

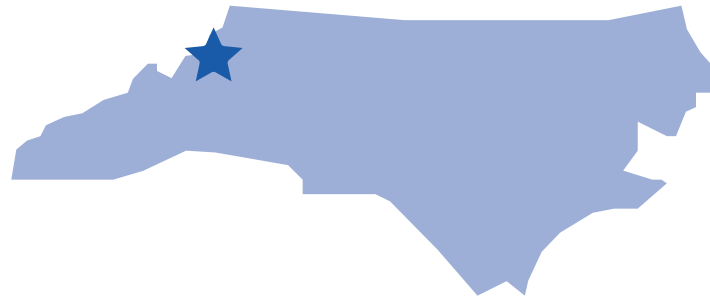


Q1 ECONOMIC INDICATORS | 2023

Watauga County's Current Economic Conditions

May, 2023

*Data references found on page 2.



RESIDENTIAL HOME SALES

397	504	46%
(HC Q1 2023)	(HC Q1 2022)	(% Q1 '23 Watauga)

NET SALES TAX COLLECTIONS

\$2,088,837	\$2,589,352	\$2,171,706
MAR 2023	FEB 2023	MAR 2022

UNEMPLOYMENT RATES

3.1%	3.5%	3.5%	3.1%	3.7%	3.4%	2.6%	3.6%	3.6%
(Watauga)	(NC)	(U.S)	(Watauga)	(NC)	(U.S)	(Watauga)	(NC)	(U.S)
MAR 2023			FEB 2023			MAR 2022		

OCCUPANCY TAX COLLECTIONS

\$1,568,776	\$1,784,057
(JAN, FEB, MAR 2023)	(JAN, FEB, MAR 2022)
12% DECREASE	

NEW SINGLE FAMILY HOMES

(APPLICATIONS RECEIVED)

60	64	-6%
Q1 2023	Q4 2022	% change



Given the strength of the state's budget, which funds Appalachian State University, our economic situation, particularly in terms of employment, will fare well as we move toward this expected recession.



Dr. Harry Davis
Economist



Watauga County's Current Economic Conditions May, 2023

DR. HARRY DAVIS, PHD

NCBA PROFESSOR OF BANKING, ECONOMIST


We can expect a mild recession at the end of this year or at the beginning of 2024. Fortunately, North Carolina has a large rainy-day fund, tremendous population growth, and a diversified economy. Our state and Watauga County will do better in the recession than the nation due to these positive economic factors. Given the strength of the state's budget, which funds Appalachian State University, our economic situation, particularly in terms of employment, will fare well as we move toward this expected recession.

Both the state and Watauga County continue to do very well in terms of employment. The state unemployment rate dropped in March to 3.5%. Watauga County's unemployment rate at 3.1% in March 2023 was the 2nd lowest rate in the state. Given our low unemployment rate and the lack of a workforce, businesses in the High Country will continue to experience trouble finding workers as we head into the summer.

The occupancy tax for the county dropped about 12% in the first quarter of this year relative to the first quarter of 2022. The drop is most likely attributed to less snowfall and overall warmer weather this winter, which impacted the winter sports tourism industry. Sales tax collections have changed very little from the first quarter of 2022 to the first quarter of this year. Both the sales tax and occupancy tax numbers remain very strong when you consider we are 18-months past the fiscal stimulus provided by the Federal government in the wake of COVID-19.

The housing market in the High Country continues to struggle due to the lack of inventory, which continues to drive up prices. While the increase in home pricing is moderating, these prices remain elevated. Affordability, particularly for first-time home buyers, continues to be a real challenge. While the number of homes sold over the previous year has slightly declined within the High Country region, Watauga County remains a favored destination for those seeking to move to the area.

REFERENCES

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- Residential Home Sales data provided by High Country Association of Realtors, HC = Alleghany, Ashe, Avery, & Watauga Counties
 - Net Sales Tax Collection data provided by the North Carolina Department of Revenue
 - Unemployment data reported by the NC Department of Commerce
 - Occupancy Tax data provided by Watauga Co. TDA, total includes Boone, Blowing Rock, and Watauga County
 - Single Family Home Application data provided by Watauga County, Town of Beech Mountain, Town of Boone, Town of Blowing Rock, & Town of Seven Devils

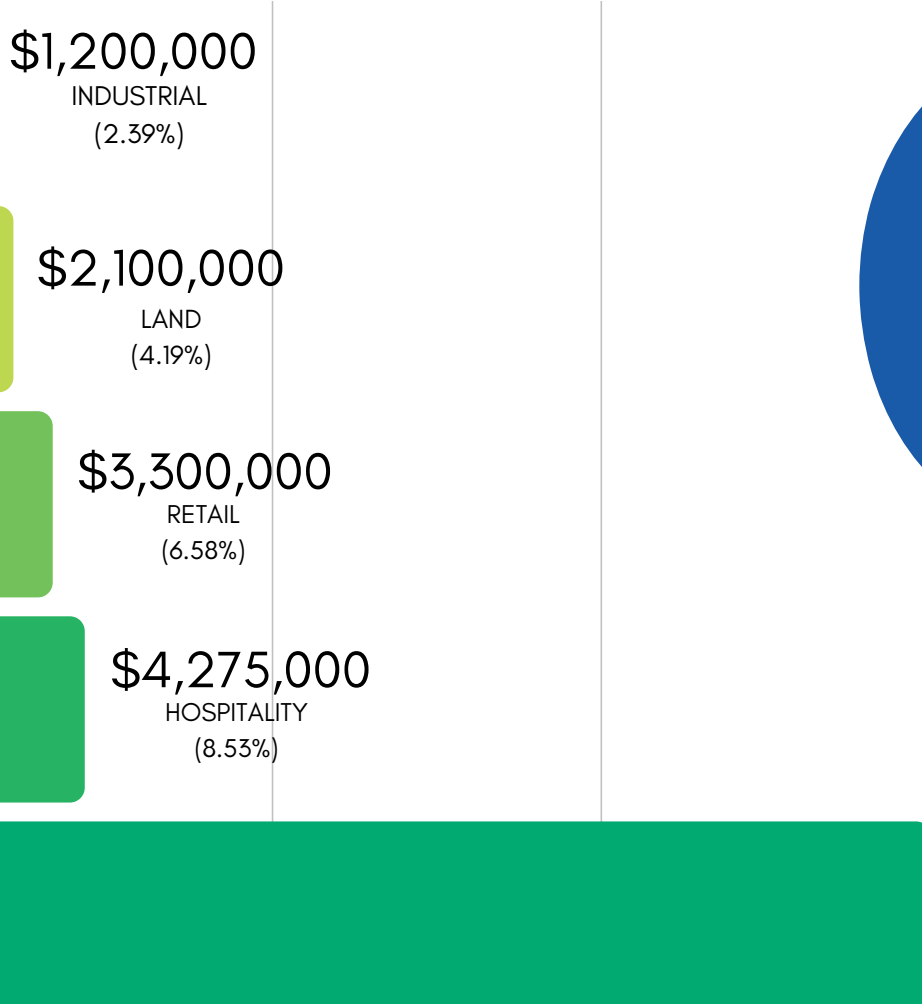
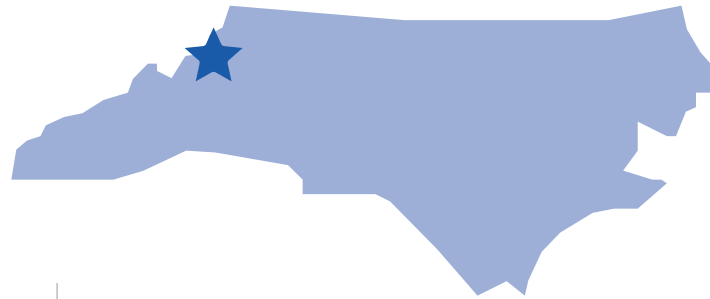


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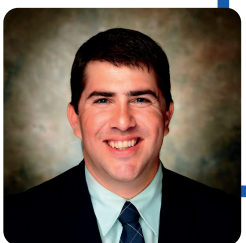
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QUICK STATS

- 10 TOTAL # OF SALES
- \$50,145,000 TOTAL SALES
- \$37,230,000 LARGEST SALE
- \$700,000 SMALLEST SALE

“As indicated, transactional activity continues to be low. The lack of inventory in order for sellers to find replacement property keeps commercial real estate off the market (combined with other factors), while the cost of capital (debt) makes it more difficult for buyers to purchase commercial real estate. Downward pressure on pricing is still needed until market participants can come to an equilibrium.”



James Milner, CCIM
Appalachian Commercial Real Estate, President & Owner

Watauga County's Current Economic Conditions May, 2023

JAMES MILNER, CCIM


APPALACHIAN COMMERCIAL REAL ESTATE, PRESIDENT & OWNER

The first quarter of the year is naturally slow due to the seasonal nature of the local commercial real estate market. However, at ICSC Carolinas this year, national retailers were starting to show revived interest in smaller and tertiary markets such as ours. Based on this time last year (in terms of sales), both multifamily and hospitality are down by 33.78% and 23.65% respectively. This is based on sales from the 1st Quarter of 2022 compared to the sales in the 1st Quarter of 2023.

A review of the permit data shows continued development within the Town of Boone. A new retail shell building is planned at Watauga Village (Wal-Mart anchored center), while a number of buildings within the downtown area are being renovated or upfitted. The new development of the Portofino Hotel and a Sheetz convenience store is occurring within the Town of Boone. The largest development project for this quarter that applied for permits is the new Appalachian State University Parking Deck at the Holmes Center at a proposed project cost of \$19,500,000.

With the first ninety days of the new year behind us, there will continue to be opportunities, albeit limited. While we hope that pricing will soften, the limited supply combined with above-average demand is keeping prices up, however, the reality is that the cost of capital limits the purchasing power that buyers have. The continued rise of interest rates only exacerbates the issue. Leasing activity is still above average with new tenants securing space at Rivers Walk. As stated in prior reports, commercial space that is priced appropriately is being leased to those trying to obtain space within the market.

REFERENCES

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- The data used in this analysis is sourced from CoStar and the High Country Association of Realtors MLS.
 - The data used in this analysis is for sales transactions only in Watauga County of \$500,000 or greater.
 - The data used in this analysis excludes any transfer that was a partial interest (less than 100%).
 - The data used in this analysis treats any improved properties that were demolished for redevelopment at the time of sale or that the improvements had no contributory value at the time of sale as land sales.

Watauga County's Current Economic Conditions May, 2023

STACIE PINEDA

STACIE PINEDA REAL ESTATE GROUP, BROKER, OWNER, CRS

KEY FINDINGS

As we close the first quarter of 2023, it is valuable to compare the numbers with those of 2022 for the same period, given the unprecedented numbers we saw last year. As suggested in my last report, some trends continue to indicate a market shift reflecting the High Country as a luxury community. There is an overall volume decline for Ashe, Avery, and Watauga Counties and a decline in the number of units sold. High-end sales are steady with the last year's first quarter. The median sales price is higher across the market. This, with a volume decrease, indicates a shortage in supply.

DISCUSSIONS & PROJECTIONS

- A "hot" property would be priced at \$500,000 or below for those relocating to the area for jobs.
- The North Carolina due diligence contract continues to confuse and astound with able buyers offering non-refundable \$10,000 to \$100,000 or more (money credited at closing, lost if the buyer walks away), forcing the less cash-flush client into homes out of the market completely.
- Agents are working harder for their clients, given most homes are getting multiple offers. Again, the buyer that is financing and has low cash on hand struggles to secure a home.
- High-end, luxury, and expensive are the buzzwords for the market today. These are buyers with deep pockets, whereas the second home market from previous years was more modest properties offset by the potential short-term rental income.

IN CLOSING

What I will be watching for in the coming quarter is inventory for the family that has a combined income of less than \$150,000 per year. I hope to see a bridge in the number of units sold (compared to the same time frame last year) and the volume in sales to increase in our mid-range markets in hopes that the supply offsets demand and creates opportunities for those with more modest incomes.