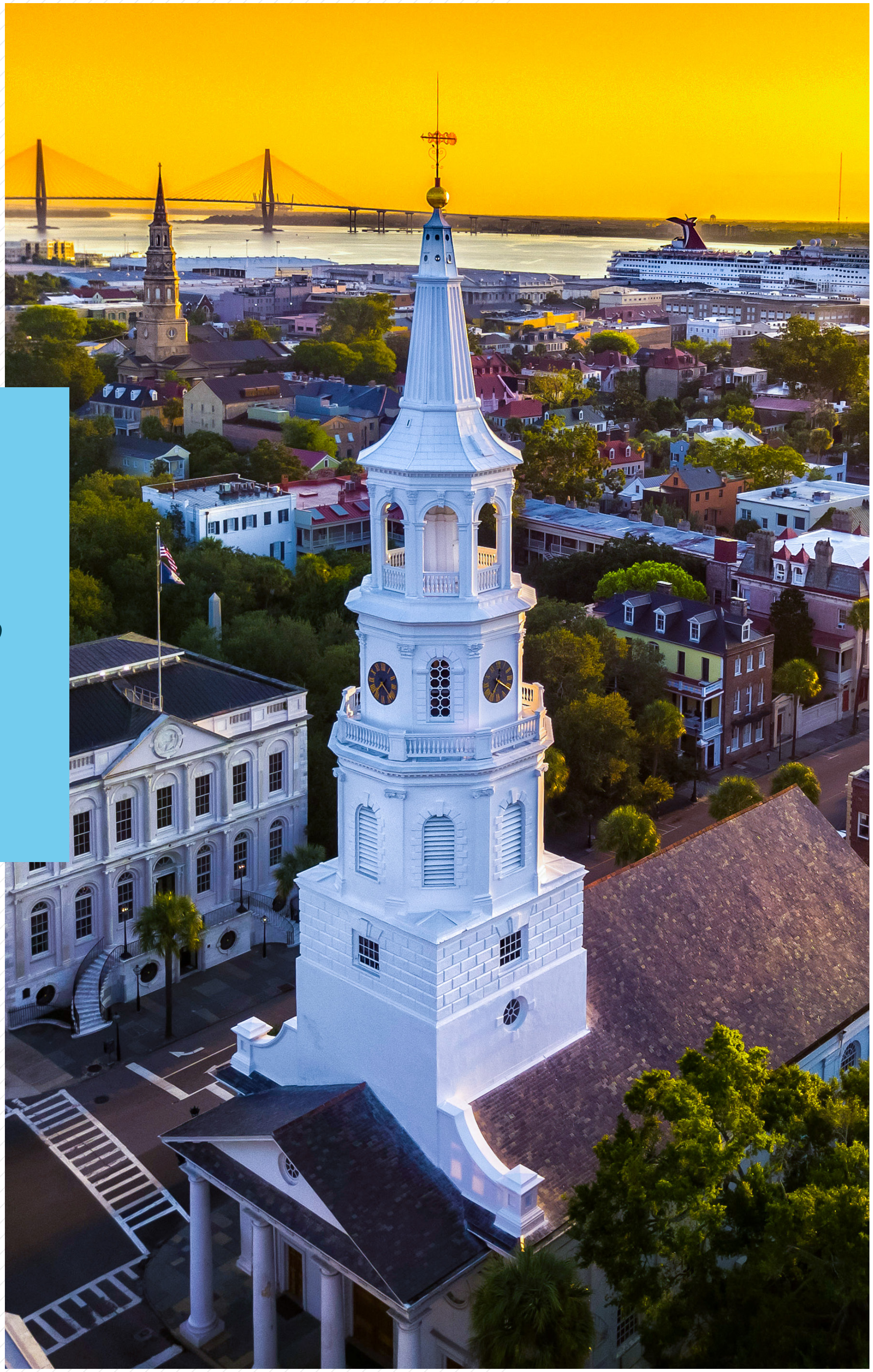
COMPREHENSIVE HOUSING MARKET ANALYSIS

Charleston-North Charleston, South Carolina

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of May 1, 2023



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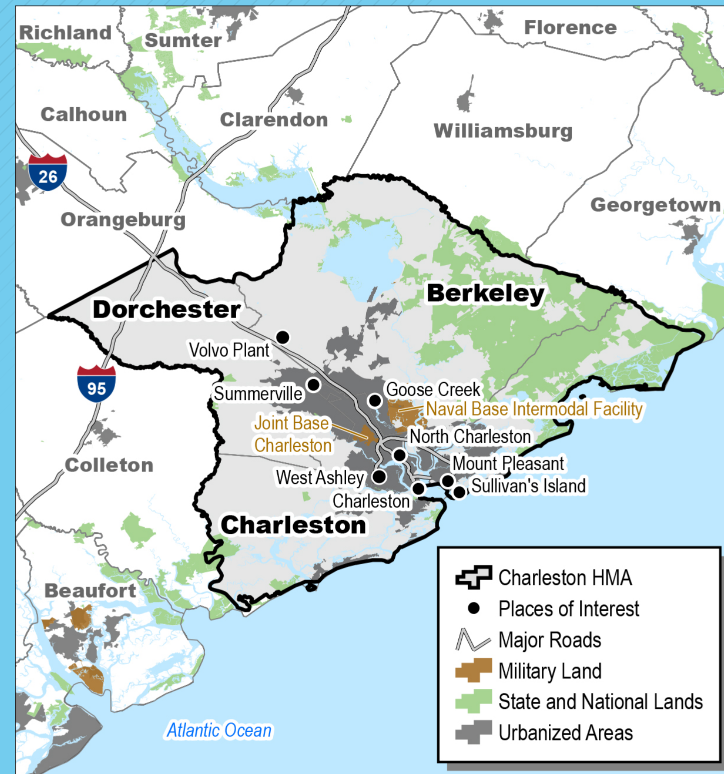
Executive Summary

Housing Market Area Description

The Charleston-North Charleston Housing Market Area (hereafter, Charleston HMA) is coterminous with the Charleston-North Charleston, SC Metropolitan Statistical Area (MSA) and consists of Berkeley, Charleston, and Dorchester Counties in southeast South Carolina, along the Atlantic coast. The strategic location of the Port of Charleston at the mouth of the Ashley and Cooper Rivers has made the HMA integral to the military since the town was founded in 1680. The mild climate and lack of taxes on social security retirement benefits have made the Charleston HMA a retirement destination.

The current population of the HMA is estimated at 844,300.

During the late 1700s and early 1800s, the city of Charleston was the largest city with the most important port in the southern United States. The oldest museum in the nation, the Charleston Museum, and the Charleston Historic District, the oldest legally protected historic district, are significant contributors to tourism in the HMA.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Strong: Job growth in the HMA was strong during the 12 months ending April 2023, with nonfarm payrolls rising by 22,500 jobs, or 5.9 percent, compared with the 12 months ending April 2022.

The economy in the Charleston HMA is strong after fully recovering the jobs lost during the pandemic recession of March and April 2020. During the 12 months ending April 2023, payrolls increased or remained relatively steady in all 11 nonfarm sectors, led by gains in the professional and business services and the leisure and hospitality sectors, which rose by 5,900 and 3,400 jobs, or 9.9 and 7.0 percent, respectively. The unemployment rate averaged 2.8 percent during the 12 months ending April 2023, down from 3.2 percent during the previous 12-month period because employment growth significantly outpaced growth in the labor force. During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 3.7 percent annually.

Sales Market

Slightly Tight but Easing: The HMA had 2.4 months of available for-sale housing inventory during April 2023, up from 1.8 months a year earlier (Redfin, a national real estate brokerage).

The home sales market in the HMA is currently slightly tight but easing, with an estimated sales vacancy rate of 1.8 percent, which is greater than the 1.6 percent rate in 2020 but down from 3.0 percent in April 2010, when conditions were soft. A low supply of homes for sale and rising mortgage interest rates contributed to declining total home sales, which fell 28 percent during the 12 months ending April 2023. However, the average home sales price increased 7 percent to $509,500 (CoreLogic, Inc., with adjustments by the analyst). By comparison, during the previous 12 months, home sales decreased 1 percent, and average home sales prices increased 13 percent. During the next 3 years, demand is estimated for 17,350 new homes. The 1,575 homes under construction are expected to satisfy a portion of that demand during the first year of the forecast period.

Rental Market

Balanced: The overall rental market has an estimated vacancy rate of 8.8 percent, a decline from 9.8 percent in 2020. The vacancy rate was 13.9 percent in April 2010, when conditions were soft.

Conditions in the apartment market are slightly soft, with an apartment vacancy rate of 9.2 percent as of the first quarter of 2023, up from 8.0 percent a year earlier but down from the peak of 13.2 percent in the first quarter of 2018, when new additions to the inventory outpaced high levels of absorption (CoStar Group). The average apartment rent in the HMA was $1,703 as of the first quarter of 2023, up 7 percent from the first quarter of 2022. During the 12 months ending April 2023, 3,400 rental units were permitted, up 19 percent from the previous year but down from record levels in 2018 and 2019. During the forecast period, demand is estimated for 9,400 new rental units. The 4,925 rental units under construction are expected to satisfy more than one-half of that demand.

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3-Year Housing Demand Forecast

		Sales Units	Rental Units
Charleston HMA	Total Demand	17,350	9,400
	Under Construction	1,575	4,925

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of May 1, 2023. The forecast period is May 1, 2023, to May 1, 2026.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Government

> In addition to direct military spending, the Department of Defense (DoD) supports jobs in the manufacturing sector and the professional and business services sector—the second largest employment sector—through private aerospace, defense, and cyber security contractors in the HMA.

Primary Local Economic Factors

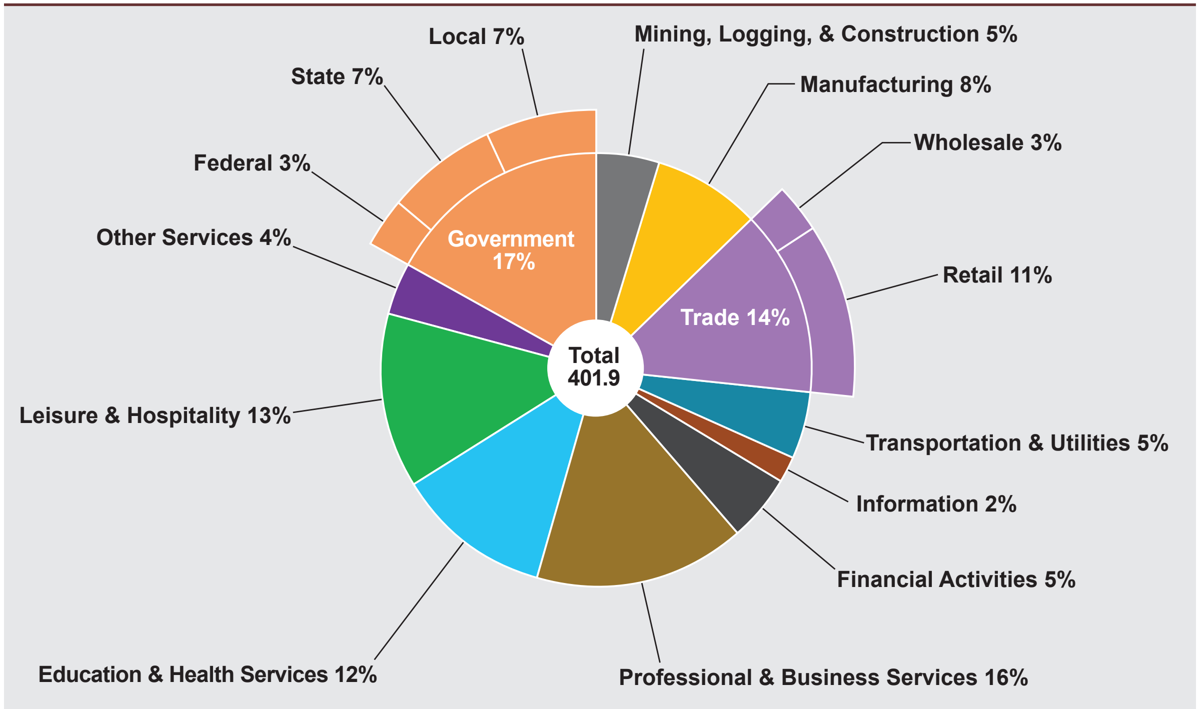
The largest employer in the HMA is Joint Base Charleston (combined Charleston Air Force Base and Naval Support Activity Charleston), with more than 24,900 employees, of whom approximately 10,200 are active-duty military personnel and, therefore, not included in nonfarm payrolls (Table 1). The government sector is the largest nonfarm payroll sector in the HMA, accounting for approximately 17 percent of all nonfarm payroll jobs (Figure 1). The government sector, which includes Joint Base Charleston, the Naval Information Warfare Center Atlantic, and more than 60 DoD and other federal agencies, provides significant economic stability to the local economy. Annually, the military supports approximately 78,400 jobs and generates a $12.7 billion impact in the HMA (The Economic Impact of South Carolina's Military Community Study, 2022). Five of the top 10 major employers in the HMA are part of the government sector, including Ralph H. Johnson Department of Veterans Affairs Medical Center,

Table 1. Major Employers in the Charleston HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Joint Base Charleston	Government	24,900
Medical University of South Carolina	Government	17,000
The Boeing Company	Manufacturing	6,500
Roper St. Francis Healthcare	Education & Health Services	6,100
Walmart Inc.	Wholesale & Retail Trade	3,900
Ralph H. Johnson Department of Veterans Affairs Medical Center	Government	3,250
Trident Health System	Education & Health Services	3,100
Charleston County	Government	2,800
United States Postal Service	Government	2,500
Robert Bosch LLC	Education & Health Services	1,800

Notes: Excludes local school districts. Data include military personnel, who are generally not included in nonfarm payroll survey data.
Source: Charleston Regional Development Alliance

Figure 1. Share of Nonfarm Payroll Jobs in the Charleston HMA, by Sector

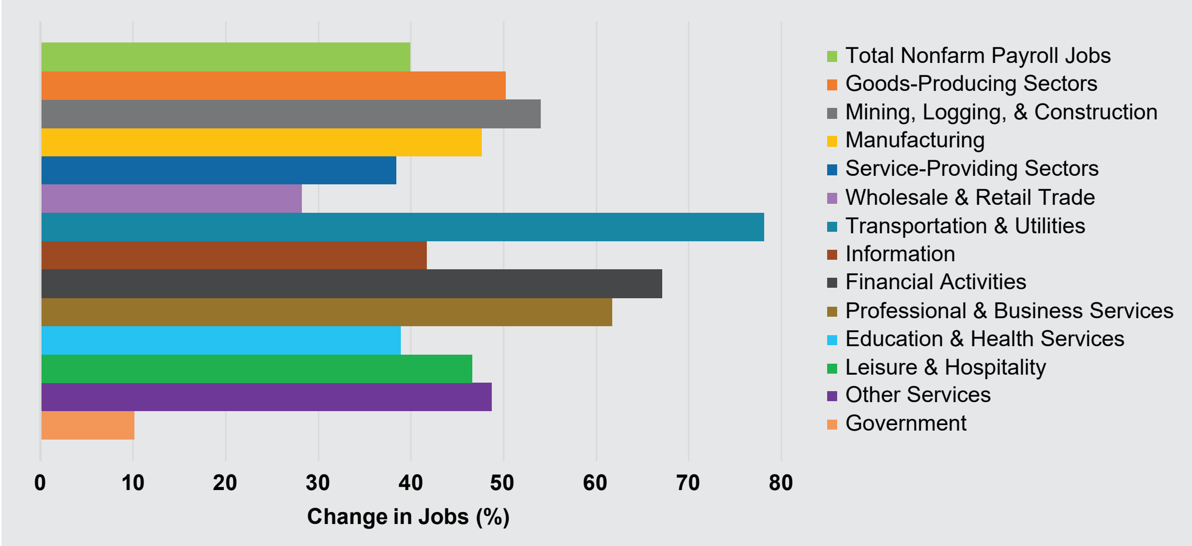


Notes: Military jobs are not included in these data. Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through April 2023.
Source: U.S. Bureau of Labor Statistics

which contributes to the care of more than 67,000 working-age and retired veterans in the HMA. The state-funded Medical University of South Carolina (MUSC) brought in $298 million in research funding in fiscal year 2022 and enrolled more than 3,000 students annually.

The proximity of the HMA to the eastern shoreline benefits the transportation and utilities, the manufacturing, and the leisure and hospitality sectors. The Port of Charleston, responsible for 17,800 jobs and $7.8 billion of trade in 2022 (University of South Carolina Darla Moore School of Business), supports the distribution of goods manufactured in the HMA. Since 2011, the transportation and utilities sector has been the fastest growing sector in the HMA (Figure 2), partly due to the Port of Charleston $800 million harbor deepening project that began in 2011 and was completed in 2022. The project deepened the harbor to 52 feet, the deepest of any harbor on the east coast. The largest oceangoing ships now have access, which is vital to the future of the port. The largest manufacturers in the HMA are automobile and motor vehicle parts manufacturers, including Robert Bosch LLC, AB Volvo, and Mercedes-Benz Group AG, which rely on proximity to the port and railways. The historic district and five local beaches make the HMA a popular tourist attraction. During 2022, the HMA generated a record $12.8 billion in tourism revenue from 7.7 million visitors, including 4.85 million room nights sold, surpassing the previous record for tourism revenue of $10.6 billion in 2021 (The Office of Tourism Analysis, Department of Hospitality and Tourism Management at the College of Charleston).

Figure 2. Sector Growth in the Charleston HMA, 2011 to Current



Note: The current date is May 1, 2023.
Source: U.S. Bureau of Labor Statistics

Current Conditions and Pandemic Impact

The 57,300 jobs lost in March and April 2020 during the pandemic recession due to policies implemented to prevent the spread of COVID-19 were fully recovered by October 2021 (monthly data, not seasonally adjusted). The economy continued to expand; payrolls during the 12 months ending April 2023 are 13.0 percent greater than the 2019 annual level before the pandemic, compared with 2.1 percent nationwide. All payroll sectors have grown beyond 2019 annual levels except the mining, logging, and construction sector, which only recovered to prepandemic levels in the past 12 months. The leisure and hospitality sector lost more than three times as many jobs as any other nonfarm sector during the 2020 downturn, accounting for more than 37 percent of all job losses. Among the most significant closures during April 2020 was the Kiawah Island Golf Resort, temporarily affecting 1,100 positions. The leisure and hospitality sector payrolls are currently 3.8 percent greater than in 2019.

Although job growth in the HMA slowed slightly during the past 12 months after a robust recovery from the 2020 recession, growth was relatively strong in 10 of 11 sectors. Total nonfarm payrolls in the HMA averaged 401,900 jobs during the 12 months ending April 2023, up 5.9 percent from the preceding year, during which jobs increased 6.5 percent. All sectors grew except the government sector, which remained stable due to increases in the local and state government subsectors that mitigated losses in the federal government subsector (Table 2). The sectors with the largest job gains were the professional and business services and the leisure and hospitality sectors, up by 5,900 and 3,400 jobs, or 9.9 and 7.0 percent, respectively. By comparison, the professional and business services sector grew 4.0 percent nationally, whereas the leisure and hospitality sector showed little growth.

The transportation and utilities sector was the fastest growing sector in the HMA. During the 12 months ending April 2023, the sector grew 14.0 percent due to the addition of 2,400 jobs, partly because of increased activity at the port and the rail expansion in the former Naval Base Charleston. The manufacturing sector gained 2,000 jobs, or 7.0 percent, due in part to DoD contracts, including Elbit Systems of America, LLC, which recently created 300 jobs in a new plant producing weapons systems.

Current Conditions—Unemployment

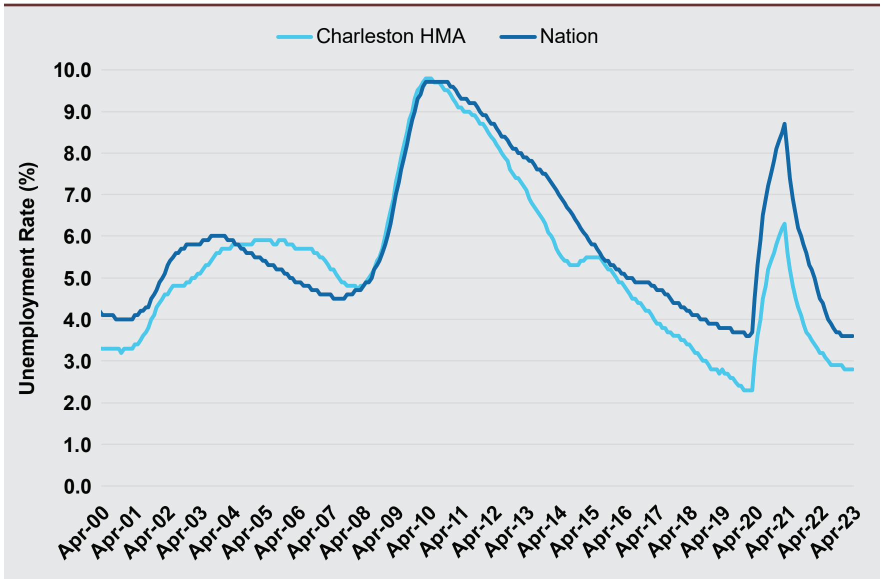
The average unemployment rate in the HMA declined during the 12 months ending April 2023 to 2.8 percent, down from 3.2 percent a year earlier and from a recent peak of 6.3 percent during the 12 months ending March 2021 (Figure 3). The average unemployment rate in the HMA was lower than the

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Charleston HMA, by Sector

	12 Months Ending April 2022	12 Months Ending April 2023	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**379.4**	**401.9**	**22.5**	**5.9**
Goods-Producing Sectors	50.1	52.4	2.3	4.6
Mining, Logging, & Construction	21.5	21.9	0.4	1.9
Manufacturing	28.6	30.6	2.0	7.0
Service-Providing Sectors	329.4	349.5	20.1	6.1
Wholesale & Retail Trade	52.8	54.5	1.7	3.2
Transportation & Utilities	17.2	19.6	2.4	14.0
Information	7.8	8.8	1.0	12.8
Financial Activities	17.0	19.2	2.2	12.9
Professional & Business Services	59.8	65.7	5.9	9.9
Education & Health Services	44.0	46.8	2.8	6.4
Leisure & Hospitality	48.5	51.9	3.4	7.0
Other Services	15.1	15.6	0.5	3.3
Government	67.3	67.4	0.1	0.1

Notes: Based on 12-month averages through April 2022 and April 2023. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

Figure 3. 12-Month Average Unemployment Rate in the Charleston HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

national rate of 3.6 percent during the 12 months ending April 2023, down from 4.5 percent a year earlier and from a recent high of 8.7 percent during the 12 months ending March 2021. Before the COVID-19 pandemic, the average unemployment rate in the HMA had been declining each year from 2010 through 2019—from a peak of 9.8 percent during the 12 months ending April 2010 to a low of 2.3 percent during the 12 months ending March 2020—similar to the nationwide trend of decline during the same period.

Economic Periods of Significance

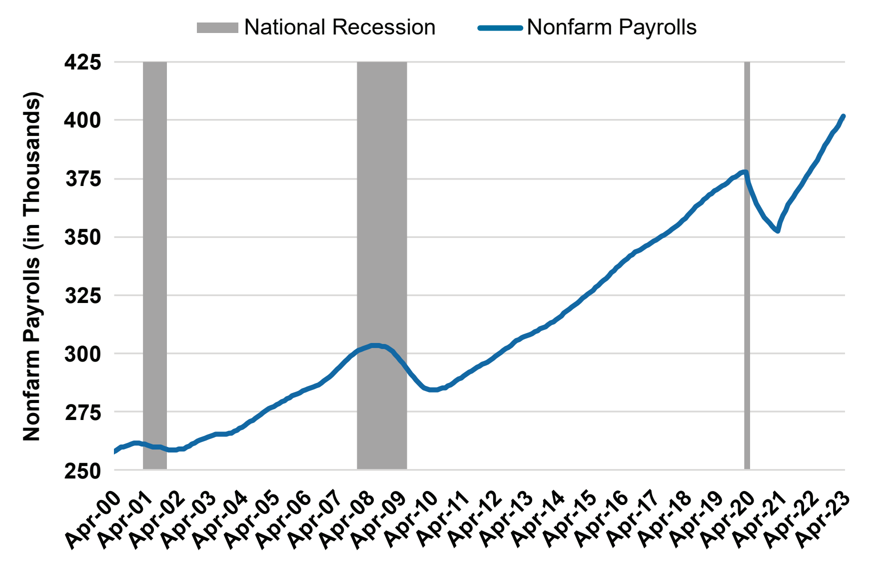
2001 Through 2007: Economic Growth

From 2001 through 2007, nonfarm payrolls increased by an average of 5,600 jobs, or 2.0 percent, a year compared with an increase of 0.9 percent for the nation. Nine of 11 sectors in the HMA added jobs during the period. Job gains were concentrated in the professional and business services and the education and health services sectors, which rose by respective averages of 1,300 and 1,000 jobs annually, or 3.7 percent each. Strong growth also occurred in the government, the wholesale and retail trade, and the leisure and hospitality sectors, which rose by averages of 800 jobs each annually, or 1.4, 1.7, and 2.5 percent, respectively. The transportation and utilities and the manufacturing sectors lost 200 and 100 jobs, respectively, or 1.2 and 0.3 percent, a year and were the only sectors to lose jobs. Most job losses occurred before an increase in DoD contracts after 2002 offset some of the losses.

2008 Through 2010: The Great Recession

The impact of the Great Recession was less severe in the HMA than in the nation. From 2008 through 2010, nonfarm payrolls in the HMA fell by an average of 4,600 jobs, or 1.6 percent, annually compared with an average of 1.9 percent for the nation (Figure 4). The mining, logging, and construction, the wholesale and retail trade, and the manufacturing sectors lost an average of 2,500, 1,500, and 600 jobs each year, respectively, or 13.3, 3.3, and 2.7 percent. Reduced demand for new homes contributed to declines in the mining, logging, and construction sector. The Navy and Air Force bases were consolidated in 2010 into Joint Base Charleston, eliminating duplicate positions and facilities and reducing payrolls in the retail subsector around the closed naval base because the population shrank when the military relocated personnel. During the recession, the reduced demand for durable goods strongly affected the automobile manufacturing and motor vehicle parts manufacturing industries, causing Robert Bosch LLC to cut 425 jobs

Figure 4. 12-Month Average Nonfarm Payrolls in the Charleston HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

in 2009. The two sectors that did not lose jobs during this period were the government and the education and health services sectors, which gained averages of 1,000 and 900 jobs, or 1.7 and 2.9 percent, respectively.

2011 Through 2019: Recovery and Expansion

The economic recovery in the HMA following the Great Recession was the longest period of consecutive annual job growth this century. From 2011 through 2019, nonfarm payrolls increased by an average of 9,900 jobs, or 3.0 percent, annually compared with an average of 1.6 percent for the nation. All sectors added jobs during this period. The largest gains came from the professional and business services, the leisure and hospitality, and the wholesale and retail trade sectors, which rose by averages of 1,800, 1,700, and 1,200 jobs annually, or 3.9, 4.1, and 2.5 percent, respectively. The manufacturing sector rebounded with an average increase of 1,000 jobs, or 4.2 percent, annually. In 2011, The Boeing Company opened a $750 million plant, which contributed to the strong recovery and brought 3,800 jobs to the city of North Charleston; hiring at the plant helped offset the closing of Charleston Naval Base the previous year. AB Volvo invested a combined $1.02 billion to build two plants in 2013 and 2018, creating a combined 3,900 jobs. Mercedes-Benz Group AG invested approximately $500 million in a production facility, creating 1,300 jobs, in 2016. The elevated demand for homes for a growing population contributed to the mining, logging, and construction sector becoming the fastest growing sector from 2011 through 2019, increasing an average of 4.9 percent, or by 900 jobs, annually. The transportation and utilities sector grew the second fastest at an average of 4.4 percent, or 600 jobs, annually, in part because port activity expanded every year.

Forecast

During the 3-year forecast period, nonfarm payroll jobs in the HMA are expected to increase at an average rate of 3.7 percent annually, similar to current growth rates. Job gains are expected to be the strongest in the professional and business services and the leisure and hospitality sectors. Growth in sectors that benefit from population increases, such as the education and health services and the wholesale and retail trade sectors, is anticipated to remain strong. Defense Engineering Services LLC, a DoD contractor in the city of North Charleston, is planning a $2.5 million expansion that is expected to add 45 employees in the professional and business services sector. The Cooper Hotel, the only hotel currently planned on the waterfront near historic Charleston, is expected to open in 2025 with 225 rooms. Redwood Materials, Inc., a battery recycler for electric cars, announced plans to build a $3.5 billion manufacturing facility in Berkeley County and anticipates adding 1,500 jobs in 2024. The $550 million Naval Base Intermodal Facility is scheduled to open in 2025, granting better rail access and expanding the scope of the transportation and utilities sector.

Population and Households

Current Population: 844,300

The population of the HMA has increased every year since 2000, primarily due to net in-migration.

Population Trends

The Charleston HMA is the third most populous metropolitan area in the state of South Carolina, with a population estimated at 844,300 as of May 1, 2023, representing an average increase of 13,750 people, or 1.8 percent, annually since 2010 (Table 3). Approximately 51 percent of the population lives in Charleston County, 29 percent resides in Berkeley County, and the remainder is in Dorchester County (U.S. Census Bureau decennial census count and population estimates as of July 1). A significant portion of the population resides near the intersection of the three counties. The largest city in the HMA, Charleston, spans both Charleston County and Berkeley County, with 153,700 residents, or 19 percent of the population of the HMA. The cities of North Charleston and Summerville are the second and fourth largest cities, with 118,600 and 51,600 residents, or 14 and 6 percent of the HMA population, respectively, overlapping all three counties. This interconnectivity is reflected further in commuting patterns. Each county has a plurality of residents working within their own county, but they also have a significant portion working in both other counties (Table 4). Berkeley and Dorchester Counties have more commuters from the other two counties—40.5 percent and 39.4 percent, respectively—than resident workers within their own borders—38.0 and 38.3 percent.

Since the mid-2000s, population growth has been strong due to constant net in-migration. From 2000 to 2003, the HMA grew by an average of 7,500 people annually, with 54 percent from net in-migration. The increase of DoD funding to contractors from 2003 to 2008 contributed to the increase in population growth to an average of 14,050 people, or 2.3 percent, annually, mostly because net in-migration more than doubled to an average of 9,675 people annually. Net natural change increased to an average of 4,375 people a year, partially because strong economic growth led to a rising birth rate. From 2008 to 2010, population growth decreased to an average of 12,000 people, or 1.9 percent, annually, with nearly all the decline due to a reduction in net in-migration (Figure 5). The city of North Charleston, where Charleston Naval Base was closed in 2010, had only a brief and minor decrease in population from 2010 to 2011, partly due to The Boeing Company opening a manufacturing facility in the city in 2011. From 2010 to 2019, the population of the HMA increased by an average of 13,250, or 1.8 percent, annually; net in-migration accounted for 72 percent of that growth. Much of the growth was to more inland areas, such as the city of Summerville, which gained automobile manufacturing jobs, and where housing was more affordable than in the coastal

Table 3. Charleston HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	**Population**	664,607	844,300	891,000
	Average Annual Change	11,550	13,750	15,550
	Percentage Change	1.9	1.8	1.8
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	259,987	339,900	361,700
	Average Annual Change	5,200	6,100	7,275
	Percentage Change	2.3	2.1	2.1

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (May 1, 2023) to May 1, 2026.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

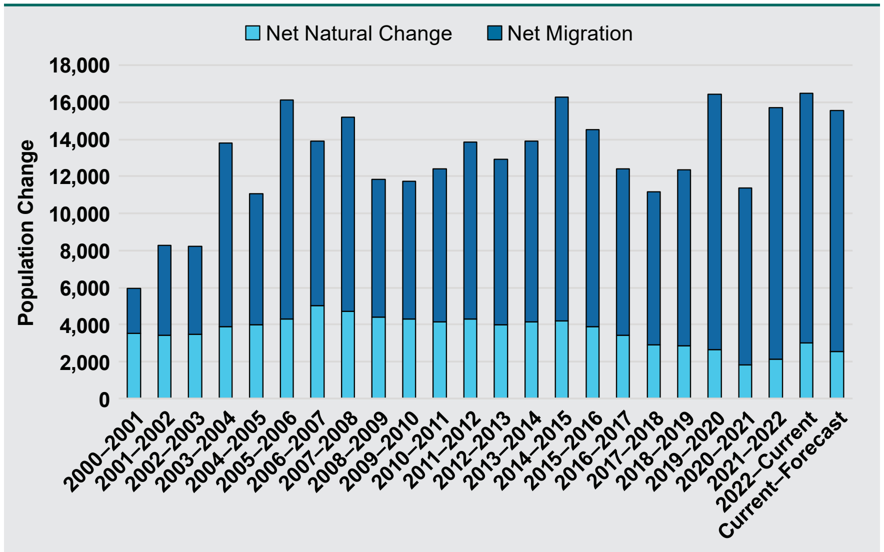
Table 4. Jobs by Place of Worker Residence in the Charleston HMA

Worker Residence	Location of Primary Job: Charleston County (%)	Berkeley County (%)	Dorchester County (%)
Charleston County	48.5	25.5	19.1
Berkeley County	17.9	38.0	20.3
Dorchester County	13.1	15.0	38.3
Outside the HMA	20.5	21.5	22.3

Note: Columns may not add to 100 percent due to rounding.
Source: 2016–2020 U.S. Census Journey to Work

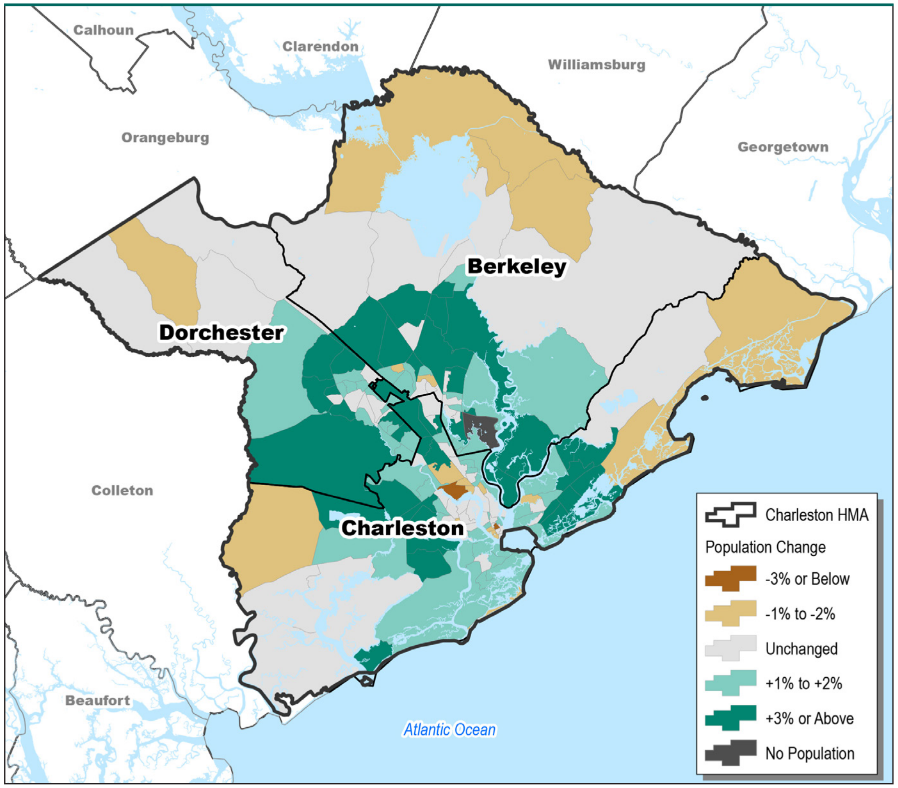
regions of the HMA (Map 1). The rate of net natural increase declined during this period due to the aging population. Since the mid-2010s, the HMA began to receive significant national attention due to its quality of life, low cost of living, and increasing job opportunities, making it an attractive area in which to live. For example, *Forbes* ranked Charleston as the third best city for jobs in 2016. Since 2019, population growth has increased to an average of 14,950 people, or 1.8 percent. Net in-migration and net natural change accounted for averages of 12,600 and 2,350 people, or 84 and 16 percent of population growth, respectively. The pandemic caused an abrupt shift to remote work for large swaths of the country, which gave many households the flexibility to move, and historically low mortgage interest rates until 2022 supported increased homeownership. The Charleston HMA benefited from this movement due to the mild climate, strong economic recovery and expansion, and revitalization of urban areas since 2019.

Figure 5. Components of Population Change in the Charleston HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (May 1, 2023) to May 1, 2026.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

Map 1. Population Change by Census Tract from 2010 to 2020 in the Charleston HMA

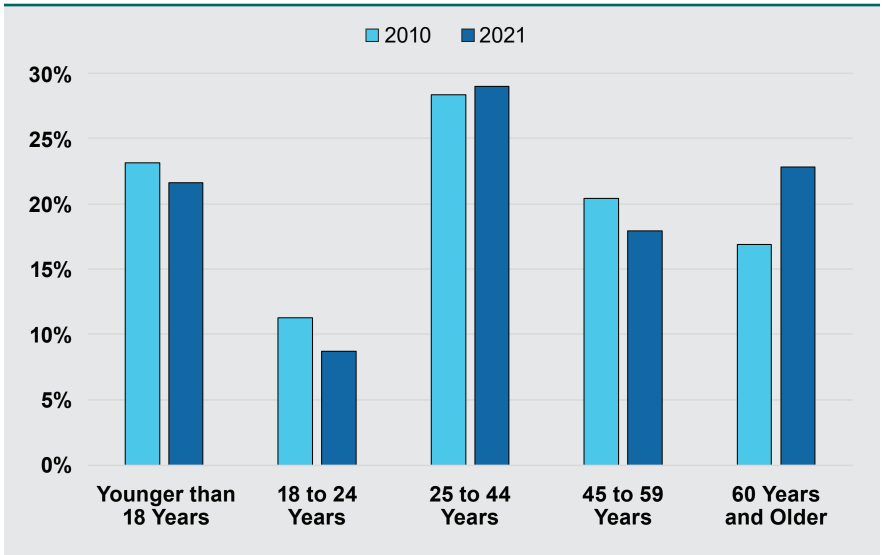


Source: 2010 and 2020 Decennial Census, with adjustments by the analyst

Age Cohort Trends

The fastest growing age cohort in the Charleston HMA includes people aged 60 and older. The share of residents aged 60 years or older grew more rapidly than other cohorts, rising from 17 percent of the total population in 2010 to 23 percent in 2021 (Figure 6), generally consistent with national trends. The only other cohort to grow was the share of HMA residents aged 25 to 44 years due to strong local job growth. Despite the significant number

Figure 6. Population by Age Range in the Charleston HMA



Source: American Community Survey 1-year data

of retirees, many of them veterans, the population in the Charleston HMA is younger than that of the nation, although the difference has been narrowing. The median age in the Charleston HMA in 2010 was 35.5 years and increased to 38.3 years in 2021, whereas the corresponding median ages for the nation were 37.2 years in 2010 and 38.8 years in 2021.

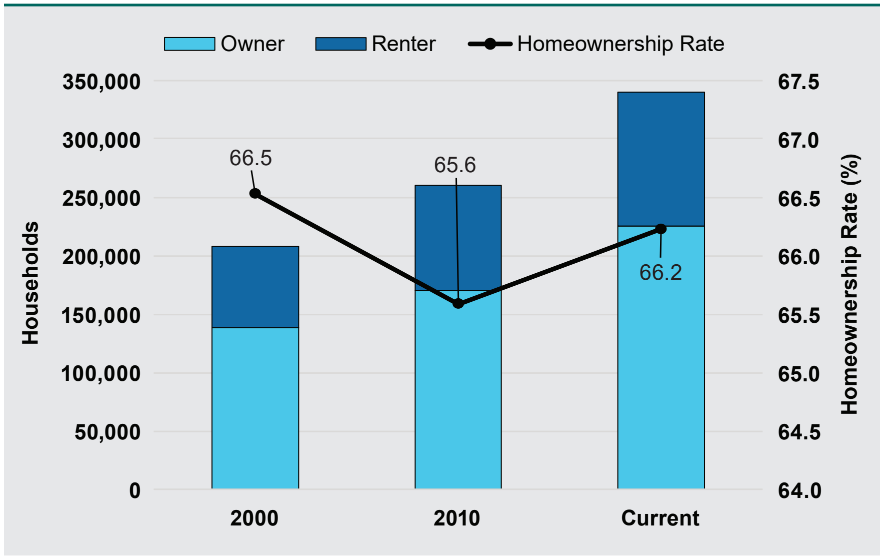
Veterans

The Charleston HMA has a significant veteran community with approximately 73,600 veterans, relatively unchanged from 2010 (National Center for Veterans Analysis and Statistics). The largest age cohort is those aged 45 to 64 years, or 36 percent of veterans. The fastest growing veteran cohort is aged 65 to 84 years, which increased from 26 percent of veterans in the HMA in 2010 to 35 percent in 2022. In 2022, Navy Federal Credit Union recognized the city of Charleston as the best city for veterans transitioning after service and the fourth best for military families, partly due to housing affordability.

Household Trends

As of May 1, 2023, an estimated 339,900 households reside in the HMA. Since 2000, household growth in the HMA has increased faster than population growth. From 2000 to 2010, the number of households increased by an average of approximately 5,200 households, or 2.3 percent, a year—greater than the 1.9-percent annual population growth rate in the HMA during the same period. Since 2010, the number of households has increased by an average of 6,100, or 2.1 percent, annually, including average annual growth of 7,275 households, or 2.1 percent, since 2020. For context, population growth has averaged 1.8 percent a year since 2010. Household growth exceeding population growth results from declining average household size, partly due to the increasing share of retirees in the HMA, who tend to have smaller household sizes. An estimated 66.2 percent of households in the HMA are homeowners, up from 65.6 percent in 2010 (Figure 7), partly due to improved economic conditions compared with 2010.

Figure 7. Households by Tenure and Homeownership Rate in the Charleston HMA



Note: The current date is May 1, 2023.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Forecast

During the next 3 years, the pace of population growth in the HMA is expected to match recent trends. The population is expected to reach 891,000 by May 1, 2026, reflecting an average increase of 15,550, or 1.8 percent, annually. Population growth is expected to be steady throughout the 3-year forecast period, predominantly due to net in-migration, which is anticipated to account for 84 percent of the population growth. Household growth is estimated to average 7,275, or 2.1 percent, annually, reaching 361,700 households in the HMA by the end of the forecast period. The number of renter households is expected to increase faster than the number of owner households, resulting in a slight decline in the homeownership rate, partly due to continued net in-migration, high home prices, and high mortgage interest rates.

Home Sales Market

Market Conditions: Slightly Tight but Easing

Homes sales in the HMA fell substantially—28 percent—and sales price growth slowed to 7 percent during the 12 months ending April 2023 (CoreLogic, Inc.).

Current Conditions

The sales housing market in the HMA is slightly tight but easing. The overall sales vacancy rate is estimated at 1.8 percent (Table 5), up from 1.6 percent in 2020 but down from 3.0 percent in 2010, when conditions were soft. Before the recent rise in mortgage interest rates, market conditions had been tightening since the late 2010s because the excess inventory of distressed homes for sale was absorbed, and mortgage interest rates remained historically low. Sales market conditions eased from tight conditions when interest rates started to rise significantly in January 2022. The average interest rate on 30-year fixed-rate mortgages was 6.36 percent in December 2022 compared with 3.10 percent a year earlier (Freddie Mac). In April 2023, the inventory of homes available for sale represented a 2.4-month supply, up from 1.8 months in April 2022 but significantly less than the 7.9 months of supply in April 2013, when the sales market was still recovering from the Great Recession (Redfin, a national real estate brokerage).

Table 5. Home Sales Quick Facts in the Charleston HMA

		Charleston HMA	Nation
Home Sales Quick Facts	Vacancy Rate	1.8%	NA
	Months of Inventory	2.4	2.2
	Total Home Sales	20,350	5,718,000
	1-Year Change	-28%	-25%
	New Home Sales Price	$511,100	$496,000
	1-Year Change	9%	11%
	Existing Sales Price	$509,000	$394,000
	1-Year Change	7%	2%
	Mortgage Delinquency Rate	1.0%	1.1%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending April 2023; and months of inventory and mortgage delinquency data are as of April 2023. The current date is May 1, 2023.

Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; mortgage delinquency rate, home sales, and home sales prices—CoreLogic, Inc.

The number of home sales declined 28 percent during the past 12 months to 20,350 home sales during the 12 months ending April 2023 compared with a 1-percent decrease during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). Home sales price growth slowed by almost one-half during the 12 months ending April 2023, increasing 7 percent year over year to $509,500 compared with a 13-percent year-over-year gain during the 12 months ending April 2022. New and existing home sales prices rose 9 and 7 percent, respectively, during the 12 months ending April 2023 to averages of $511,100 and $509,000.

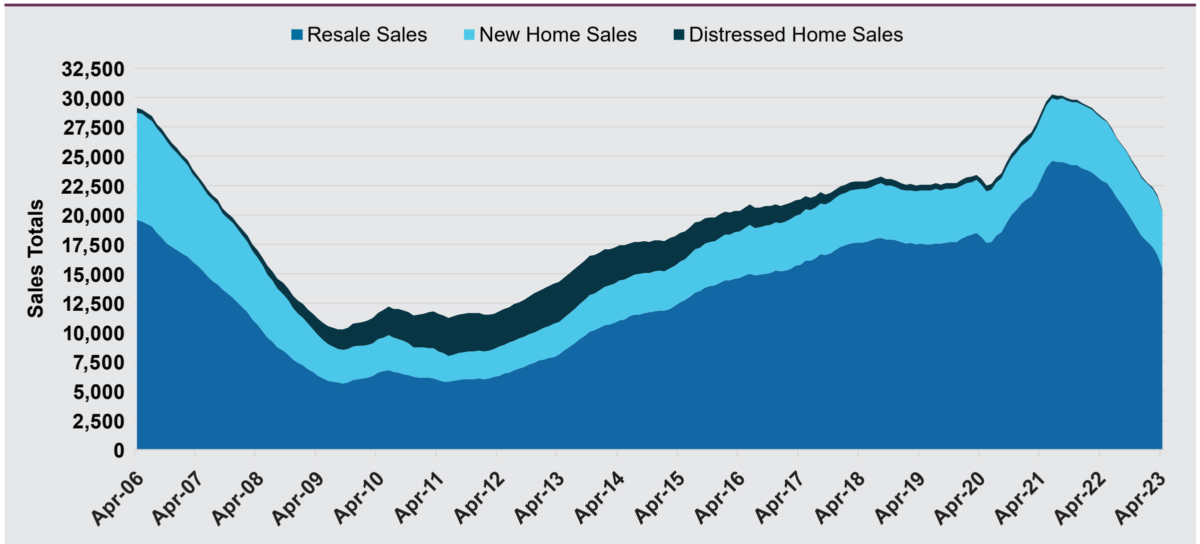
Home Sales

Home sales trends have generally reflected economic conditions in the HMA. Due to robust economic growth, net in-migration, and lenient mortgage lending practices, home sales were generally strong in the early and mid-2000s (Figure 8). In 2005, resale sales and new sales totaled 19,550 and 8,925, respectively (CoreLogic, Inc., with adjustments by the analyst). From 2006 through 2010, resale and new home sales decreased an average of 21 and 22 percent a year, respectively, to a low of 6,025 and 2,825 homes because economic conditions weakened. The consolidation of military bases contributed to the drop in sales, particularly in the cities of North Charleston and Summerville. Distressed sales became significant during this period, rising from 450 homes, or 3 percent of existing sales, in 2007 to 2,800 homes, or 31 percent of existing sales, in 2010. A resumption of strong job and population growth, increased wages, and a resurgence of manufacturing jobs from 2011 through 2019 contributed to increases in home sales. Demand for resale and new homes was strong during the period, resulting in respective average annual gains of 13 and 7 percent from 2011 through 2019 to 17,950 and 4,550 home sales. Distressed sales peaked in 2011 at 3,225 home sales and decreased every subsequent year to 460 distressed home sales during 2019, representing 3 percent of existing home sales. Strong net in-migration, a relatively strong economic recovery from the pandemic recession, and historically low interest rates contributed to strong home sales in 2020 and 2021. Resale sales increased 16 percent annually to 23,950 sales, while new home sales increased 9 percent to 5,400 sales. The slower growth rate in new home sales was partly because of homebuilding supply constraints during the first 2 years of the pandemic.

Home Sale Prices and Geography

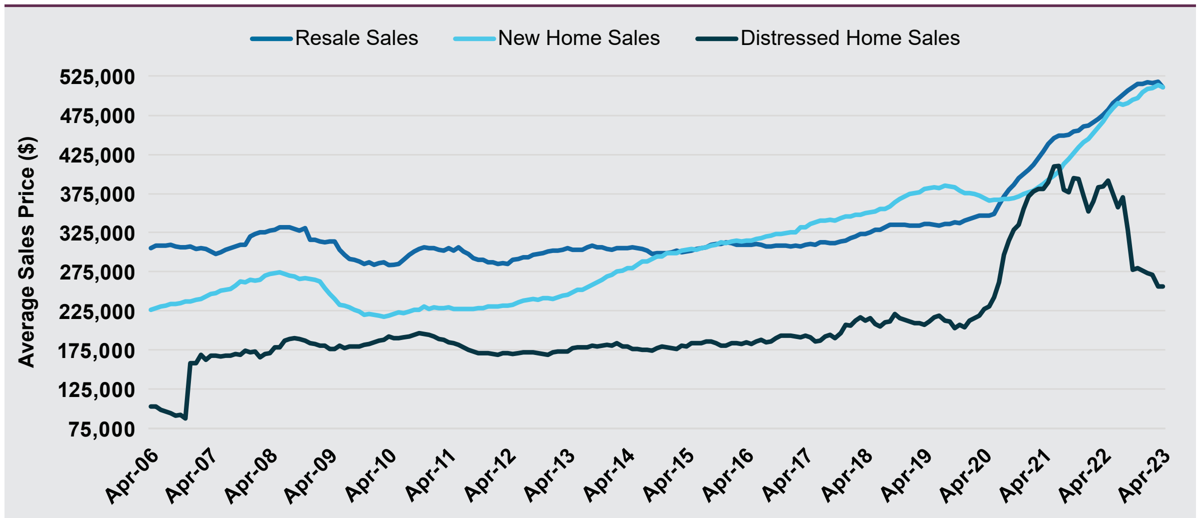
After a drop following the housing crisis, existing and new home prices grew fairly steadily during the 2010s (Figure 9). In 2011, new home prices averaged $230,300, and resale home prices averaged $287,300—3 and 7 percent, respectively, below the peak sales prices in 2007. From 2012 through 2019, partially due to limited homebuilding activity not keeping pace with strong net in-migration, new home prices rose an average of 6 percent annually to an average of $375,100 in 2019. Resale prices increased at

Figure 8. 12-Month Sales Totals by Type in the Charleston HMA



Source: CoreLogic, Inc., with adjustments by the analyst

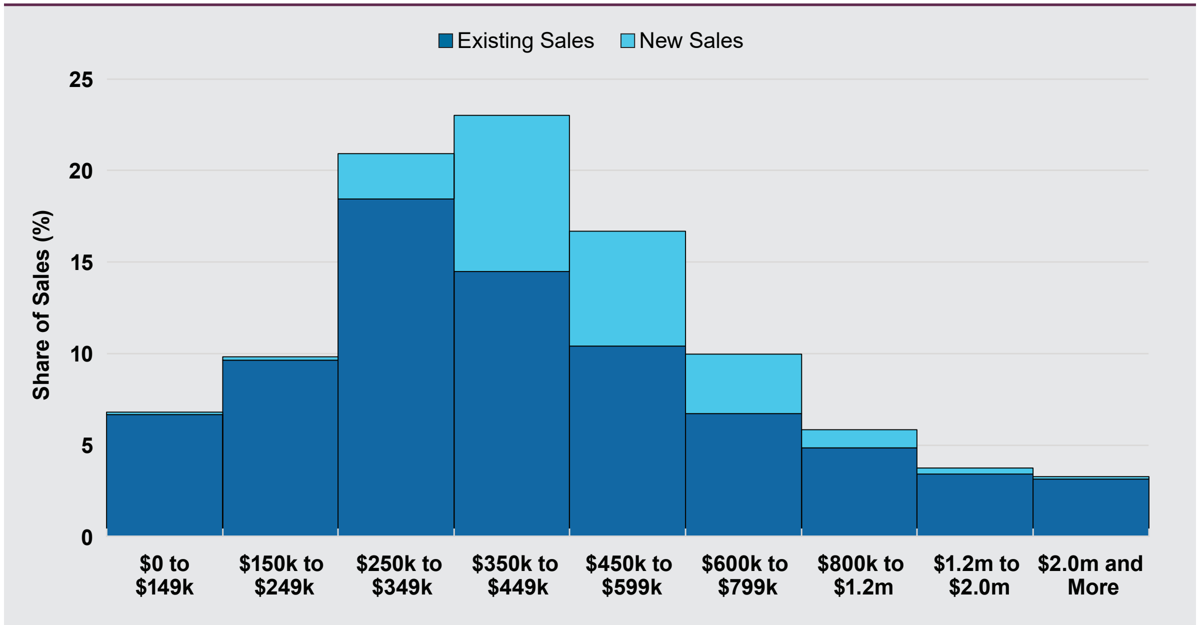
Figure 9. 12-Month Average Sales Price by Type of Sale in the Charleston HMA



Source: CoreLogic, Inc., with adjustments by the analyst a more modest average of 2 percent annually to an average of $340,200 in 2019. During this period, distressed sales generally declined as a share of existing homes from 35 percent in 2011 to 3 percent in 2019, and distressed home prices remained 34 to 44 percent below resale prices each year. During 2020 and 2021, increased net in-migration led to increased demand, especially in revitalized urban areas, contributing to average price increases of 8 and 16 percent annually for new and resale homes, respectively, to $440,700 and $461,200.

On average, resale homes in the HMA were more expensive than new homes before 2015, partly because of geographic differences. The most expensive homes are on Sullivan's Island and in downtown Charleston, which have less developable land remaining for new home construction. City ordinances ensure that housing on the island remains low density and single family, such as by prohibiting subdividing lots. Downtown Charleston has strict regulations regarding demolishing or altering historic homes and height restrictions in situations that allow alterations, preventing substantial condominium construction. Consequently, new home developments have tended to be concentrated inland, where available land is more abundant and affordable. From the early 2000s to the mid-2010s, construction shifted from cities such as North Charleston, Summerville, and Goose Creek to master-planned large-scale developments of thousands of homes—including many lower priced homes—in unincorporated parts of Berkeley and Dorchester Counties. As a result, most of the relatively expensive housing tended to be resales rather than new sales. In 2010, 24 percent of existing home sales cost more than $350,000 compared with 8 percent of new home sales. This trend receded in the late 2010s but has partially returned due to efforts by more affluent cities, such as Mount Pleasant, to curb sprawl by limiting the number of single-family homes permitted. Increased demand for all homes after 2019, combined with a revitalization of urban areas, benefited existing homes disproportionately, resulting in prices growing more quickly than new home prices early in the pandemic. During the past 12 months, 15 percent of existing homes sold for more than $800,000 compared with 6 percent of new homes (Figure 10).

Figure 10. Share of Overall Sales by Price Range During the 12 Months Ending April 2023 in the Charleston HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

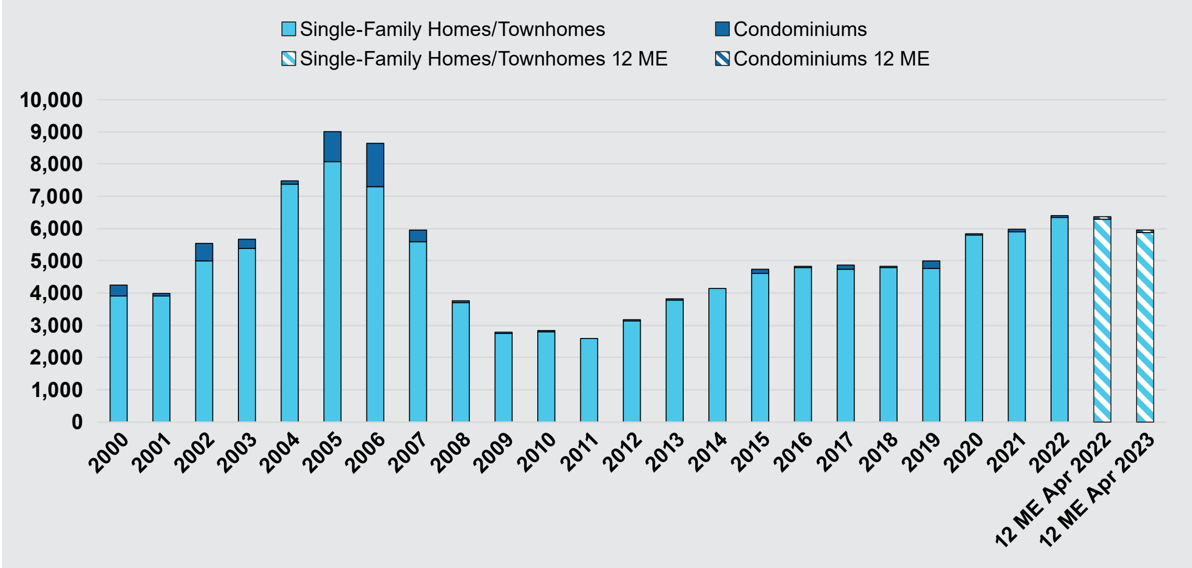
Delinquent Mortgages and Real Estate Owned Properties

In April 2023, 1.0 percent of home loans in the HMA were seriously delinquent or had transitioned into real estate owned (REO) status, down from 1.5 percent a year earlier (CoreLogic, Inc.). The corresponding portions for the nation were 1.1 percent in April 2023 and 1.5 percent in April 2022. The percentage of seriously delinquent mortgages and REO properties increased significantly during the early stages of the COVID-19 pandemic because weakened economic conditions made it more difficult for many homeowners to stay current on their mortgage payments, and many home mortgages were in forbearance. In August 2020, the rate reached a recent high of 4.4 percent, compared with the previous peak of 7.4 percent in January 2010, due to the Great Recession. The increased rate during the pandemic occurred because of an increase in the number of mortgages 90 or more days delinquent, whereas increased reliance on forbearance caused the number of REOs and foreclosures to fall significantly.

Sales Construction

As measured by the number of sales housing units permitted, current sales construction activity has increased since the onset of the pandemic but remains below peak 2000s rates. From 2001 through 2005, homebuilding increased an average of 16 percent annually to 9,000 homes permitted in 2005 (Figure 11). Homebuilders

Figure 11. Annual Sales Permitting Activity in the Charleston HMA



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

responded to strong home sales demand during the period, which partly resulted from job and population growth and relaxed mortgage lending standards. Permitting declined an average of 26 percent annually from 2006 through 2009, partly due to decreased home sales demand stemming from tightening lending standards and, by 2008, a contracting local economy. Construction of for-sale housing increased from an average of 3,300 homes permitted annually from 2010 through 2014 to an average of 4,825 homes permitted annually from 2015 through 2019 because the economy improved, the population increased, and large-scale master-planned developments became more popular. From 2020 through 2022, soaring home prices encouraged builders to increase construction, and an average of 6,075 homes were permitted annually. Increased interest rates and recent declines in home sales have led to a 6-percent decrease in homes permitted to 5,950 homes during the 12 months ending April 2023 compared with a 12-percent increase in the previous 12 months.

The largest master-planned development under construction is the 6,532-acre Cane Bay Plantation in the city of Summerville in Berkeley County. Out of 13,275 homes planned, 7,775 have sold, and 1,275 homes are under construction or complete and available for purchase, leaving 4,225 lots to be developed.

Prices range from $276,900 to $545,000. The first of the seven currently participating building companies broke ground in the subdivision in 2007, when the land was still unincorporated. Amenities include a recreation center, pools, tennis courts, schools, playgrounds, and mixed-use developments with civic, restaurant, and retail segments. Nearer to Joint Base Charleston is the Tributary at The Park at Rivers Edge in a developed part of the city of North Charleston. The gated townhome community has sold 89 of 105 planned units, ranging in price from $333,900 to $352,900.

Forecast

During the 3-year forecast period, demand is expected for 17,350 new homes in the HMA; the 1,575 homes under construction are expected to satisfy a portion of that demand (Table 6). Demand is expected to be somewhat subdued during the first year and increase during the second and third years as buyers wait to see how mortgage interest rates trend and whether home sales prices moderate.

Table 6. Demand for New Sales Units in the Charleston HMA During the Forecast Period

	Sales Units
Demand	17,350 Units
Under Construction	1,575 Units

Note: The forecast period is from May 1, 2023, to May 1, 2026.
Source: Estimates by the analyst

Rental Market

Market Conditions: Balanced

Although apartment construction has declined since 2019, it remains greater than construction activity during the 2000s.

Current Conditions and Recent Trends

The overall rental housing market in the Charleston HMA—including apartments, single-family homes, and other housing options available for rent—is balanced, with an estimated overall rental vacancy rate of 8.8 percent, down from 9.8 in 2020 and 13.9 percent in April 2010, when conditions were soft (Table 7). The decline occurred because renter household growth has outpaced rental production. Reduced rental unit construction since 2019 and increased difficulty for renter households to transition to homeownership due to rising prices have generally caused vacancy rates to fall and rents to increase. A tight single-family rental market, partly due to a low supply of for-sale homes, contrasts with a slightly soft apartment market.

Table 7. Rental Facts in the Charleston HMA

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	13.9	8.8
		2010 (%)	2021 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	34	31
	Multifamily (2–4 Units)	17	14
	Multifamily (5+ Units)	42	47
	Other (Including Mobile Homes)	7	8

Notes: The current date is May 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2021 American Community Survey 1-year data; apartment data—Moody's Analytics REIS

Single-Family Home Rentals

Single-family homes account for a considerable portion of the rental housing market in the HMA. Approximately 31 percent of renter households in the HMA lived in single-family homes in 2021 compared with 34 percent during 2010 (2010 and 2021 American Community Survey 1-year data). Increased apartment construction and tightening sales market conditions that reduced the conversion of owner-occupied homes to rentals led to the decline. The average vacancy rate for professionally managed single-family rental homes in April 2023 was 1.7 percent, down slightly from 1.8 percent a year ago (CoreLogic, Inc.). Average rents for professionally managed two- and three-bedroom single-family homes in April 2023 were $2,350 and $2,775, up 20 and 19 percent, respectively, from April 2022.

Apartment Market Conditions

Currently, apartment market conditions are slightly soft, with a 9.2-percent vacancy rate as of the first quarter of 2023 compared with 8.0 percent a year ago (CoStar Group). The increase in the rate occurred because only 1,950 of the 2,975 units completed during the 12 months ending March 2023 were absorbed. During the previous 12 months, approximately 3,875 units were completed, and absorption totaled 4,525 units. As of the first quarter of 2023, the average rent in the HMA was $1,703, up $100, or 7 percent, from the first quarter of 2022 (Figure 12). During the previous year, rents increased by $210, or 15 percent. By comparison, from the first quarter of 2014 to the first quarter of 2018, vacancy rates increased from 7.1 to 13.2 percent due to the completion of a large number of units, and rents increased by an average of $40, or 3 percent, a year. High demand has allowed builders to shift a greater portion of apartment construction toward more expensive areas, such as near downtown Charleston, contributing to upward pressure on rents. Strong in-migration contributed to declining apartment vacancy rates in the HMA from 2018 through 2022.

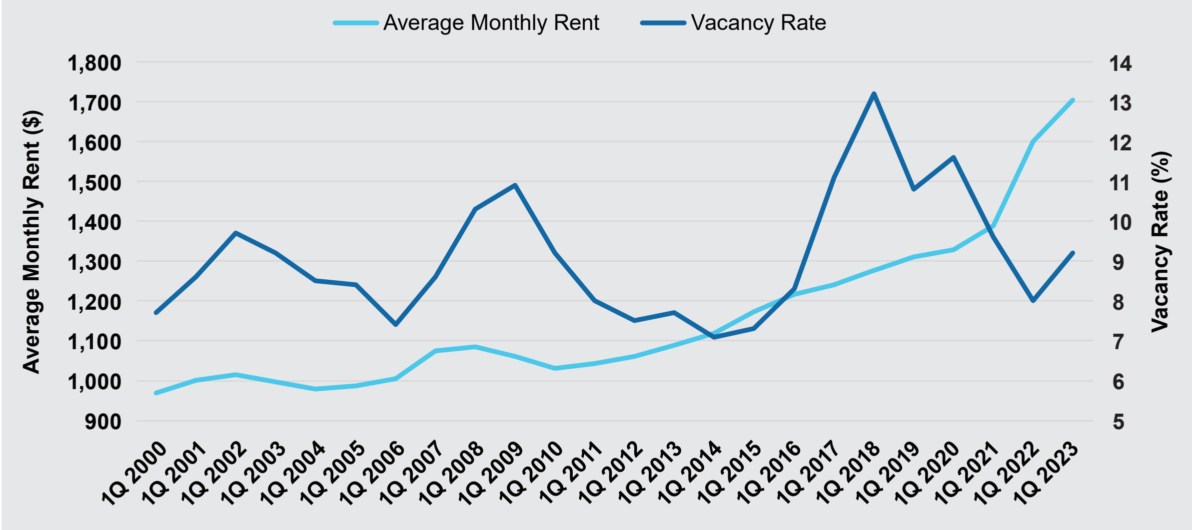
Apartment Rentals by Geography

Of the five largest CoStar Group-defined Charleston market areas, the downtown Charleston market area had the highest average rent and vacancy rate as of the first quarter of 2023 at $2,550 and 15 percent, respectively. The 375 recently completed units in the market area contributed to the high vacancy and rent. The greatest rent growth—8 percent—was in the Mount Pleasant market area, near the most expensive sales market of Sullivan's Island on the coast of the Atlantic Ocean. The average rent was $2,150, and the vacancy rate was 6.6 percent. Nearest to Joint Base Charleston is the North Charleston market area, which had the lowest average rent at $1,400 and a vacancy rate of 3.5 percent. The West Ashley market area—a commuter neighborhood across the Ashley River from downtown Charleston—had a vacancy rate of 7.1 percent and an average rent of $1,600. The Summerville/Goose Creek market area is the only one of the five market areas that is entirely inland and the closest to the automotive factories. The apartment vacancy rate was 7.0 percent, and units were available for an average rent of $1,575.

Rental Construction Activity

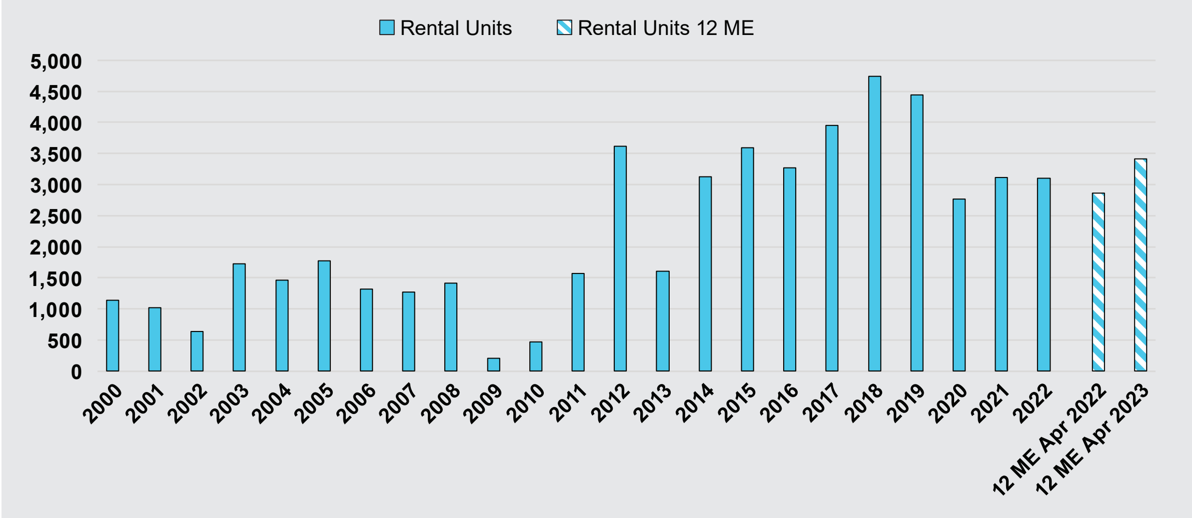
Rental construction activity in the HMA—as measured by the number of rental units permitted—has slowed since the beginning of the pandemic after high levels of growth during the 2010s (Figure 13). From 2000 through 2008, permitting was relatively steady, averaging

Figure 12. Apartment Rents and Vacancy Rates in the Charleston HMA



1Q = first quarter.
Source: CoStar Group

Figure 13. Annual Rental Permitting Activity in the Charleston HMA



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

1,300 units annually. Most construction occurred in the densest population centers, such as the cities of Charleston, North Charleston, and Summerville. During 2009, rental permitting fell 86 percent to 200 units because net in-migration declined and the economy weakened. From 2010 through 2018, rental permitting, in general, increased rapidly, by an average of 500 units, or 42 percent, annually and peaked at 4,750 units in 2018 before declining slightly to 4,450 units in 2019. During this period, absorption remained high, but new completions were greater, and the vacancy rate rose to levels not seen since the Great Recession. Building increased significantly in large-scale developments and West Ashley. Increased building costs and skilled labor shortages contributed to decreased construction in 2020, and during 2021 and 2022, an average of 3,000 units were permitted annually. Apartment construction shifted back toward the densest population centers, which were revitalized. During the 12 months ending April 2023, 3,400 rental units were permitted, representing a 19-percent increase from the nearly 2,875 units permitted during the 12 months ending April 2022 (preliminary data, with adjustments by the analyst).

Student Housing

The student bodies of three universities make up most of the market for student housing. MUSC, in downtown Charleston, enrolls approximately 300 undergraduate and 1,550 graduate students and has no on-campus housing. The College of Charleston has approximately 9,975 undergraduate and 930 graduate students, of whom 3,500, or 32 percent, live in college-owned, -operated, or -affiliated housing. Although several off-campus multifamily developments cater to students within 2 miles of the university, students do not necessarily have to live in downtown Charleston. Free access to the Charleston Area Regional Transportation Authority (CARTA) buses gives students access to West Ashley, Mount Pleasant, and areas beyond North Charleston, where rents are more affordable. Charleston Southern University, in the city of North Charleston, has 2,850 undergraduate and 580 graduate students. Approximately 1,440 students, or 42 percent, live in college-owned, -operated, or -affiliated housing. Off-campus student households for the three universities account for an estimated 3 percent of all renter households in the HMA. No campus housing is under construction at any of the universities.

Military Housing

Other than the 4,500 beds on base, the housing at Joint Base Charleston is privatized, including 560 family housing units on the main base and in the neighborhood of Hunley Park, which are gated by security forces. An additional 1,025 family units in four neighborhoods are available to enlisted personnel, veterans, contractors, and, in cases of sufficient vacancy, the general population. Approximately 7,150, or 70 percent, of enlisted personnel live in housing not affiliated with the base. All permanently assigned military personnel not receiving government quarters are eligible to receive a Basic Allowance for Housing (BAH) based on pay grade, duty status, assigned base, and number of dependents. In 2023, the minimum BAH for personnel with no dependents is 18 percent greater than the average rent in the CoStar Group-defined area of North Charleston, not including utilities and fees.

Senior Housing

During the past year, rent growth in age-restricted apartments was slower than overall apartment rent growth in the HMA, partially due to high vacancy rates and lower demand since 2019. The average rent for age-restricted apartments increased 4 percent as of the first quarter of 2023 from a year earlier to $2,075 (CoStar Group). The average age-restricted apartment vacancy rate was 11.6 percent as of the first quarter of 2023, down from 12.6 percent as of the first quarter of 2022. Age-restricted unit construction has ceased after averaging 6 percent of all rental units permitted from 2019 through 2021. The most recent age-restricted development was the 234-unit Restore at Carolina Park, built in 2021 in Mount Pleasant, with rents for one-bedroom units starting at $2,025.

New Rental Construction Activity

Among the 4,925 units underway in the HMA are the Cormac Apartments in the city of Charleston, which are on the verge of completion. Average rents are expected to start at $1,875 for 627-square-foot studios, $2,275 for 857-square-foot one-bedroom units, and $3,100 for 1,257-square-foot two-bedroom units. Among the few apartment construction projects in Mount Pleasant is Legacy Patriots Point, which broke ground on 176 units in late 2021. Amenities include a roof terrace, pool, clubhouse, and storage space. Rents are expected to start at $3,025 for one bedroom and $3,500 for two bedrooms.

Forecast

During the 3-year forecast period, demand is estimated for 9,400 new rental units in the HMA (Table 8). The 4,925 units under construction are expected to satisfy part of the demand during the first and second years of the forecast period. Demand is expected to be slightly higher during the first year of the forecast period before the slightly tight conditions in the sales market ease. Construction is expected to be concentrated in the cities of Charleston, North Charleston, and Summerville.

Table 8. Demand for New Rental Units in the Charleston HMA During the Forecast Period

Rental Units	
Demand	9,400 Units
Under Construction	4,925 Units

Note: The forecast period is May 1, 2023, to May 1, 2026.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Apartment Vacancy Rate/ Average Rent	Apartment vacancy rates and average rents are for market-rate and mixed-rate/affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.
Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in a housing market area. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Distressed Sales	Short sales and real estate owned (REO) sales.
Existing Home Sales	Includes resale sales, short sales, and REO sales.
Forecast Period	4/1/2023–4/1/2026—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.

Great Recession	**The Great Recession occurred nationally from December 2007 to June 2009.**
Net Natural Change	**Resident births minus resident deaths.**
Rental Market/ Rental Vacancy Rate	**Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.**
Resales	**Home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.**
Seriously Delinquent Mortgages	**Mortgages 90 or more days delinquent or in foreclosure.**

B. Notes on Geography

1.	**The metropolitan statistical area definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.**

C. Additional Notes

1.	**This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.**
2.	**The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.**

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