The Contribution of Housing Markets to Local Economies

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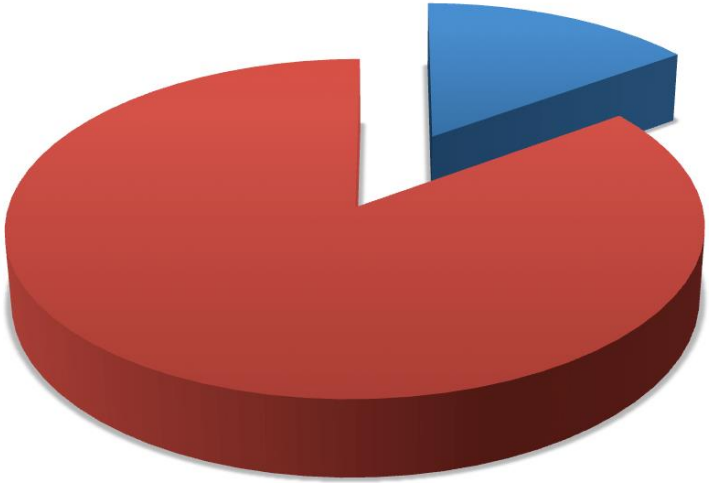
Outline

- 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

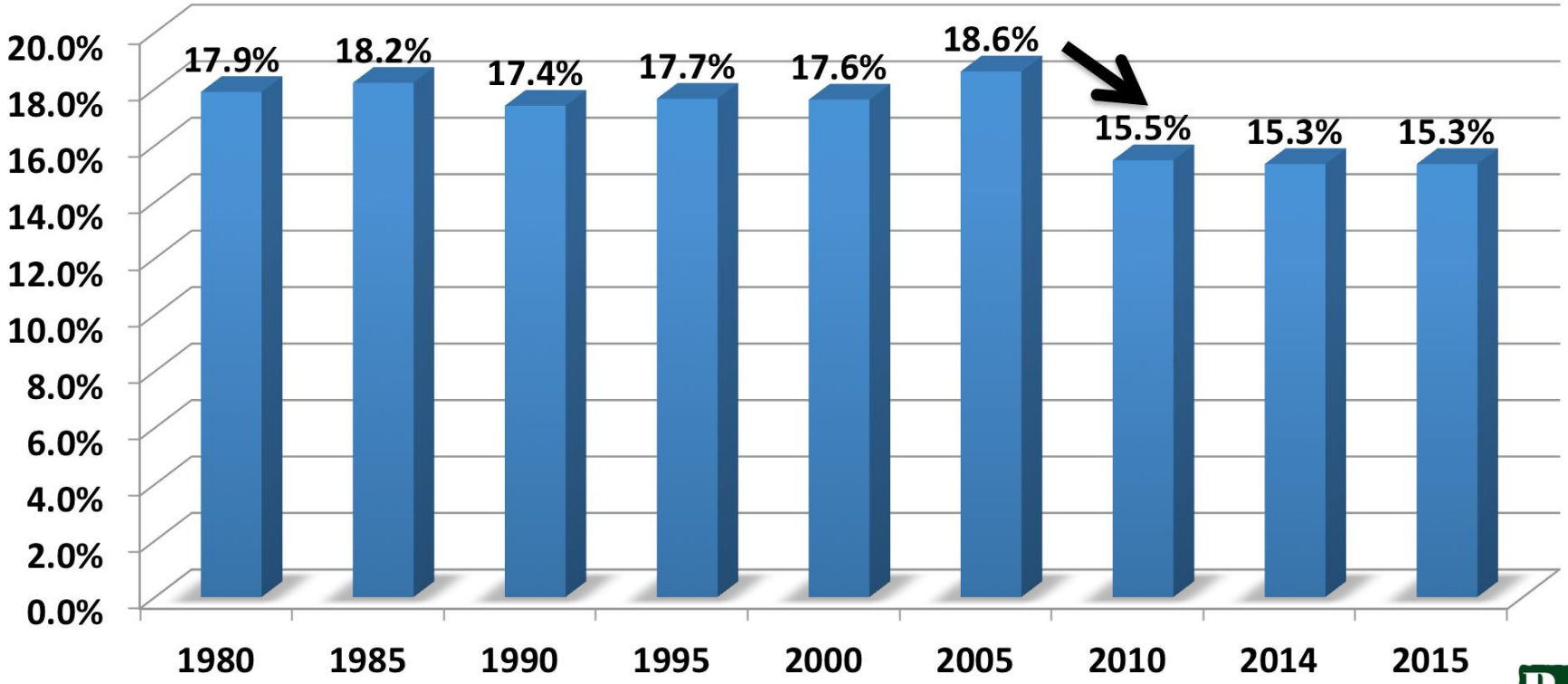
Housing Markets Historically Contribute in Excess of 15% to GDP



(1) Construction: “Bricks and Sticks”

(2) Housing Related Services

Housing's Share of U.S. GDP



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The Great Recession Led to…

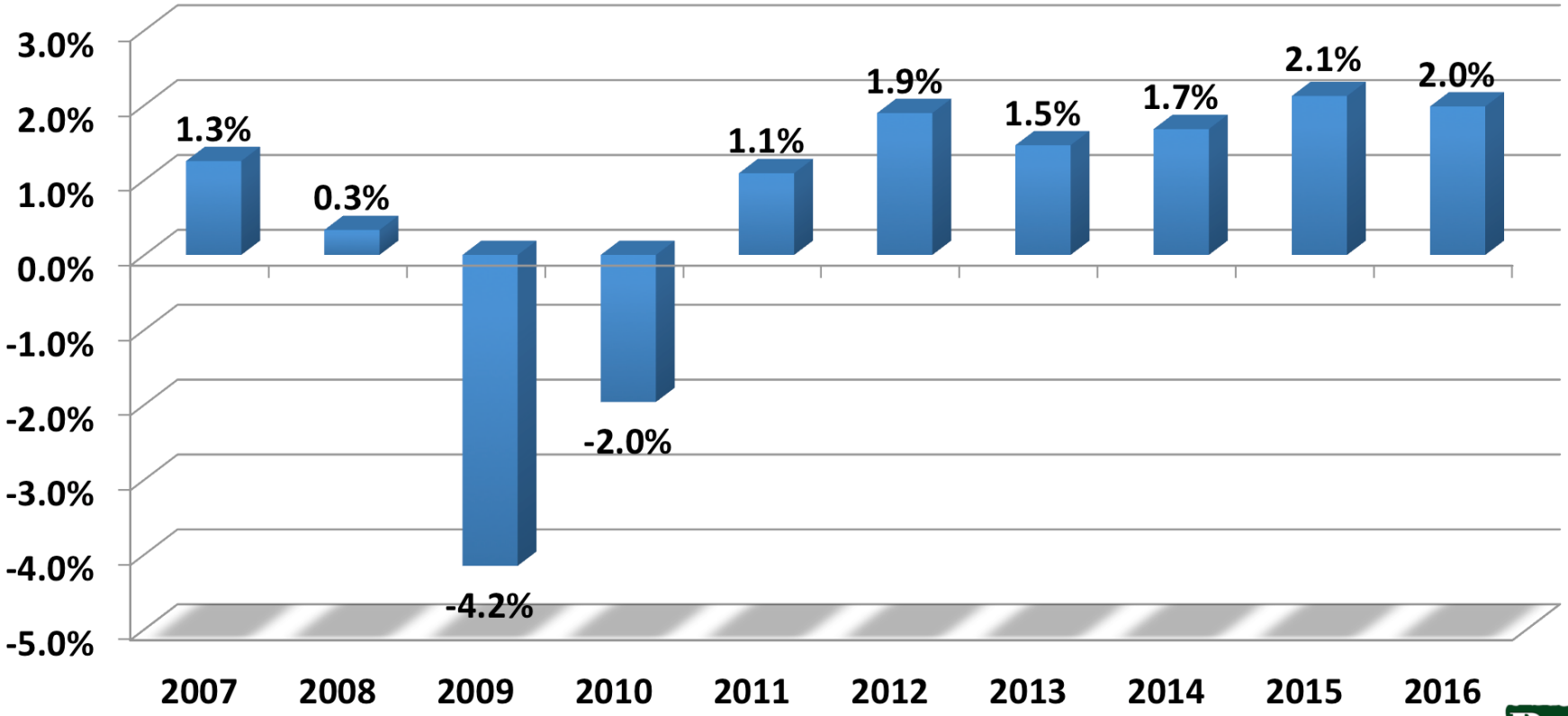
(1) Major Declines in Total Employment

(2) Significant House Price Depreciation

(3) A Reduction in Household Formations

(4) Lower Household Income / Disposable Income

U.S. Employment Growth



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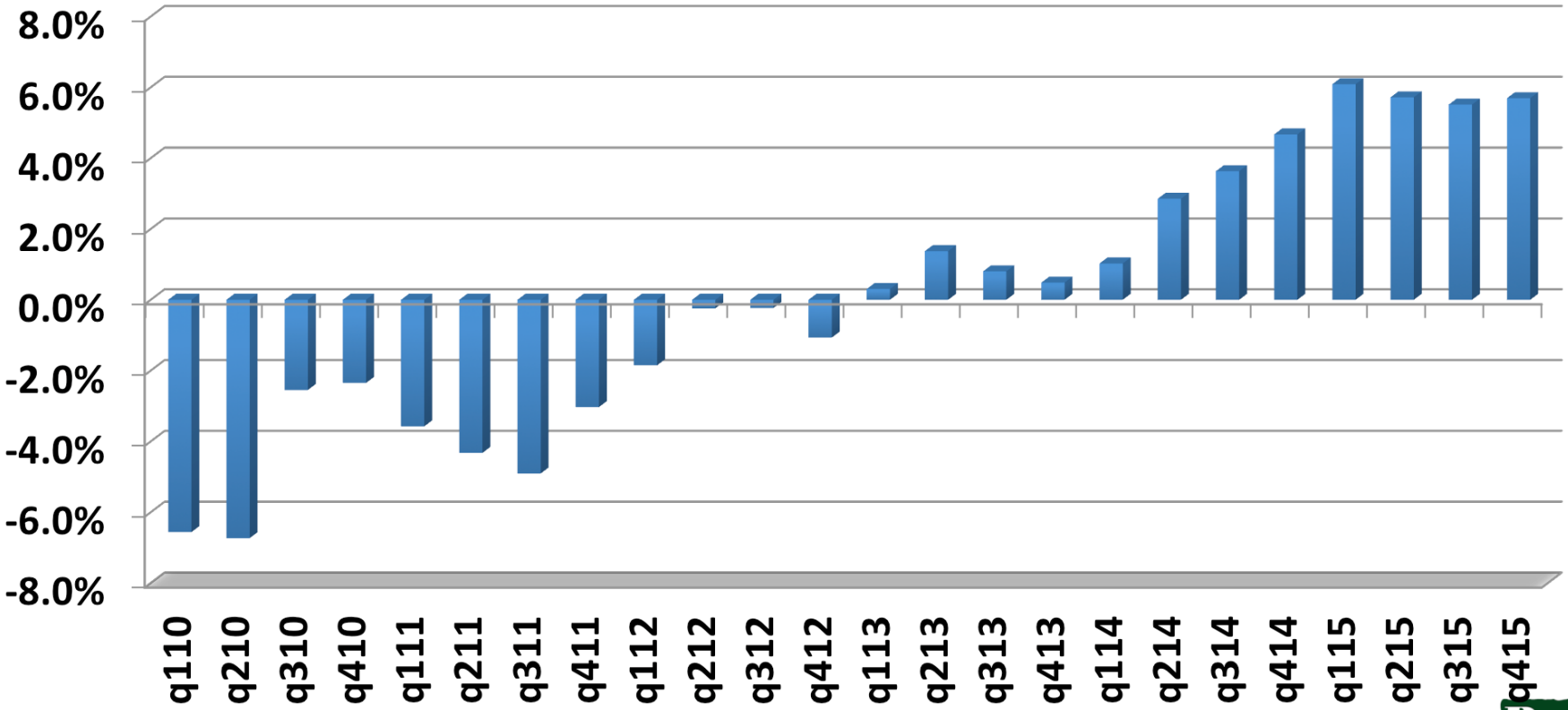
FHFA House Price Index: South Carolina



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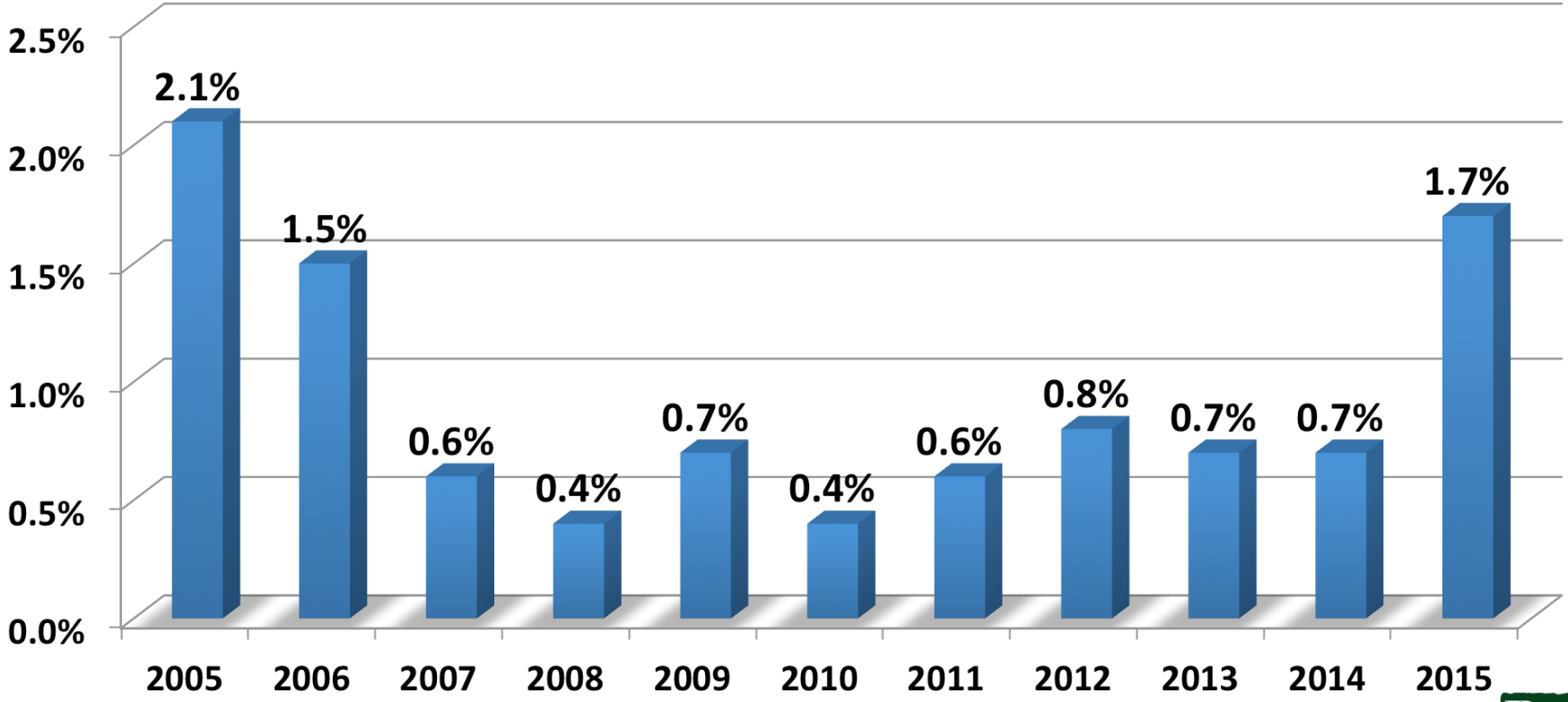
U.S. Household Formation Growth



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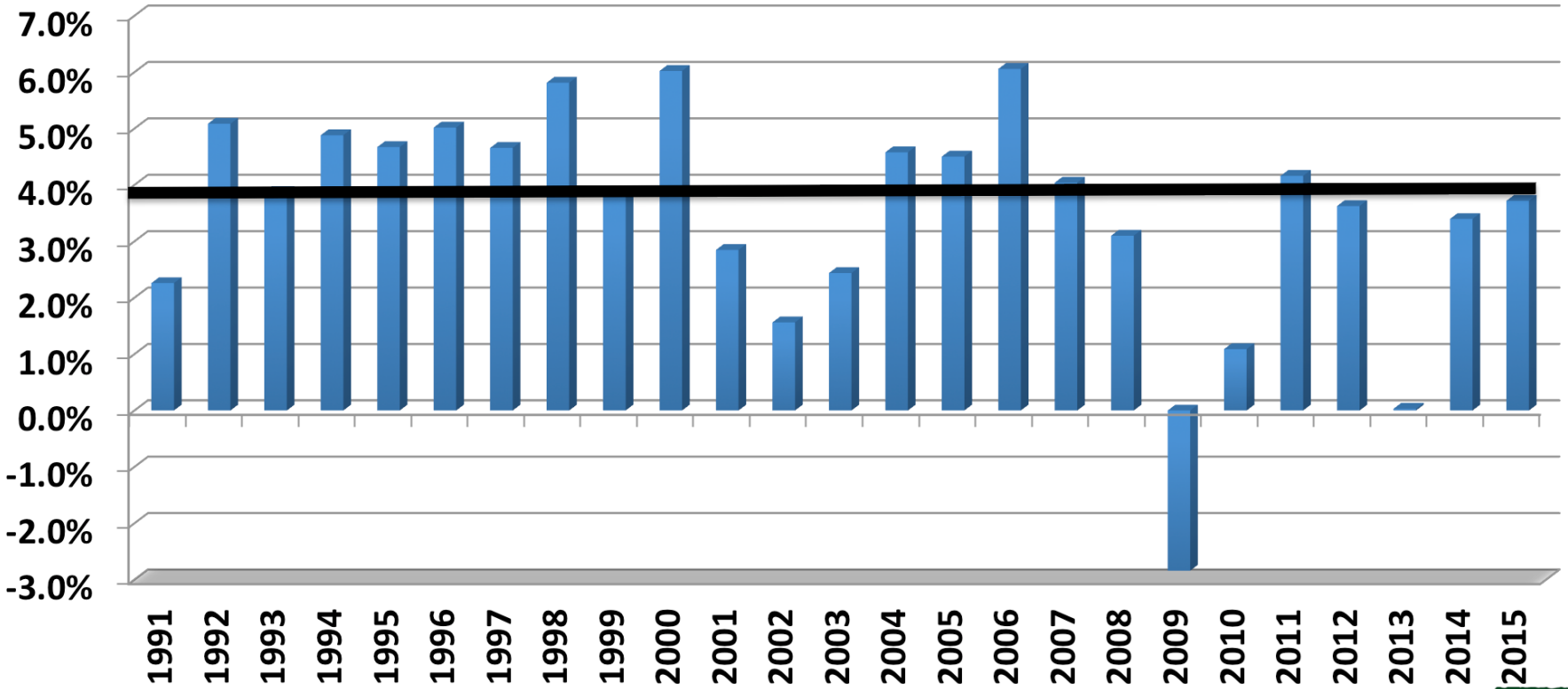
S.C. Per Capita Personal Income



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6th Year of Expansion!

Best Yet for S.C.

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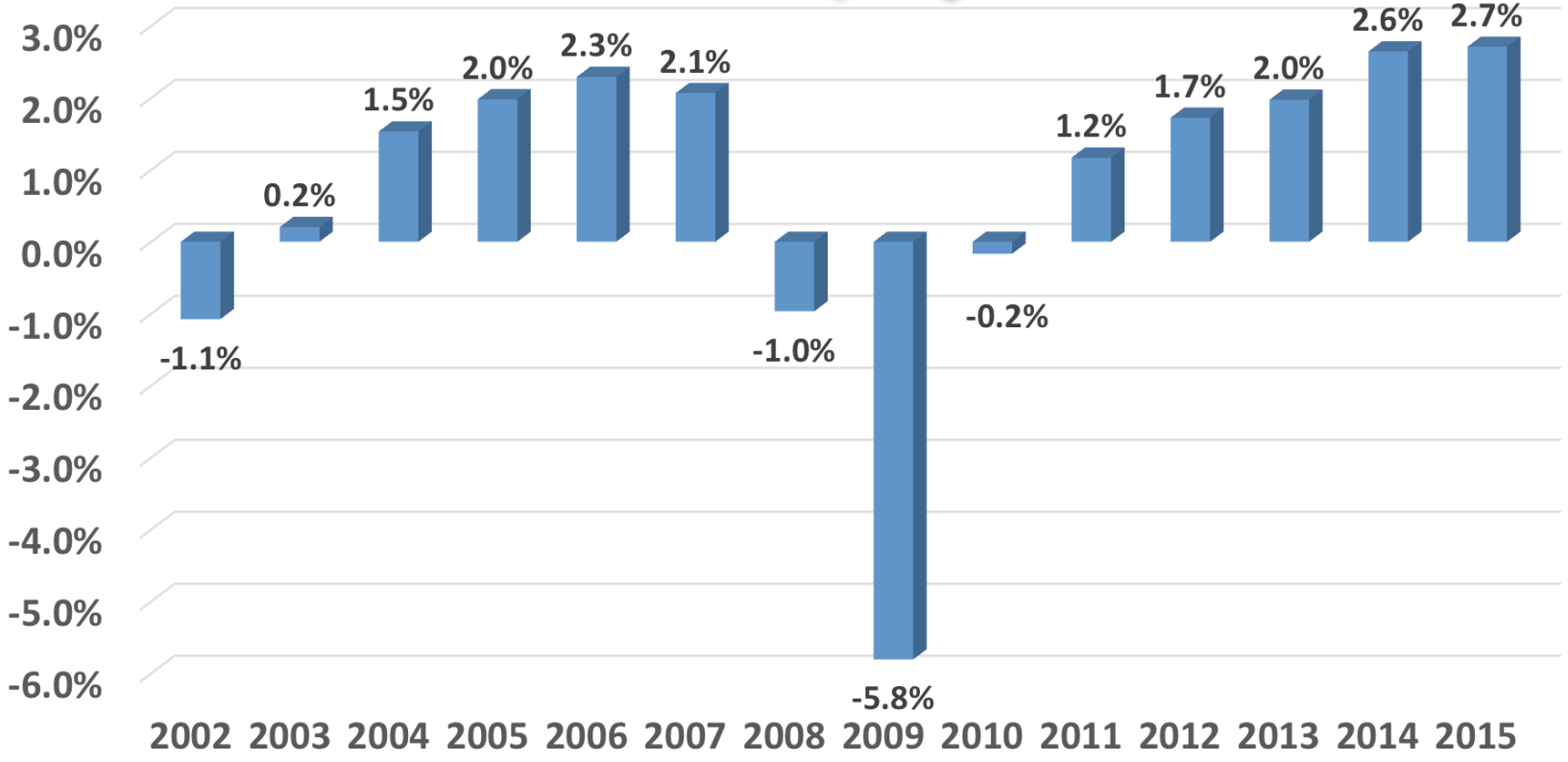
Our expansion is *strong*, *broad-based*, & *statewide*

S.C. Annual Employment Growth



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

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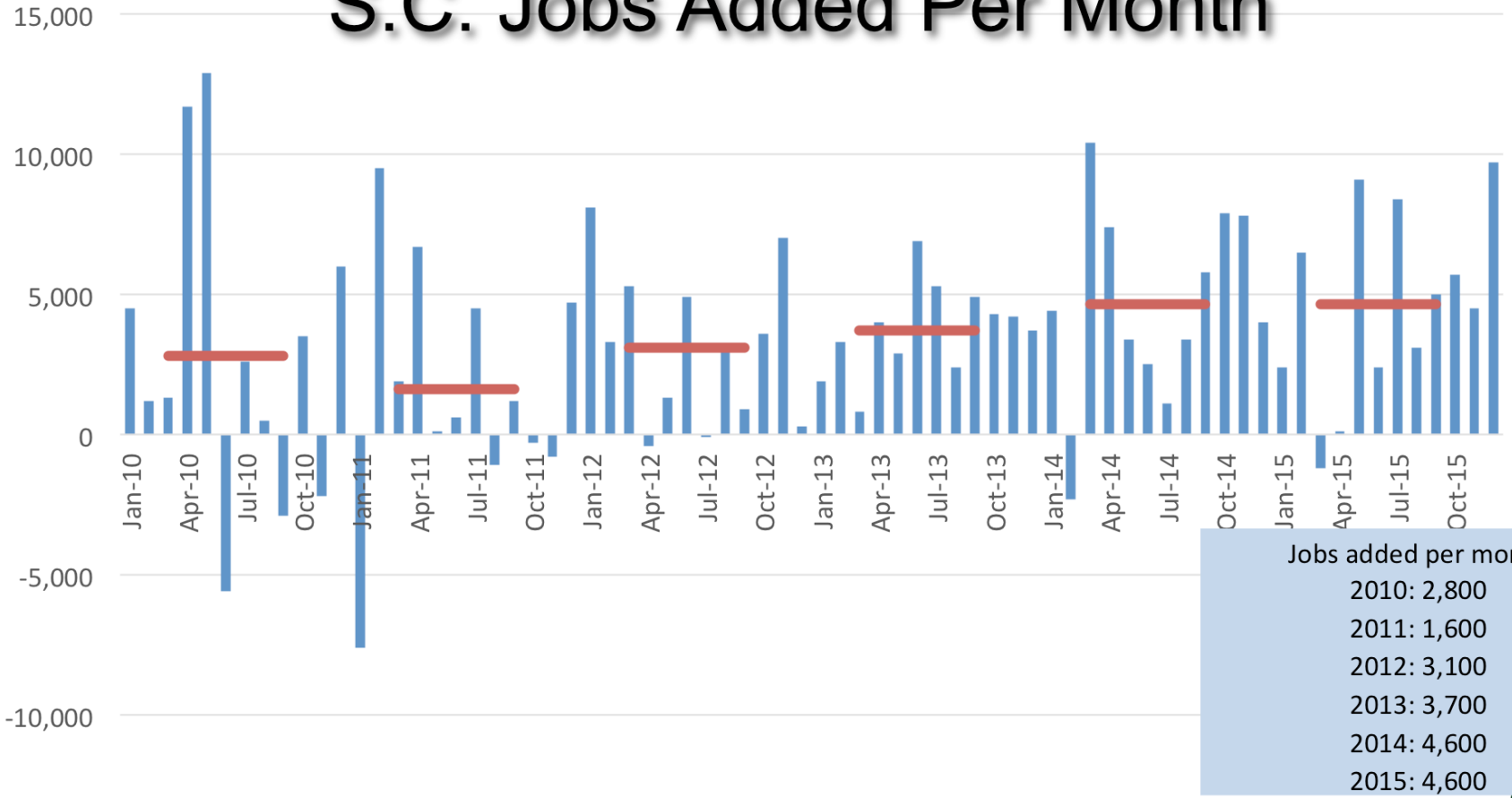
S.C. Jobs Added Per Month



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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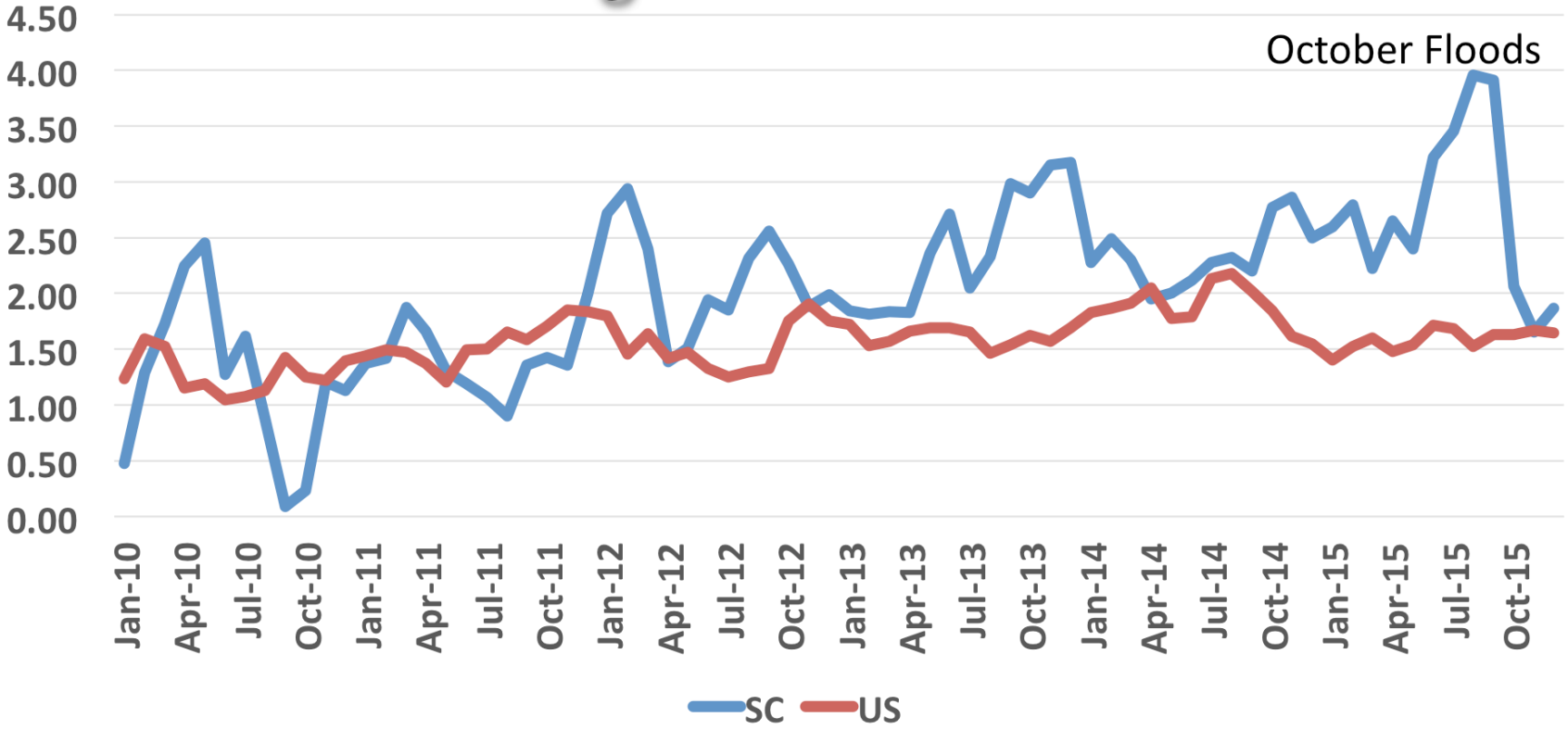
Leading Economic Indices



Source: Federal Reserve Bank of Philadelphia

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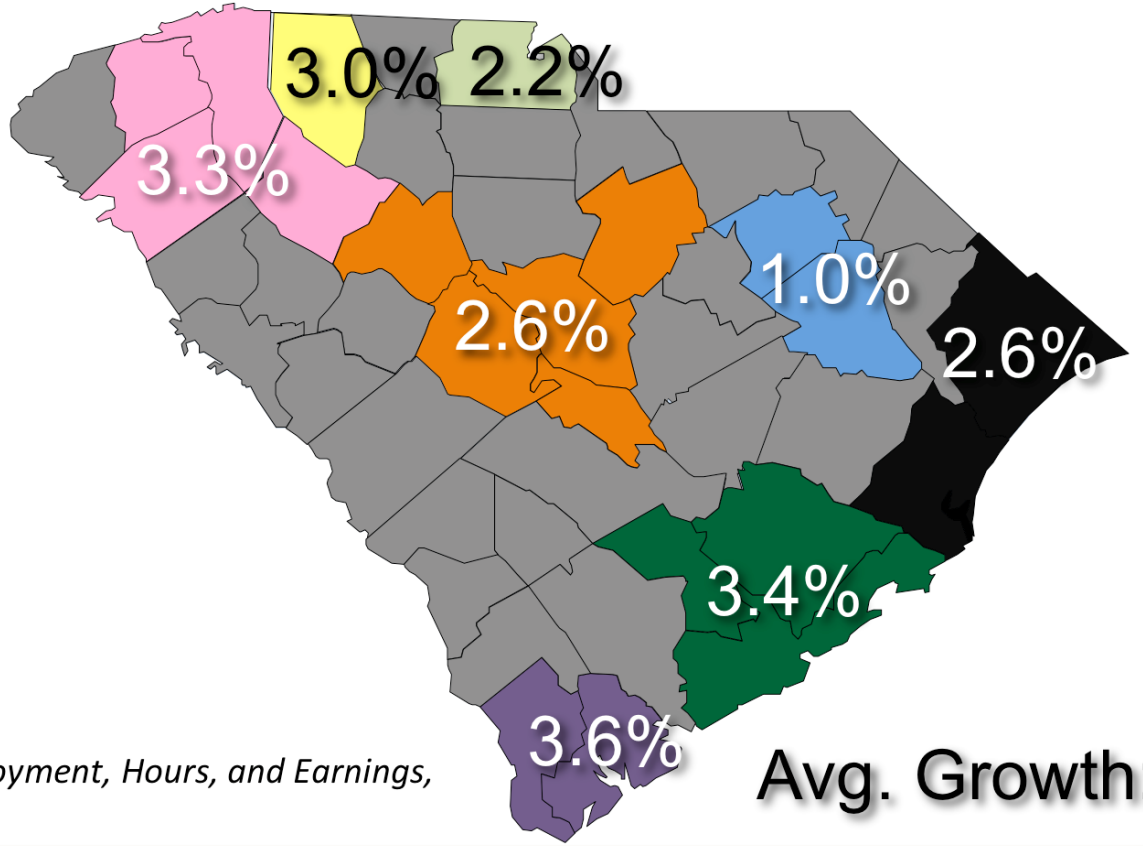
S.C. Employment Growth: 2014-2015



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

Avg. Growth: +2.7%

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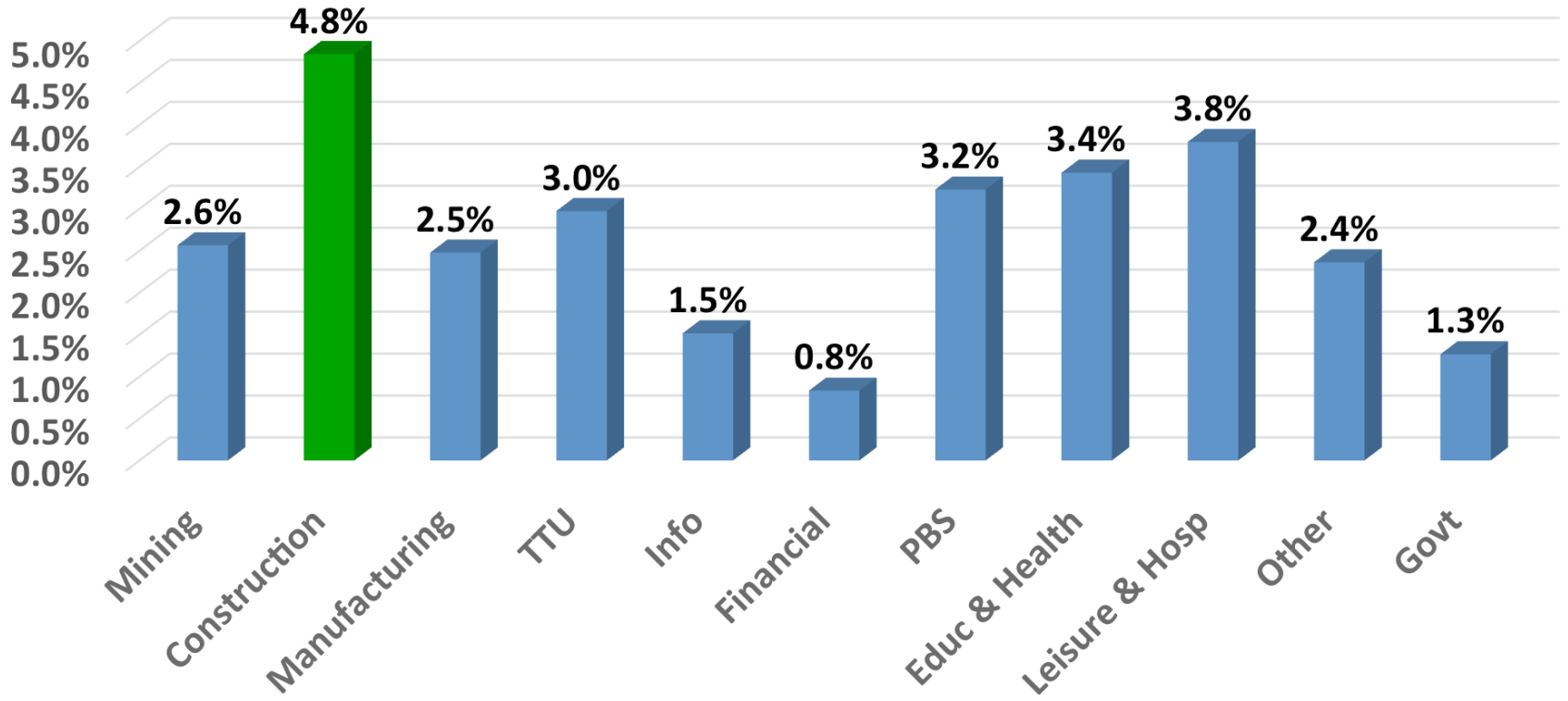
2014 vs. 2015 Industry Growth Statewide



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

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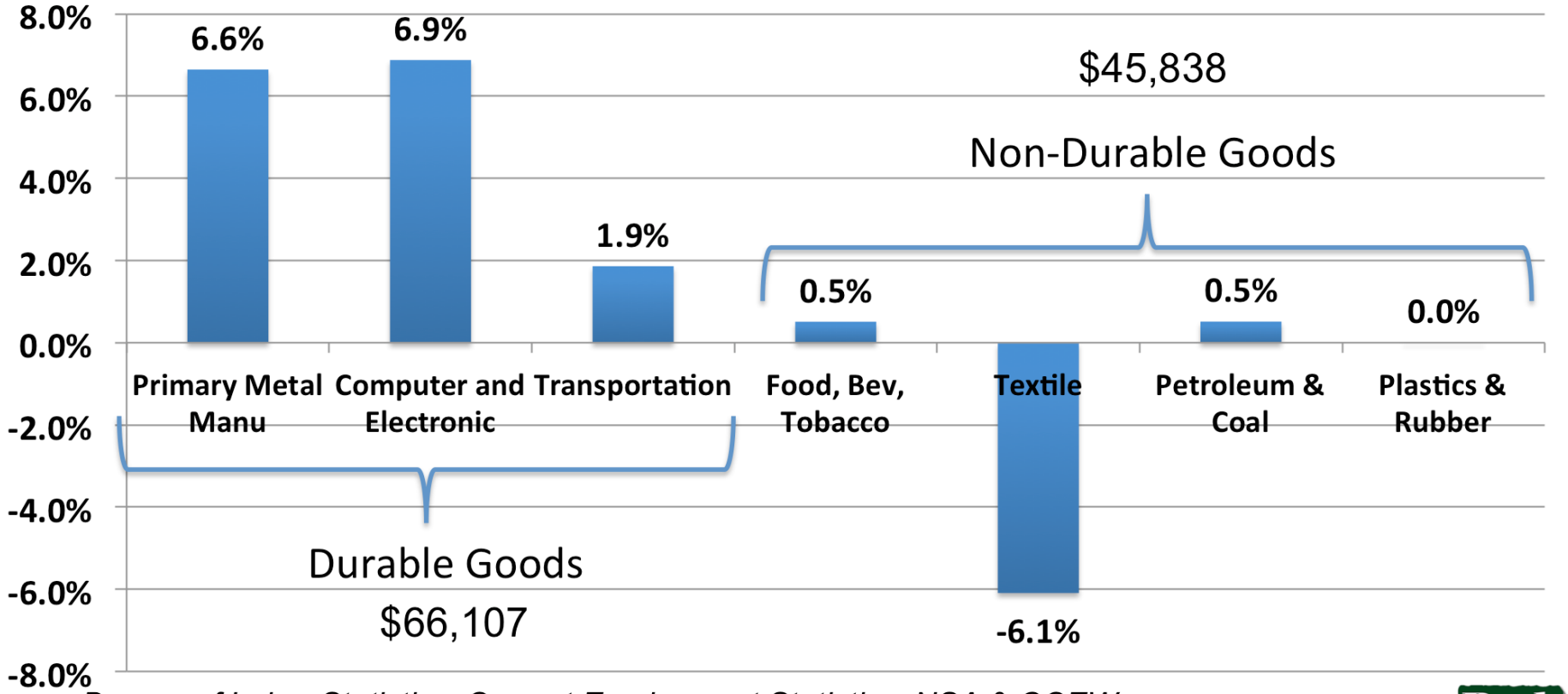
Closer Look: Manufacturing



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

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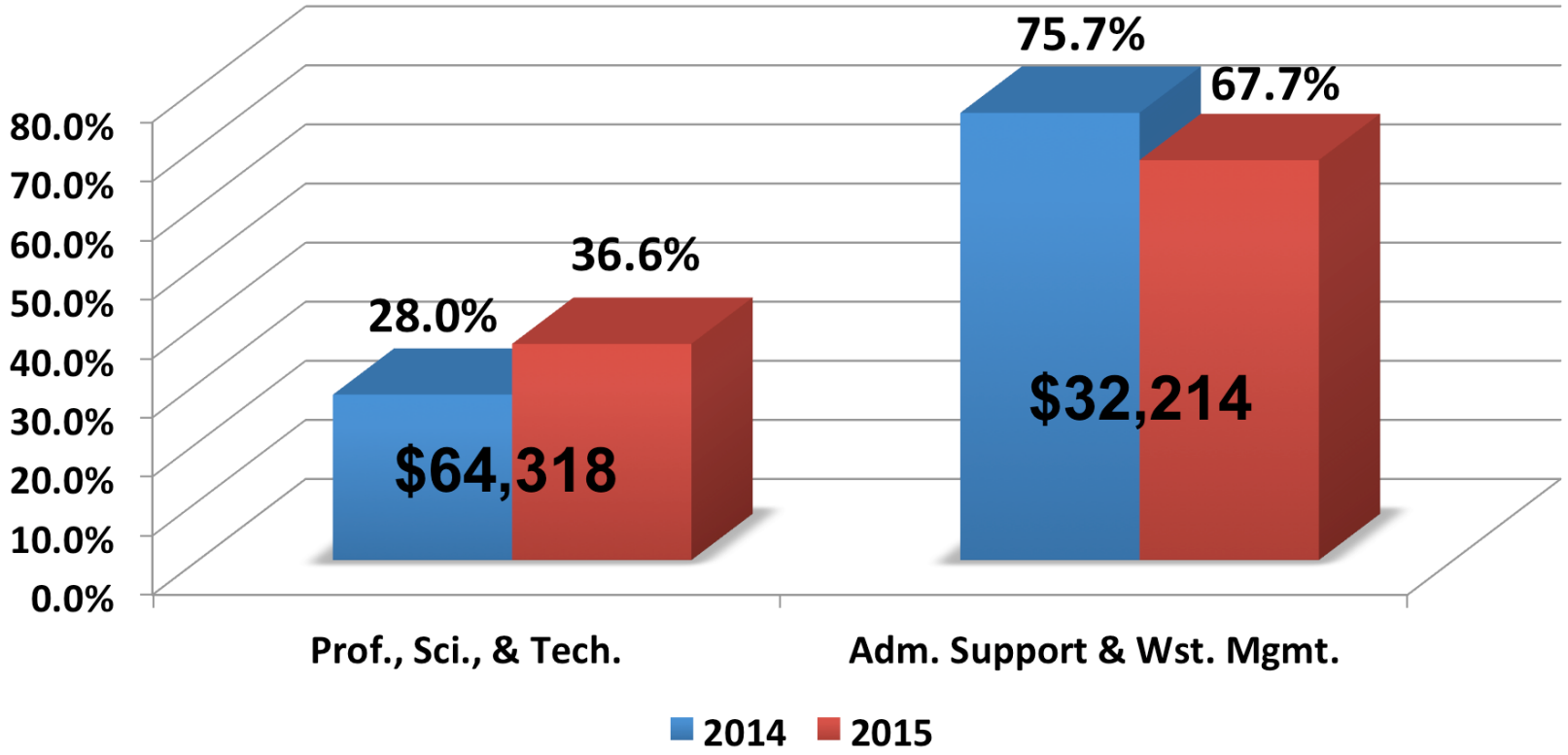
Closer Look: Professional and Business Services



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

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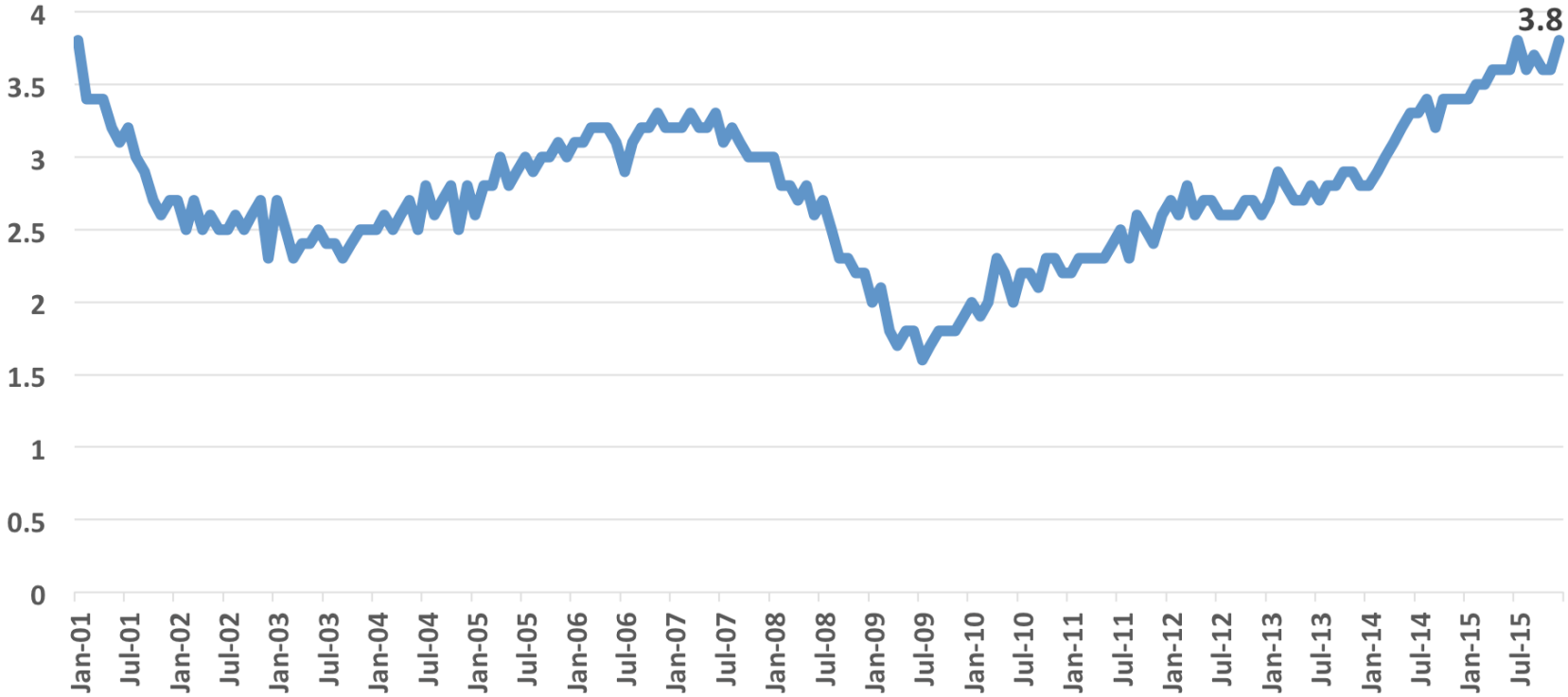
Job Openings Rate → Upward Wage Pressure



Source: US Job Openings and Labor Turnover Survey, SA

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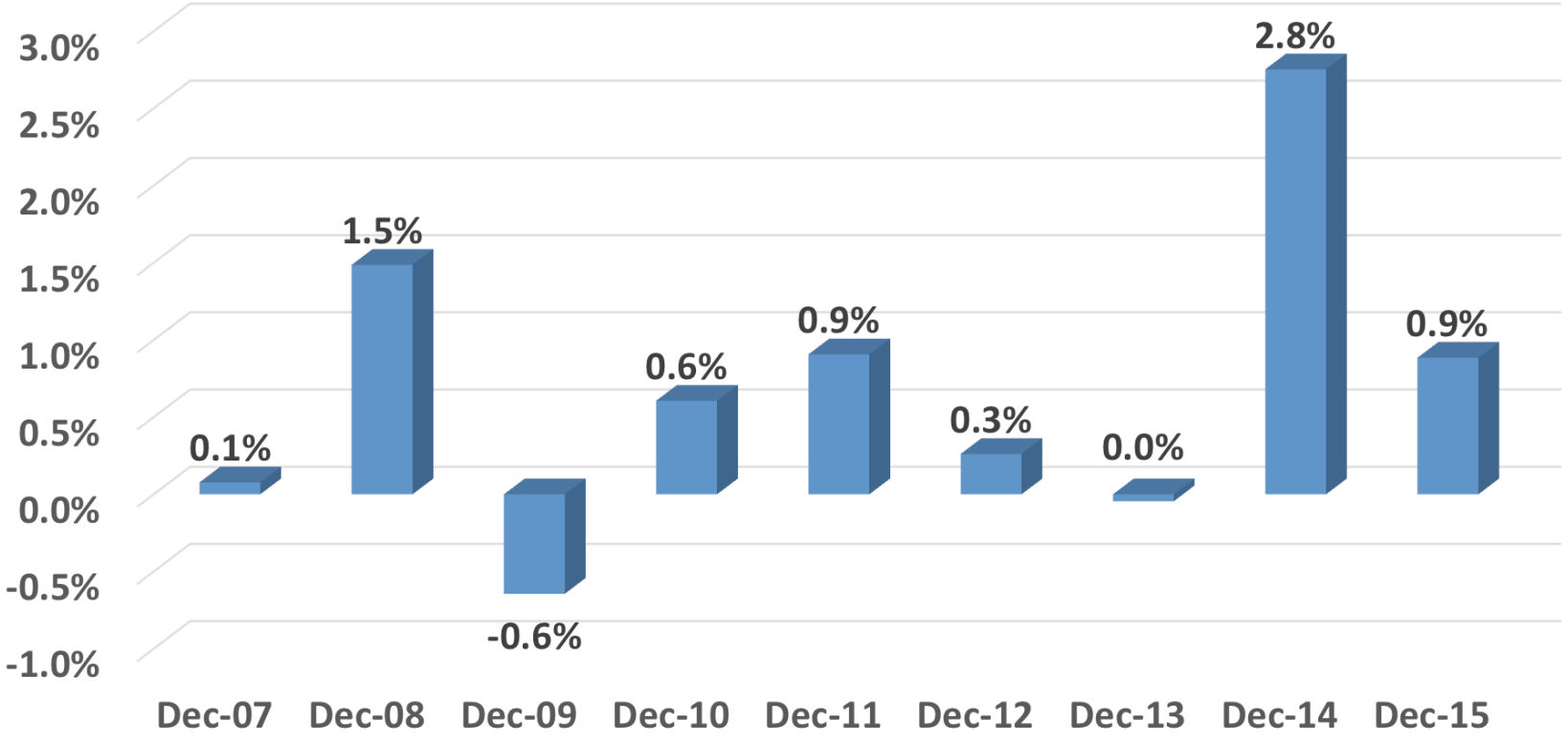
South Carolina Labor Force Growth



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

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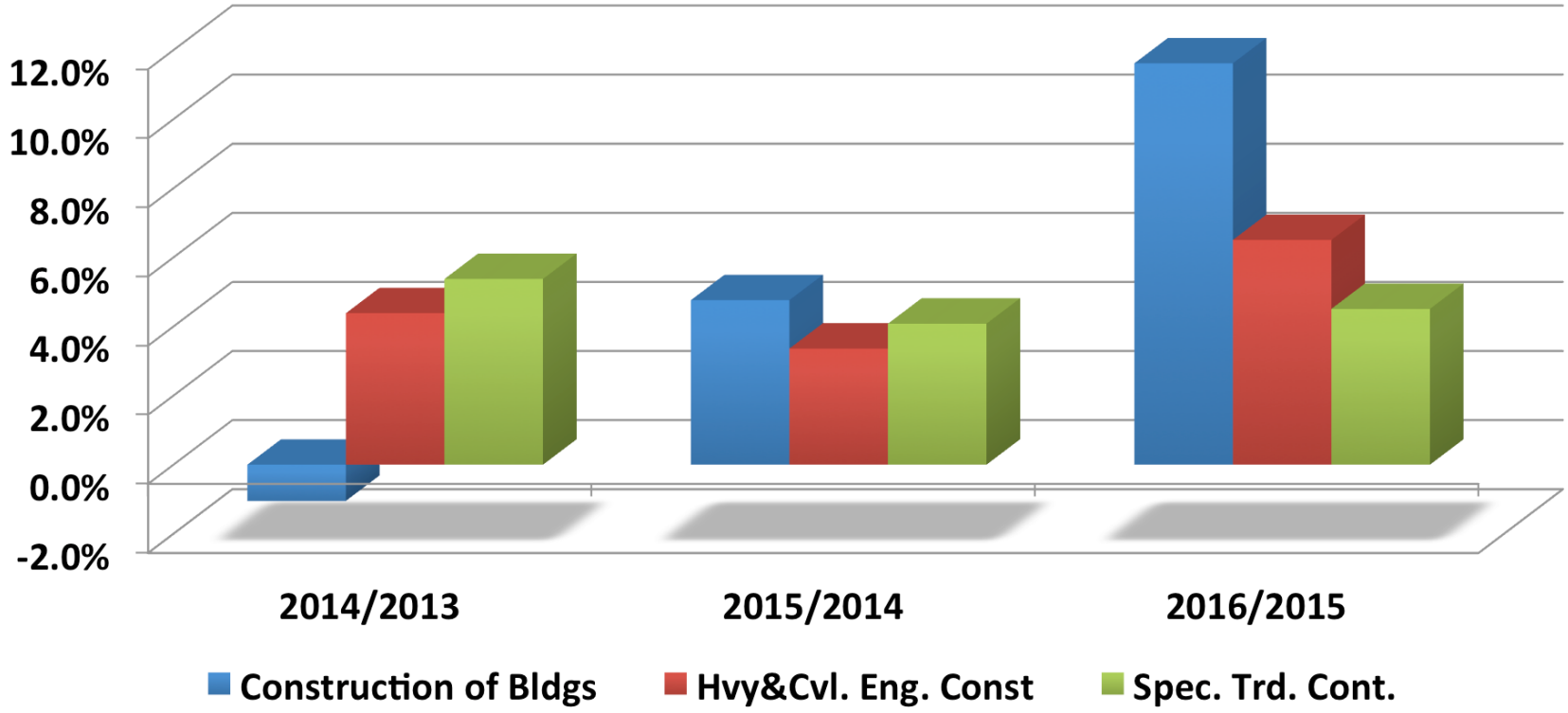
S.C. Employment Growth: Construction



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

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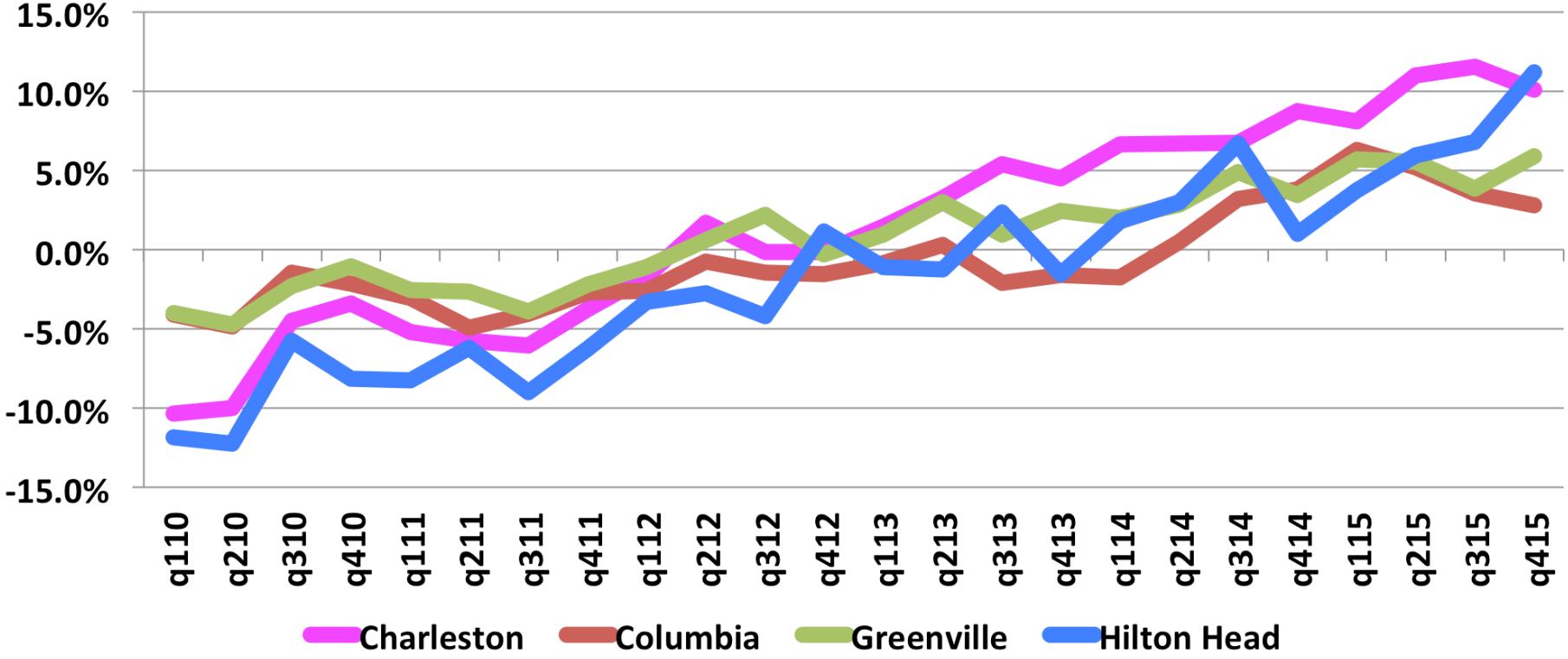
FHFA House Price Index



Source: U.S. Federal Housing Finance Agency

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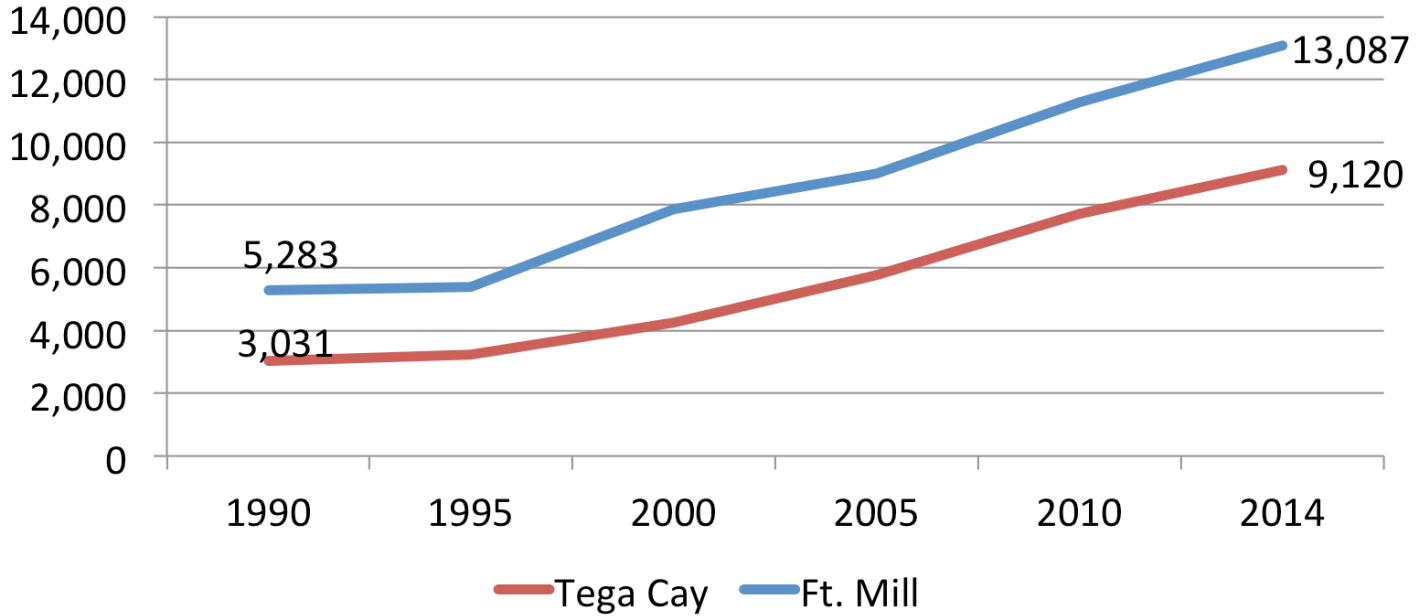
Local Trends

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

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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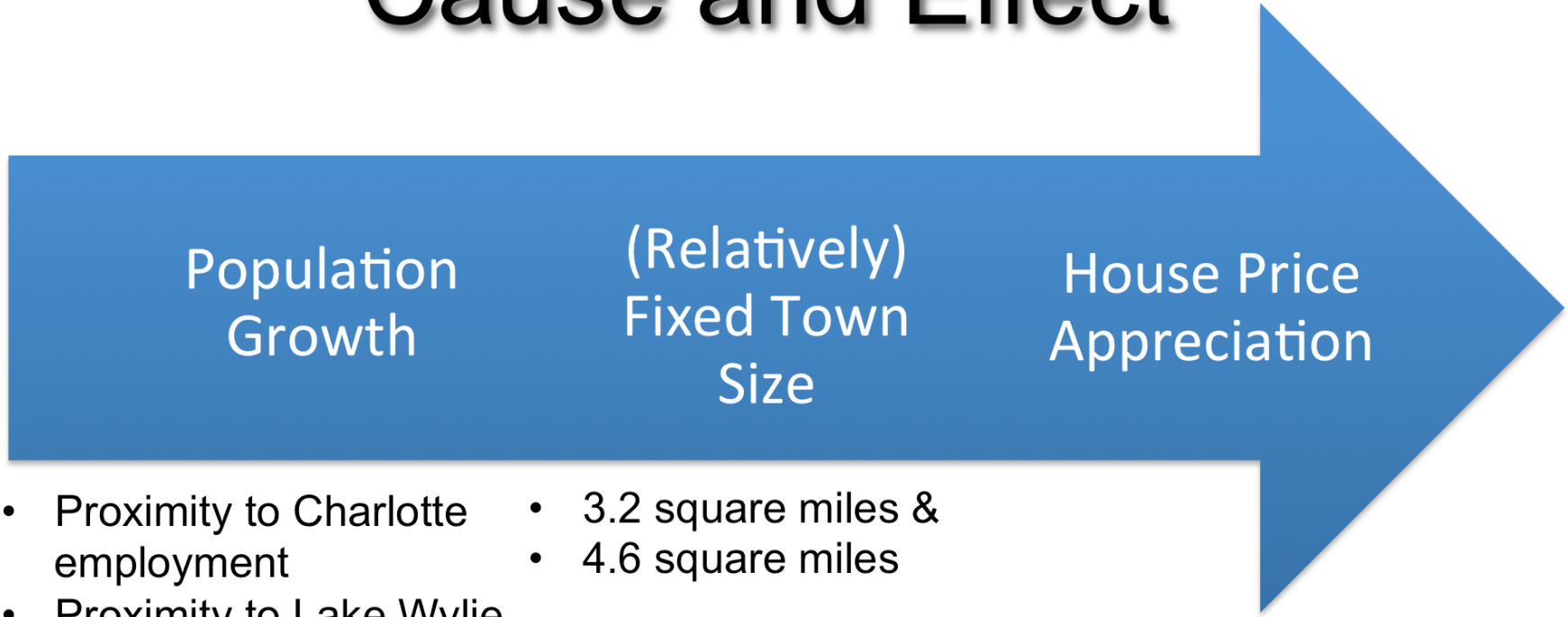
Cause and Effect



- 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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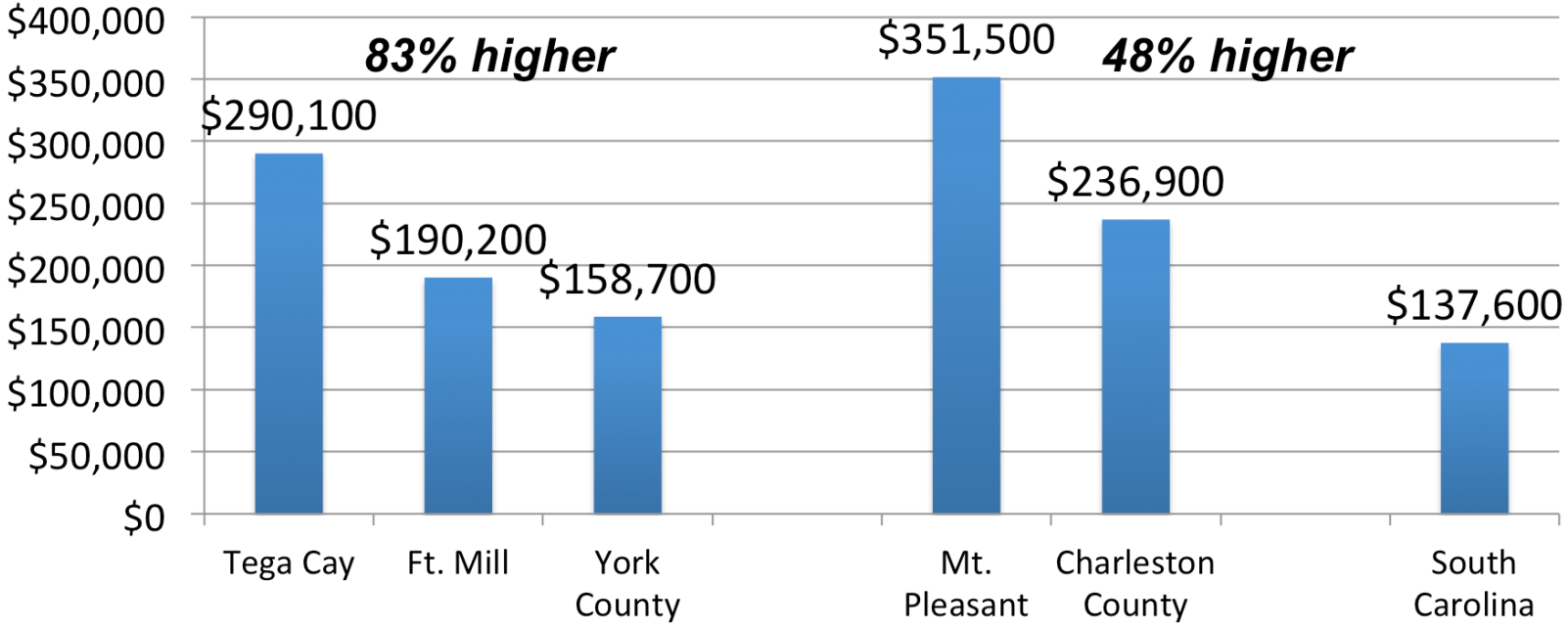
House Price Appreciation

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

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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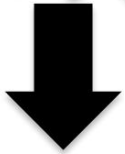
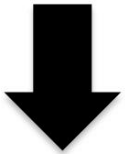
Future Sources of Growth

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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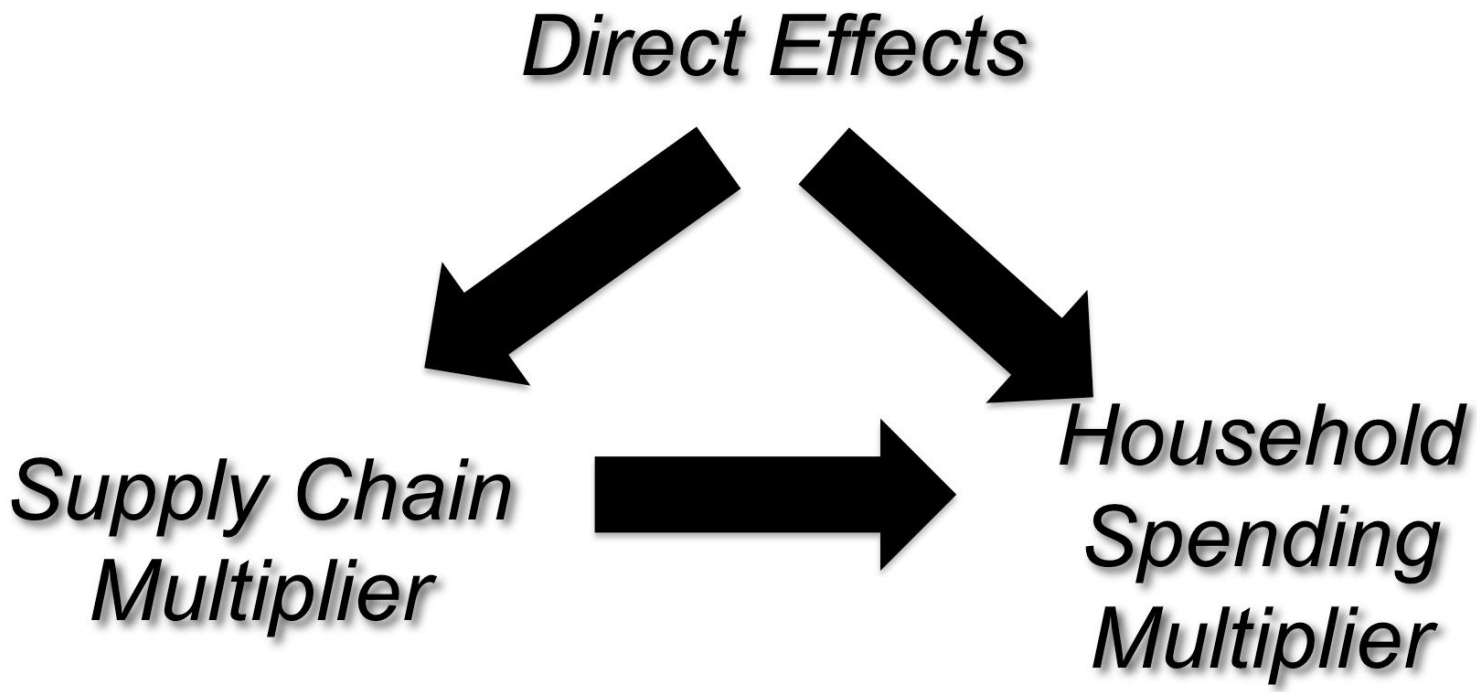
Economic Impact Analysis



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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