



ECONOMIC INDICATORS 2024

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Q1 ECONOMIC INDICATORS 2024



The growing university, robust tourism, and a strong real-estate market will deliver a prosperous economy for the High Country.

*Dr. Harry Davis,
NC Bankers Association*

WATAUGA COUNTY'S CURRENT ECONOMIC CONDITIONS



Residential Home Sales

High Country
Q1 2024
376

High Country
Q1 2023
397

Watauga %
Q1 2024
50.8% (191)



New Single-Family Homes

Q1 2024
82

Q1 2023
60

Percent Change
20% Increase



Unemployment Rates

February 2024
2.7% 3.7% 3.9%
Watauga NC US

January 2024
2.8% 3.6% 3.7%
Watauga NC US

February 2023
2.9% 3.6% 3.6%
Watauga NC US



Occupancy Tax

January 2024
\$688,084.16

February 2024
\$562,438.03

January 2023
\$619,491.16



Net Sales Tax Collections

February 2024
\$2,595,533.73

January 2024
\$3,037,511.35

February 2023
\$2,589,351.82

Beginning with the previous report – Q4 2023 Indicators – the first two months of the quarter, compared to the second month of the prior year will be reported for sales tax collections, occupancy tax collections, and unemployment rates. The purpose is twofold: to account for occasional reporting time lags by NC agencies, and to maintain consistency of the indicators from quarter to quarter. As always, we strive for timeliness and accuracy of the data.



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DR. HARRY DAVIS, NC BANKERS ASSOCIATION

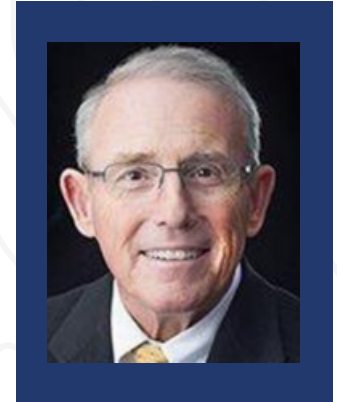
Watauga County, North Carolina, and the national economies all continue to surprise to the upside. The positive economic metrics that continue to come out each month push the likelihood of a recession into 2025 at the earliest. Please return your tray tables and your seat backs to the upright position and prepare for a “soft-landing”.

The state and national unemployment rates remain under 4% while Watauga County’s rate is under 3% at 2.7%. Watauga County remains constant in having one of the lowest three unemployment rates in the state.

In spite of the lack of inventory and mortgage rates that have moved back above 7%, the real-estate sector continues to perform reasonably well. Residential home sales were 376 in Q1 of this year, down slightly from 397 in Q1 of 2023. On the other hand, new single-family home sales increased from 60 in Q1 2023 to 82 in Q1 of this year. That change represents a 20% increase.

The occupancy tax was over \$688,000 and over \$562,000 in January and February of this year, respectively. Net sales tax collections remain in the range of 2.5 - 3 million dollars in January and February of this year. All of this data points to the economic vitality of the tourism sector.

The strong state economy will continue to bode well for Appalachian State University’s budget. The growing university, robust tourism, and a strong real-estate market will deliver a prosperous economy for the High Country. Unfortunately, mortgage rates will remain elevated for the foreseeable future. Large government deficits in Washington will prevent borrowing costs from dropping any time soon. The labor force will remain tight and make it difficult for businesses to gear up for the coming tourism season. Hopefully, higher wages that are being paid in the High Country will attract more people into the labor force.



REFERENCES

- 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

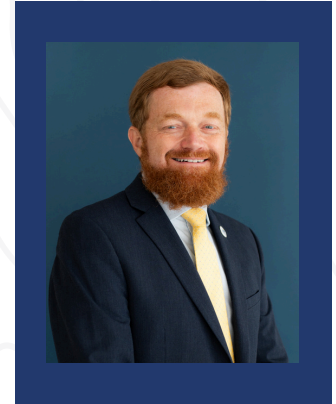
Q1 ECONOMIC INDICATORS 2024

DAVID JACKSON, BOONE AREA CHAMBER OF COMMERCE

Steady is a word that comes to mind when looking at the numbers this quarter, which has its obvious positive and negative connotations. Sales and occupancy tax collections show that people are still coming here and spending money in our economy, which coincides with tax collections exceeding expectations at the State level.

That said, some of our higher volume businesses would be in a better position for success this summer if they can hire staff now, which is hard to do with a sub-3% unemployment rate. While indicators point toward activity in the housing market, those price points are not matching what most of our workforce can afford. The general feeling seems to be that while our economic circumstances are better than many across the state, we still have points in our economy that are driving a lack of certainty.

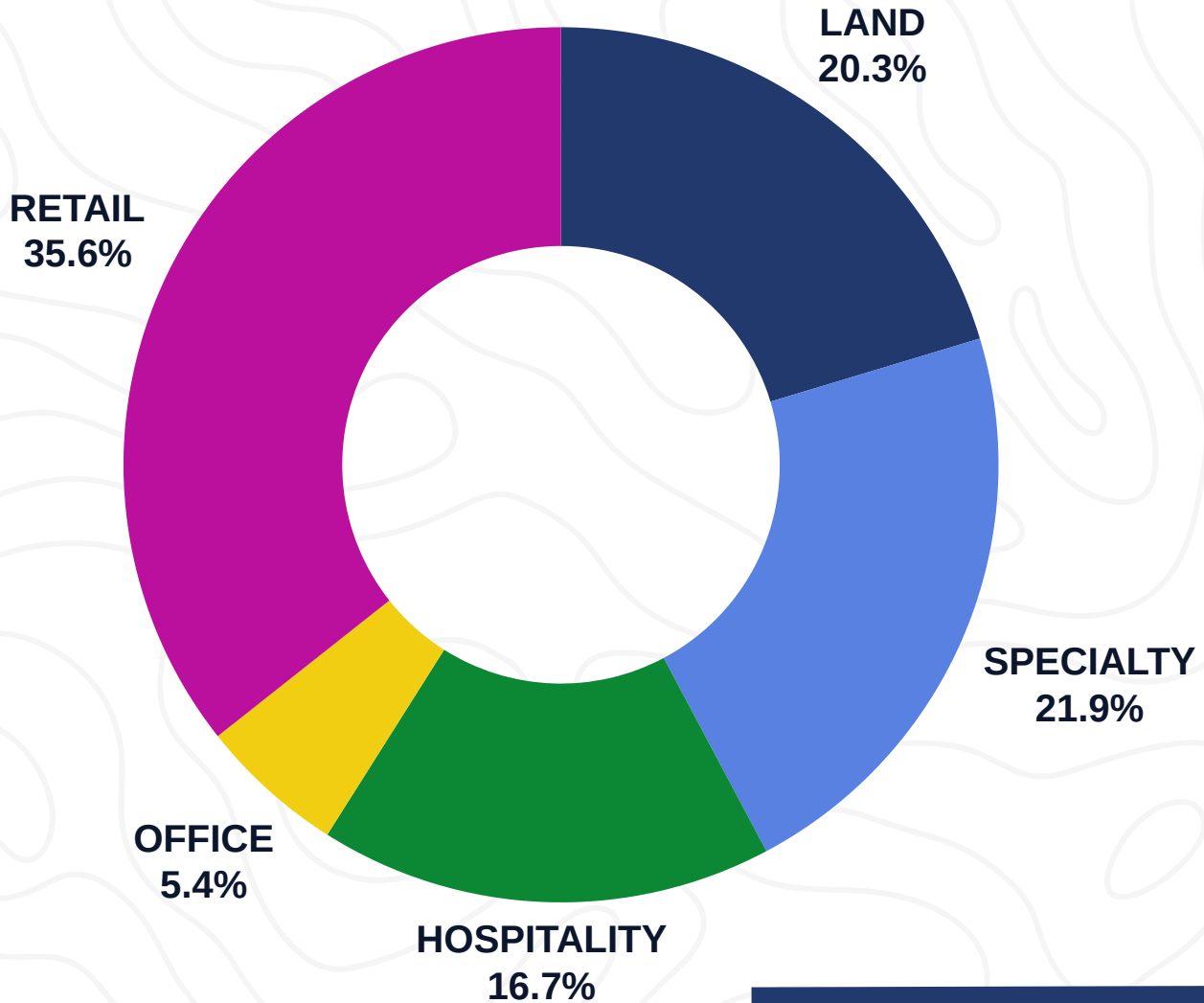
We must continue to work on finding willing workforce participants in new places. The recently released Watauga County Childcare Study suggests 300 workers would enter the labor force if we could match the need for quality, affordable childcare. That is equal to the impact of adding a top-ten business to our community, in terms of employee count, without having to worry about real estate or relocation. We've also seen more businesses getting educated on family friendly and recovery friendly policy, which has an opportunity to aid both recruitment and retention strategies across all sectors.





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COMMERCIAL REAL ESTATE SALES



JAMES MILNER, CCIM

The local market is adjusting to the lack of activity with larger concessions and price adjustments so that buyers and sellers can come to terms. Interest rates continue to impact transactional activity as buyers find it challenging to pencil deals with the current rate environment.

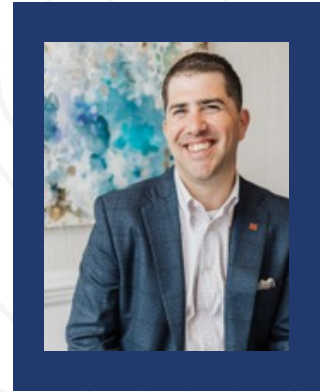
QUICK STATS

8	TOTAL # OF SALES
\$10,291,500	TOTAL SALES
\$2,250,000	LARGEST SALE
\$600,000	SMALLEST SALE
33.16% ▼	Q1 2024 VS Q4 2023
79.48% ▼	Q1 2024 VS Q1 2023

Q1 ECONOMIC INDICATORS 2024

JAMES MILNER, CCIM, APPALACHIAN COMMERCIAL REAL ESTATE

The trend of limited transactional activity continues within the local market. Not all of it has to do with interest rates; another reason is the lack of supply within the local market. I have added some new data points to the quick stats for this year so that you can see where the commercial real estate market is based on the last quarter and the same period a year ago.



Regarding permitting activity for the first quarter, some highlights include demolishing the old Sagebrush restaurant being replaced with a Discount Tire at a project cost of \$1,500,000. The news of the first quarter, Wey Hall renovations on the campus of Appalachian State University did file their renovation project with the Town of Boone at a project cost of \$13,457,022. Friendship Honda is looking to construct a new building on their Meadowview Drive property at a project cost of \$1,350,000. Lastly, Mint may be expanding and has pulled a renovation permit for a project cost of \$70,000.

The housing crisis remains apparent in the Town of Boone and Watauga County. As the new comprehensive plan process for the Town of Boone ends, I am hopeful that creative solutions will be found to foster the development of housing stock. From analyzing the permitting reports, it is clear that there is a wave of activity within the central business district, which is no surprise as this is a heavily pedestrian area within the community.

Leasing space continues to be a viable option for users; however, the supply available in all product types is also limited, maintaining current market rental rates. The apparent issue is that most tenants are not capitalized well enough to handle first-generation spaces that require extensive build-out, even with some landlords providing a tenant improvement allowance. This is only exacerbated by the continued high cost of construction and materials.

REFERENCES

- The data used in this analysis is sourced from CoStar, HCAR MLS, and public records.
- 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%) or an internal transfer.
- 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.
- The data used in the permitting section of this report is from the Town of Boone Planning and Inspections office, application for a building or zoning permit does not imply that the project will occur.



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STACIE PINEDA, STACIE PINEDA REAL ESTATE GROUP

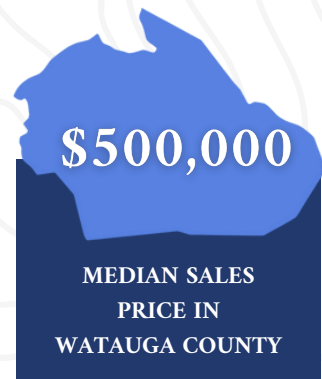
RESIDENTIAL REAL ESTATE



The median sales price in Watauga County is currently at \$500,000, up from the first quarter of last year's median of \$487,500. There was a 13% increase in the Q1 2024 sales volume compared to the same period of 2023. This year's first quarter has exceeded all of the Q1 2023 figures. This is in keeping with the trend that prices are increasing, but buyers are still buying. As with most High Country industries, first-quarter real estate sales are the lowest of the year, so it is not surprising to see a 28% decrease between Q4 2023 and Q1 2024.

Affordability continues to be an issue for our current and aspiring primary residents. These buyers are solving this issue by living further away from work, going as far as Wilkesboro and Lenoir, despite their Boone-based jobs.

In 2019, a typical purchase price for a working primary resident family was \$250,000 to \$350,000, but buyers in that price range today struggle to find options. For example, when I search in our MLS today, there were only fifteen available homes in Watauga County within that price range. Affordable inventory is indeed shrinking while the median price continues to rise. In the first 3 months of 2019, there were 211 total residential sales resulting in a median price of \$276,000; however, Q1 2024 saw 156 total sales resulting in a median of \$525,000. While the median is rising we are seeing a slight separation between the list price and the closing price, which means there is an increasing, albeit small, ability to negotiate the final sales price. This rise in the median from 2019 to 2024 is an increase that under normal circumstances would have taken multiple years. Proof again that the pandemic coupled with booming tourism and App State growth changed the real estate market profoundly.



Despite the limited inventory for affordable homes, the second quarter of this year is starting off with more inventory than we had this time last year. A figure that I find most remarkable is that 63.4% of the currently available homes are priced at \$600,000 or above.

The figures discussed so far are specific to Watauga County and exclude Beech Mountain. But if we take a quick look at Ashe, Avery, and Watauga counties combined, the same trends emerge. The Q1 2024 total sales volume saw 354 homes sold for a total of \$216,904,354, which is up 8.6% from the same quarter in 2023. These three counties had a median of \$455,000 for the first quarter of this year, compared to \$428,750 for the same period last year.

As you consider your 2024 real estate moves, here's the quick story for Q1 2024: the median price is rising across all counties in the High Country, inventory in the \$300,000 range is limited in historic numbers, what used to be the luxury market (\$600,000+) is now the baseline for home ownership, there is now some potential to negotiate that final price, and across counties and price ranges we do have more inventory available than last year.

CITATIONS

Data used is sourced from High Country Association of Realtors MLS.