Q1 ECONOMIC INDICATORS 2026

Dr. Harry Davis, *NCBA Professor of Banking, Economist*
Joe Furman, *Watauga Economic Development*
Wright Tilley, *Boone Area Tourism Development Authority*
David Jackson, *Boone Area Chamber of Commerce*
James Milner, CCIM, *Appalachian Commercial Real Estate*
Stacie Pineda, *Stacie Pineda Real Estate Group*

APPALACHIAN COMMERCIAL REAL ESTATE · BLOWING ROCK Tourism Development Authority · BOONE AREA CHAMBER OF COMMERCE · EXPLORE boone · NCBankers ASSOCIATION · STACIE PINEDA REAL ESTATE GROUP · WATAUGA ECONOMIC DEVELOPMENT

Q1 ECONOMIC INDICATORS 2026

If and when snow falls is the difference between a good season and a great season, and this quarter showed us just how much timing of winter weather matters.

David Jackson
President/CEO, Boone Area Chamber of Commerce

WATAUGA COUNTY'S CURRENT ECONOMIC CONDITIONS

Residential Home Sales

High Country
Q1 2026
220

High Country
Q1 2025
289

Watauga %
Q1 2026
66%

New Single-Family Home Permits

Q1 2026
54

Q1 2025
50

8% increase YoY

Unemployment Rates

	Watauga	NC	US
January 2026	**3.8%**	**3.8 %**	**4.3%**
February 2026	**3.3%**	**3.8 %**	**4.4%**
March 2026	**3.2%**	**3.7 %**	**4.3%**

Occupancy Tax

January 2026
$611,497.96

February 2026
$496,928.56

March 2026
$417,083.6

Q1 2026 v 2025
Change: +6.3%

Net Sales Tax Collections

January 2026
$2,402,543.17

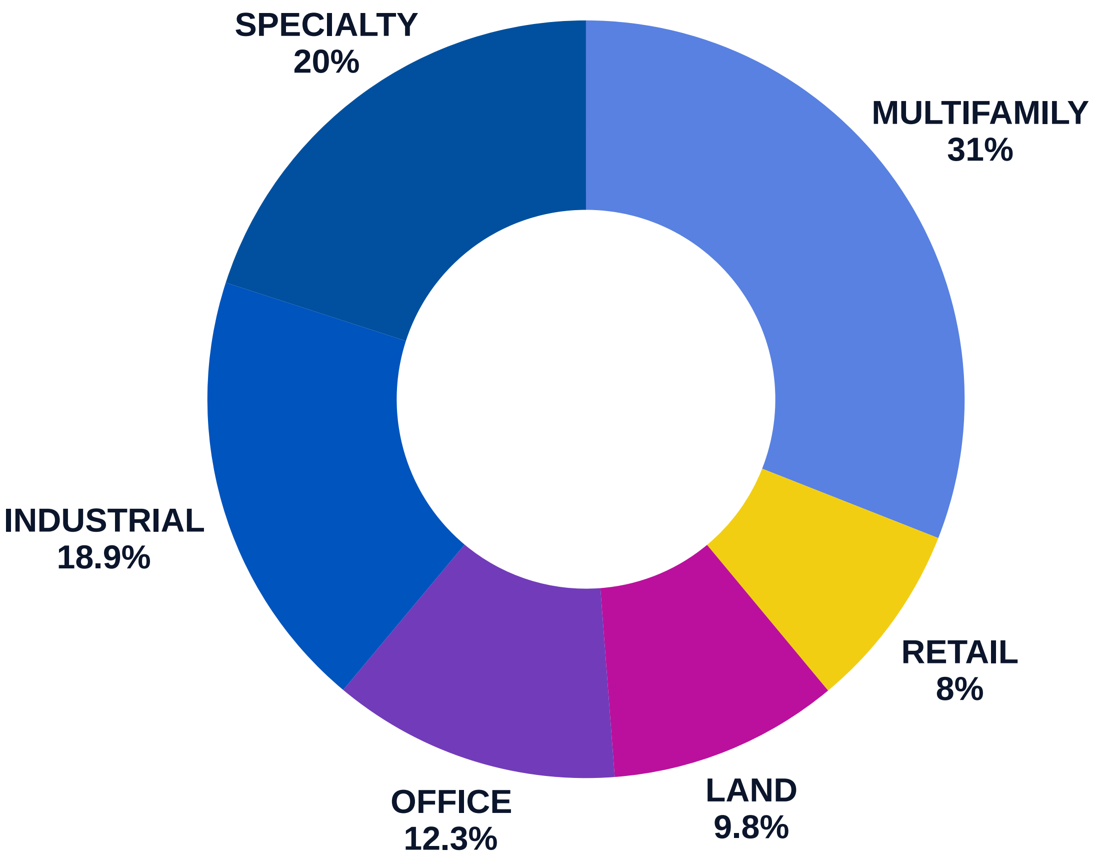
February 2026
$2,542,905.90

March 2026
$2,397,612.96

February 2025
$2,734,380.64

Q1 ECONOMIC INDICATORS 2026

COMMERCIAL REAL ESTATE SALES



JAMES MILNER, CCIM

The fundamental issue within the commercial real estate market is the lack of supply, along with differences between buyer and seller expectations. For transactions to occur, both parties have to agree on a price, among other items, which remains a point of disconnect.

QUICK STATS

11	TOTAL # OF SALES
$20,342,000	TOTAL SALES
$5,700,000	LARGEST SALE
$600,000	SMALLEST SALE
40.90% ▲	Q1 2026 VS Q1 2025
16.53% ▲	Q1 2026 VS Q4 2025

Q1 ECONOMIC INDICATORS 2026

JAMES MILNER, CCIM, APPALACHIAN COMMERCIAL REAL ESTATE

In the 1st Quarter 2026, there were 9 transactions totaling $20,342,000. Compared to the previous quarter, this was up 16.53%; more importantly, compared to the same period last year, it is up 40.90%. While positive, there still is not enough information to confidently say that the commercial real estate market overall is improving. This quarter was led by the multifamily sector with the disposition of "Hippie Hill" for $5,700,000. The fundamental issue in the market continues to be a lack of supply, along with differences between seller and buyer expectations.

One of the sectors of commercial real estate I am keeping a close eye on is multifamily (apartments, student housing, etc.). This is where the supply-and-demand picture is evident. While new projects are slated, they will not be available for occupancy for quite some time; however, the demand side, as evidenced by enrollment trends, is the area of concern. Typically, if you flood the market with supply and demand remains stable, then price (rental rates) should come down. The concern is what happens when the demand side of the equation not only flattens but also decreases. There is evidence in the marketplace that multifamily rents are under greater downward pressure, and if multifamily owners want to achieve the occupancy levels they are accustomed to, repricing will certainly need to be top of mind.

While access to capital is improving, construction costs remain high; therefore, the buyer's basis (price paid) needs to be lower. The sites for new construction continue to become scarcer, placing greater emphasis on adaptive reuse. In commercial real estate leasing, there continues to be an emphasis on second-generation spaces (those already built out) rather than on spaces requiring buildout. In addition, the segment of the market seeing

Town of Boone permit reports for the first quarter of 2026 show that the two in-town housing projects, Villas at South Fork (senior housing) and Hemlock Ridge Trace (affordable housing), have a project cost of $14,166,139 and $32,000,000, respectively. The new resource center at Alliance Bible Fellowship has a project cost of $4,500,000.

In closing, a macroeconomic factor that will impact the commercial real estate market is the 2027 tax revaluation. With municipalities or counties setting their tax rates, tax liabilities will likely increase, and this operating cost will need to be accounted for in rents, whether for apartments or other commercial properties.

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.*

Q1 ECONOMIC INDICATORS 2026

STACIE PINEDA, STACIE PINEDA REAL ESTATE GROUP

RESIDENTIAL REAL ESTATE

The mountain real estate market remains steady. There are currently 1,001 residential properties available for sale across Ashe, Avery, and Watauga Counties, 749 of which are single-family homes. The average listing price is $887,436, with a median listing price of $585,000.

During the first quarter of 2026, 284 residential units sold in these three counties with a median days on market of 114 days. There is approximately seven plus months of inventory. This detail marks the first time in several years that the market has shifted to a balanced condition, with early signs of a buyer-friendly environment. The median sales price for Q1 across the three counties was $475,000 ($555,100 in Watauga County).

The $900,000+ price segment continues to play a significant role. Although properties in this range represent just over 25% of available listings, they account for approximately 40% of total sales volume, reflecting strong buyer demand at the upper end of the market.

Sales Activity
The first quarter of 2026 as compared to the first quarter of 2025 saw an increase in sales, with an 18% rise (10% increase in Watauga County). It is important to note that these year-over-year comparisons are influenced by the lingering impact of Hurricane Helene, which created an unusually low baseline in late 2025. While this represents a healthy rebound, sales activity remains below Q1 2024 levels.

Market Conditions
Overall, the market continues to follow its typical seasonal patterns with modest softening. The post-COVID frenzy has largely subsided, resulting in a calmer, more balanced environment. This cooling is reflected in several subtle shifts in buyer and seller behavior:

- Slightly longer due diligence periods to allow for thorough property inspections, lender reviews, and appraisals
- Greater buyer caution regarding paying top dollar
- Increased requests for seller concessions and negotiations

These changes indicate measured buyer confidence rather than widespread market concern. The market continues to function effectively without the extreme urgency experienced in recent years.

Affordability Challenges
Affordability remains a persistent issue in the High Country. Finding suitable housing for service workers, teachers, healthcare professionals, and other essential employees continues to be difficult due to the gap between local wages and current home prices. This challenge impacts long-term community stability and workforce retention.

Conclusion
The local real estate market remains vibrant. While modest adjustments are occurring, there has been no major shift. Housing prices stay elevated, the area continues to attract second-home buyers, affordability remains a challenge, and sellers are now operating in a market that has tilted slightly in favor of buyers.

CITATIONS

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

Q1 ECONOMIC INDICATORS 2026

DR. HARRY DAVIS, NC BANKERS ASSOCIATON

North Carolina continues to be ranked #1 as the Best State for Business in the United States. So far this year the US economy is growing at around 2% which is the same as the rate for the year 2025. The North Carolina state economy outperforms the US economy with a low unemployment rate and strong revenue growth. Business investment and population growth are the main drivers of the economic horsepower of the state.

High Country residential home sales declined about 24% from Q1 2025 to Q1 2026. This decline is a result of higher mortgage rates during the first quarter and low housing inventory. New single family home permits increase 8% year over year from 50 in Q1 2025 to 54 in Q1 of this year.

The county unemployment rate dropped each month this year from 3.8% in January to 3.2% in March. In terms of employment, we have largely recovered from the negative impact of Hurricane Helene.

Even though occupancy tax has dropped over the quarter, the Q1 total for this year is 6.3% higher than the Q1 total for last year. Due to the severe winter weather for 3 weekends in a row, visitors in the High Country were clearly down in the first months of the year. The decline is clearly reflected in the sales tax collections. Though down slightly this quarter, the average for each month was about $2.4 million

Though slightly muted, the economic metrics for the High Country continue to be stable. Like other growth areas of the state, we have a housing affordability problem. The North Carolina Department of Commerce has issued a report on the **First in Opportunity Strategic Economic Development Plan** for the state that addresses these issues. Federal, state, and local initiates will all be needed to increase housing affordability here in the High Country.

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 2026

DAVID JACKSON, BOONE AREA CHAMBER OF COMMERCE

Q1 2026 offered an important window into how our hospitality and tourism economy performs under pressure, and how sensitive our peak seasons remain to factors outside anyone's control.

The winter economy in the High Country has long been influenced by its unpredictability. If and when snow falls is the difference between a good season and a great season, and this quarter showed us just how much timing of winter weather matters. When significant snow events fall on Fridays and Saturdays, the highest-traffic days of the week for our winter hospitality businesses, our reality becomes one of less visitors and sharp drops in foot traffic, as road conditions keep guests away and discourage spontaneous travel.

To apply math to this winter's activity, we used data collected through Placer AI to examine total vIsits and Saturday visits across the area over the past two ski seasons. Total visits to the High Country's winter resorts fluctuated between 3-12% down year-over-year. Total Saturday visits, largely impacted by recurring weather events, were down 12% year-over-year.

We note a drop in visits from popular off-the-mountain locations like Lenoir, Morganton, Wilkes County, and eastern Tennessee, but a slight increase in High Country visits. As we remember, locations like Charlotte, Raleigh, and Greensboro saw their most significant snowfall in years. Perhaps it was a good thing that more skilled winter drivers were the ones making it to the slopes!

Total number of visits to Boone and Blowing Rock were down an average of 7.5% during this year's winter season, again largely influenced by the timing of storms here and an increase in snowfall across some of the Southeast's larger feeder markets. On the surface, 7.5% may not feel like a significant decline, until you consider that percentage equates to about 50,000 less visitors eating in restaurants, staying in hotels and short-term rentals, and shopping in our stores. This period also represents the time BEFORE gas prices shot up due to the war with Iran.

Our winter sports-adjacent hospitality economy performs well when conditions align; snow on the slopes, clear roads, and good weather for the drive up the mountain. When those elements fall out of sync, the impact moves quickly through the broader hospitality and tourism sector. Occupancy tax and sales tax figures for the quarter are consistent with the anecdotal feedback we continue to hear from members across lodging, food service, and retail: "It really hurts when it snows on the weekends." Through the Chamber's partnership with Placer AI, we are building a clearer picture of how our community performs not just quarter to quarter, but weekend to weekend. These data points help us tell a more complete story to our members, our partners, and the broader community about what shapes economic performance in a seasonal tourism market like ours.

This exercise in data analysis also supports our theory that every disruption is a magnified disruption for our local business community, and we've seen plenty over the last two years. Major fluctuations in gas prices, less discretionary spending, and global economic unrest are toying with the confidence of the visitors we rely on to drive our tourism economy. When considering many businesses have yet to restock their reserves from the impact of Helene, margins are much tighter than normal, meaning that small dips in performance have an exaggerated impact on our seasonal economy.

This is also why events like the High Country Jazz Festival, the Mountaineer 10-miler, and Boonerang are both important and well placed. A strong early summer of activity can make up for winter fluctuations, and give some of our larger tourism producers a shot in the arm before the bulk of summer travel begins. That directly impacts hiring, ordering, and other operational considerations that help our businesses serve their customers at full strength.

This is also a time for greater attention to providing great customer service. People are spending their money with intentionality and purpose these days. They are showing us they will reward great experiences with repeat business but may not have the financial flexibility to just spend and forget. I feel strongly that this type of climate sets our region up for success. The more we lean into the features and feelings that make our community a desired destination, the more people will make the choice to be here – and that activity will keep businesses moving forward as we look for signs of stability in the weeks and months to come.