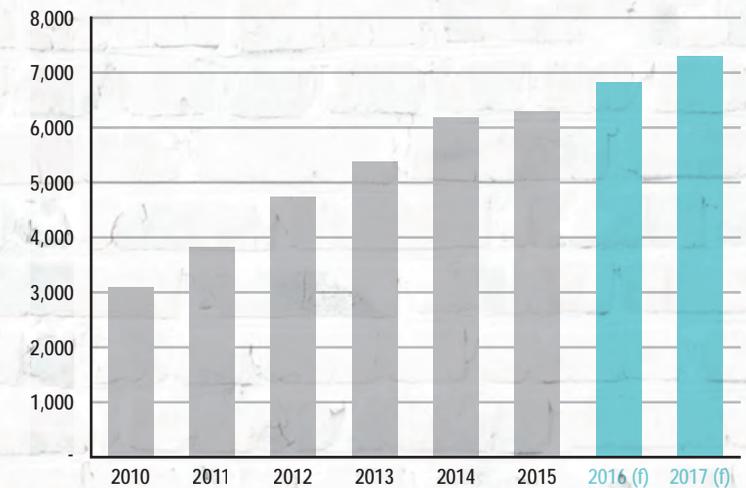


Real Estate Construction

The region's residential real estate market experienced robust growth in 2015, with builders describing the market as active as pre-recession levels by the end of the year. Total single family permits increased 9.1 percent compared to 2014. Multi-family permits declined in 2015 from a record high in 2014.

The forecast for the residential building market is for continued growth in 2016 and 2017. Multi-family construction is expected to see slow growth in 2016 as a result of continued population growth in the region and demand for more multi-family units grows.

Source: U.S. Bureau of the Census (f) forecast



Total Residential Permits

Residential Home Sales

| Year | Sold | Average Sales Price | Median Sales Price |
|----------|--------|---------------------|--------------------|
| 2010 | 8,840 | \$264,068 | \$187,000 |
| 2011 | 9,380 | \$251,151 | \$181,275 |
| 2012 | 10,638 | \$263,774 | \$190,050 |
| 2013 | 13,102 | \$280,872 | \$204,900 |
| 2014 | 14,256 | \$290,840 | \$215,000 |
| 2015 | 16,202 | \$307,673 | \$229,000 |
| 2016 (f) | 17,174 | \$319,980 | \$238,160 |
| 2017 (f) | 18,200 | \$326,380 | \$242,920 |

Source: Charleston Trident Association of Realtors (f) forecast

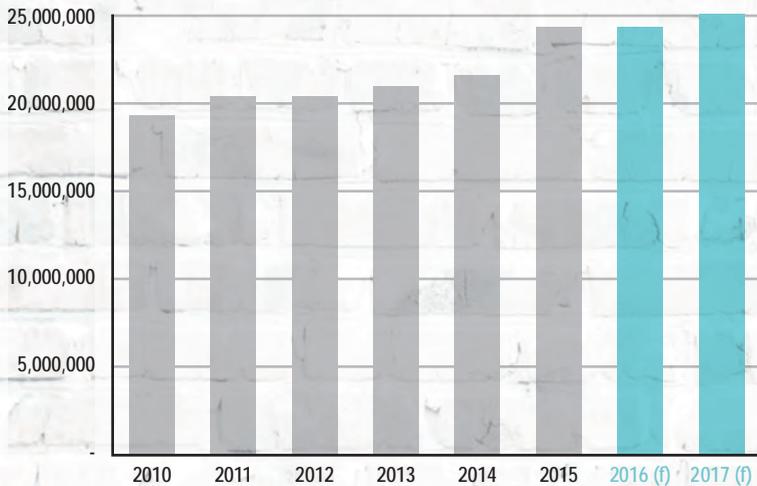
Real Estate Sales

The number of residential home sales in 2015 increased by 13.7 percent above the previous year with the average sales price increasing by 5.8 percent.

Residential housing sales are also expected to continue to grow in 2016 and 2017. The forecast is for a 6 percent increase in the number of sales in both 2016 and 2017. The average sales price is predicted to increase by 4 percent in 2016 and another 2 percent the following year.

■ Gross Retail Sales

Source: S.C. Department of Revenue (f) forecast



Gross Retail Sales
(\$000)

Retail Sales

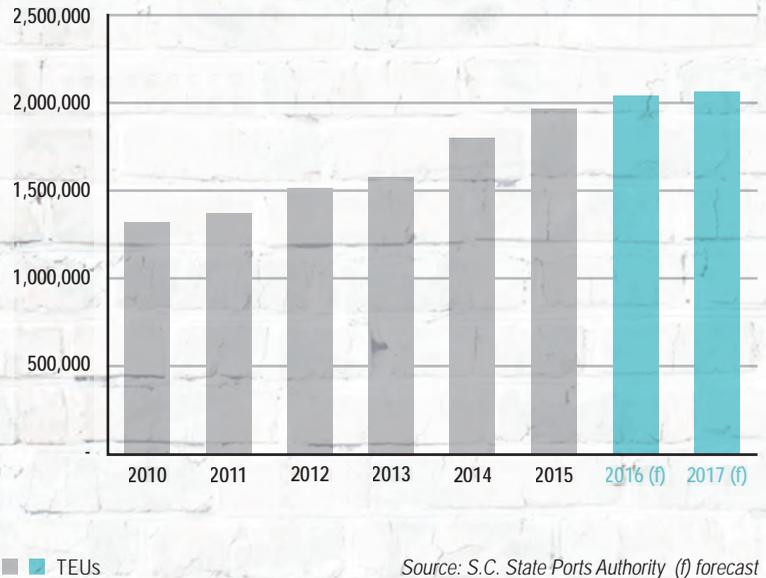
Total retail trade in the region increased 5.3 percent in 2014; the result of growth in the region's housing market and strong visitor industry. The forecast is for retail sales to remain flat in 2016 followed by a moderate increase in 2017.

Transportation (Port)

South Carolina Ports Authority (SCPA) posted 10 percent container growth in 2015, a year highlighted by strong volumes and significant progress on the harbor deepening project. Total TEUs increased by 10.1 percent, placing Charleston among the fastest growing ports in the U.S. In calendar year-end results, container volumes measured in 20-foot equivalent units reached more than 1.97 million.

The forecast calls for container volumes to increase in each of the next two years, as the Port of Charleston continues to expand and attract new business. The opening of the Panama Canal expansion in late 2016 is also expected to be a boost for Charleston as the deepening of Charleston Harbor to 52 feet continues to progress. Large Post Panamax vessels already call on Charleston's ports at high tide. The deepening of the harbor to 52 feet will allow the ships to call on Charleston 24/7.

Port of Charleston Activity



Source: S.C. State Ports Authority (f) forecast
*TEUs: twenty-foot equivalent units

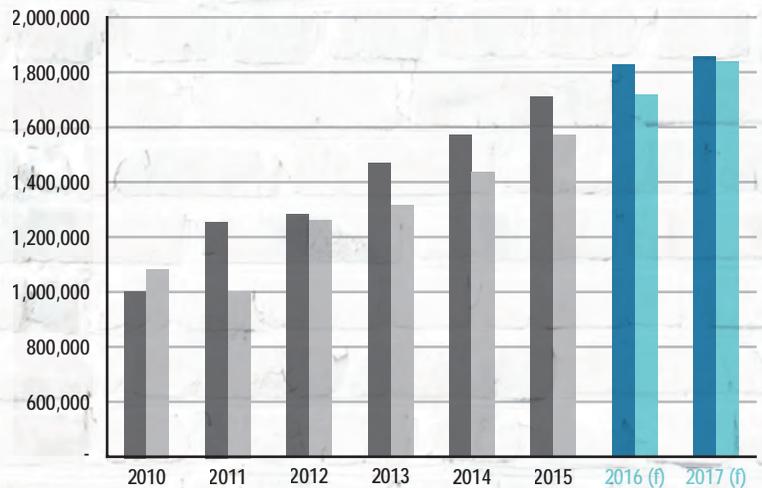
Transportation (Airport)

Total passenger activity at Charleston International Airport reached more than 3.4 million passengers in 2015, setting a new record for Charleston International Airport. Passenger volumes for all airlines serving Charleston increased during the year.

Total passenger volumes are forecasted to continue to grow over the next two years by 6 percent in 2016 and 2 percent in 2017.

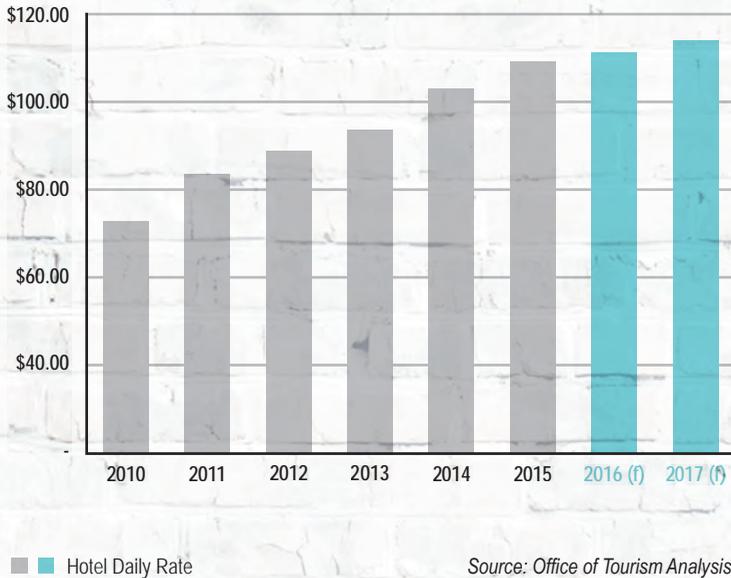
■ Enplanements
■ Deplanements

Source: Charleston County Aviation Authority (f) forecast
*includes civilian and military passengers



Charleston International Airport Passenger Activity

RevPAR 2010 - 2017



Source: Office of Tourism Analysis,
College of Charleston (f) forecast

Visitor Industry

The region's visitor industry continued to expand in 2015, with area experts reporting another strong year of activity. One of the highlights of the year was being named the country's top travel destination for the fifth year in a row by *Condé Nast*.

Average hotel occupancy increased during the year to 73.5 percent. The average daily rate charged by area hotels was \$143.75. RevPAR, or revenue per available room, a standard measurement by the lodging industry, increased by 4.9 percent from the previous year. RevPAR is used as an overall metric indicating financial performance of a property.

Attendance at Area Attractions

| Year | Attendance | % Change From Previous Year |
|----------|------------|-----------------------------|
| 2010 | 2,242,592 | 2.6% |
| 2011 | 2,320,479 | 3.5% |
| 2012 | 2,330,051 | 0.4% |
| 2013 | 2,355,755 | 1.1% |
| 2014 | 2,435,544 | 3.4% |
| 2015 | 2,447,565 | 0.5% |
| 2016 (f) | 2,484,278 | 1.5% |
| 2017 (f) | 2,533,964 | 2.0% |

Source: Office of Tourism Analysis,
College of Charleston (f) forecast

Attraction Attendance

Total attendance at area attractions was flat for 2015. Record rainfall and the flooding in October were part of the reason for the decline as many attractions were closed for several days. The closing of the Gibbes Museum during the year for a major capital renovation project also impacted overall attendance numbers.

The forecast calls for attendance to increase for each of the next two years by modest amounts. The profile of Charleston's typical visitor includes a high level of repeat visitation so the historic attractions continue to be challenged to find new and creative ways to attract attendees.

ECONOMIC OUTLOOK BOARD

Charlie Carmody

CB Richard Ellis Carmody

Harry Gregorie

GDC

Jim Hamilton

ReMax/Charleston Trident Association of Realtors

Katie Henderson

Dunhill Staffing Systems

Danny Kassis

SCE&G

Wilbur Johnson

Young Clement Rivers LLP

Perrin Lawson

Charleston Area Convention & Visitors Bureau

Tripp Meares

Wells Fargo

Barbara Melvin

South Carolina Ports Authority

Judi Olmstead

Charleston County Aviation Authority

Sean Tracey

Charleston County Aviation Authority

Steve Slifer

NumberNomics

Peter Stekete

Embassy Suites Hotel Charleston Area Convention Center

Steve Warner

Charleston Regional Development Alliance

Department of Economics and Finance,
School of Business, College of Charleston

Frank Hefner, Ph.D.

Mark Witte, Ph.D.

Center for Business Research,
Charleston Metro Chamber of Commerce

Mary Graham

Jacki Renegar

METHODOLOGY

Data for the forecast is collected by the Charleston Metro Chamber of Commerce's Center for Business Research. The survey methodology has been reviewed by the College of Charleston. Data reported by national and state agencies, such as employment, inflation and interest rates, are downloaded directly from those agencies.

The statistical methodology used to generate the forecast herein is Vector Autoregression or VAR.

Center for Business Research
Charleston Metro Chamber of Commerce
4500 Leeds Ave., Suite 100
North Charleston, SC 29405

843.577.2510

www.charlestonchamber.net

Driving growth. Defining tomorrow.

As the collective voice of business, the Charleston Metro Chamber of Commerce is committed to advancing the region's economy through our work in:

- Infrastructure
- Talent
- Small Business
- Global Trade
- Military Retention

Follow us on Facebook at
www.facebook.com/chaschamber



Follow us on Twitter @chaschamber



www.charlestonchamber.net

4500 Leeds Ave. Ste. 100
North Charleston, SC 29405
843.577.2510

Financial options for every phase of your life



Whether you want to save for the future, secure a personal loan, utilize exclusive online and telephone banking services, or enjoy the convenience of our ATMs and many locations, we are here for you. Call, click, or stop by and talk with a banker.

Meeting Street
177 Meeting Street
843-727-2969

Broad Street
16 Broad Street
843-937-4550

James Island
751 Daniel Ellis Drive
843-727-1120

wellsfargo.com

Together we'll go far

