

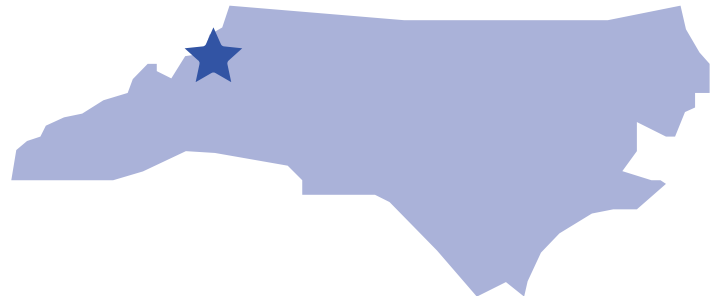


Q3 ECONOMIC INDICATORS | 2023

Watauga County's Current Economic Conditions

November, 2023

*Data references found on page 2.



RESIDENTIAL HOME SALES

496	683	50%
(HC Q3 2023)	(HC Q3 2022)	(% Q3 '23 Watauga)

NET SALES TAX COLLECTIONS

\$3,279,175.46	\$2,967,680.51	\$3,239,975.01
AUGUST 2023	JULY 2023	AUGUST 2022

UNEMPLOYMENT RATES

3.2%	3.6%	3.8%	3.4%	3.6%	3.5%	3.8%	4.2%	3.7%
(Watauga)	(NC)	(U.S)	(Watauga)	(NC)	(U.S)	(Watauga)	(NC)	(U.S)
AUGUST 2023			JULY 2023			AUGUST 2022		

OCCUPANCY TAX COLLECTIONS

\$1,306,956	\$1,247,617
(JULY, AUGUST, SEPTEMBER 2023)	(JULY, AUGUST, SEPTEMBER 2022)
4.8% INCREASE	

NEW SINGLE FAMILY HOMES

(APPLICATIONS RECEIVED)

79	83	-4.8%
Q3 2023	Q3 2022	% change

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Nearly all economic metrics point to strong growth for the county and the High Country.



Dr. Harry Davis
Economist

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Watauga County's Current Economic Conditions November 2023

DR. HARRY DAVIS, PHD

NCBA PROFESSOR OF BANKING, ECONOMIST

The national, state, and local economies continue to show very strong growth. In the third quarter, the annualized GDP figure came in at 4.9 percent which was well above expectations. The most anticipated recession in history has yet to arrive. The Fed is not likely to increase rates again given that the rate of inflation is down to around 3.5 percent and falling. The chances of a "soft landing" continues to increase with each passing month.


Employment remains very strong for the state and the high country. The state unemployment rate at 3.6 percent and Watauga county's rate at 3.2 percent are near 50-year lows. Indeed, the county rate is among the lowest in the entire state. We are at full employment with the challenge being to find workers.

Nearly all economic metrics point to strong growth for the county and the High Country. Net sales tax collections are up to nearly \$3.3 million in August which is an increase over the \$3.2 million from August 2022. Occupancy tax collections for the third quarter were about \$1.3 million which is an increase of nearly 5 percent over the third quarter last year. Other areas of the state would love to have sales tax and occupancy tax figures so strong.

The real estate market in the high country can be explained by the phrase "locked-in, locked-out." Homeowners with a low mortgage rate are reluctant to sale and purchase a new house with a higher mortgage rate, thus, they are "locked-in." Home buyers are "locked-out" because mortgage rates are so high and there is very little inventory of houses. For example, residential sales in the high country are down 27 percent this quarter from the third quarter last year. New home applications are flat from the third quarter of 2022. We don't have enough residential construction and existing home sales have dropped significantly. As a result, home prices nationally hit an all-time record in the third quarter of this year.

Nationally, expect economic growth to slow next year. For the state and the high country, the slow-down may be imperceptible. The financial help of the state has never been better which bodes well for App State and concomitantly the town of Boone.

REFERENCES

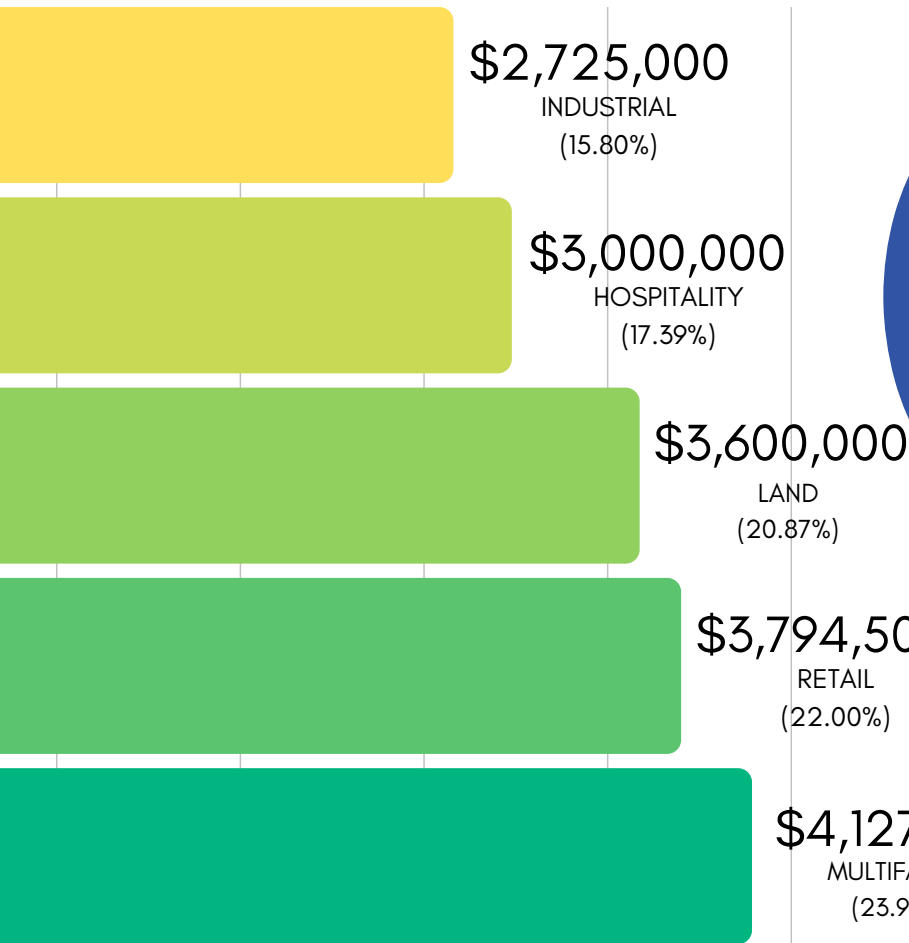
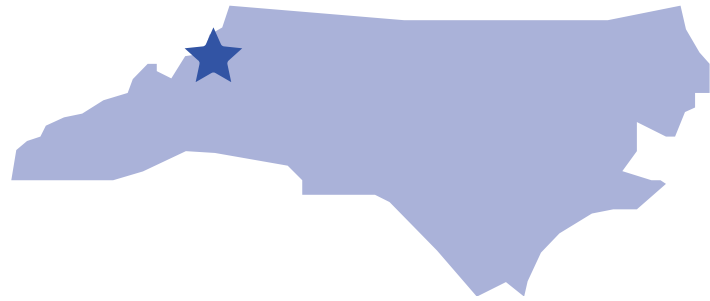
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- Residential Home Sales data provided by High Country Association of Realtors, HC = Alleghany, Ashe, Avery, & Watauga Counties
 - Net Sales Tax Collection data provided by the North Carolina Department of Revenue
 - Unemployment data reported by the 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

Q3 ECONOMIC INDICATORS | 2023

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QUICK STATS

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TOTAL # OF SALES

\$17,247,000

TOTAL SALES

\$3,600,000

LARGEST SALE

\$627,500

SMALLEST SALE

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In terms of the overall market, it is apparent that it has to get worse, before it gets better. However, we are seeing an increase in leasing transactions as there continues to be the disconnect between sellers and buyers, amidst high interest rates.



James Milner, CCIM

Appalachian Commercial Real Estate, President & Owner

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Watauga County's Current Economic Conditions

November, 2023

JAMES MILNER, CCIM


APPALACHIAN COMMERCIAL REAL ESTATE, PRESIDENT & OWNER

The 3rd Quarter of each year is typically a time in which a fair amount of activity occurs, however, based on this time last year total sales are down by 32.30% (Q32022 v Q32023). In terms of permitting activity for the third quarter, some highlights include Come Back Shack planning an upfit at the Marketplace project at a cost of \$500,000. Kensington Gate, a senior housing development located by State Farm fields, is planning a third building at a project cost of \$1,750,000. Verizon is working to complete a small cell project (cellular infrastructure) across multiple points in Boone and around campus. Lastly, Skyline National Bank will tenant the former Krispy Kreme building on Blowing Rock Road and will spend approximately \$700,000 in conversion costs.

While the third quarter brought significant sales, such as Samaritan's Purse purchasing the Hospitality Mints building or the Ridgeway Inn in Blowing Rock, we continue to see a decrease in transactional activity. Last year at this time (based on our parameters), the market had completed \$100,998,500 in transactions. In comparison, this year for three quarters (based on our parameters) the market has only completed \$75,509,000. This is a decrease of 25.24%. The opportunities to purchase commercial real estate are becoming more limited in that it appears that sellers would rather hold than trade at the discount that buyers want. This is coupled with an interest rate market that amidst stability or signs towards a decrease, is not at a rate at which borrowers are willing to go obtain financing. The market overall will be hard-pressed to reach the same transactional amount as last year of \$139,510,500.

Users are shifting to the leasing side of the market to find opportunities, albeit limited, due to supply and demand imbalance, which is continuing to see rental rates in the commercial sectors rise. Landlords are having to increase rental rates to face the inflation that is apparent.

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 November, 2023

STACIE PINEDA, STACIE PINEDA REAL ESTATE GROUP, BROKER, OWNER, CRS

BACKGROUND

The data below is evidence of a softening in the market. Currently it is believed that this minor correction is of small concern as the demand is still present given the growth of our area and the influx of high-end buyers. There is local concern for the low and mid-range buyer because of high prices, low inventory, and higher interest rates.

NATIONAL REVIEW

Our market is similar in trends to the national market indicating a slowdown for the reasons already addressed. However, there is no indication of any major correction on the national level. The High Country historically mirrors the national market in "mountain time" meaning when there is a national market correction, our market lags or freezes before changing.

HIGH COUNTRY REAL ESTATE ANALYSIS (YTD22 V. YTD23)

Watauga County Residential

- Overall residential volume is down about 13.57 percent in Watauga County, YTD as compared to the same time period last year.
- Overall residential units sold is down approximately 19.06 percent in Watauga County, as compared to the same YTD time frame last year.
- There are 263 Watauga active residential units available with a median asking price (active) \$644,000 in September 2023.
- The median sales price in Watauga County was \$605,000 as of September 2023.

High Country MLS (90% of sales coming from Ashe, Avery, Alleghany and Watauga Counties)

- Overall residential volume is down about 10.75 percent YTD as compared to the same time period last year.
- Overall residential units sold are down approximately 15.88 percent in our MLS compared to the same YTD timeframe last year.
- There are 690 active residential properties in our MLS. As of September 2023, the median price of an active property in the High Country MLS was \$507,400, compared to \$475,000 during the same period last year.

CONCLUSION

There are multiple local committees researching and seeking solutions to the housing situation for the average income earner. As suggested in my last report, the high-end sales continue to signal that our area has a new and emerging expensive marketplace. It is those seeking a second home/ vacation home that are creating this change. For those seeking investment property, the high interest rates and home prices in a somewhat saturated vacation rental market is also adding to the slight decline in sales.