



ECONOMIC INDICATORS 2023

4

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Q4 ECONOMIC INDICATORS 2024



... Sign of a strong finish to our tourism calendar.

*Dr. Harry Davis,
NC Bankers Association*

WATAUGA COUNTY'S CURRENT ECONOMIC CONDITIONS



Residential Home Sales

High Country
Q4 2023
401

High Country
Q4 2022
554

Watauga %
Q4 2023
49.6% (199)



New Single-Family Homes

Q4 2023
67

Q4 2022
62

Percent Change
8% Increase



Unemployment Rates

October 2023
2.8% 3.3% 3.9%
Watauga NC US

November 2023
2.8% 3.4% 3.7%
Watauga NC US

November 2022
3.2% 3.6% 3.7%
Watauga NC US



Occupancy Tax

October 2023
\$1,019,077.46

November 2023
\$670,383.13

November 2022
\$635,418.25



Net Sales Tax Collections

October 2023
\$3,002,646.95

November 2023*
\$2,683,358.28

November 2022
\$3,102,329.60

**Approximately \$652K refunds reduced the net; its under \$50K in a normal month, large refunds occur a couple of times a year.*

Beginning with this 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

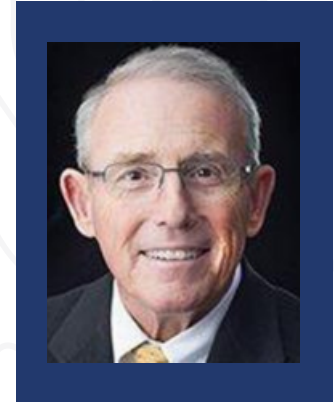
Watauga County continues to enjoy strong economic metrics. The unemployment rate in November was 2.8% for the county. That number is lower than both the State and National unemployment figures, and Watauga County boasts the third-lowest unemployment rate in all of North Carolina.

The real-estate market remains strong but higher interest rates and the lack of inventory of homes continue to dampen the numbers. For example, residential home sales in the High Country declined from 554 in Q4 2022 to 401 in Q4 2023. At the same time, new home sales increased slightly from 62 in Q4 2022 to 67 in Q4 2023. Housing affordability continues to be at the worst level in 40 years for both the High Country and the nation.

The inventory of existing homes remains low because people are either “locked-in” or “locked-out”. “Home owners are “locked-in” because they don’t want to trade their low mortgage rate for a higher one and home buyers are “locked-out” because they can’t afford the high mortgage rate or home prices.

Overall economic activity in Watauga County continues at a brisk pace. Occupancy taxes for November 2023 are over \$670,000, which exceeded performance from November 2022. In addition, net sales taxes remain strong for both October and November of 2023, which is another sign of a strong finish to our tourism calendar.

The National, State, and local economies continue to surprise to the upside. Every month that goes by increases the chance of a “soft-landing” rather than a recession. Very few economists and analysts expected this kind of strength at this time. For the High Country we can expect solid but moderate economic growth for 2024.



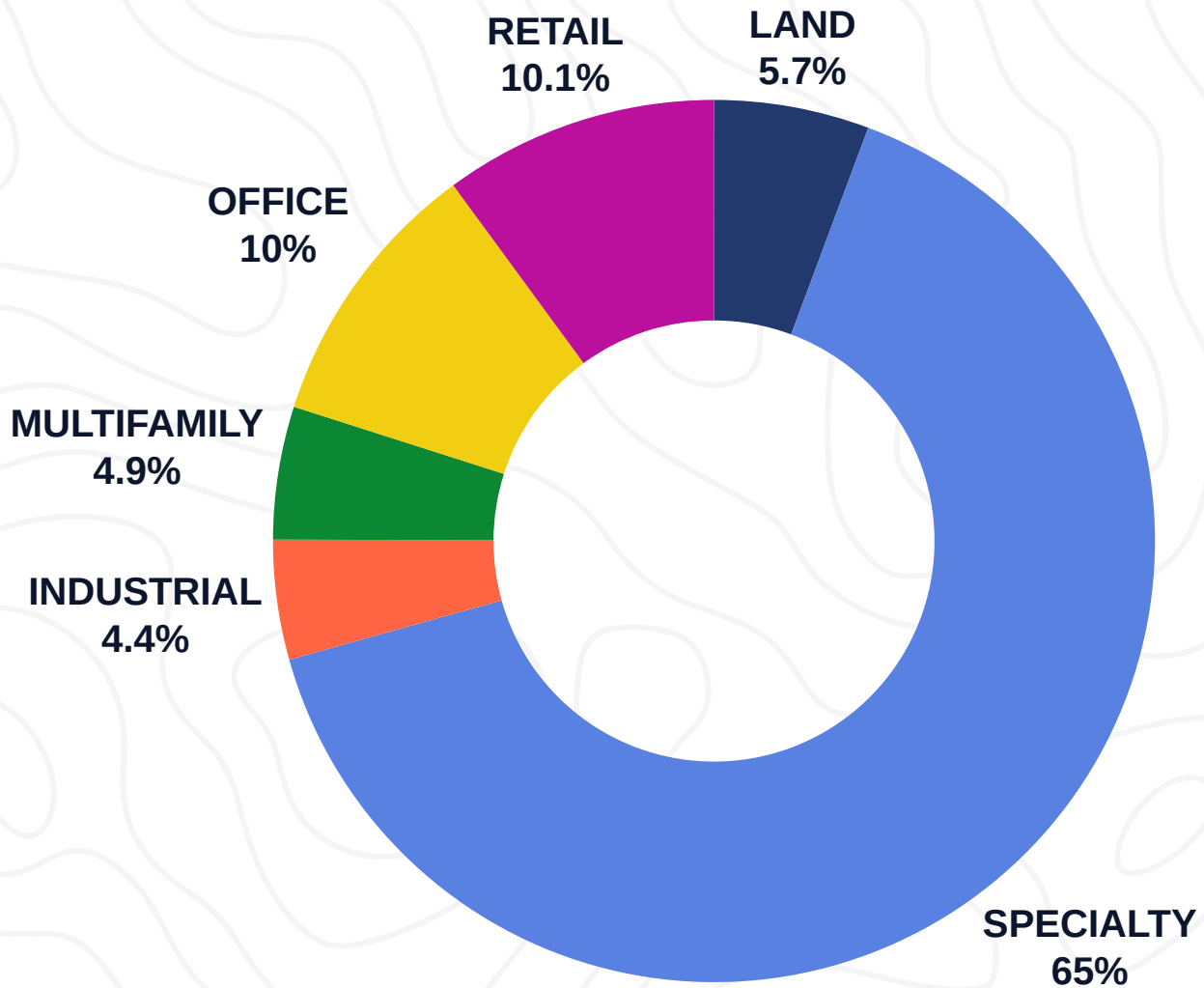
REFERENCES

- 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



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COMMERCIAL REAL ESTATE SALES



JAMES MILNER, CCIM



Interest rates continue to impact transactional activity within the local market. This, combined with the ongoing imbalance of supply and demand, will put ongoing downward pressure on transactional activity.

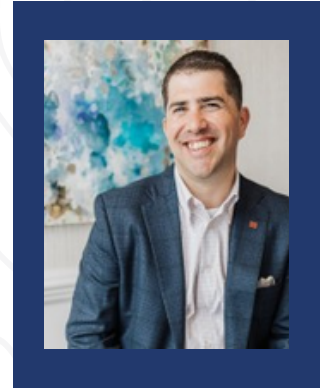
QUICK STATS

6	TOTAL # OF SALES
\$15,390,000	TOTAL SALES
\$10,000,000	LARGEST SALE
\$675,000	SMALLEST SALE

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JAMES MILNER, CCIM, APPALACHIAN COMMERCIAL REAL ESTATE

At the beginning of 2023, it was said that transactional sales volume would be down, now that we are at the end of the year, we have the information to validate that statement to the tune of 34.84%. This is the reduction in sales volume (per the criteria utilized) between 2022 and 2023. The total 2023 commercial real estate sales volume (per the criteria utilized) was \$90,899,000 versus \$139,510,500 in 2022. In the previous quarter (Q323), the reduction was 10.77% and from this same time last year (Q422), it is a significant 55.22%. This trend is expected to continue into at least the first half of 2024.



Regarding permitting activity for the fourth quarter, some highlights include The Social working to complete upfit in the Vetro Building and has applied for a permit with an estimated project cost of \$786,523. United Community Bank has applied for a permit to construct a new branch on their Blowing Rock Road property with an estimated project cost of \$2,500,000. Appalachian State University is working on Tennis and Softball facilities at the App 105 campus with an estimated project cost of \$7,200,000. Spring Hill Suites has applied for a permit for a new hotel at the corner of Bub Teems Road and US Highway 421 S with an estimated project cost of \$15,000,000.

The housing crisis continues to be apparent, with a lack of supply to meet the demand. The housing situation will only worsen with a drop in interest rates as many of these buyers are sitting on the sidelines. Once they enter the market, this will drive prices up even further. With the Town of Boone working on a new comprehensive plan in 2024, this could provide possible incentives or vehicles for the supply of housing while looking forward to Boone's growth. Regarding commercial real estate, leasing continues to be a viable option for users; however, the supply available in all product types is also limited, maintaining current market rental rates.

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.

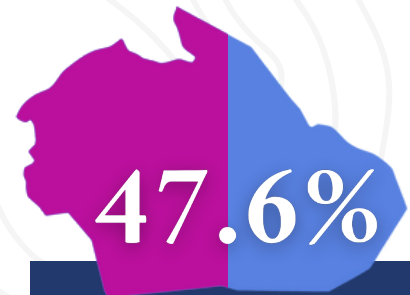
Q4 ECONOMIC INDICATORS 2024

STACIE PINEDA, STACIE PINEDA REAL ESTATE GROUP

RESIDENTIAL REAL ESTATE



The High Country's beauty and superior living conditions are gaining attention from the world at large, as the 2023 real estate market can attest. In a nutshell, we ended 2023 as we ended 2022 in the High Country real estate market. Second homes, luxury homes, and investment buyers drove the High Country's 2023 real estate market. 47.6 percent of all property and land owners in Watauga County had their tax cards mailed to addresses out of the county. A shift towards luxury homes is evidenced in the \$700,00 - \$900,000 price range, where 2023 sales volume increased by 43% despite a decrease of 8.5% when analyzing all price ranges.



OF ALL PROPERTY AND LAND OWNERS IN WATAUGA COUNTY HAD THEIR TAX CARDS MAILED TO ADDRESSES OUT OF THE COUNTY.

Primary resident owners are watching the market, and the temptation of a high-priced sale does not beat the risks. Between primary residents holding onto their homes and the push by investors to buy up short-term rental homes, first-time buyers are struggling to achieve homeownership. Anecdotal experience tells us that primary residents are comfortable in the \$300,000-\$600,000 price range, and at publication, there were only eighty-six homes in Watauga County in this price sector and twenty-four of those are located in Beech Mountain. Sales volume in that price range decreased 14.2% in 2023. High prices, low inventory, higher interest rates, and high construction costs are slowing down middle-range sales.

In the primary residential market, buyers have responded by taking the slow and thoughtful approach to buying and coming up with creative solutions such as increased multi-generational housing and downsizing their needs.

A shift in the market is not expected in the immediate future. It is hoped that Spring will include more listings to help with primary residential purchasing power. There is a huge demand for second/investment homes, and the High Country continues to get lots of attention from national publications, travel guides, and online sources. This, combined with the steady growth of the university, sets the area up for a dynamic future in the real estate world.

CITATIONS

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