



ECONOMIC INDICATORS 2024

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Q2 ECONOMIC INDICATORS 2024



The influx of second home owners, tourism, and the strength of the university will continue to be the engines of economic growth for the High Country.

*Dr. Harry Davis,
NC Bankers Association*

WATAUGA COUNTY'S CURRENT ECONOMIC CONDITIONS



Residential Home Sales

High Country
Q2 2024
369

High Country
Q2 2023
366

Watauga %
Q2 2024
48% (177)



New Single-Family Homes

Q2 2024
69

Q2 2023
99

Percent Change
43% Decrease



Unemployment Rates

April 2024
2.9% 3.3% 3.9%
Watauga NC US

May 2024
3.2% 3.5% 3.9%
Watauga NC US

May 2023
3.1% 3.4% 3.7%
Watauga NC US



Occupancy Tax

April 2024
\$427,941.87

May 2024
\$581,884.44

April 2023
\$439,929.85



Net Sales Tax Collections

April 2024
\$2,627,948.53

May 2024
\$2,506,271.7

May 2023
\$1,606,712.56

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.

Q2 ECONOMIC INDICATORS 2024

DR. HARRY DAVIS, NC BANKERS ASSOCIATION

Watauga County continues to be the *little engine that could* when it comes to economic vitality. Anyone driving in Boone, trying to eat out in a restaurant, or get a room in a hotel can see the evidence of the strength of tourism on the local economy. If you look at the numbers on the previous page for occupancy tax and sales tax, you can see the incredible strength of tourism in the high country.



Both the county and state unemployment rates remain under 4% and under the national rate. The state's rapid population growth continues to be an engine for economic strength. That growth plus companies moving to the state and new start up businesses keep employment tight. With the growth of tourism and businesses of all types, our county unemployment rate remains one of the lowest in the state.

The inventory of unsold homes will remain low for as far as the eye can see. Housing starts are lower than they were 30 years ago when the population was much smaller. The combination of high home prices and mortgage rates make it increasingly difficult for first time home buyers. All of this is evidenced by the data in this report.

The national state and local economies can be likened to Goldilocks. They're not too hot nor too cold, but are very steady. That type of growth makes it easier to plan for the future. The FED will start lowering interest rates soon, and a recession is not possible before 2025. A "soft landing" is still possible where a recession is even avoided next year.

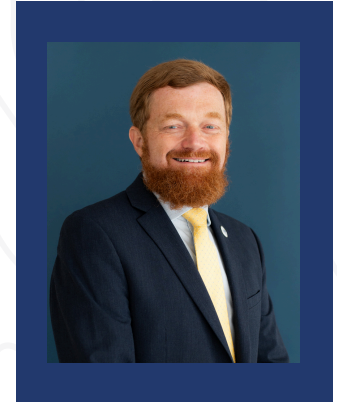
REFERENCES

- 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 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.



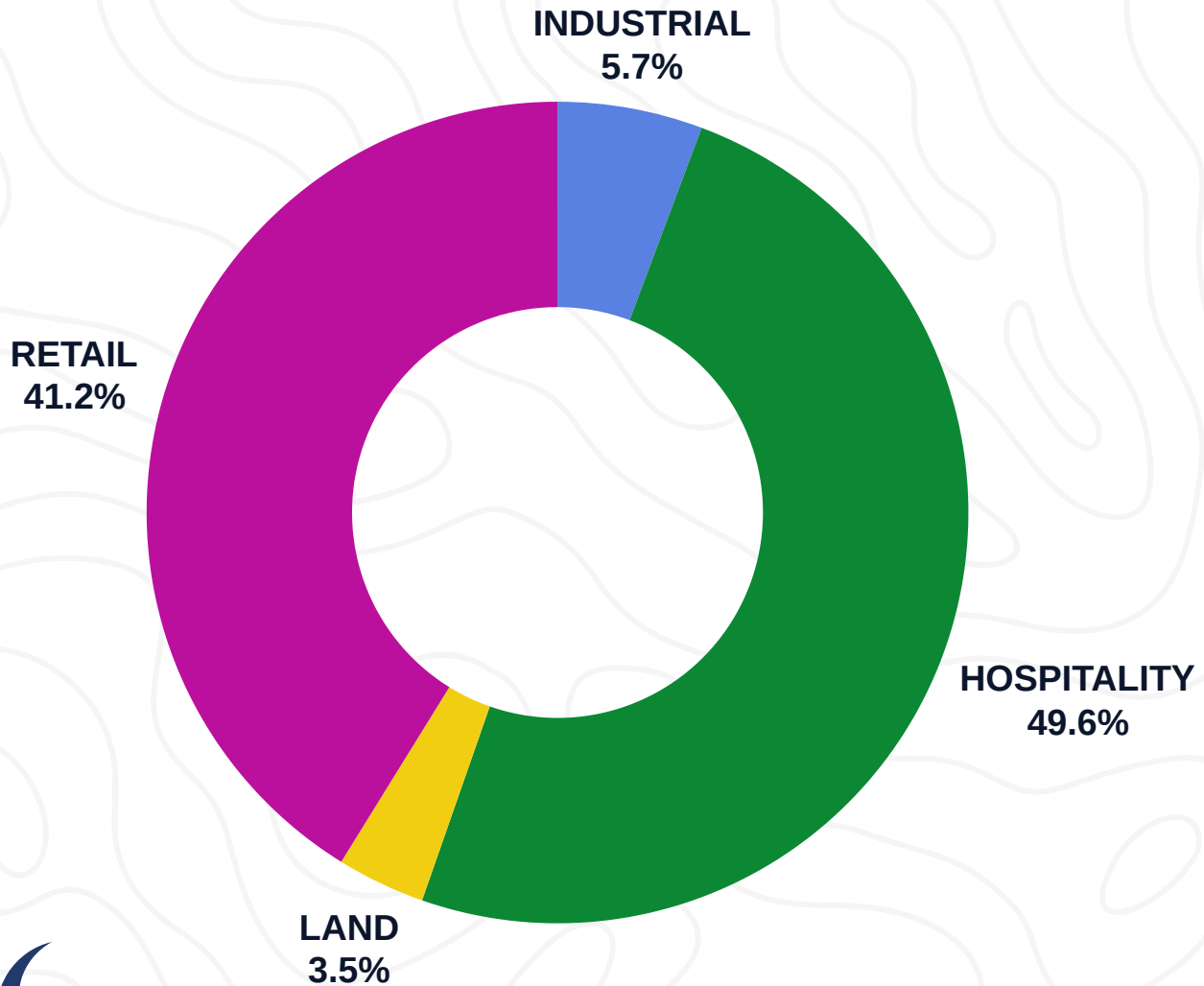
While indicators point toward activity in the housing market, those price points are not matching what most of our workforce can afford. The general feeling seems to be that while our economic circumstances are better than many across the state, we still have points in our economy that are driving a 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.



ECONOMIC INDICATORS 2024

COMMERCIAL REAL ESTATE SALES



JAMES MILNER, CCIM

This quarter saw the largest single sale of real property, at \$91MM, and while this is certainly impressive, it does not necessarily mean that things are back to normal. Uncertainty in interest rates combined with a lack of supply compresses transactional activity.

QUICK STATS

8	TOTAL # OF SALES
\$20,771,278	TOTAL SALES
\$10,000,000	LARGEST SALE
\$565,000	SMALLEST SALE
101.25%▲	Q2 2024 VS Q1 2024
155.16%▲	Q2 2024 VS Q2 2023

Q2 ECONOMIC INDICATORS 2024

JAMES MILNER, CCIM, APPALACHIAN COMMERCIAL REAL ESTATE

The second quarter of 2024 did include the largest sale we have been aware of since beginning to track sales: the Cottages of Boone sold for \$91,011,000. Due to the amount and anomaly of this large transaction, we have excluded it from our analysis. With this sale, the total sales for the quarter are \$111,722,278.



While there is more dollar volume this quarter, the number of sales remains relatively the same. The other high-profile sale was the transfer of Chetola Resort at \$10,000,000. We saw two triple-net investment sales along the Blowing Rock Road corridor indicates that there could be light at the end of the tunnel. However, the interest rate climate and strong pricing still limits transactional activity. New commercial construction is declining, with high labor and materials coupled with debt financing.

Regarding permitting activity for the second quarter, some highlights include the renovations for Mountaineer Mania at a project cost of \$62,860. The Town of Boone has added public restrooms at Town Hall at a project cost of \$60,000. Appalachian Cookie Company, after purchasing the Galieo's building, is doing renovations at a project cost of \$148,682. Lastly, the new Watauga County 911 center is moving forward at a project cost of \$10,780,603.

With regard to leasing, new projects like Skyline Terrace will bring much-needed supply to the market. The main issue with commercial leasing is parking for the tenant, its employees, and its customers. This is fairly easy in large neighborhood centers such as New Market Center, Watauga Village, or Shops at Shadowline; however, it is more difficult in mixed-used properties such as Winkler Square or Rivers Walk.

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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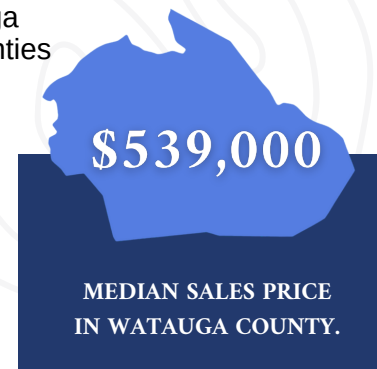
STACIE PINEDA, STACIE PINEDA REAL ESTATE GROUP

RESIDENTIAL REAL ESTATE



Quarter two closed in the High Country, with high temperatures and a steady real estate market. Let's examine the details.

In the three reviewed counties, Watauga, Avery, and Ashe, the year-to-date median sold price was \$460,000, unchanged from the same time frame in 2023. The overall sales volume for the same area increased by about five percent. Watauga County has trends that are similar to the three-county results. The current Watauga median is \$539,000, up slightly from the previous second quarter (2023), and the overall sales volume increased just over five percent. Steady is good. Watauga County still outperforms Ashe and Avery Counties by about two to one in overall volume.



In the above-referenced counties, there are currently 739 residential properties available for purchase with a median list price of \$619,000 and a median of \$699,000 for Watauga County. Given the split in the median selling price and the median list price, it will be interesting to see how these numbers unfold in the next few months. Settlement is happening within two percent of the last list price, and the days on the market are at a median of almost 60 days and, on average, 100 days. Of note, according to Fannie Mae, Watauga County's median family income is \$91,000. With that median income, no money down, and current interest rates of 7%, BankRate website recommends a house budget of \$265,000 and maxes the budget at \$436,000. Additionally, as home prices are maxing out buyers, there is demand for homes to be in good condition. Hence, homes with deferred maintenance are taking more of a hit as buyers cannot be assured of timely repairs and/or cannot afford the costs of upgrades.

For this quarter, the significant takeaway is the increase in prices and sales volume for Ashe County. The year-to-date sales volume for Ashe has increased approximately 14 percent, and the median price is up almost 19 percent.

Conversations with rental companies specializing in short-term rentals confirm high demand for area rentals. Yet, an oversaturation of units forces some adjustments in rental prices, or some inventory is converting to long-term rentals. There is no concern here regarding the housing market, but a gentle correction and reminder to buyers to do thorough due diligence if purchasing high-country property as an investment.

And if you're observing the market, don't think about the coulda, woulda, and shoulda from your last home sale. Just enjoy our breezy High Country summer, and remember that no matter the market, our mountain sunsets are always worth a million bucks.

CITATIONS

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