

2017 - 2018



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.

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 faculty at the College of Charleston's School of Business. Using an econometric forecasting model, a projection for each indicator is developed.

The key to the success of the forecasting project has been the Economic Outlook Board, whose collective insight 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 typically 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.

This year marks the 26th Annual Conference and Forecast.

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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.

Emerging as a globally competitive region, the Charleston metro's economy has transformed over the past decade from service-based to STEM-based (Science, Technology, Engineering, Math) thanks in large part to Boeing, Mercedes, Google, Volvo and many others calling our region home. Charleston ranks number 20 among the nation's top 100 metros for growth in the Advanced Industries Sector according to the Advanced Industries Study by Brookings, which examines growth in STEM-intensive occupations including, advanced manufacturing, energy and high-tech services. The growth of this super-sector is helping to fuel the region's overall economic growth and transform the economy into a more innovation-based job market. Advanced Industry jobs are among the nation's fastest growing and highest paying.

Charleston Harbor will soon be the deepest port on the East Coast of the U.S. – all 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 26 years ago when the economy was centered on the nation's third largest Navy Base. And there is no doubt that 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 offer 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.

The following pages highlight the growth occurring in our region and predict what the next two years' economic performance will look like.



New York, NY

Miami, FL

- 1 BERKELEY**
- 2 CHARLESTON**
- 3 DORCHESTER**



POPULATION GROWTH

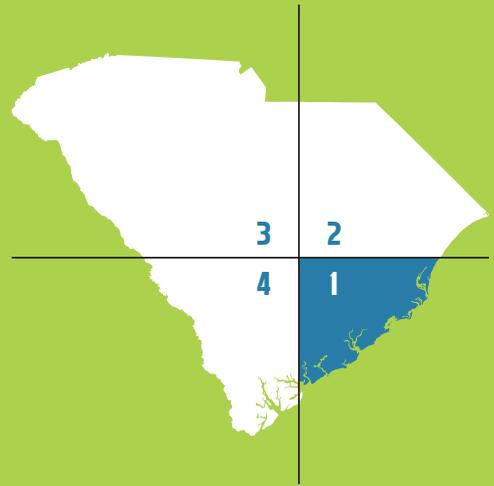


48  = PEOPLE PER DAY

The region is expanding by 48 new residents each day. As of 2015, the Charleston Metro Area population is 744,546, growing at three times the U.S. population average.

Of the 48 new people each day, 35 are people moving here, the remainder are net new births. Charleston has moved up to the 75th largest U.S. metro by population. We are experiencing a gain of well-educated young talent, adding to the growing labor force at four times the U.S. average.

JOB GROWTH



1 : 4 JOBS CREATED

One of every four jobs created in the State of South Carolina were created in the Charleston region 2010-2016.

CHARLESTON NAMED #1

Small City in U.S. for
the sixth year in a row

- *Condé Nast Traveler*

CHARLESTON AREA NAMED #2

Best Place to Work
in Manufacturing

- *Area Development Magazine*

CHARLESTON NAMED BEST CITY IN THE WORLD

- *Travel & Leisure Magazine*

2016 RANKINGS

CHARLESTON RANKS #16

Best Performing Cities Index

- *Milken Institute*

CHARLESTON RANKS #3

Best Cities for Jobs

- *Forbes*

CHARLESTON METRO RANKED #7

Economic Growth Potential

- *Business Facilities
12th Rankings Report*

CHARLESTON METRO RANKS #27

Best Place to Live in USA

- *US News & World Report*

FORECAST SUMMARY

The 2017 – 2018 Economic Forecast for the Charleston metro indicates continued strong growth across the region. Having experienced strong economic growth since the Great Recession, the next two years will see continued expansion across all sectors. The Economic Outlook Board does not see anything on the horizon to slow the job and population growth fueling the region's economy.

Jobs are predicted to continue to post healthy gains. More than 11,000 net new jobs were created in the region in 2016, doubling the number projected to be created. As hiring begins for Volvo and Mercedes' new automotive facilities, along with continued expansion of other sectors, the forecast calls for job growth to accelerate, increasing by more than three percent per year for the next two years.

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 slow as a result of the number of projects already announced or under construction.

The Port of Charleston is expected to see an increase in container volumes as global markets expand and in anticipation of the deepening of the Charleston Harbor and the impact of the expansion of the Panama Canal. The number of automobiles shipped through the Port will remain steady for 2017 before expanding in 2018 as the Volvo plant in Berkeley County begins production.

Charleston International Airport will continue to expand with additional new routes and flights by a number of commercial carriers. In 2016 the Airport served a record 3.7 million passengers. The renovation of the passenger terminal was completed and already the Airport is looking to add an additional parking garage and is planning for additional gate expansion.

Ranked as the number one visitor destination in the U.S. for six years in a row, 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 lodging industry in 2017 and 2018.

2017 ECONOMIC FORECAST AT A GLANCE

+2.5%

LABOR FORCE



+3.9%

EMPLOYMENT



-2.8%

UNEMPLOYMENT



+10.0%

**SINGLE FAMILY
PERMITS**



+10.7%

**REAL ESTATE
SALES**



+6.9%

**RETAIL
TRADE**



+8.0%

TEUs



+4.7%

AIRPORT



+0.2%

REVPAR



LABOR FORCE AND EMPLOYMENT

The region's labor market expanded in 2016, with total employment growing by 3.5 percent. The largest job gains were in construction (+5.2%), manufacturing (+5.1%) and business and professional services (+4.8%). All sectors experienced gains in 2016.

For the Charleston region, job gains are expected in both 2017 and 2018. Total employment is projected to increase by more than 10,000 net new jobs in 2017 and another 11,000 in 2018 – resulting in a continued decline in unemployment, falling to 3.3 percent by the end of 2018.



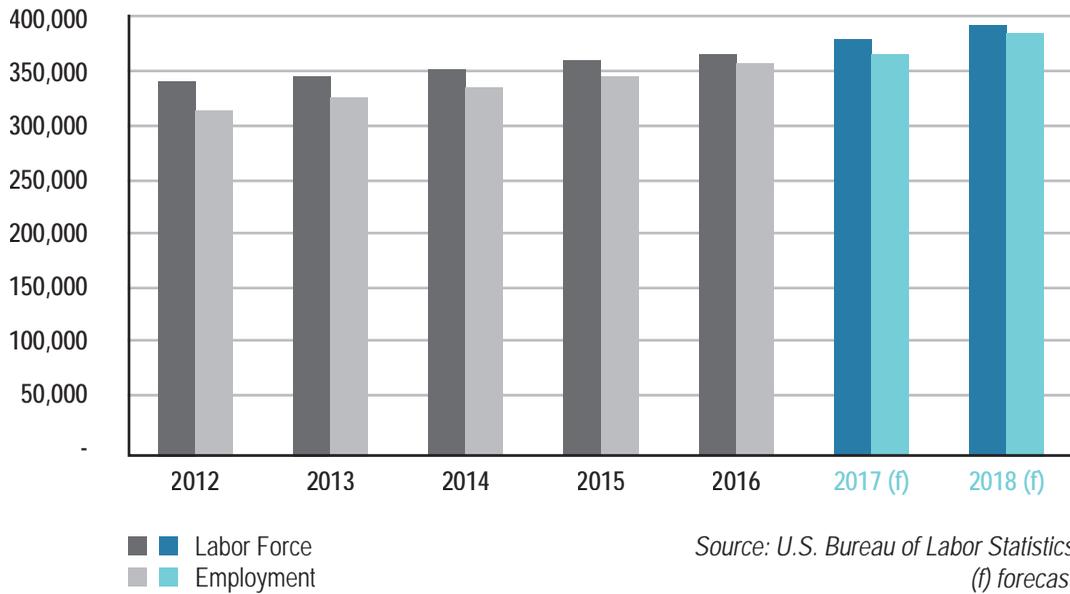
REAL ESTATE PERMITS

The region's residential real estate market continued to experience growth in 2016 with some experts describing the market as the strongest in recent history. Total single family permits increased 3.3 percent to 4,760 annual permits. Multi-family permits increased from the previous year with the addition of a number of new complexes. Apartment vacancies in the region continue to remain low, despite the addition of a large number of units throughout the region.

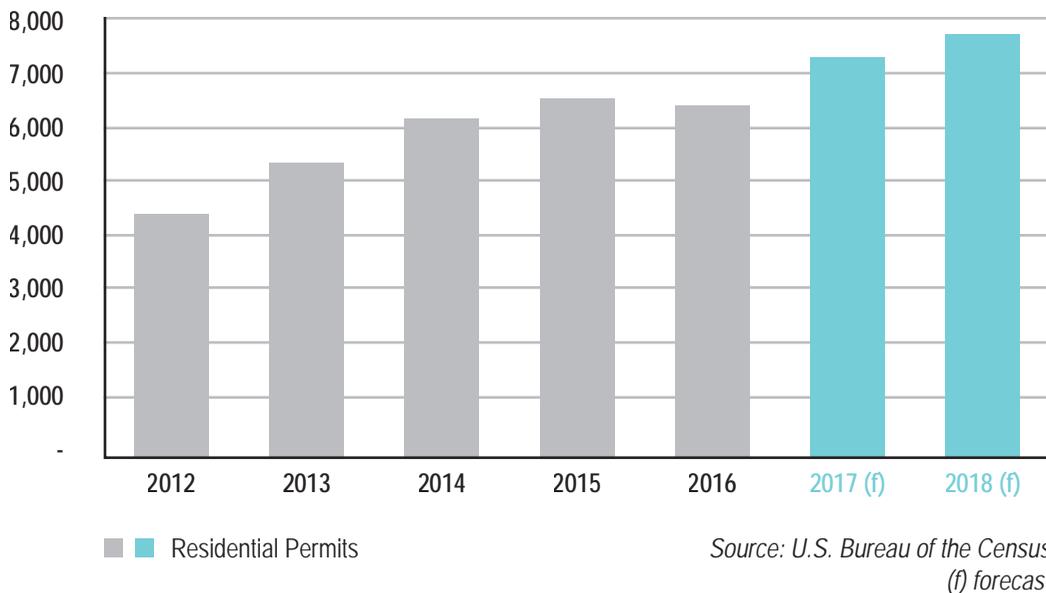
The forecast for the residential building market is for continued growth in 2017 and 2018. Multi-family construction is expected to slow in the next two years as a result of the surge in permits the past couple of years. Because vacancies remain low and population is expected to continue to increase, the Economic Outlook Board agrees that the forecast for this area is very difficult to predict accurately.



Labor Force / Employment *Charleston Region*



Total Residential Permits



REAL ESTATE SALES

In 2016, the number of residential home sales increased by 9.3 percent above the previous year and the average sales price increased by 4.5 percent.

Residential housing sales are expected to continue to grow in 2017 and 2018. The forecast is for a 10.7 percent increase in the number of sales in 2017 and 11 percent in 2018. The average sales price is predicted to increase by 2.5 percent in 2017 and another 3.5 percent the following year.



RETAIL SALES

Total gross retail sales in the region increased 13 percent in 2016; the result of growth in the region's housing market and strong visitor industry. The region's submarkets all experienced growth in 2016. Prices for properties – both rents and purchase prices – soared in the historic district downtown as the area continued to attract national level retail tenants. In the suburban markets, the number of new grocery stores and home improvement stores followed a number of large housing developments and population growth across the region.

The forecast for 2017 and 2018 is for gross retail sales to continue to increase well above inflation in each of the next two years.

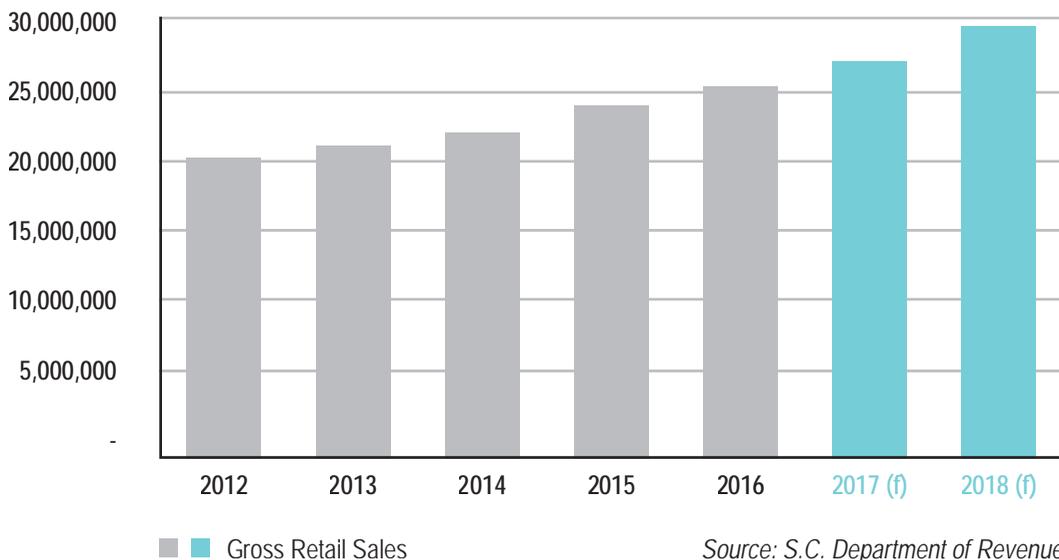


Residential Home Sales

Year	# Sold	Average Sales Price	Median Sales Price
2012	10,638	\$263,774	\$190,050
2013	13,103	\$280,863	\$204,900
2014	14,257	\$290,822	\$215,000
2015	16,218	\$307,420	\$229,000
2016	17,720	\$321,102	\$240,000
2017 (f)	19,616	\$329,251	\$251,000
2018 (f)	21,774	\$340,775	\$266,100

Source: Charleston Trident Association of Realtors
(f) forecast

Gross Retail Sales (\$000)



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

TRANSPORTATION (PORT)

The South Carolina Ports Authority (SCPA) posted a slight increase in container growth in 2016 – a year highlighted locally by significant progress on the harbor deepening project. Total TEUs increased by 1.2 percent, keeping Charleston among the fastest growing ports in the U.S. since 2011. In calendar year-end results, container volumes measured in 20-foot equivalent units reached more than 1.99 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 expected to be a boost for Charleston as the deepening of Charleston Harbor to 52 feet continues to progress. Dredging for harbor deepening is expected to begin by the end of 2017. Large Post-Panamax vessels already call on Charleston's ports at high tide. The deepening of the harbor to 52 feet will allow these ships to call on Charleston 24/7.



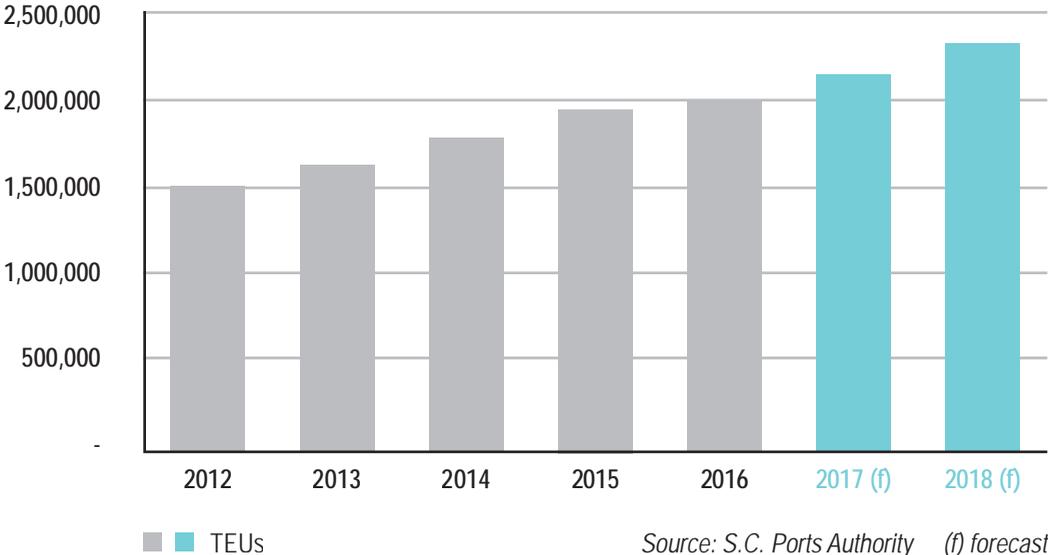
TRANSPORTATION (AIRPORT)

Total passenger activity at Charleston International Airport reached more than 3.7 million passengers in 2016, setting yet another new record. The year saw the first direct service from Charleston to the West Coast with Alaska Airlines' new service to Seattle. Passenger volumes for all airlines serving Charleston increased during the year.

Total passenger volumes are forecast to continue to grow over the next two years by 4.7 percent in 2017 and another 4.5 percent in 2018. Several airlines, including Southwest, plan expansion of service in 2017.

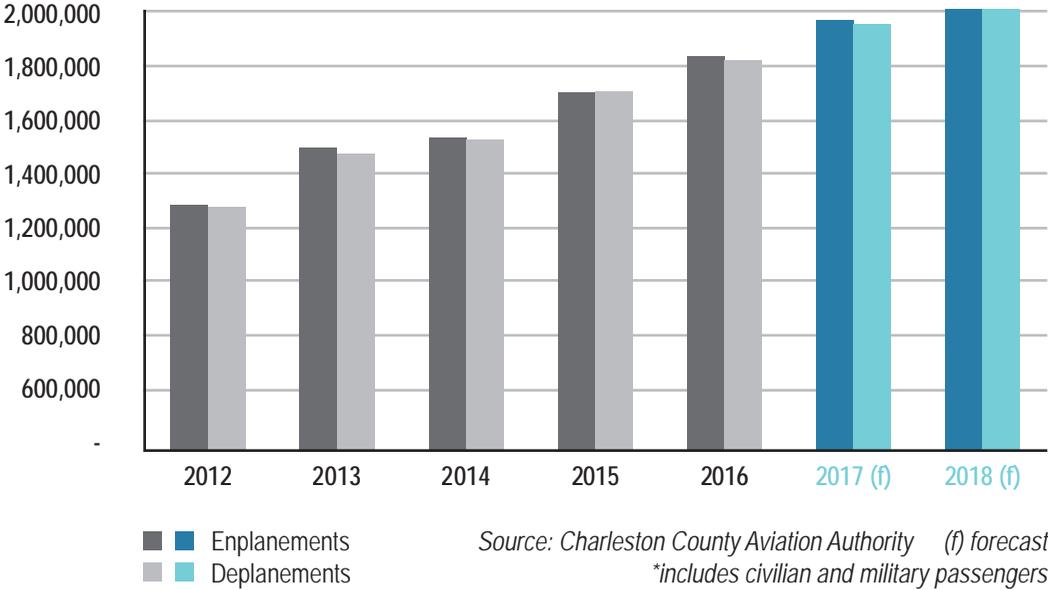


Port of Charleston Activity (TEUs)



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

Charleston International Airport Passenger Activity



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

VISITOR INDUSTRY

The region's visitor industry continued to expand in 2016, 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 sixth year in a row by Condé Nast.

The number of room nights sold increased again in 2016, an indicator of a strong visitor sector. Despite an increase in hotel inventory the industry expects a continued expansion of room nights sold in 2017. RevPAR, or revenue per available room, a standard measurement by the lodging industry and used as an overall metric indicating financial performance of a property, increased by 5.8 percent from the previous year. RevPAR is expected to remain flat for each of the next two years – an indicator of a strong market given the addition of as many as 4,000 hotel rooms by the end of 2018.



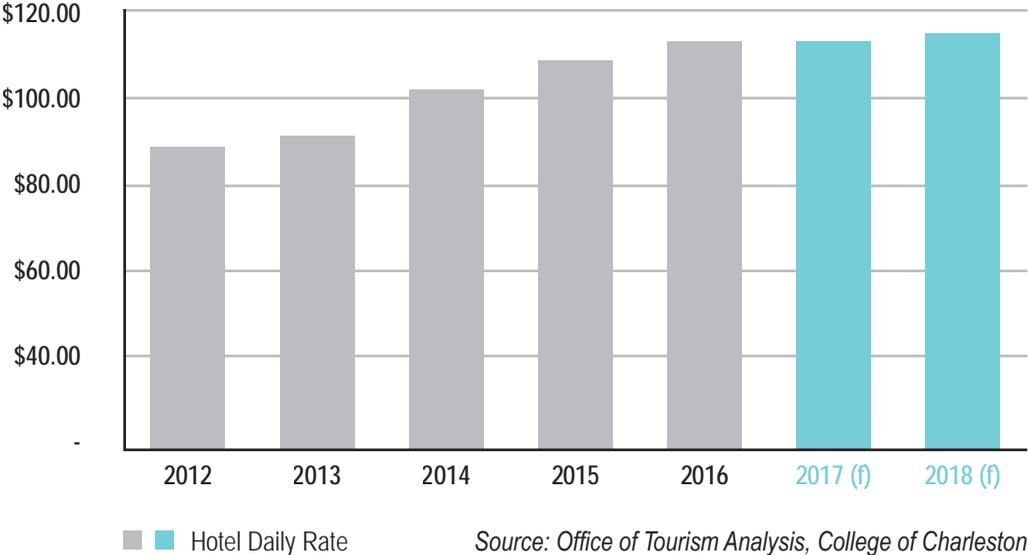
ATTRACTION ATTENDANCE

Despite the impact of Hurricane Matthew in October, total attendance at area attractions increased by more than 5.0 percent in 2016. Strong performance of the visitor industry, new exhibits at area attractions and the re-opening of the Gibbes Museum all attributed to the increase in attendance.

The forecast is for attendance to increase for each of the next two years by 2.5 percent. 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.



RevPAR 2012 - 2018



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

Attendance at Area Attractions

Year	Attendance	% Change From Previous Year
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	2,571,589	5.1%
2017 (f)	2,634,862	2.5%
2018 (f)	2,700,734	2.5%

Attractions include: Historic homes, museums, plantations and other attractions.
Source: Charleston Area Convention & Visitors Bureau (f) forecast

ECONOMIC OUTLOOK BOARD

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METHODOLOGY

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

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

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Charleston Metro
Chamber of Commerce

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The Charleston Metro Chamber of Commerce is committed to advancing our region's economy and supporting your business through work in:

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- Talent
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- Local Area Chambers
- Leadership
- Global Commerce
- Military Retention

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