City of
Tega Cay, South Carolina

Regular City Council Meeting Agenda
Tega Cay Glennon Center - Lower Level
15077 Molokai Drive, Tega Cay, SC

6:30 P.M. Call to Order, Pledge of Allegiance and Moment of Silence

1. Presentation

1.a. The Contribution Of Housing Markets On The Local Economy

Documents: VON_NESSEN_CONSTRUCTION_APR2016.PDF

2. Council Comments

3. Adjournment

The Contribution of Housing Markets to Local Economies

UNIVERSITY OF SOUTH CAROLINA
Darla Moore School of Business

Joseph Von Nessen, Ph.D.
Research Economist
April 5, 2016

Outline

- Housing Markets and their Relationship to Economic Growth
- South Carolina's Housing Market Growth in the Current Economic Expansion
- Local Economic Trends
- Future Sources of Growth

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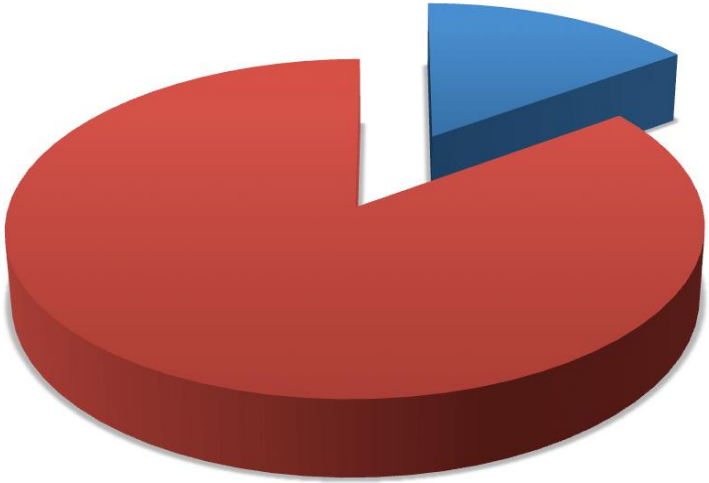
Housing Markets Historically Contribute in Excess of 15% to GDP



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(1) Construction: “Bricks and Sticks”

(2) Housing Related Services

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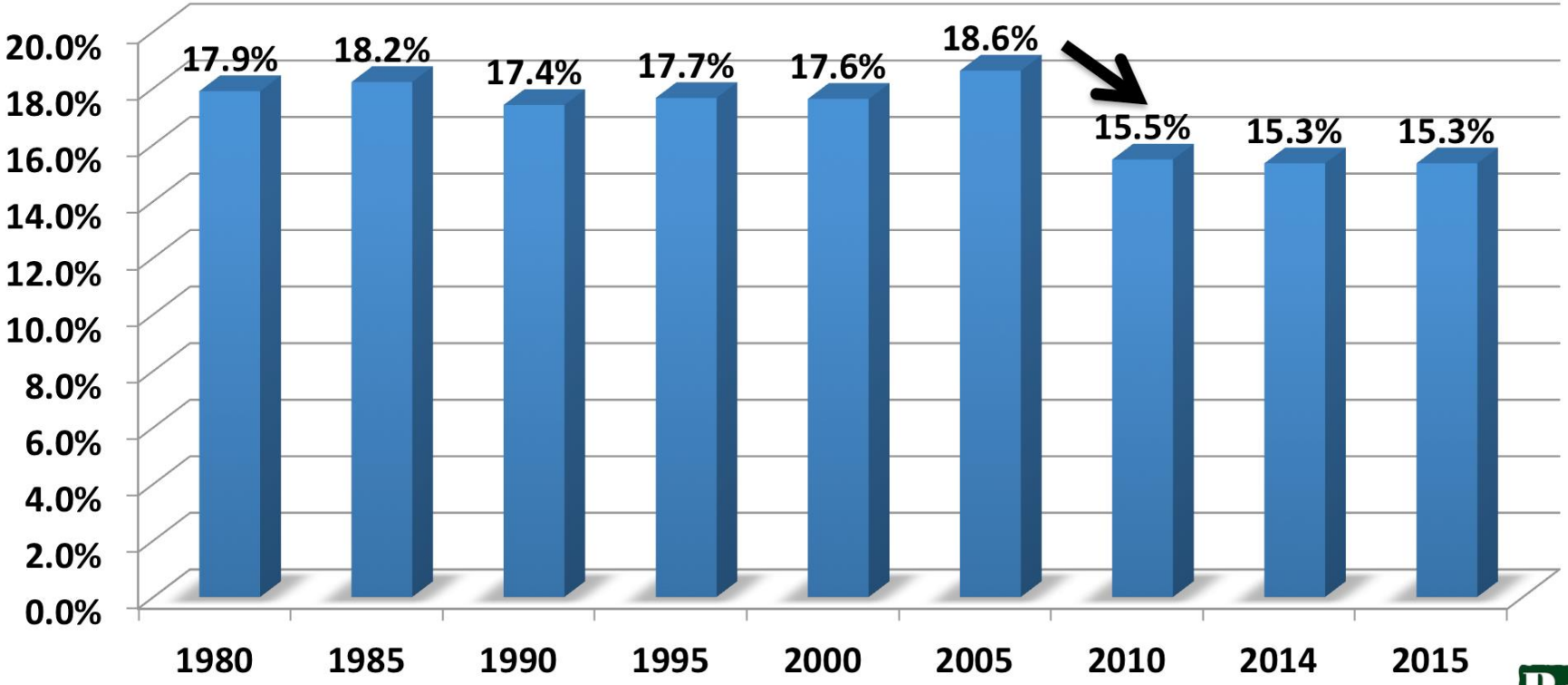
Housing's Share of U.S. GDP



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The Great Recession Led to…

(1) Major Declines in Total Employment

(2) Significant House Price Depreciation

(3) A Reduction in Household Formations

(4) Lower Household Income / Disposable Income

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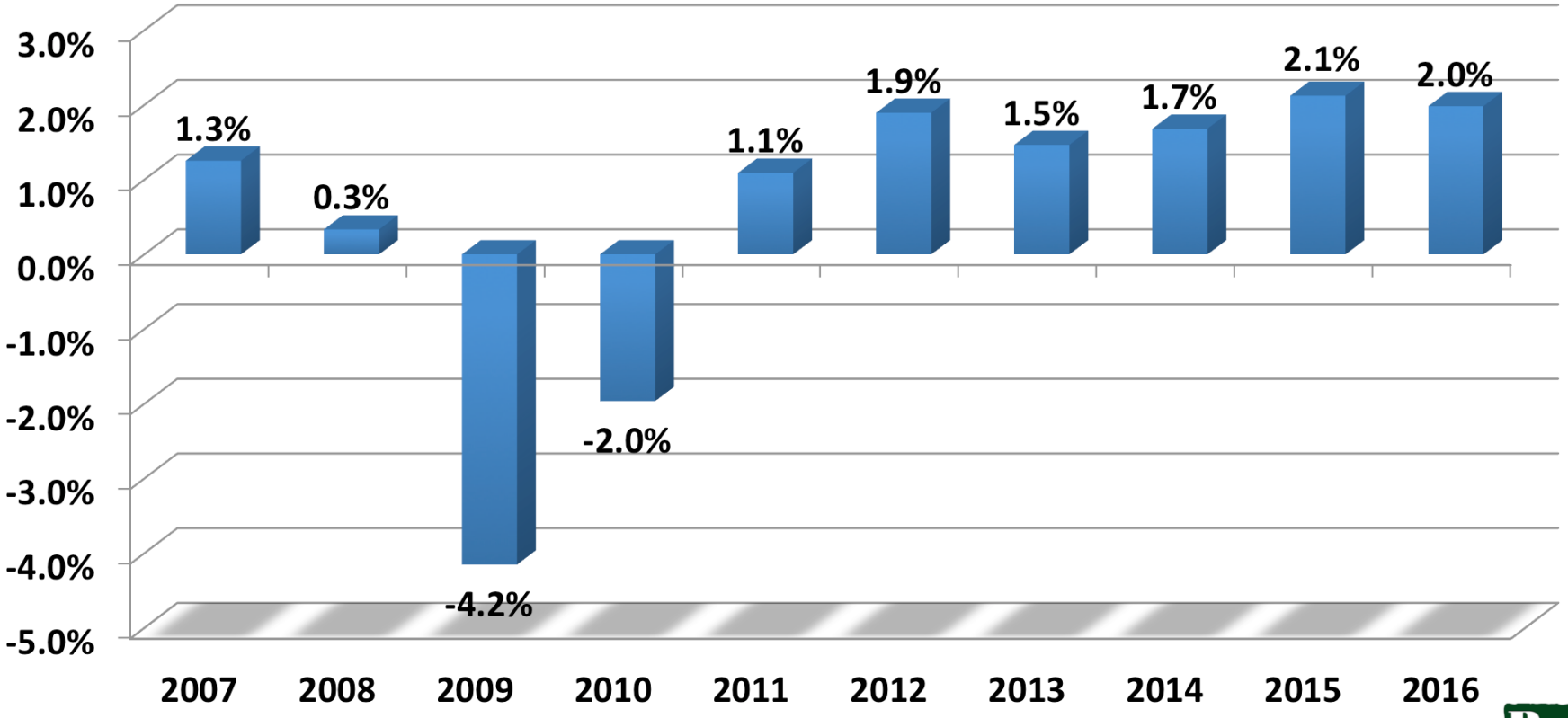
U.S. Employment Growth



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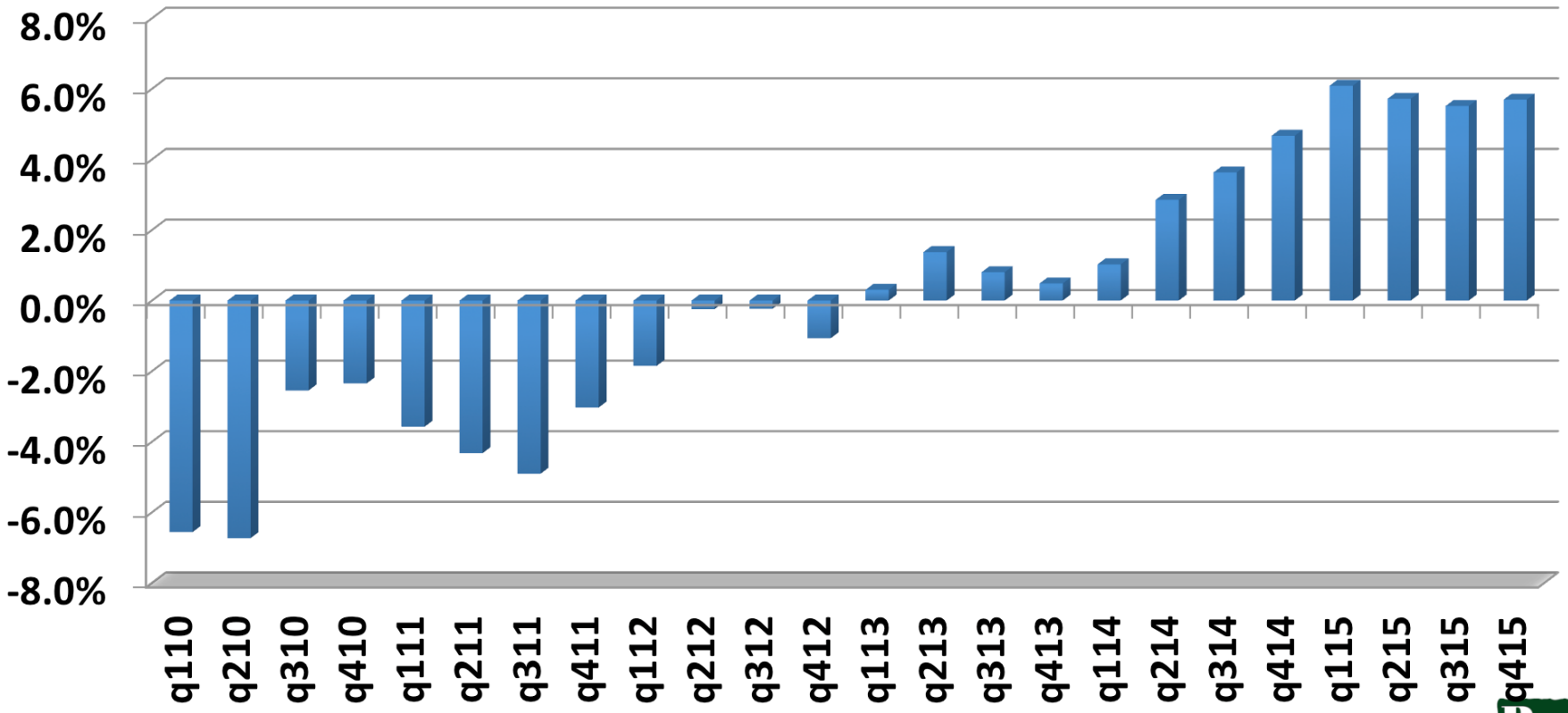
FHFA House Price Index: South Carolina



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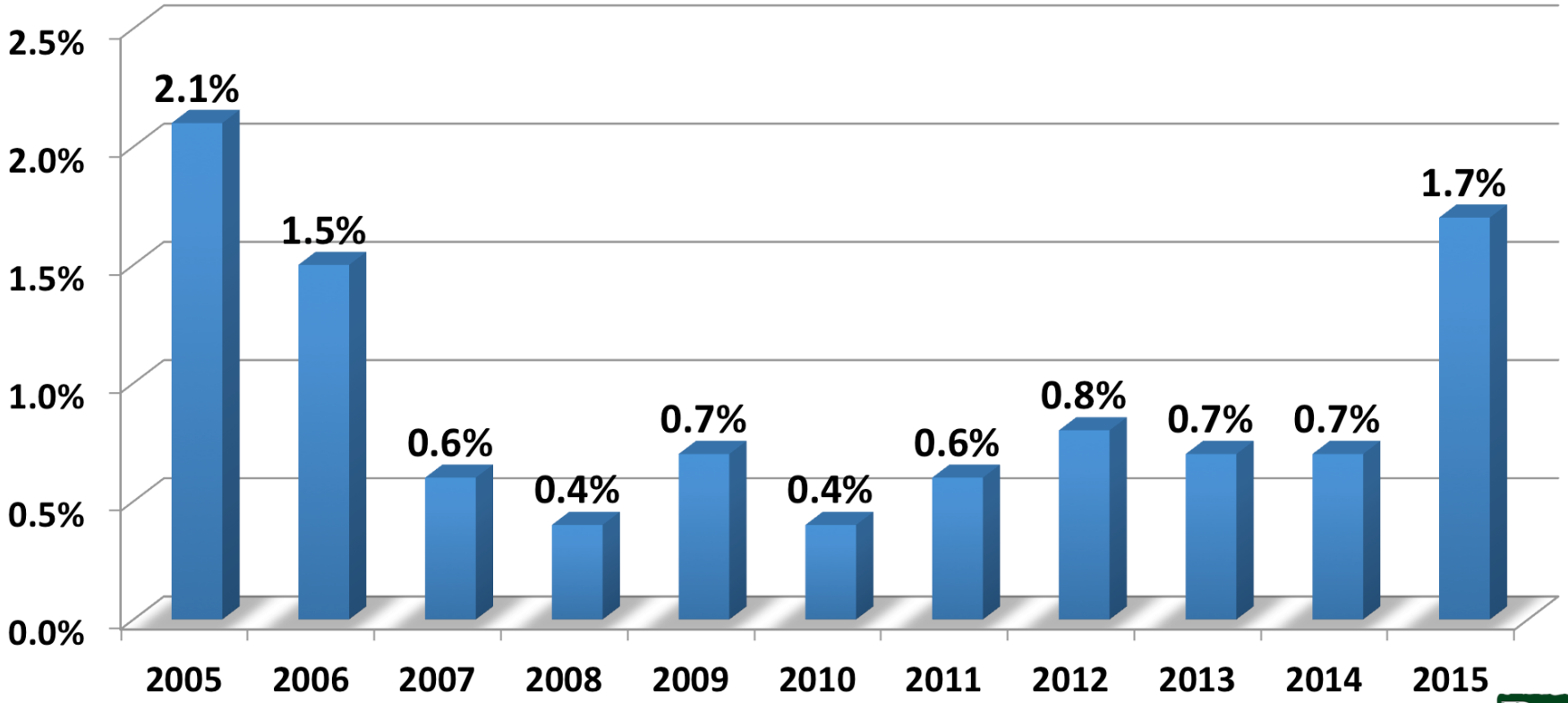
U.S. Household Formation Growth



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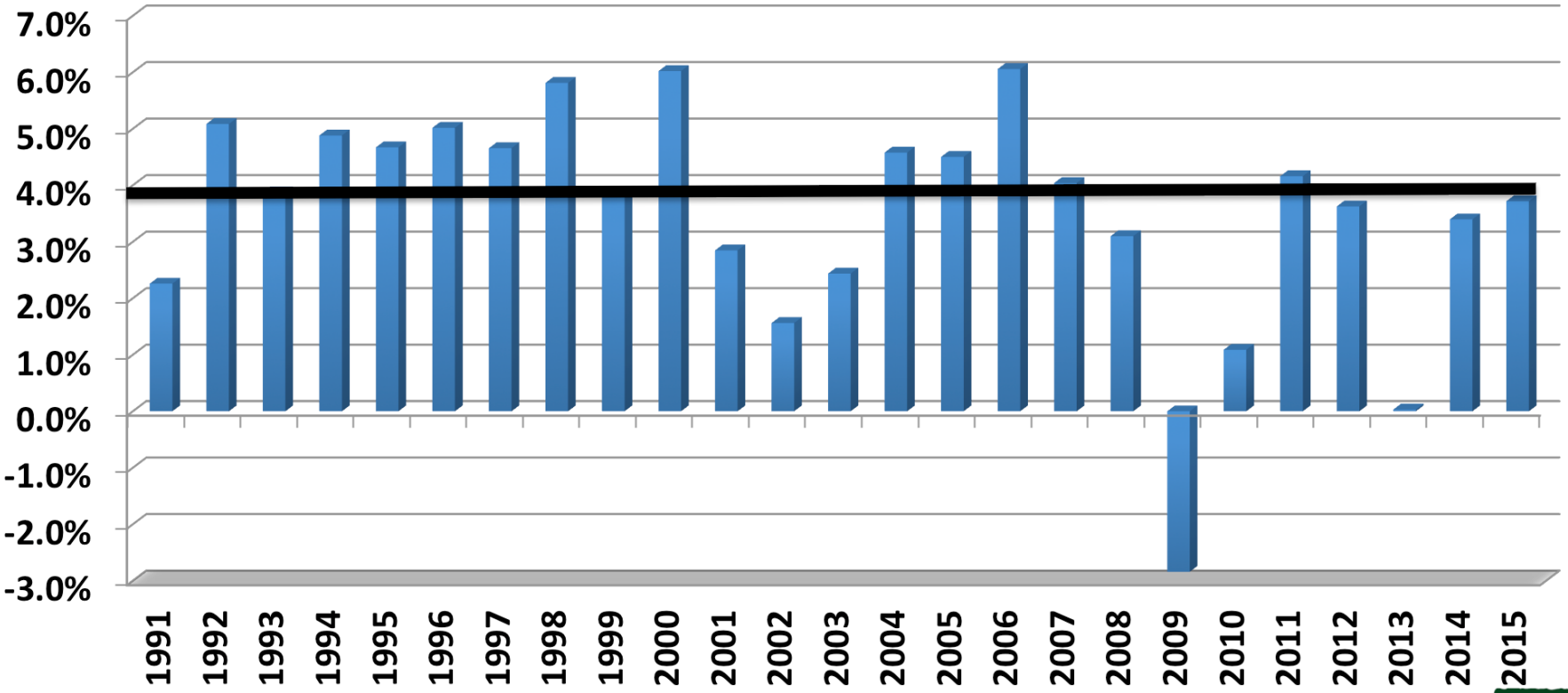
S.C. Per Capita Personal Income



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6th Year of Expansion!

Best Yet for S.C.

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Our expansion is *strong*, *broad-based*, & *statewide*

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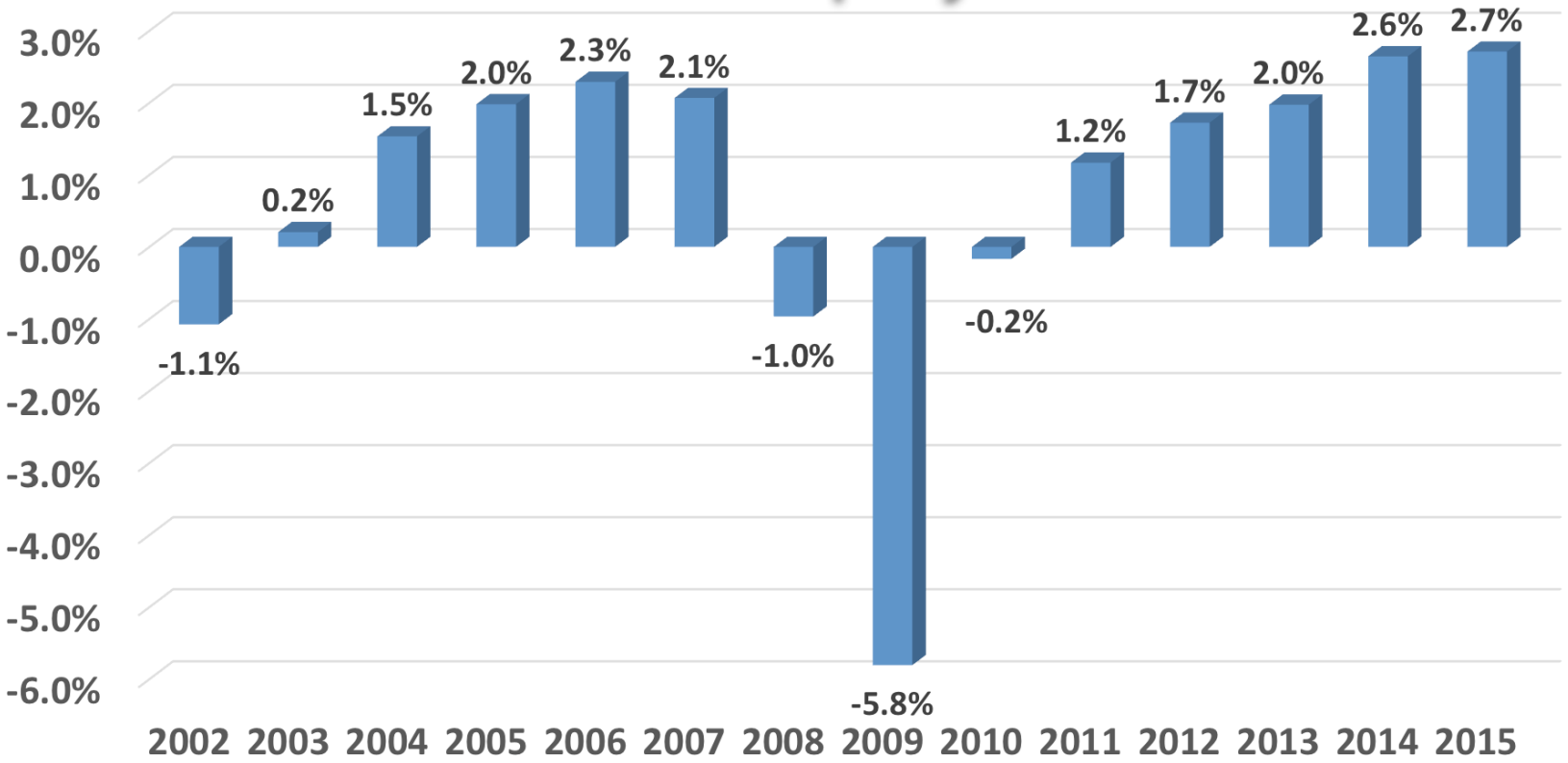
S.C. Annual Employment Growth



Source: Bureau of Labor Statistics, Current Employment Statistics, NSA Annual Averages

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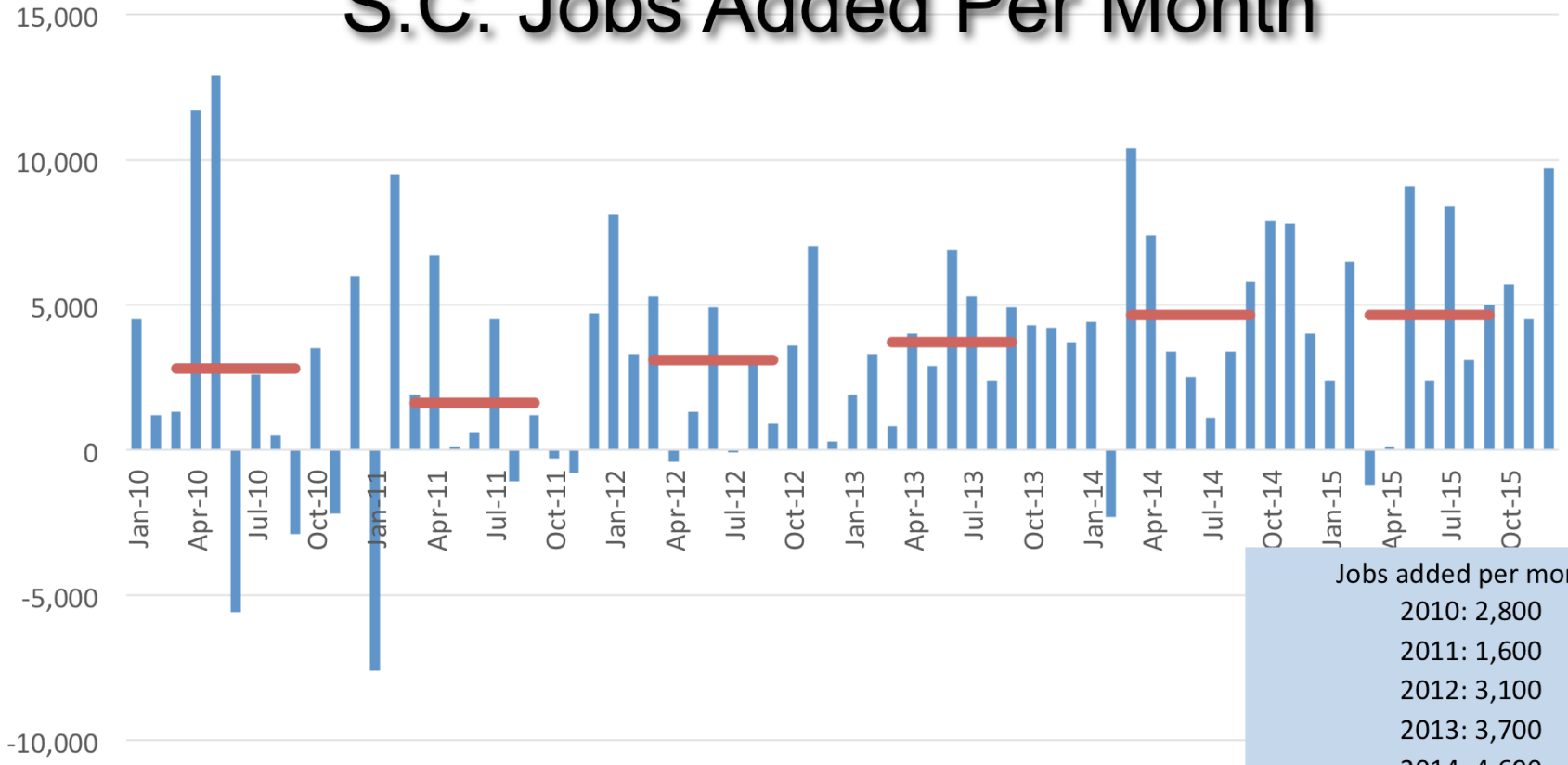
S.C. Jobs Added Per Month



Jobs added per month

2010: 2,800

2011: 1,600

2012: 3,100

2013: 3,700

2014: 4,600

2015: 4,600

Source: Bureau of Labor Statistics, Current Employment Statistics, SA

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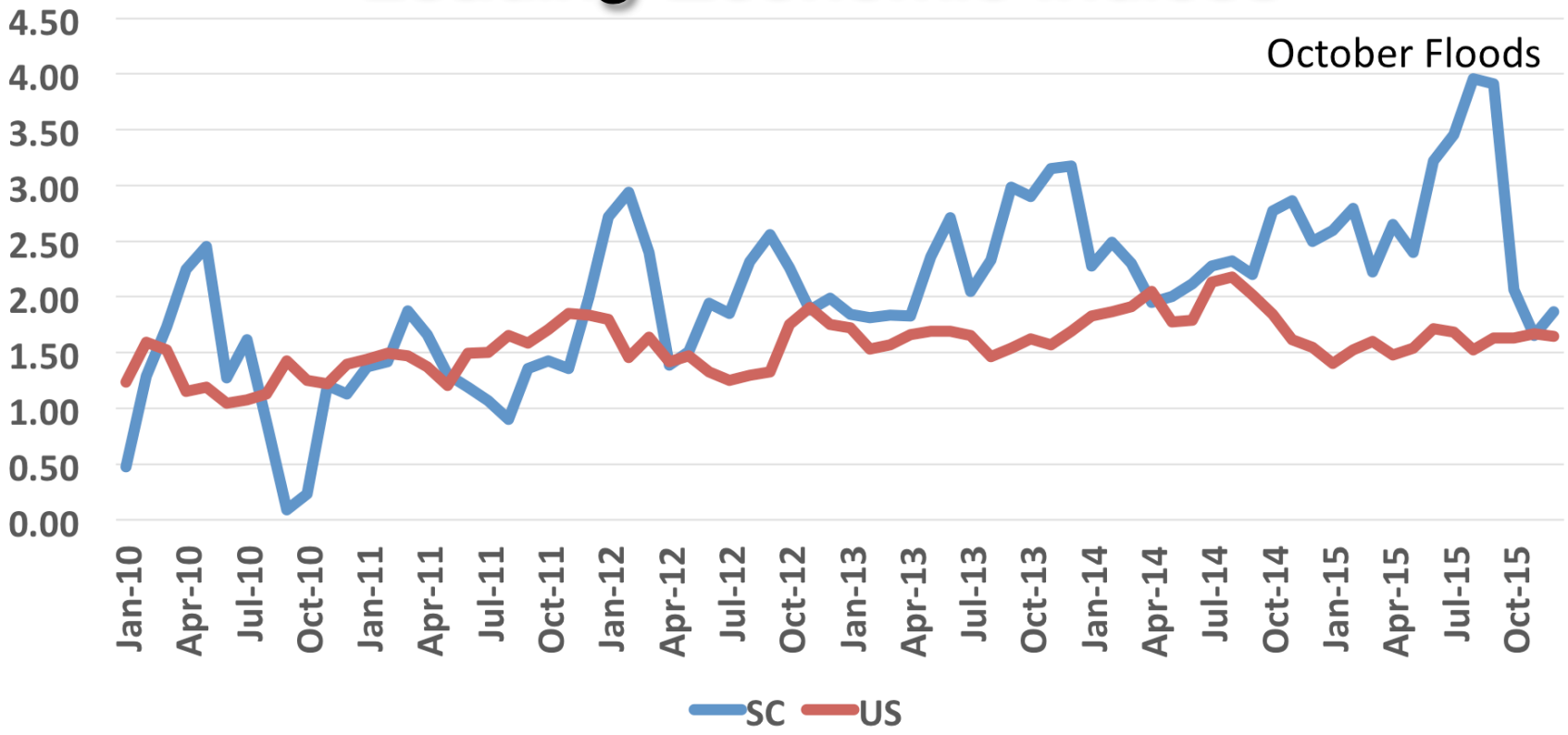
Leading Economic Indices



Source: Federal Reserve Bank of Philadelphia

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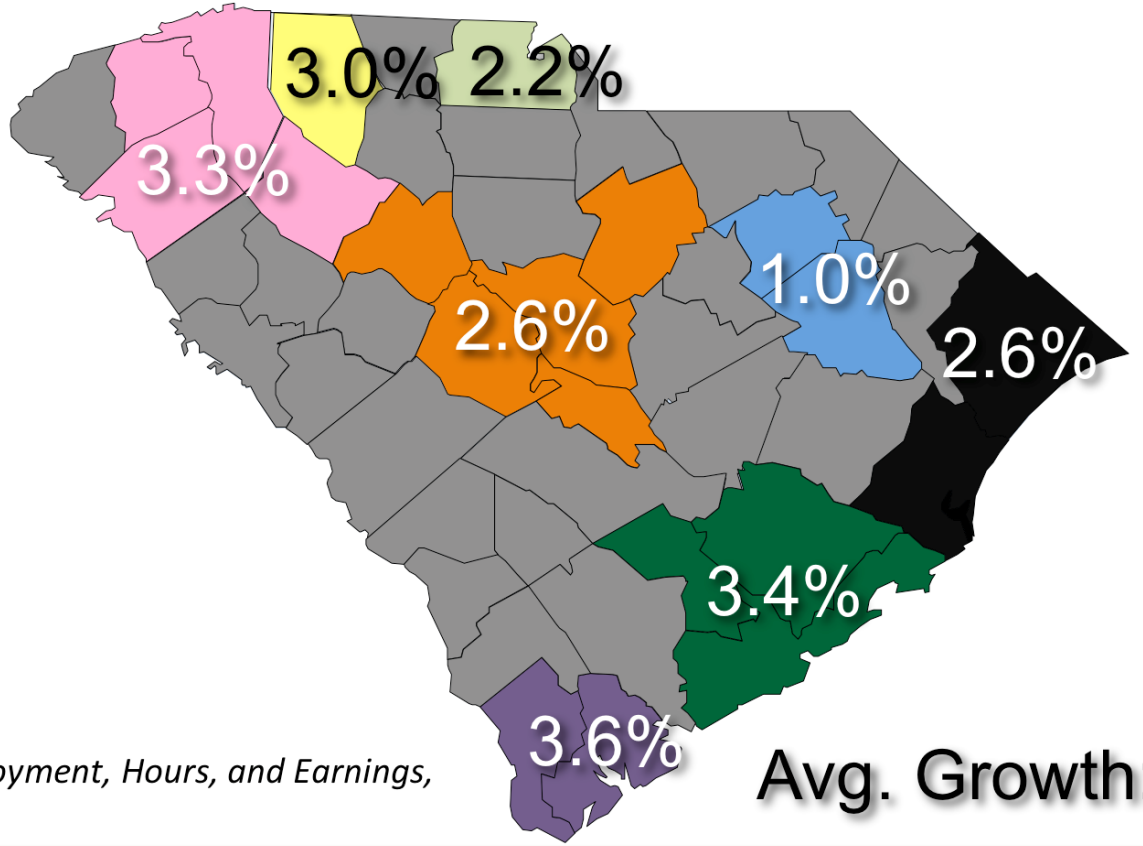
S.C. Employment Growth: 2014-2015



Avg. Growth: +2.7%

Source: State and Area Employment, Hours, and Earnings, NSA Annual Averages

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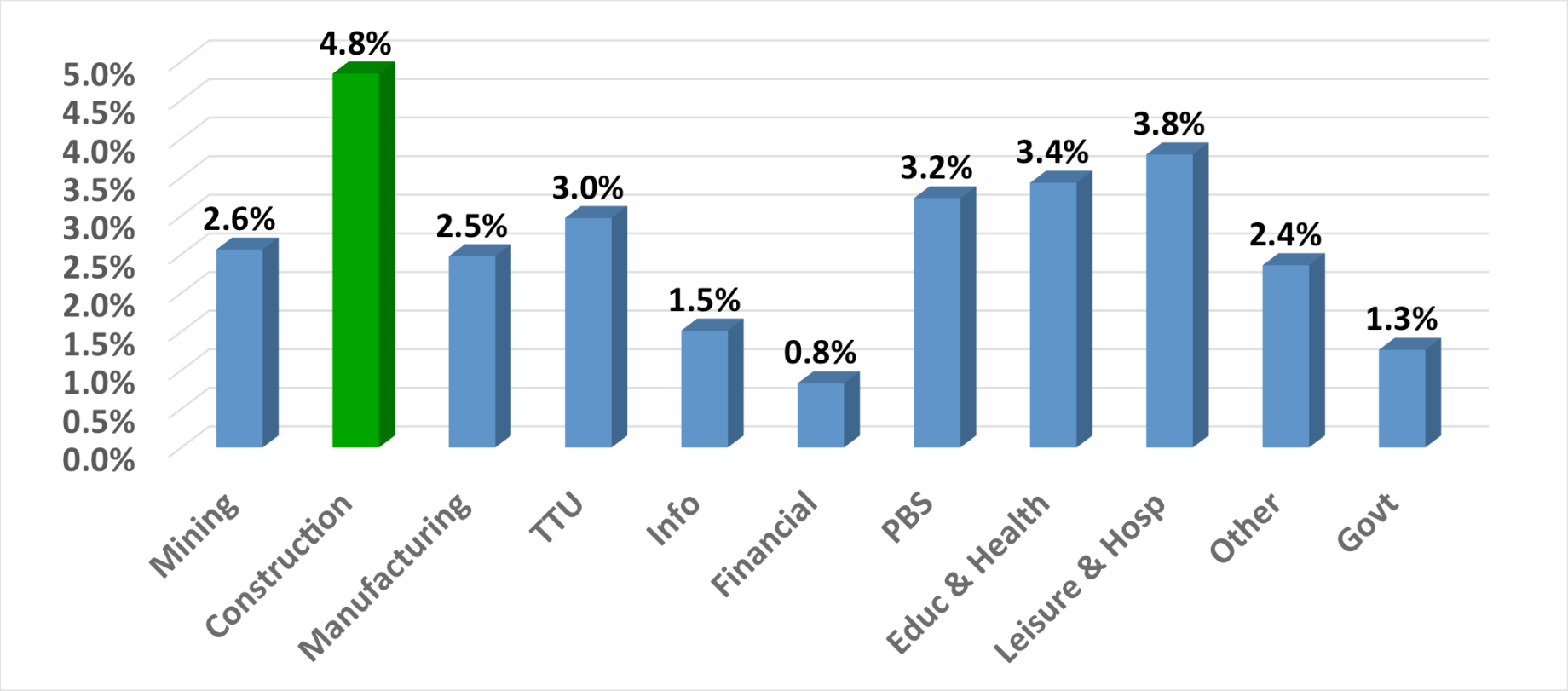
2014 vs. 2015 Industry Growth Statewide



Source: Bureau of Labor Statistics, Current Employment Statistics, NSA Annual Averages

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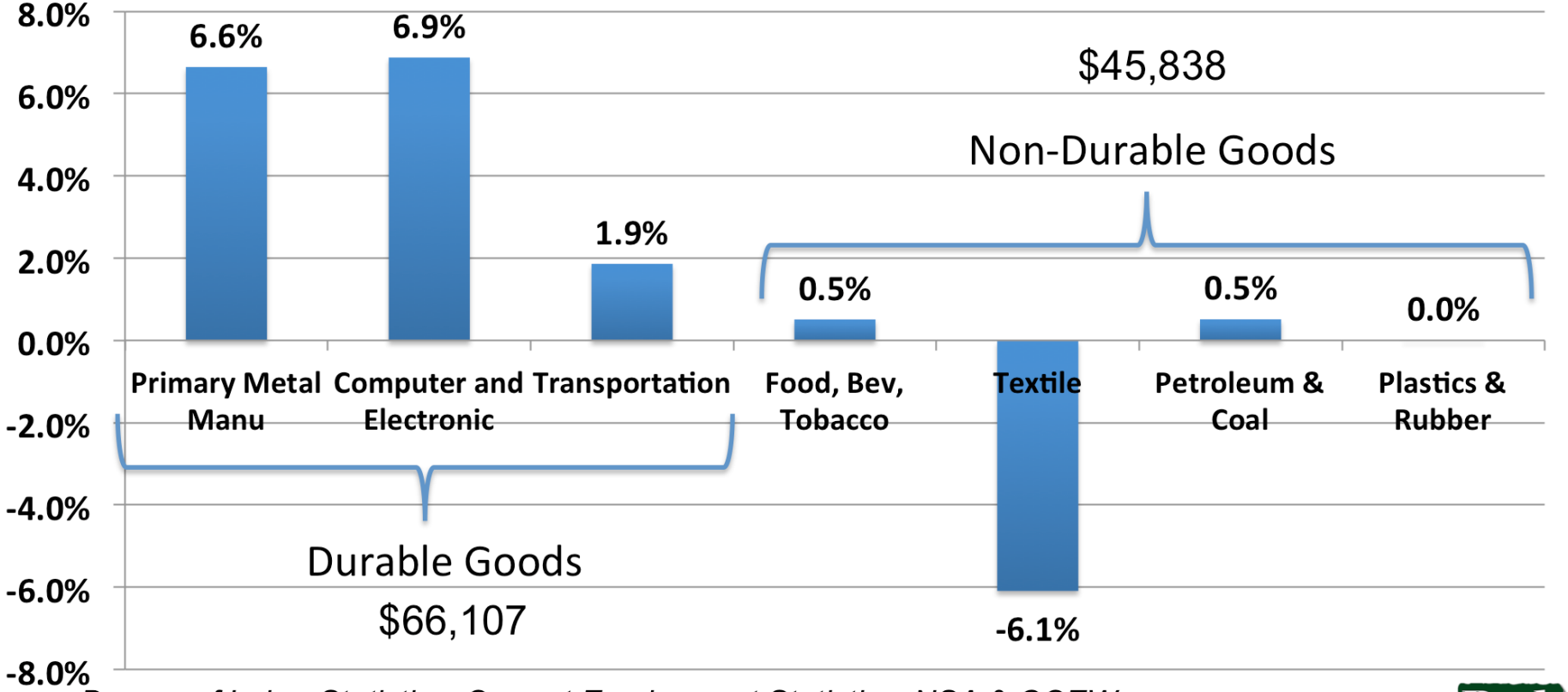
Closer Look: Manufacturing



Source: Bureau of Labor Statistics, Current Employment Statistics, NSA & QCEW

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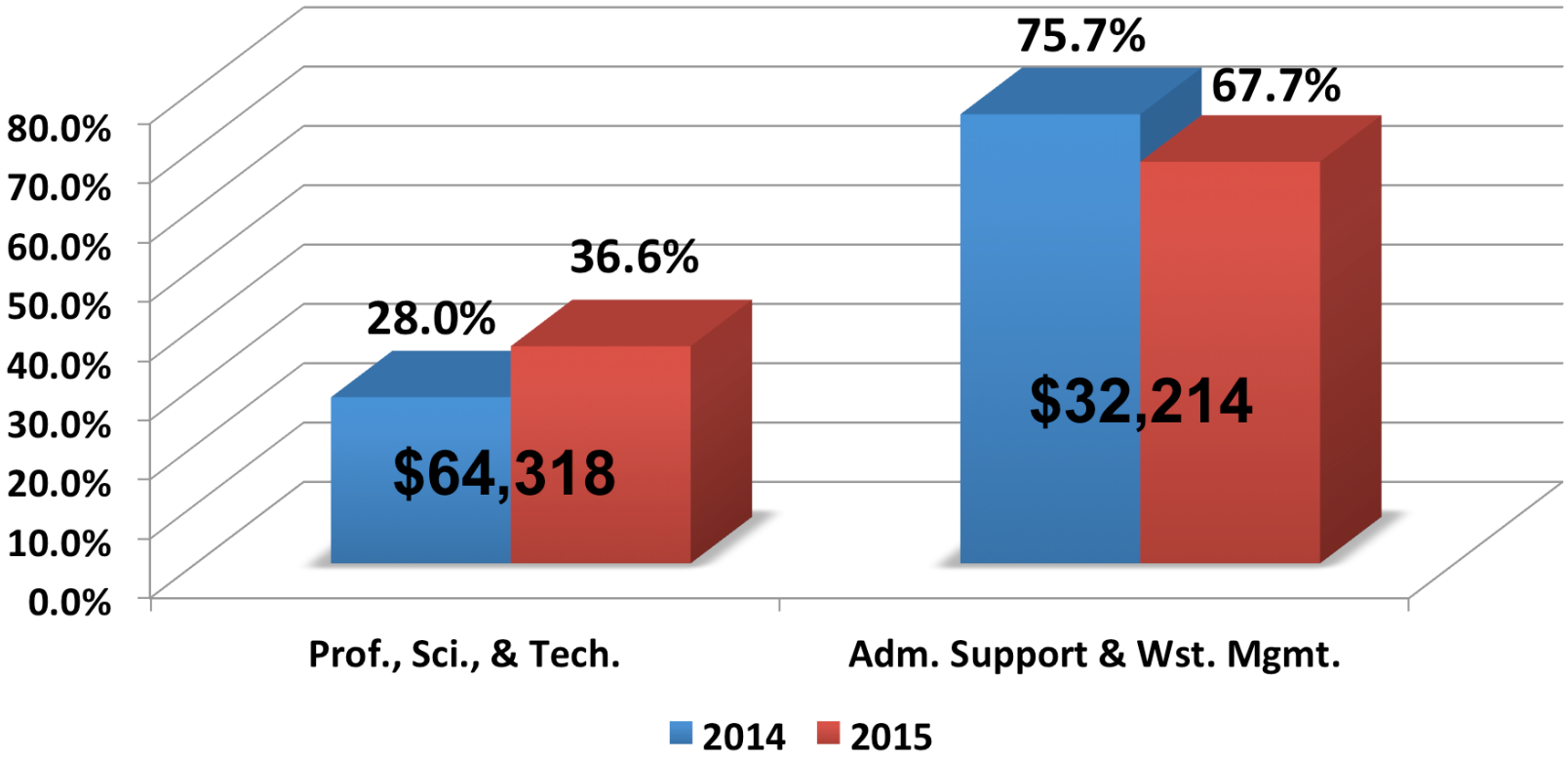
Closer Look: Professional and Business Services



Source: Bureau of Labor Statistics, Current Employment Statistics, NSA & QCEW

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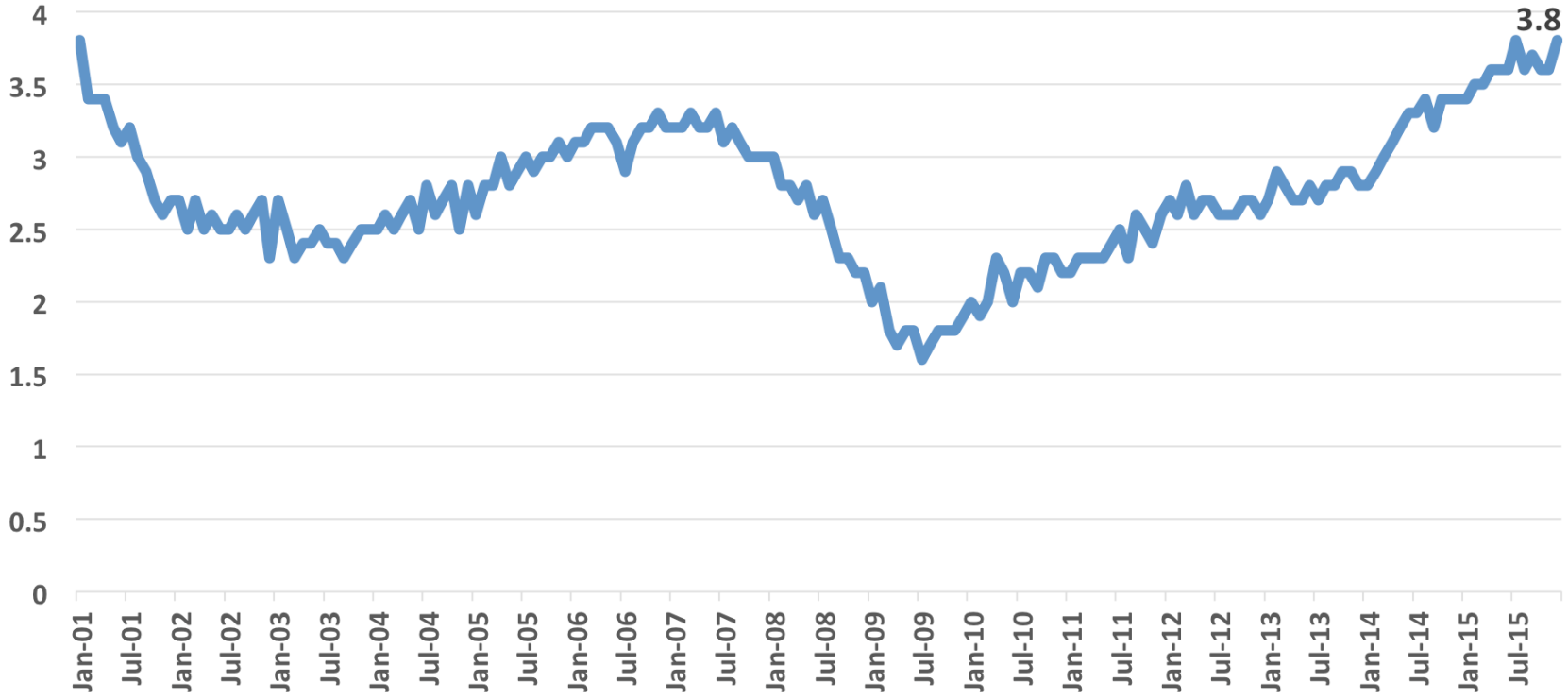
Job Openings Rate → Upward Wage Pressure



Source: US Job Openings and Labor Turnover Survey, SA

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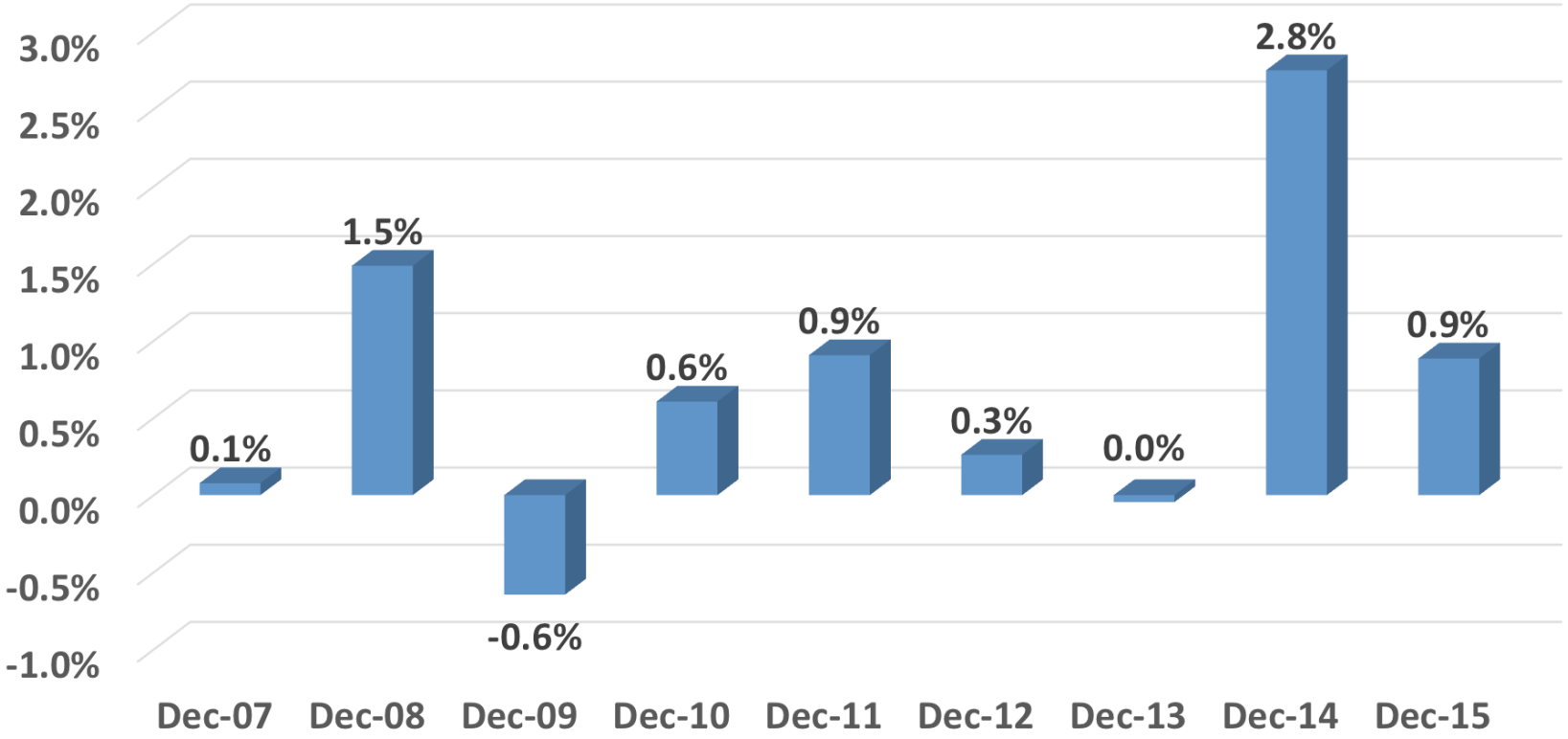
South Carolina Labor Force Growth



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, SA

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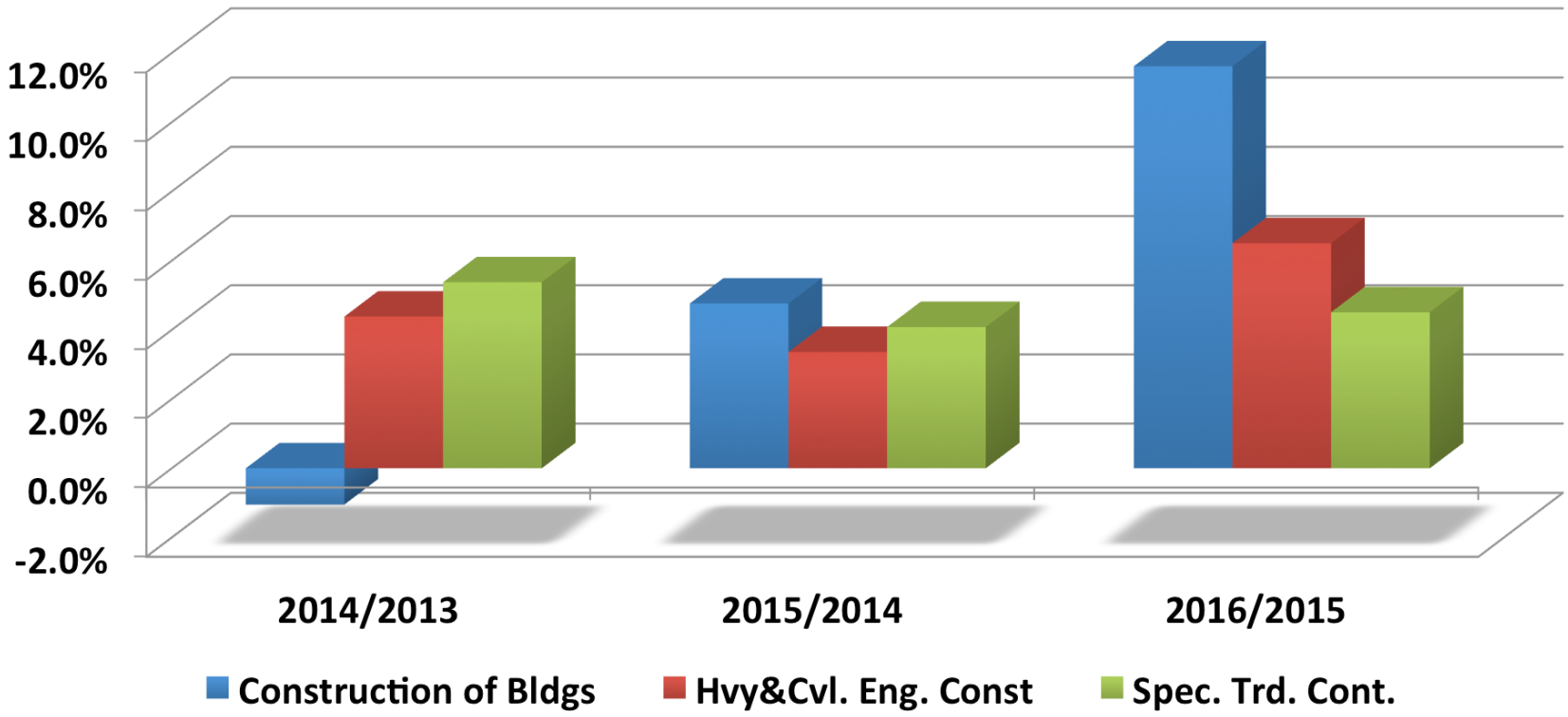
S.C. Employment Growth: Construction



Source: Bureau of Labor Statistics, Current Employment Statistics, NSA

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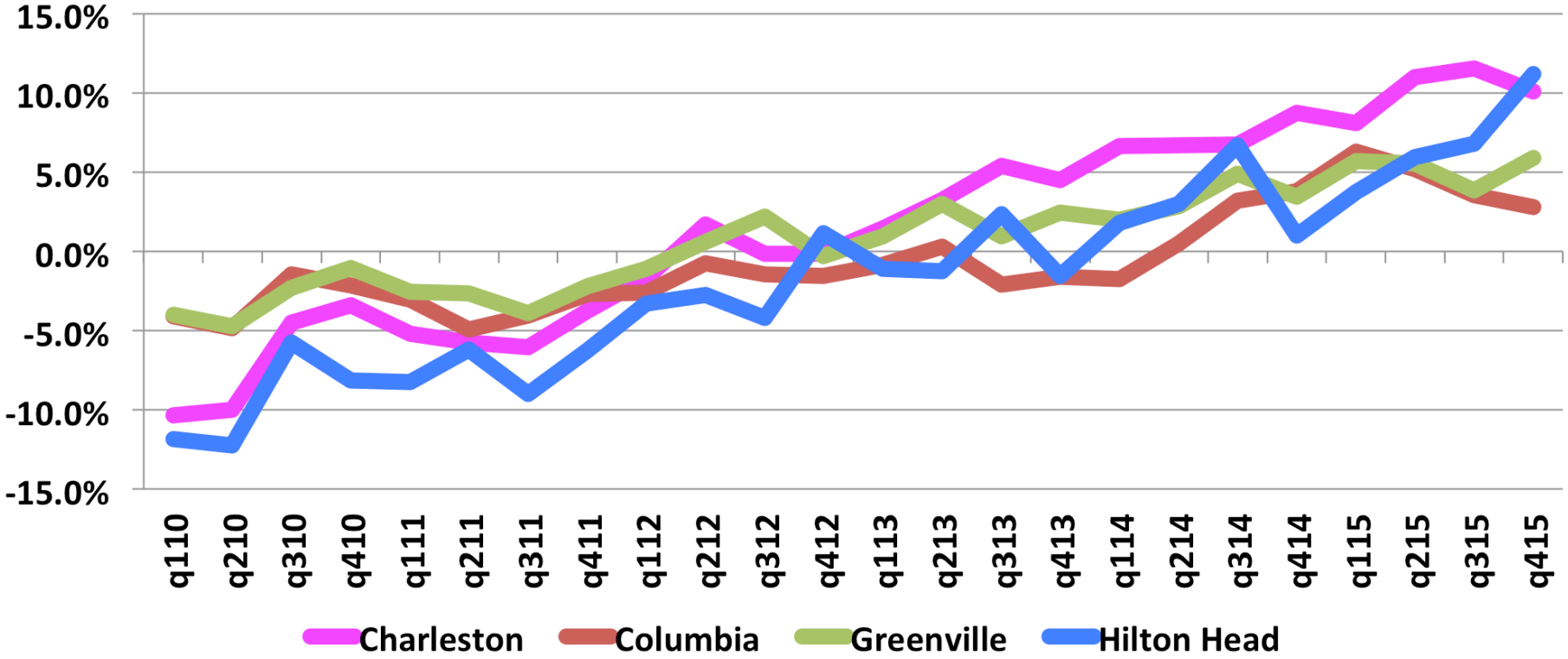
FHFA House Price Index



Source: U.S. Federal Housing Finance Agency

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Local Trends

The Pillars of Growth

- Geography (natural resources and location)
- Industry (produces employment)
- Workforce (to fill industry demand for labor)
- Housing (to house a local workforce)

"People attract business and housing attracts people."
- Nevada Rural Housing Authority

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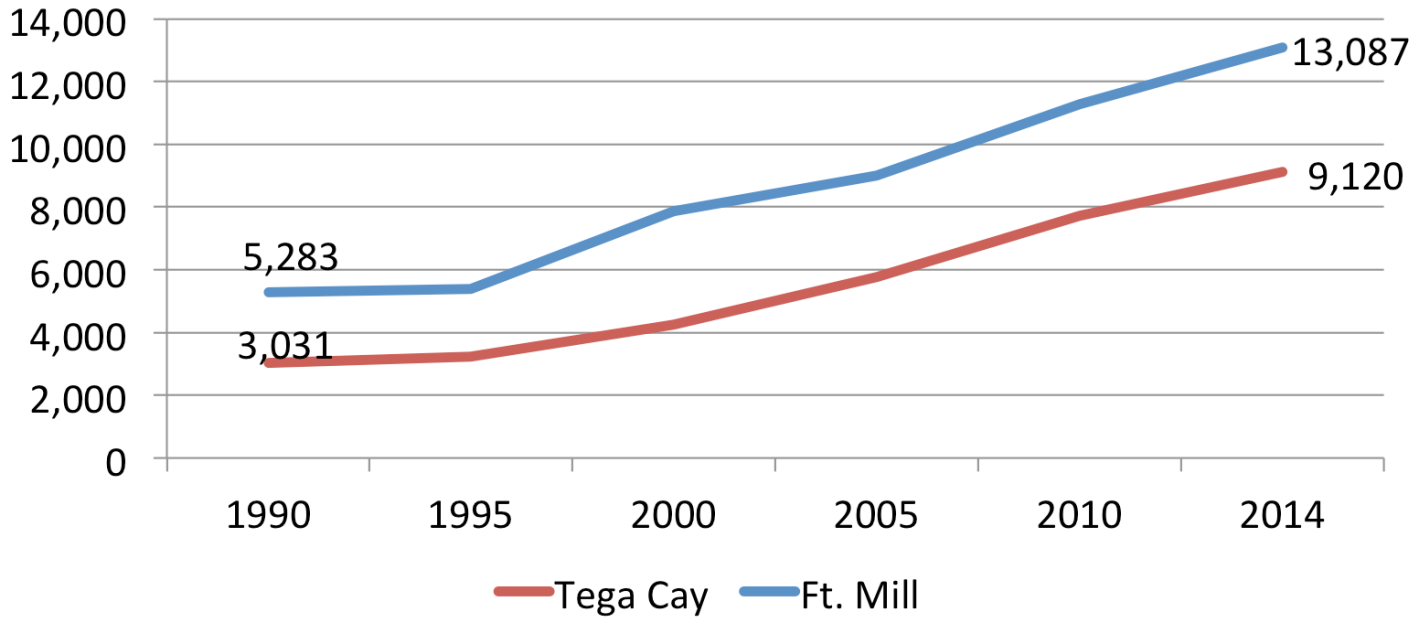
Tega Cay & Ft. Mill Population



- Population has grown 4.7% per year between 1990 and 2014—tripling the number of residents in Tega Cay. Ft. Mill has seen its population increase 250% at a rate of 3.9% per year

Source: US Census Bureau, Historical Population Estimates

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Cause and Effect

Population Growth → (Relatively) Fixed Town Size → House Price Appreciation

- Proximity to Charlotte employment
- Proximity to Lake Wylie and other local amenities
- Recognized outstanding school systems

- 3.2 square miles &
- 4.6 square miles

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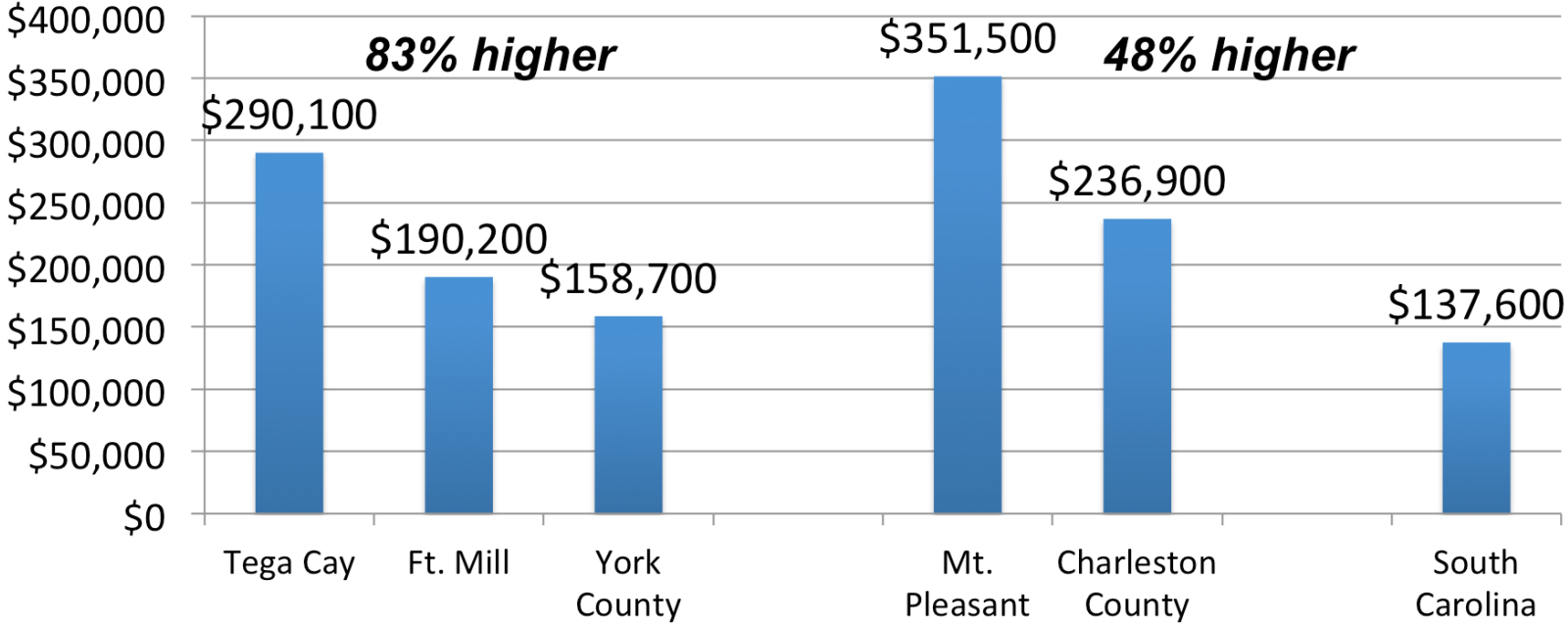
House Price Appreciation

Tega Cay has one of the highest median home prices in the state. Ft. Mill is substantially above the state average.



Source: US Census Bureau, Quick Facts

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"Ability to Purchase"

Rule of thumb: Households generally have the ability to purchase a house that is approximately 2.5 to 3 times their annual income.

Why?

(1) Financeable

(2) Sustainable

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Cross Market Comparisons

Market (County)	Median Home Price	Purchasing Ratio
Charleston	$236,900	4.5
Mecklenburg	$181,800	3.2
Greenville	$154,500	3.1
Richland	$148,000	3.0
Dorchester	$164,400	3.0
York	$158,700	3.0
Berkeley	$151,100	2.9
Spartanburg	$123,200	2.8
Lexington	$139,200	2.6

Source: American Community Survey 2010-2014

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Characteristics of Tega Cay (Ft. Mill)

- **More Income**: Median household income is 2.5 (1.4) times higher than the state average.
- **More Expensive**: Median house price is about 2.1 (1.4) times higher than the state average.
- **More Educated**: Over 60% (32%) of the working age population has at least a bachelor's degree compared to about 25% statewide.

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Upside Potential and Downside Risk of Development

- Upside Potential
  - Attracting local industry
  - Building a more diverse, economically stable community
  - Keeping housing affordable
  - Ability for residents to live where they work
- Downside Risk
  - Local area dependent on one industry/region
  - Less stable housing prices
  - Need to import workers – is this sustainable?

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Future Sources of Growth

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Economic Impact Analysis

Initial change in economic activity (e.g., new business formation)

Spending activity

Economic activity (GDP), Job creation, Income Creation

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Economic Impact Analysis

- *Direct Effects – Spending resulting from initial economic activity*
- *Indirect Effects – Spending resulting from inter-industry supply chain*
- *Induced Effects – Spending resulting from changes in household income*

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Economic Impact Analysis

Ex: New community development

Direct effect: Increase in construction activity

Indirect effect: Increase in construction-related suppliers

Induced effect: Increase in business demand resulting from worker spending through direct or indirectly affected business activity (i.e., retail and other local services)

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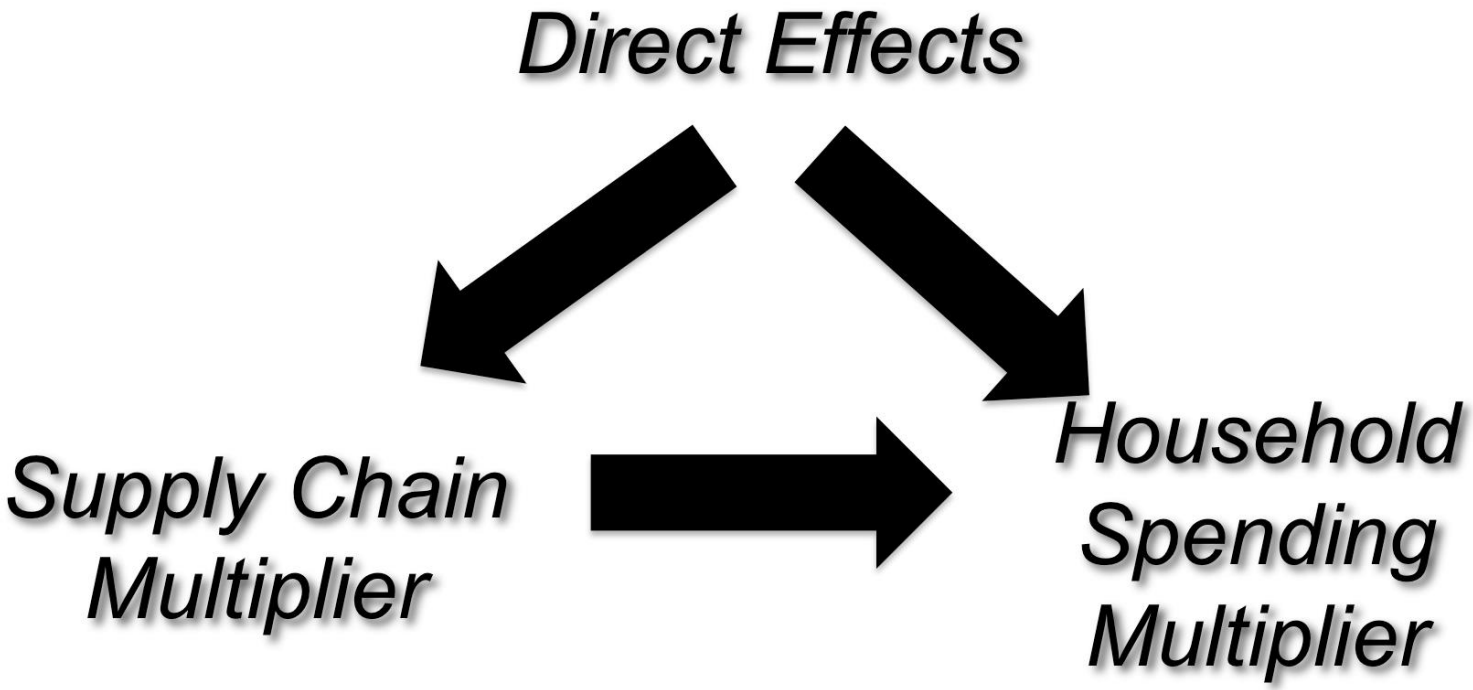
Economic Impact Analysis



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Housing Industry Multiplier

- *The employment multiplier associated with the construction industry in South Carolina is 1.8.*
- *This means that for every 10 jobs created in the construction industry, another 8 jobs are created elsewhere in the local economy*

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The Contribution of Housing Markets to Local Economies

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Darla Moore School of Business

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Research Economist
April 5, 2016