

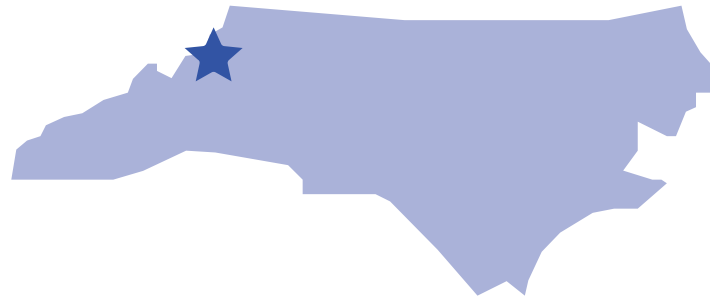


# Q2 ECONOMIC INDICATORS | 2023

## Watauga County's Current Economic Conditions

August, 2023

\*Data references found on page 2.



### RESIDENTIAL HOME SALES

<b>366</b>	<b>726</b>	<b>50%</b>
(HC Q2 2023)	(HC Q2 2022)	(% Q2 '23 Watauga)

### NET SALES TAX COLLECTIONS

<b>\$2,656,677.08</b>	<b>\$1,606,712.56</b>	<b>\$2,568,686.96</b>
JUNE 2023	MAY 2023	JUNE 2022

### UNEMPLOYMENT RATES

3.2%	3.6%	3.6%	2.9%	3.4%	3.7%	3.6%	3.4%	3.6%
(Watauga)	(NC)	(U.S)	(Watauga)	(NC)	(U.S)	(Watauga)	(NC)	(U.S)
JUNE 2023			MAY 2023			JUNE 2022		

### OCCUPANCY TAX COLLECTIONS

<b>\$1,665,660</b>	<b>\$1,569,697</b>
(APRIL, MAY, JUNE 2023)	(APRIL, MAY, JUNE 2022)
<b>6% INCREASE</b>	

### NEW SINGLE FAMILY HOMES

(APPLICATIONS RECEIVED)

<b>99</b>	<b>103</b>	<b>-3%</b>
Q2 2023	Q2 2022	% change

“Some economists believe the Fed may have successfully engineered a soft landing, with no recession. Even if the US experiences a mild recession, North Carolina will probably avoid it all together.”



Dr. Harry Davis  
Economist



# Q2 ECONOMIC INDICATORS | 2023

## Watauga County's Current Economic Conditions August, 2023

### DR. HARRY DAVIS, PHD

#### NCBA PROFESSOR OF BANKING, ECONOMIST

Both the State and the national economies continue to surprise to the upside. Most economists have now pushed their start date for a recession to 2024 at the earliest. Some believe that the Fed may have successfully engineered a soft landing, with no recession. Even if the US experiences a mild recession, North Carolina will probably avoid it all together. As we move into the fall, the High Country can expect a positive season for tourism and hospitality.

Both the state and Watauga County continue to do very well in terms of the employment rate. The state unemployment rate remains low in June at 3.6%, not seasonally adjusted. Watauga County's unemployment rate at 3.2% in June 2023 remains among the lowest rates in the state. As we transition toward the fall, businesses in the High Country will continue to experience trouble attracting workers, a trend that has remained similar throughout the year.

After a slow start to the year, the occupancy tax for the county increased about 6% in the second quarter of this year relative to the second quarter of 2022. In Boone, the increase was driven by a higher average rate rather than higher occupancy. A busy early summer events calendar helped both rate and occupancy throughout the county. Sales tax collections are slightly higher in June of 2023 relative to the previous year. The decline in sales tax collections for May of 2023 accounts for over \$882,000 in sales tax refunds to local government and organizations that are tax exempt.

Residential sales dropped dramatically in the second quarter of this year relative to the second quarter of 2022. The High Country housing market continues to be negatively impacted by increased interest rate adjustments, coupled with the overall lack of inventory. High home prices and the lack of inventory are a major impediment to people moving to the Boone area to fill jobs.

### 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

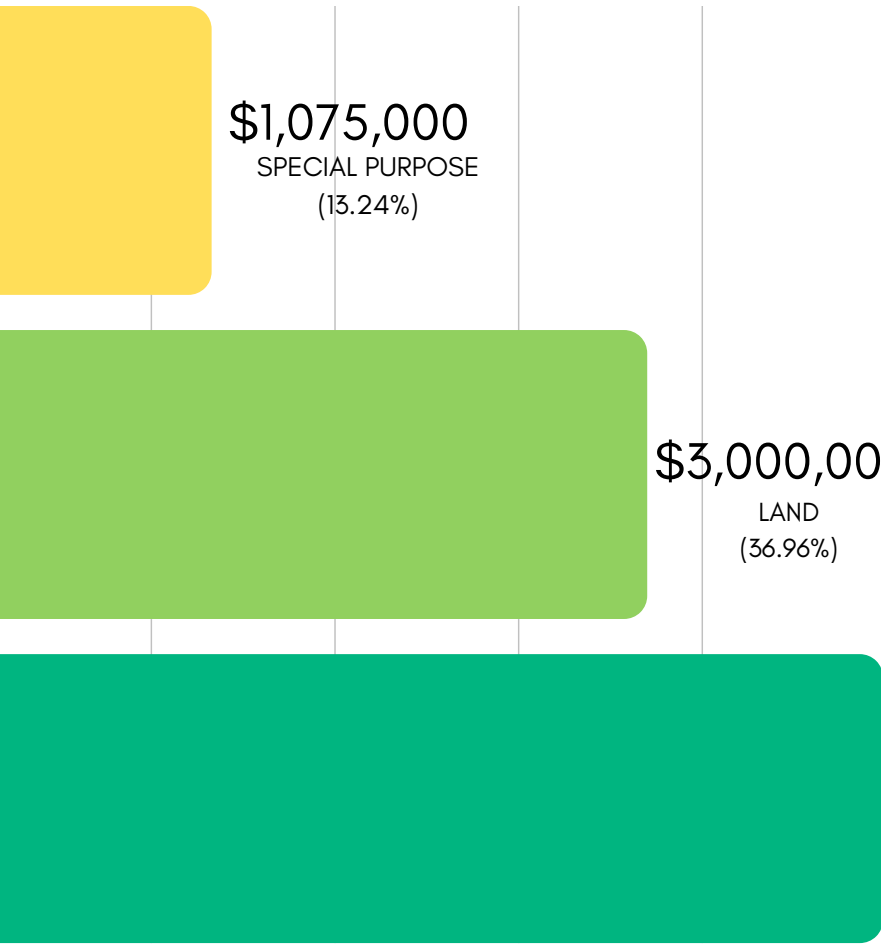
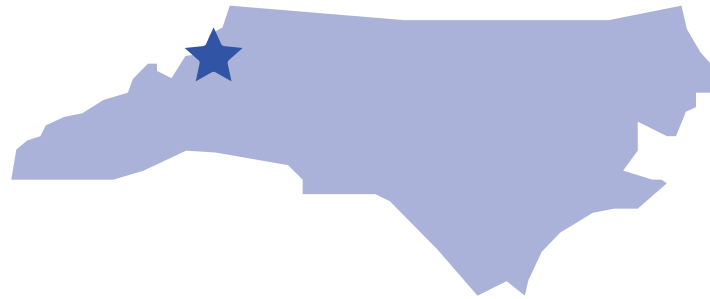


# Q2 ECONOMIC INDICATORS | 2023

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### QUICK STATS

7	TOTAL # OF SALES
\$8,117,000	TOTAL SALES
\$3,000,000	LARGEST SALE
\$605,000	SMALLEST SALE

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The only thing keeping pricing where it is, is the imbalance of supply and demand. Demand continues to be present and with limited supply this in return is keeping pricing stable. Although many factors remain in place from previous quarters (cost of debt continuing to climb), the foreshadowing of fewer transactions is presenting itself to be true.

James Milner, CCIM

Appalachian Commercial Real Estate, President & Owner



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## Watauga County's Current Economic Conditions

August, 2023

### JAMES MILNER, CCIM


APPALACHIAN COMMERCIAL REAL ESTATE, PRESIDENT & OWNER

Again, the second quarter of the year is naturally slow due to the seasonal nature of the local commercial real estate market. Based on this time last year sales are down by 10.53%. This is based on sales from the 2nd Quarter of 2022 versus the sales in 2nd Quarter of 2023. In terms of permitting activity for the second quarter, Amorem is planning a new patient care unit at a project cost of \$5,384,874, the Home2Suites along East King Street at a project cost of \$14,058,417 and Boone Dermatology is renovating one of their buildings in the medical district at a project cost of \$500,000.

Much of what we are seeing in terms of development is from previous quarters, for example the new Home2Suites site began clearing and the 7Brew site is in the midst of construction along Blowing Rock Road. The Pinnacle Self Storage has begun pouring concrete walls on their site along New Market Boulevard. Development (whether new development or adaptive reuse) continues in Downtown Boone between the Marketplace site, FizzEd and South End Brewing, construction activity has not been impacted. During the second quarter, Watauga County closed on the land for the new EMS building on the east side of Boone.

The declining sales activity is even occurring in markets outside of the High Country. According to CoStar Analytics, "Rising interest rates, a continuing disconnect between buyers and sellers on pricing and an increasingly cautious approach from lending institutions have combined to slow the pace of commercial real estate investment drastically, even in hot Sun Belt markets such as Charlotte, North Carolina." With the first half of the year completed, if sales activity is to return, market participants will need to find an agreement on pricing and/or the cost of capital (debt) will have to drastically decrease.

### 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 August, 2023

### STACIE PINEDA

STACIE PINEDA REAL ESTATE GROUP, BROKER, OWNER, CRS

#### BACKGROUND

With 2023 being a year most comparable to a "normal" pre-pandemic market, this Q2 report compares FY23 to FY22, while also referencing the pre-pandemic market of 2019. The latter comparison shows significant long term shifts in the market that warrant contextualizing.

#### HIGH COUNTRY REAL ESTATE ANALYSIS (FY23 V. FY22 + FY19 COMPARISONS)

At the close of Q2, both per square foot prices and median residential property costs increased approximately 5 percent as compared to the year-to-date in 2022. While these numbers show a typical increase from FY22, if we compare them to pre-pandemic numbers of FY19, we'll see an explosion within a niche market – specifically in \$800,000+ home sales (luxury homes). These sales are responsible for what is 77% increase in median home sales from FY19 to FY23 when considering January through June.

- 2019 Median sales price in High Country Market: \$235,000
  - Watauga County: \$278,000
- 2023 Median sales price in High Country Market: \$415,000
  - Watauga County: \$538,000

While median sales prices for the first half of the year have increased by 77% since 2019, there has been a 15% decrease in the number of units sold. In short, "luxury buyers" (40% of whom are purchasing in cash, without the aid of a lender) are driving up costs per sale and carrying the market, while there are fewer units being sold to middle income buyers.

- Luxury Home Sales increased 261 percent in volume since 2019 when looking at sales from January through June
- Middle Market Sales increased 3 percent since 2019

#### CONCLUSION

Currently, we're witnessing a housing market that is outpricing middle-income buyers, who account for the bulk of the workforce of the region's anchor industries. As shared in my first report of 2023, these numbers reflect realities similar to communities like Vail, CO and Hudson, NY. This again raises the question: Is Boone becoming a luxury market?