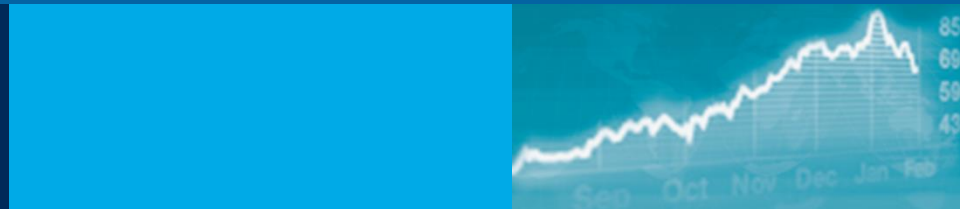




Lowcountry Affordable Housing Forum

November 12, 2024



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Research Department
Federal Reserve Bank of Richmond



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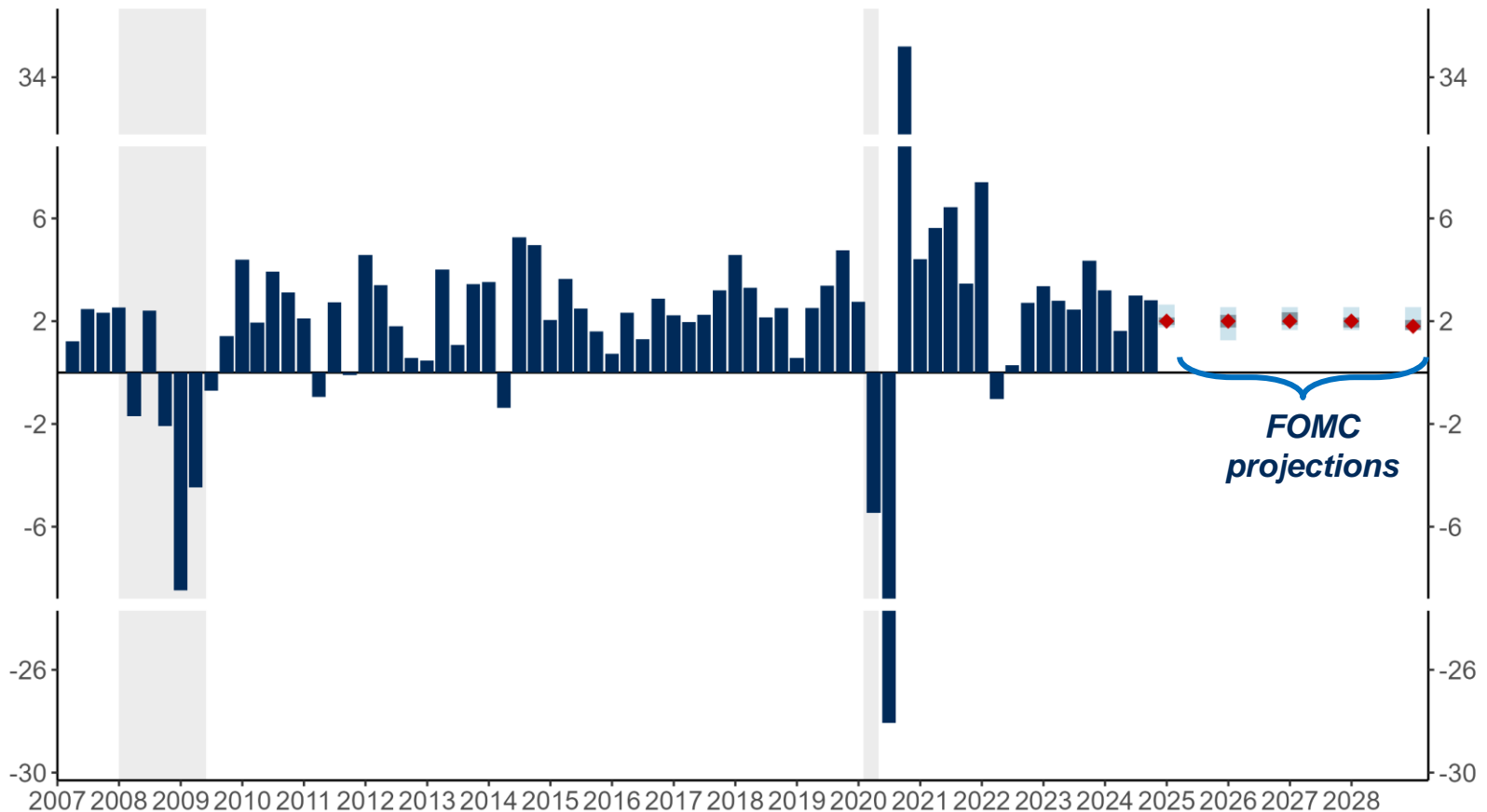
Where are we now?

- Growth in 2024 started slower than 2023, but has rapidly improved throughout the year.
 - Consumption remains strong and employment is holding up relatively well
 - Some sectors continue to be hit harder than others
- Economic indicators show slowing in some cases but continued growth in others
 - Fears of recession seem low currently
- Metro areas in the Sunbelt are outperforming larger metros and more rural spaces
 - Much of this is industry and geography based
 - South Carolina continues to be the recipient of incoming talent and jobs
- Inflation remains above the 2 percent average target, but recent reports have been very positive
 - Rates were decreased 25 basis points at the last FOMC meeting
 - The exact path forward remains uncertain

Economic growth during the post-COVID era has exceeded almost all expectations

Real Gross Domestic Product

Percent change from previous quarter at annual rate

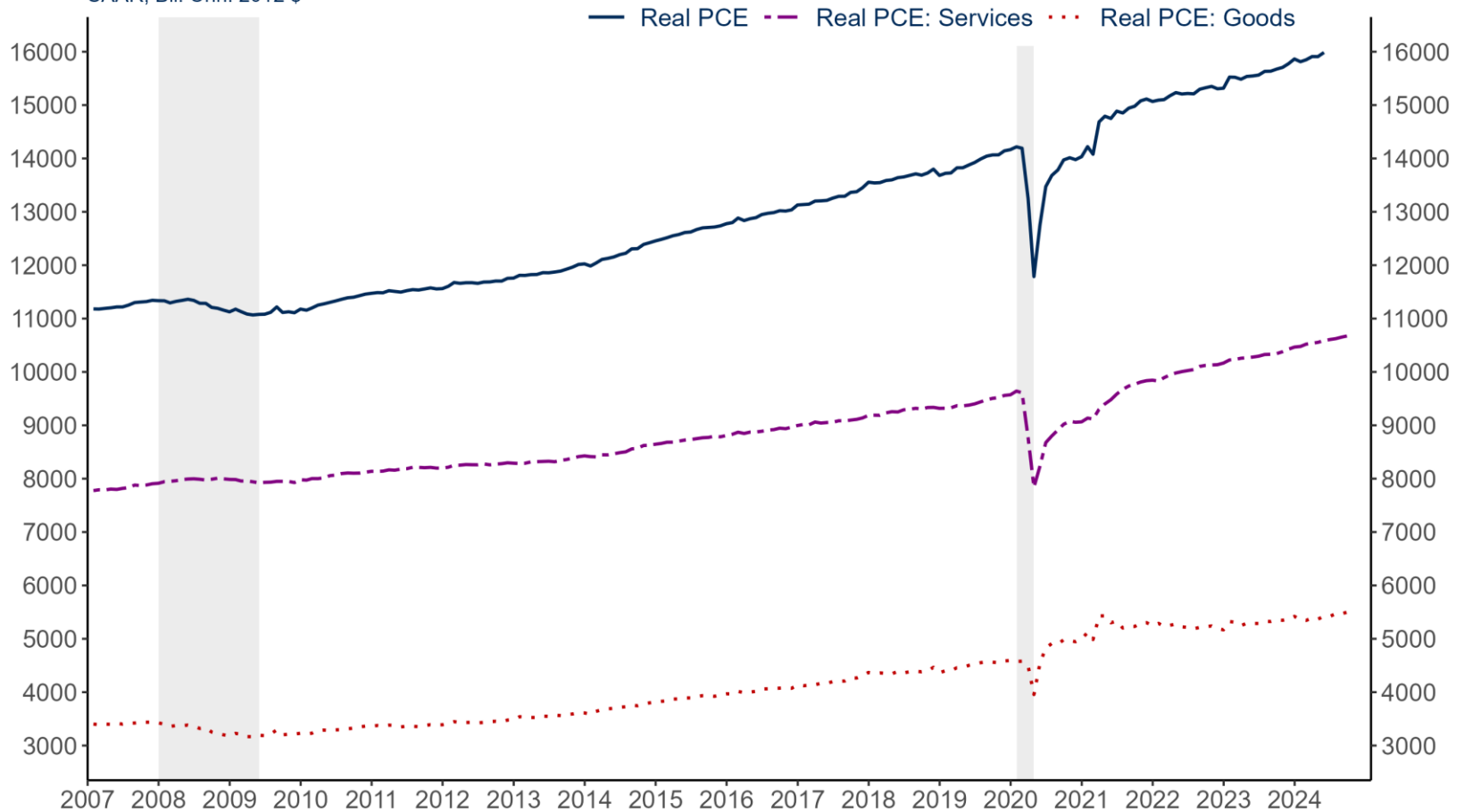


Source: Bureau of Economic Analysis/Haver Analytics, Federal Reserve Board

Why? Mostly due to incredible consumer resiliency

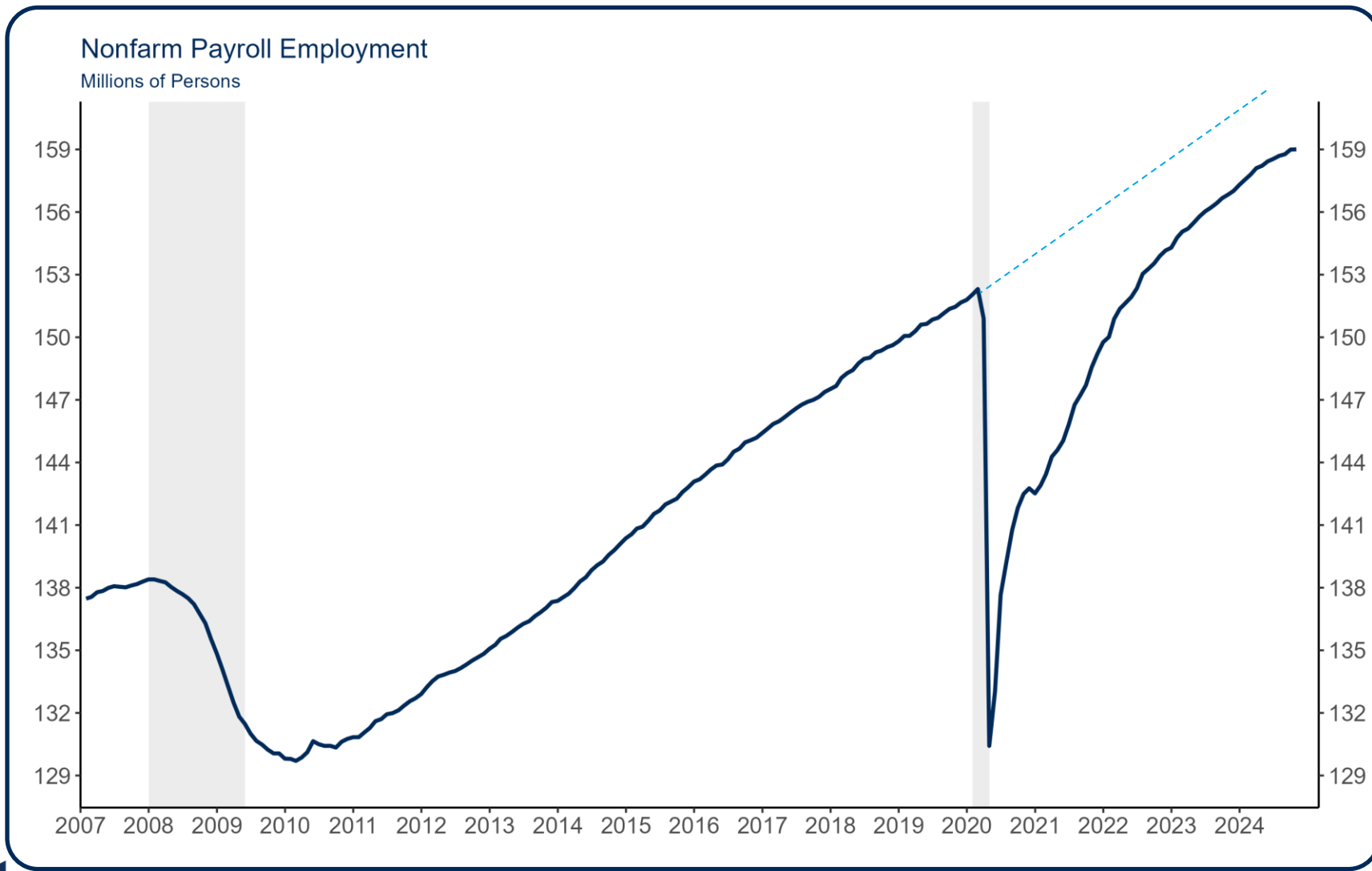
Real Personal Consumption Expenditures

SAAR, Bil. Chn. 2012 \$



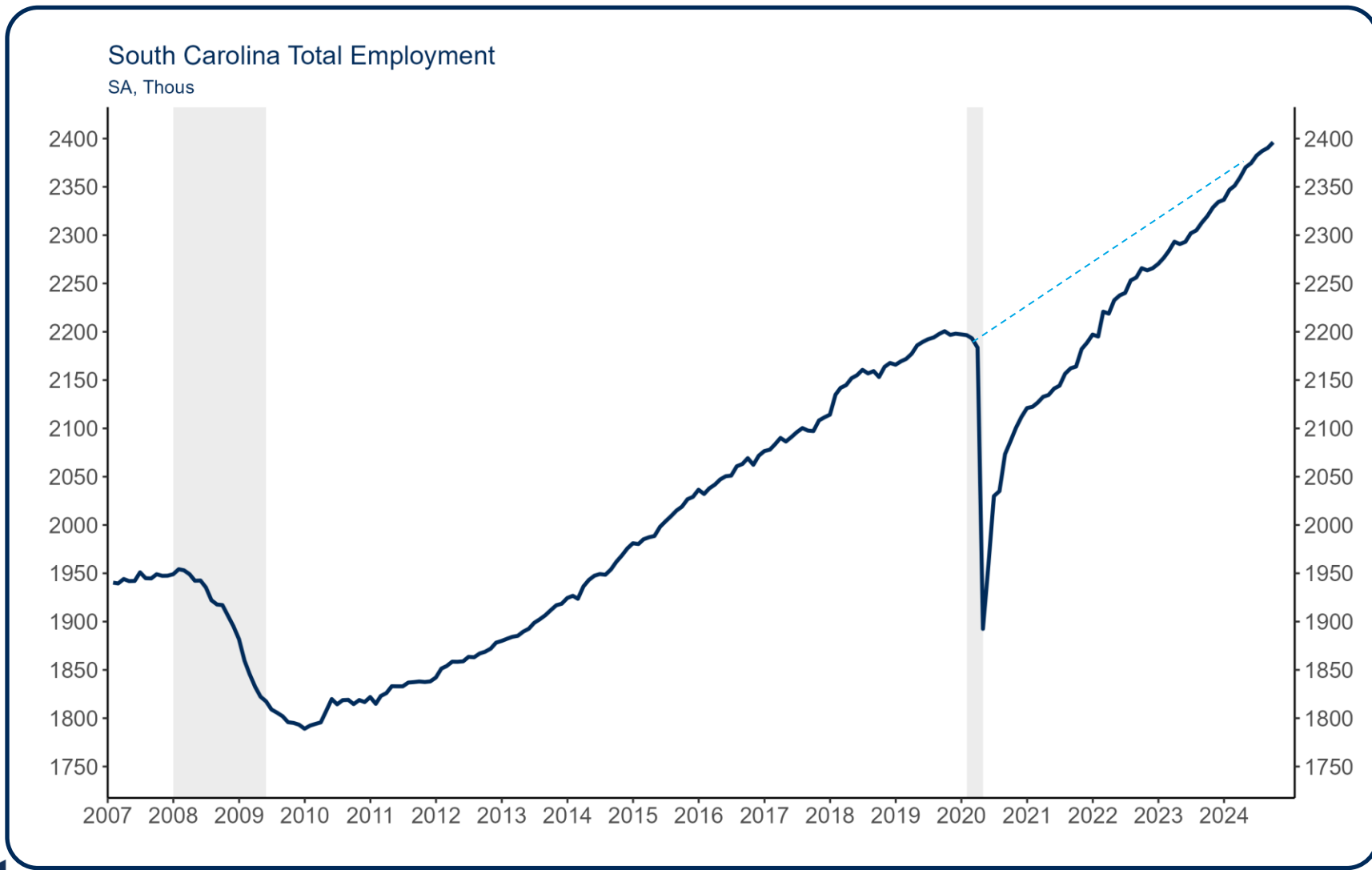
Source: Bureau of Economic Analysis

We are well above pre-COVID levels of employment nationally, but we haven't returned to the pre-COVID trajectory...



Source: Bureau of Labor Statistics/Haver Analytics

...but South Carolina has...



Source: Bureau of Labor Statistics via Haver Analytics

...and counties like Jasper are far above pre-COVID levels

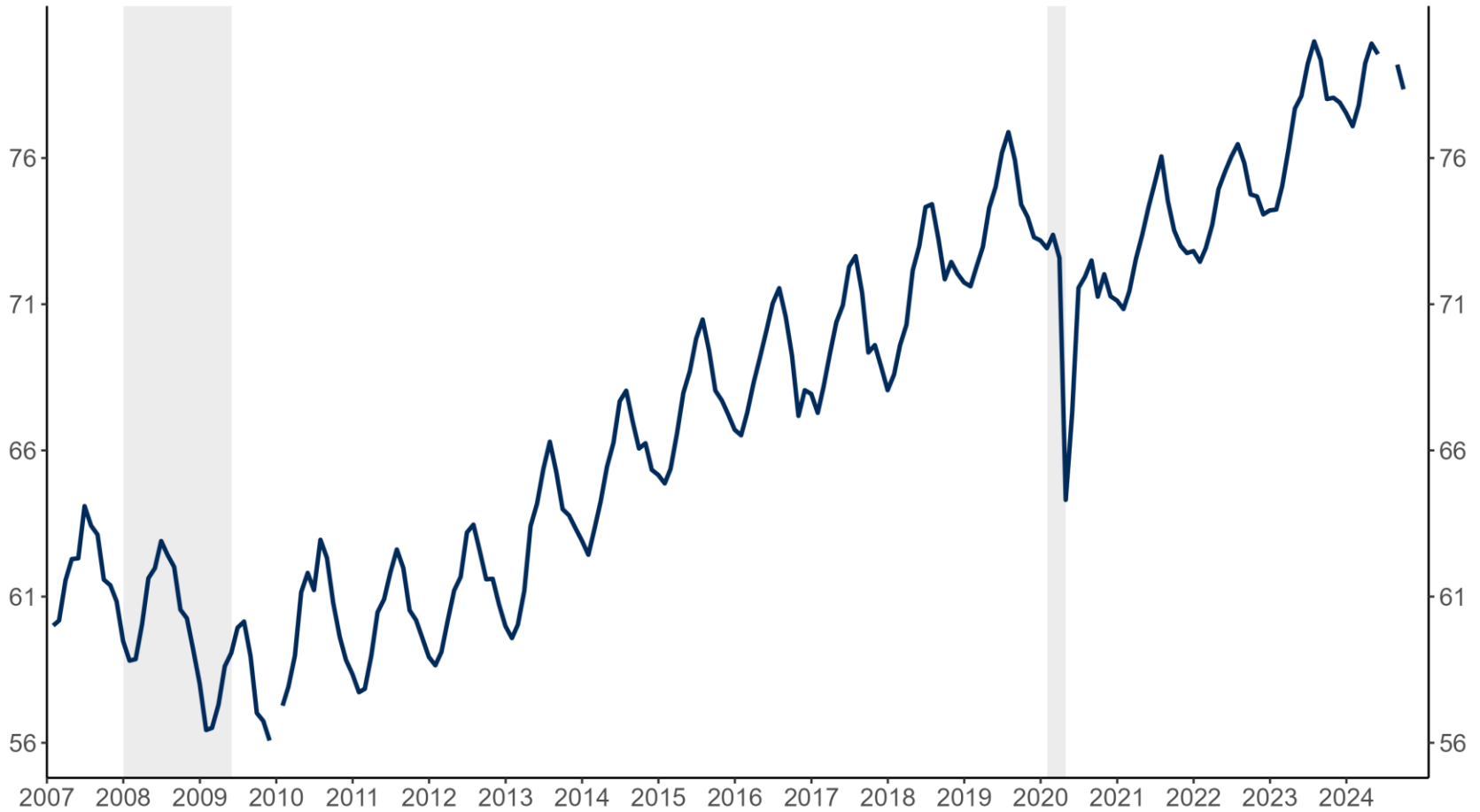


Source: Bureau of Labor Statistics via Haver Analytics

...as is Beaufort County

Beaufort County Total Employment

Thousand



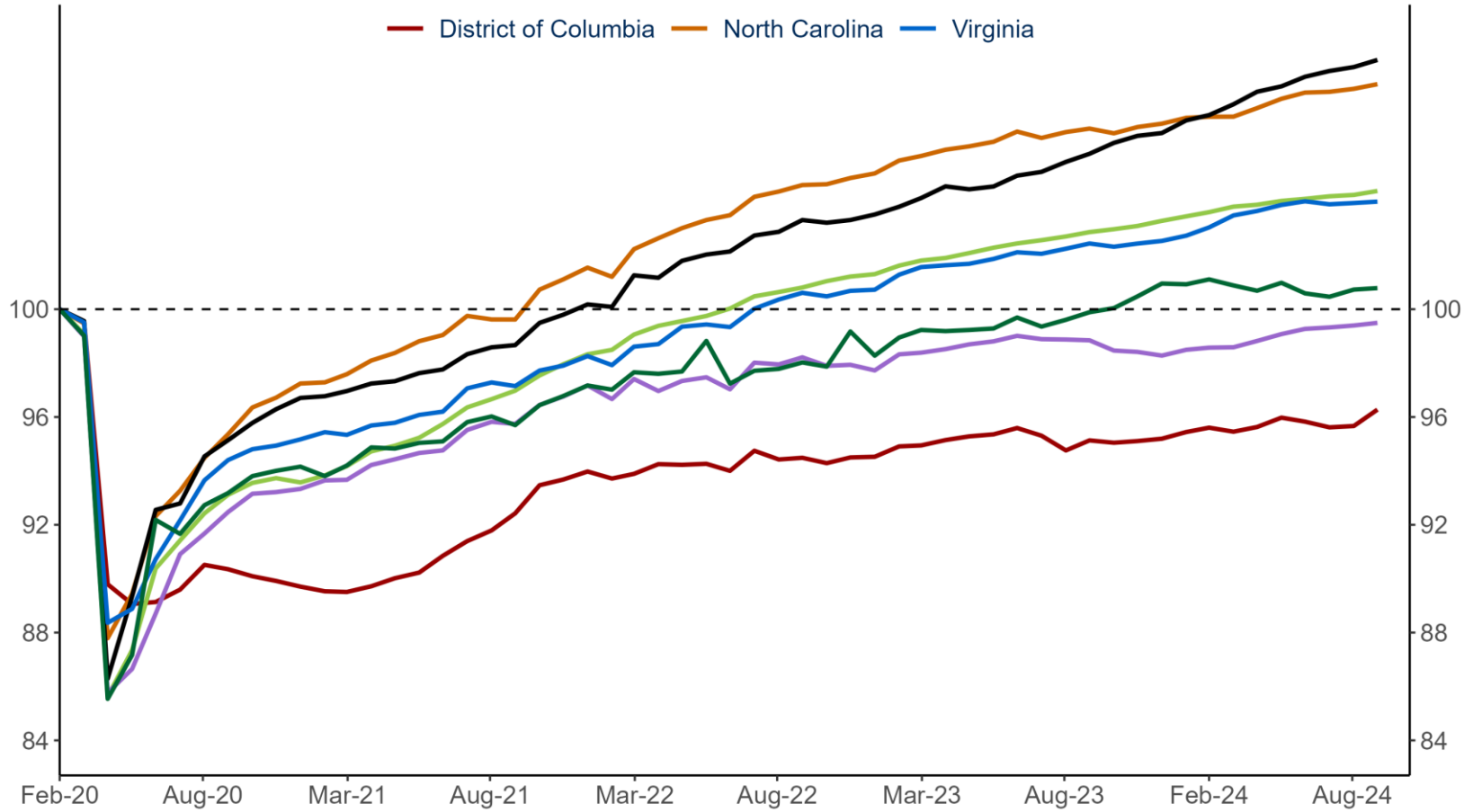
Source: Bureau of Labor Statistics via Haver Analytics

The Carolinas are clearly leading the employment recovery in the Fifth District

Total Payroll Employment Index

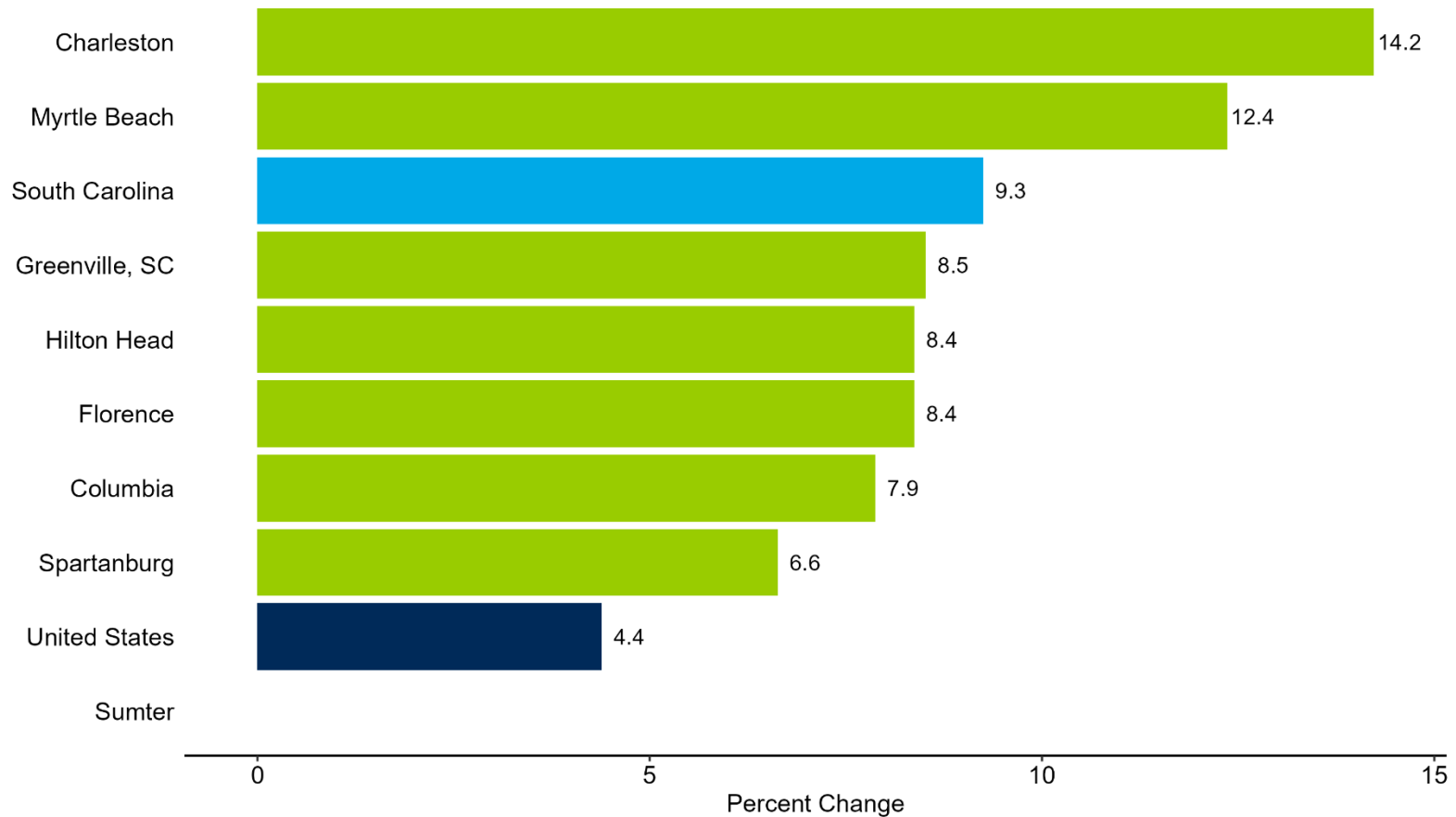
Index: February 2020 = 100

- United States
- Maryland
- South Carolina
- West Virginia
- District of Columbia
- North Carolina
- Virginia



Nearly all SC MSAs have seen employment growth that exceeds the national average

Employment Change from February 2020 to September 2024

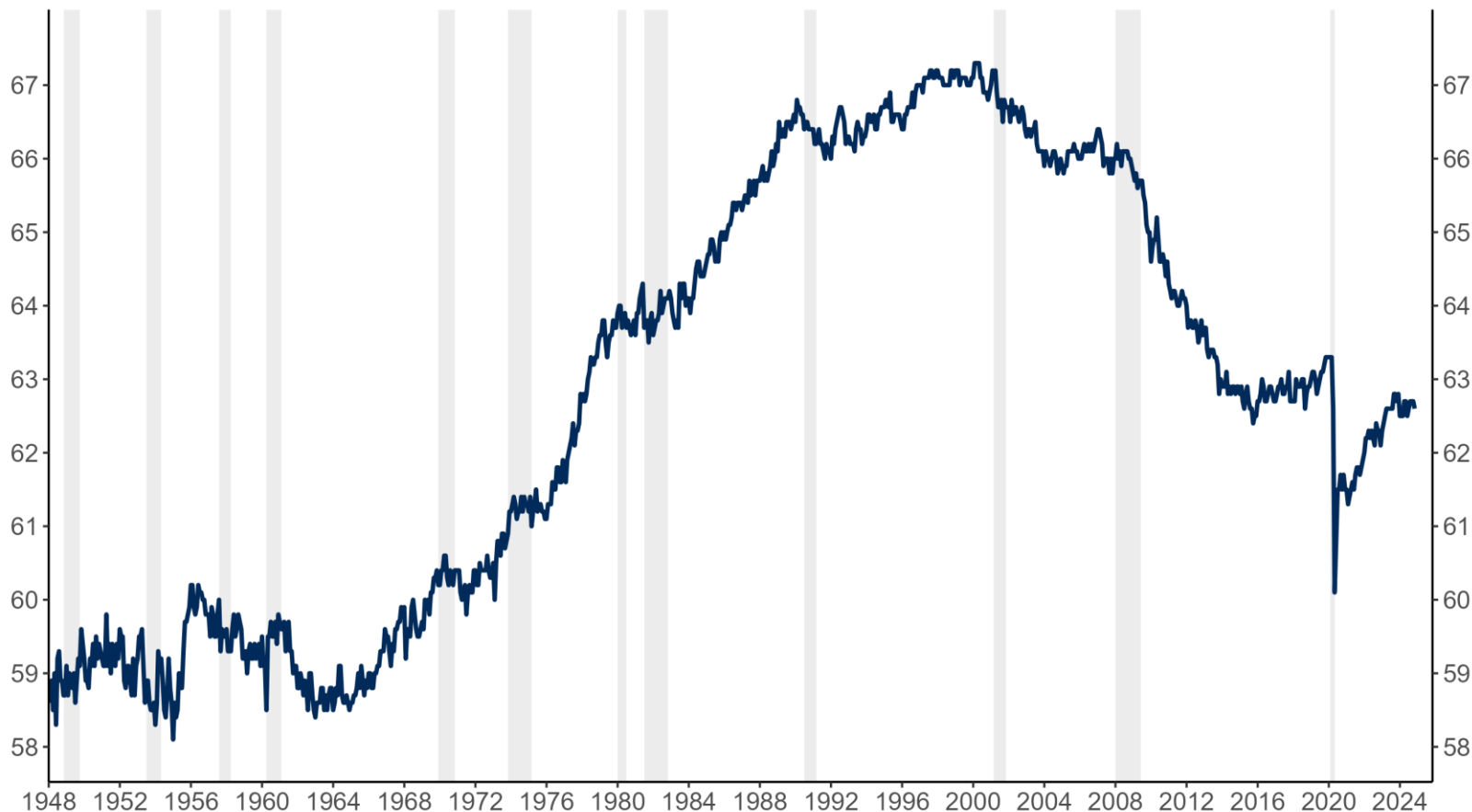


Source: Bureau of Labor Statistics/Haver Analytics

Labor force participation has not fully recovered, and new BLS projections foresee additional declines to 60.4% in 2032

Labor Force Participation (16 years old +)

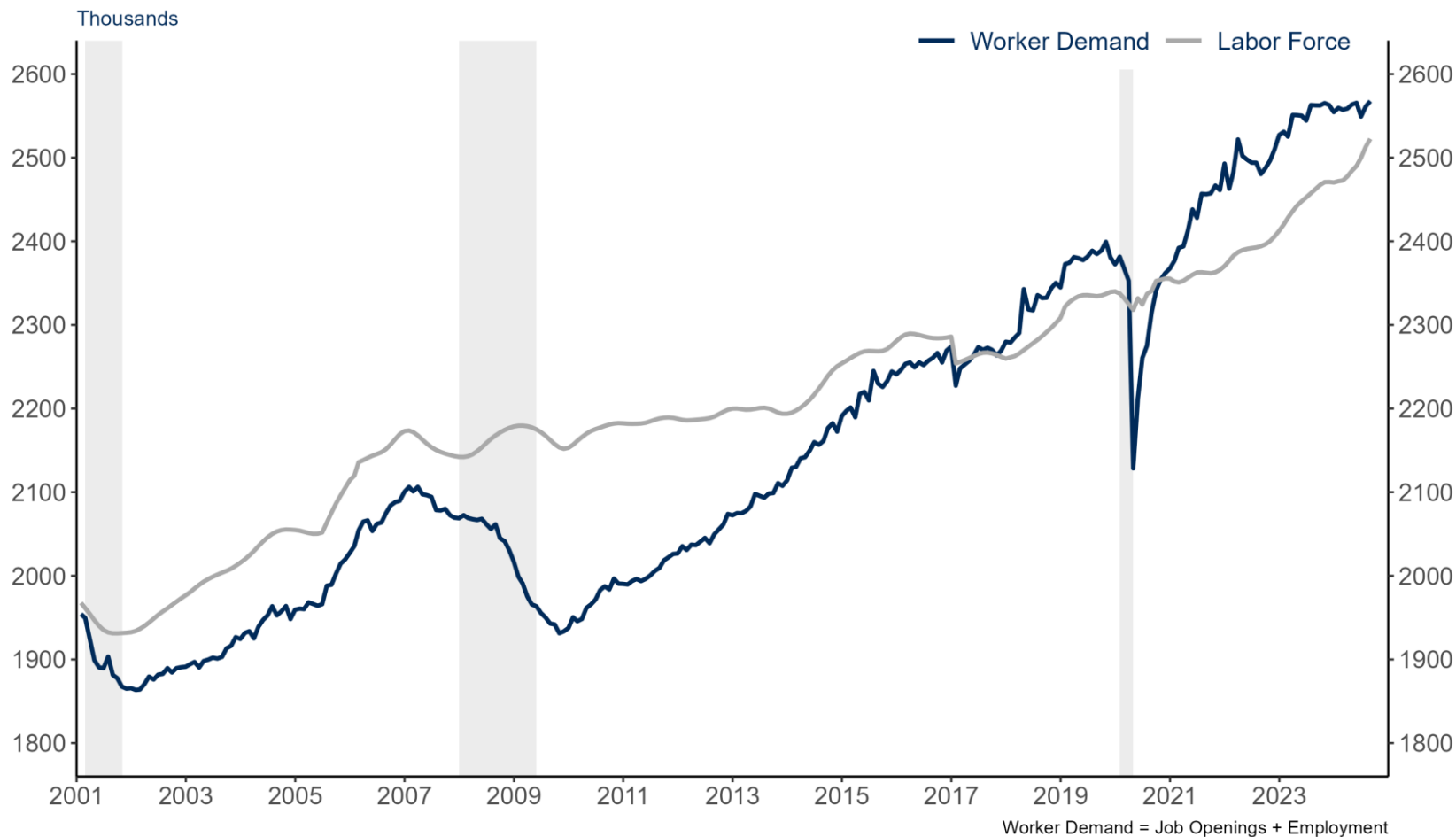
Percent



Source: Bureau of Labor Statistics/Haver Analytics

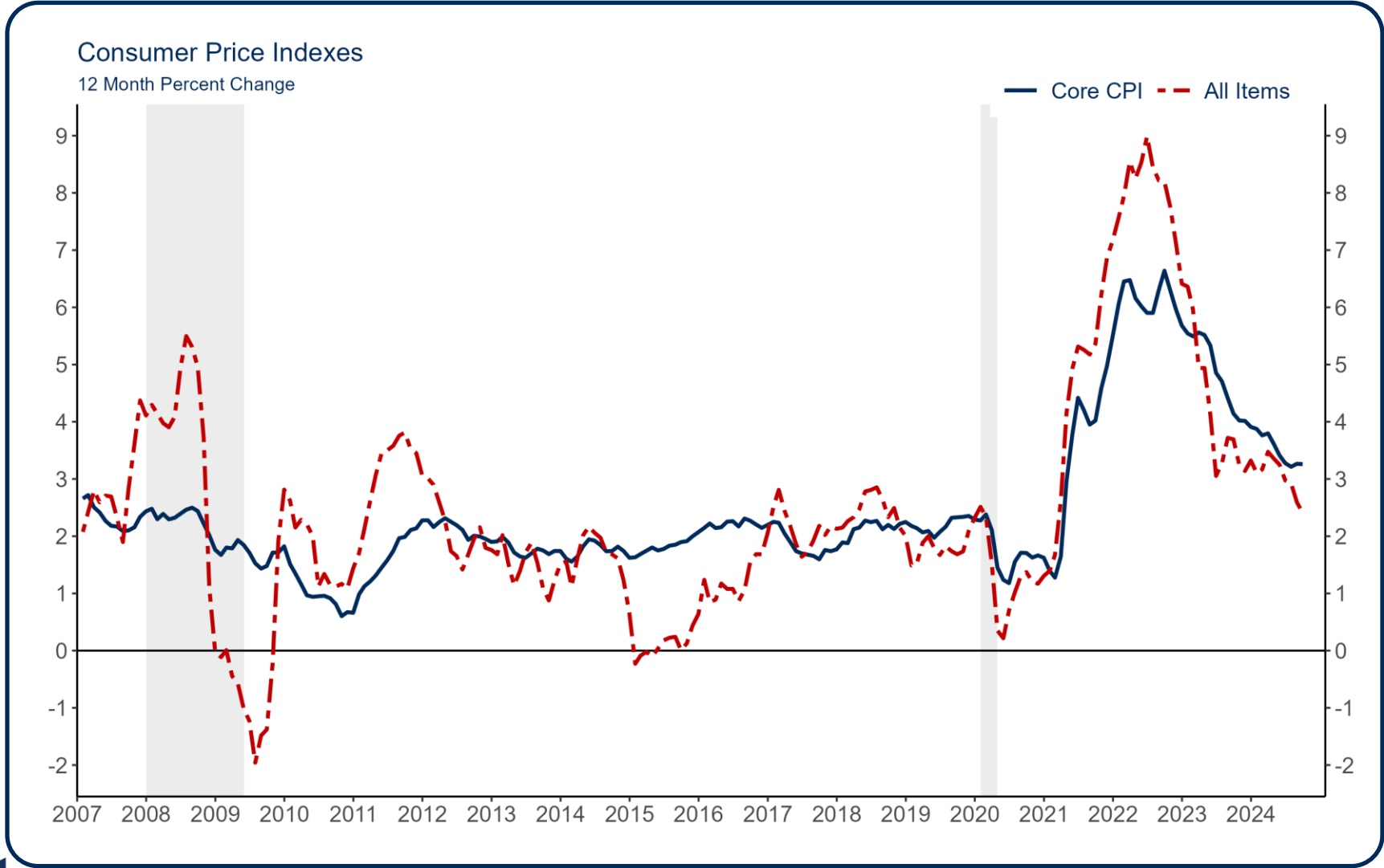
The short story...labor is tight and is likely to get tighter

Worker Demand and Labor Force -- South Carolina



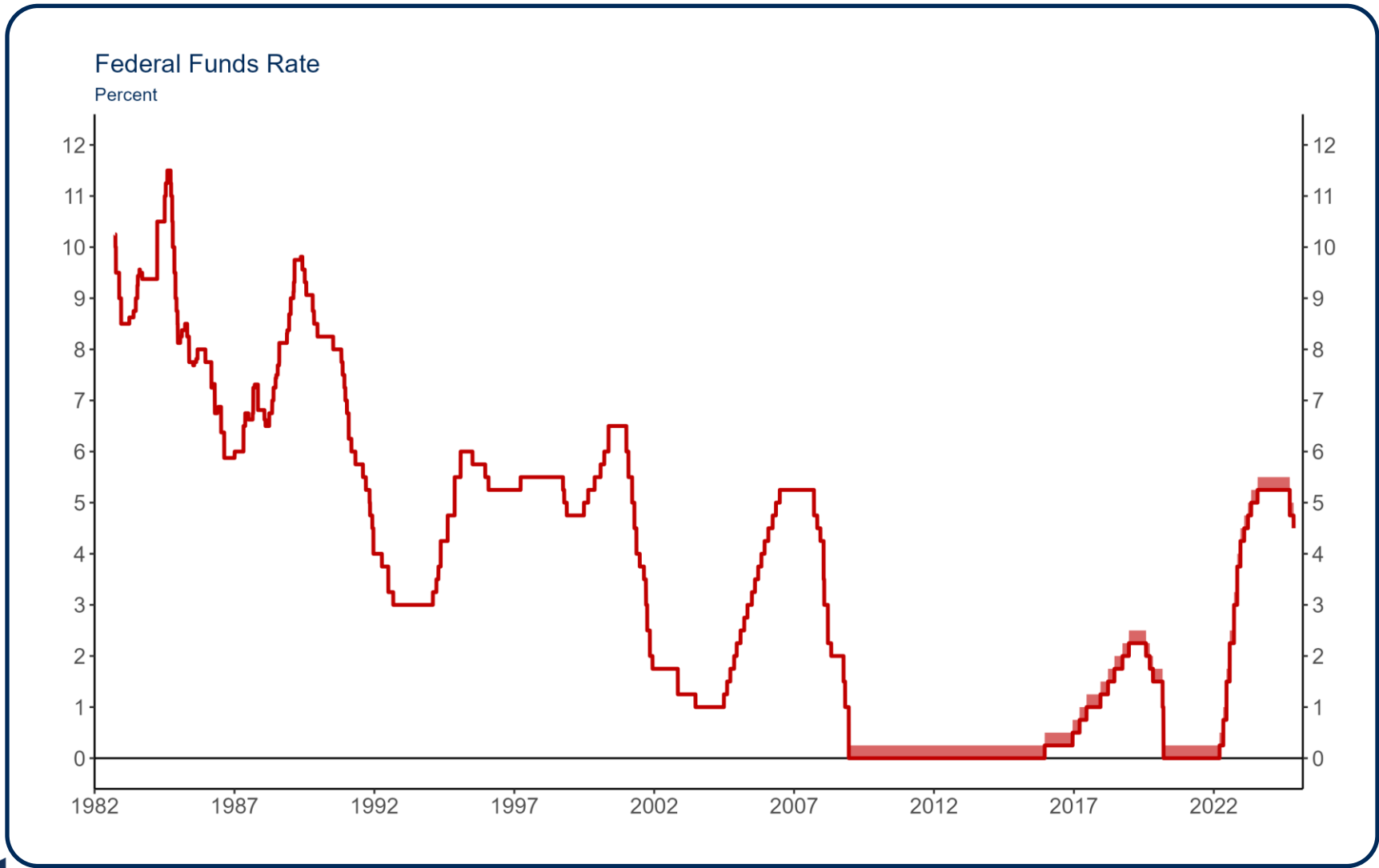
Source: Bureau of Labor Statistics, JOLTS, CES, LAUS / Haver Analytics

Inflation has normalized very quickly (all things considered)



Source: Bureau of Labor Statistics via Haver Analytics

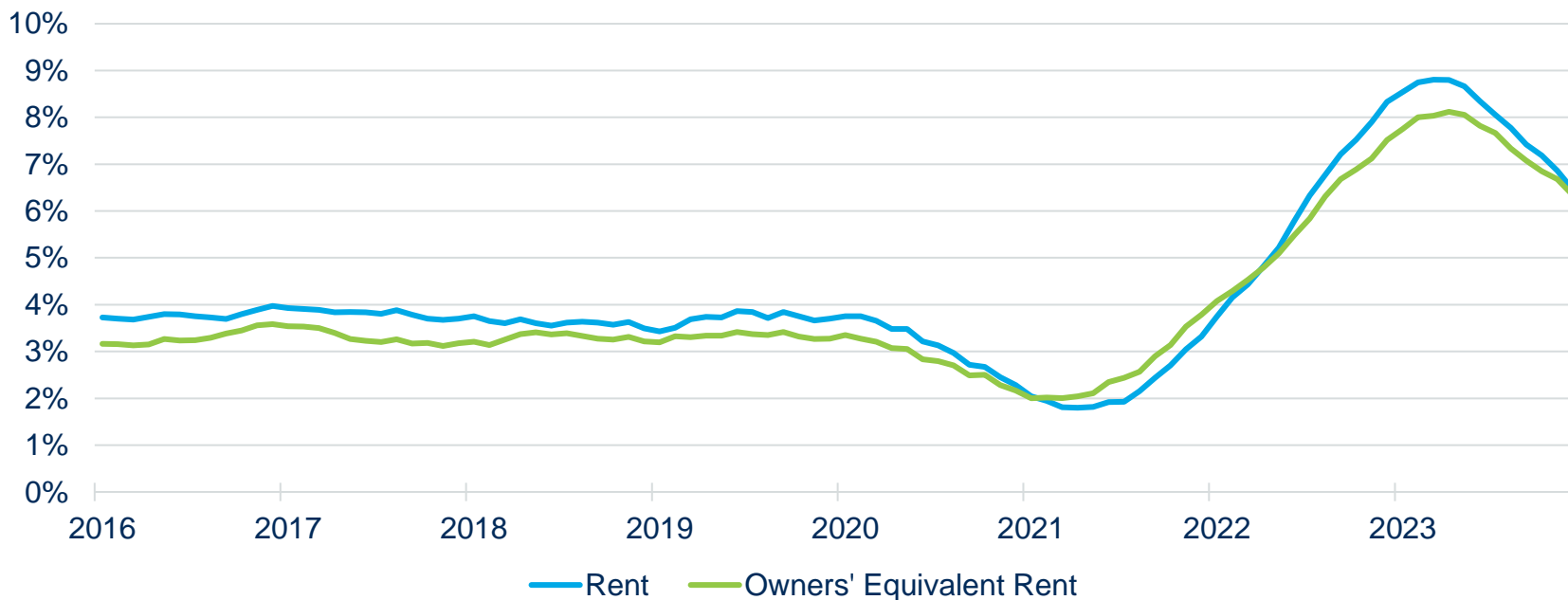
The FOMC has now cut rates twice. What's next?



Source: Federal Reserve Board

Not all prices are normalizing. What about housing? It remains well above pre-COVID levels

Year-Over-Year Change in Consumer Price Index for Rent and Owners' Equivalent Rent



Sources: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (CPI-U): Rent of Primary Residences in U.S. City Average and CPI-U: Owners' Equivalent of Rent of Residences in U.S. City Average and author's calculations

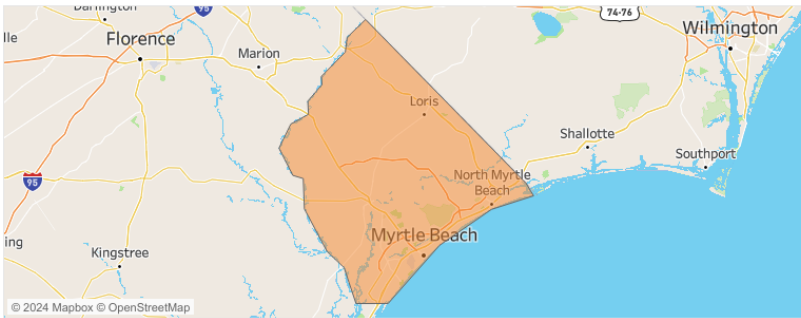
Let's look specifically at affordability in the two fastest growing MSAs in South Carolina (and then in the lowcountry)

Myrtle Beach-Conway-North Myrtle Beach, SC

Homeownership Cost as a Percent Share of Median Income by Metro County

Share Greater than 30% = Unaffordable

Source: Federal Reserve Bank of Atlanta

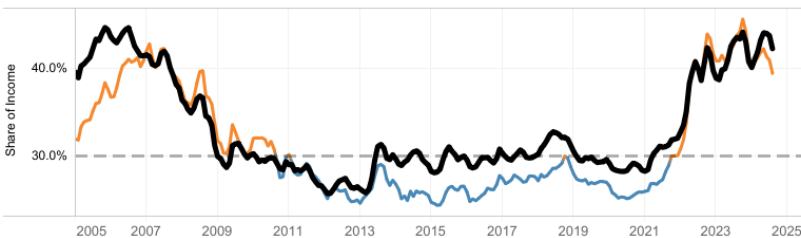


County or Parish - Horry

Homeownership Cost as a Percent Share of Median Income vs the United States (Black Line)

Share Greater than 30% = Unaffordable

Source: Federal Reserve Bank of Atlanta



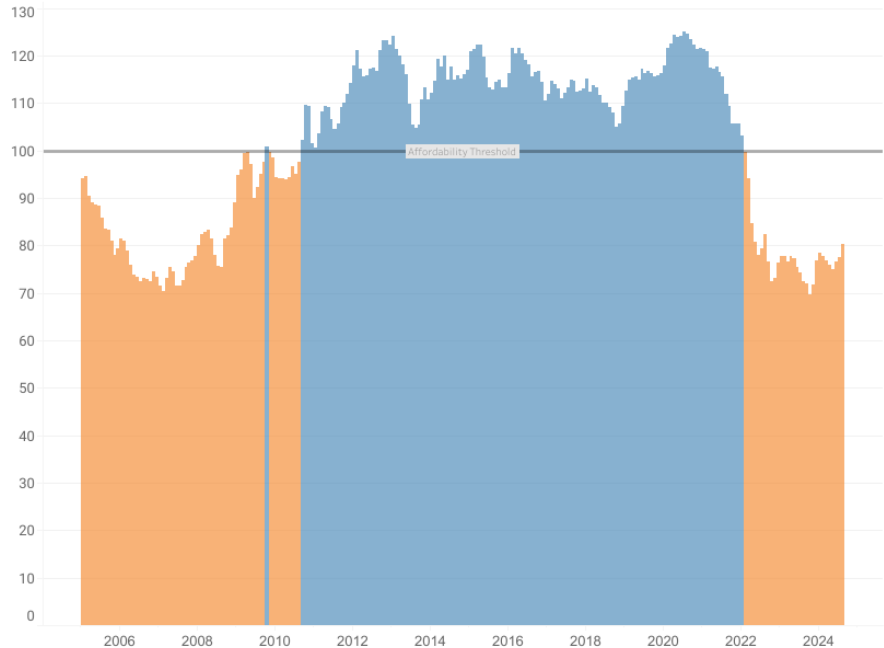
Myrtle Beach-Conway-North Myrtle Beach, SC

Affordability Index

(Toggle between Affordability Index & Homeownership Cost as a Percent Share of Median Income; by Metro)

Share of Median Income Greater than 30% OR Index less than 100 = Unaffordable

Source: Federal Reserve Bank of Atlanta



Source: Federal Reserve Bank of Atlanta, Home Ownership Affordability Monitor

Charleston has long been less affordable than Myrtle Beach, but the gap is growing

Charleston-North Charleston, SC

Homeownership Cost as a Percent Share of Median Income by Metro County

Share Greater than 30% = Unaffordable

Source: Federal Reserve Bank of Atlanta

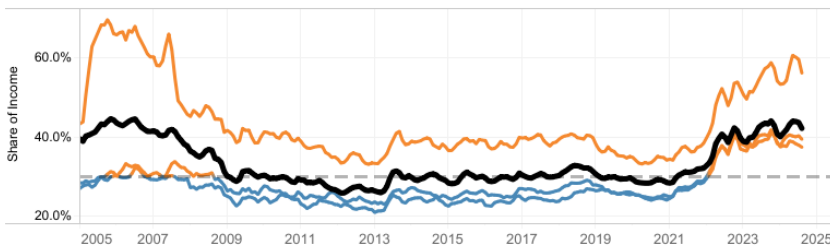


County or Parish - All

Homeownership Cost as a Percent Share of Median Income vs the United States (Black Line)

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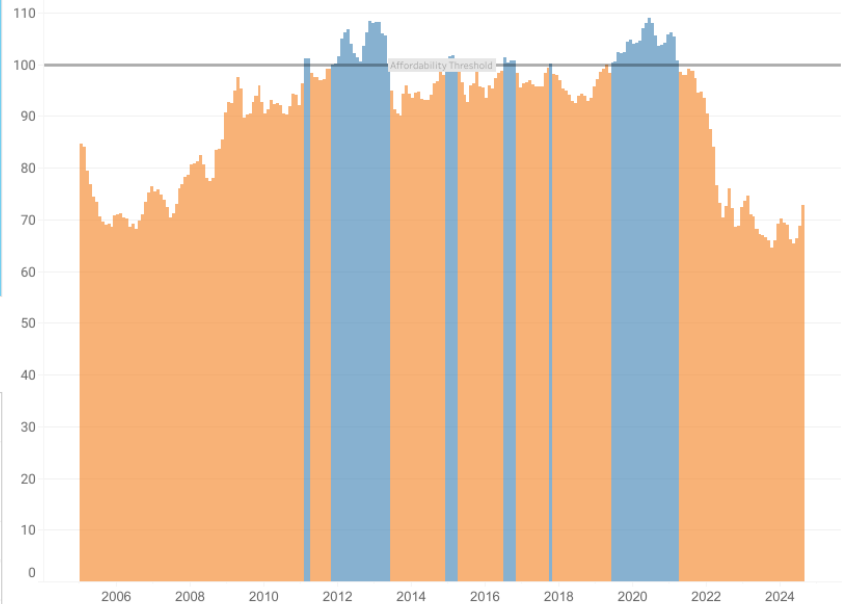
Charleston-North Charleston, SC

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Source: Federal Reserve Bank of Atlanta, Home Ownership Affordability Monitor

The Hilton Head MSA (Jasper and Beaufort Co.) has not had a single period of affordability in 24 years, and it has become much more severe recently

Hilton Head Island-Bluffton-Port Royal, SC

Homeownership Cost as a Percent Share of Median Income by Metro County

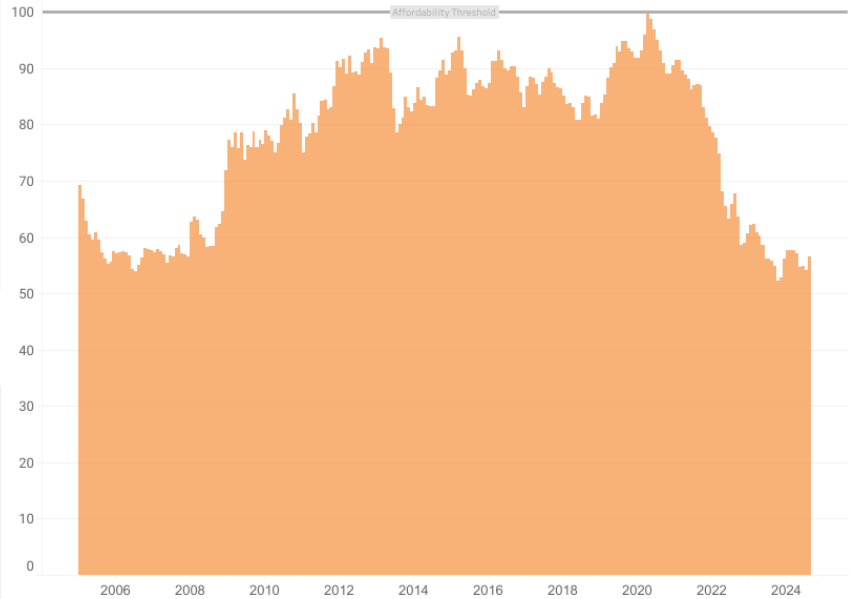
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Hilton Head Island-Bluffton-Port Royal, SC

Affordability Index

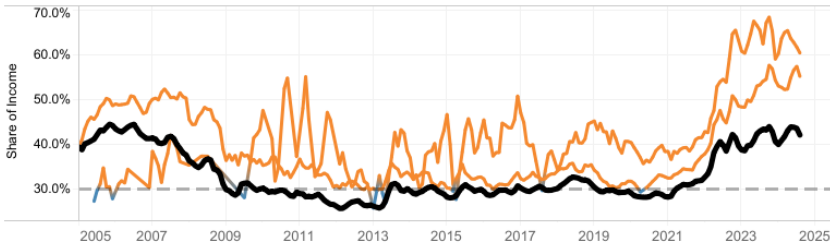
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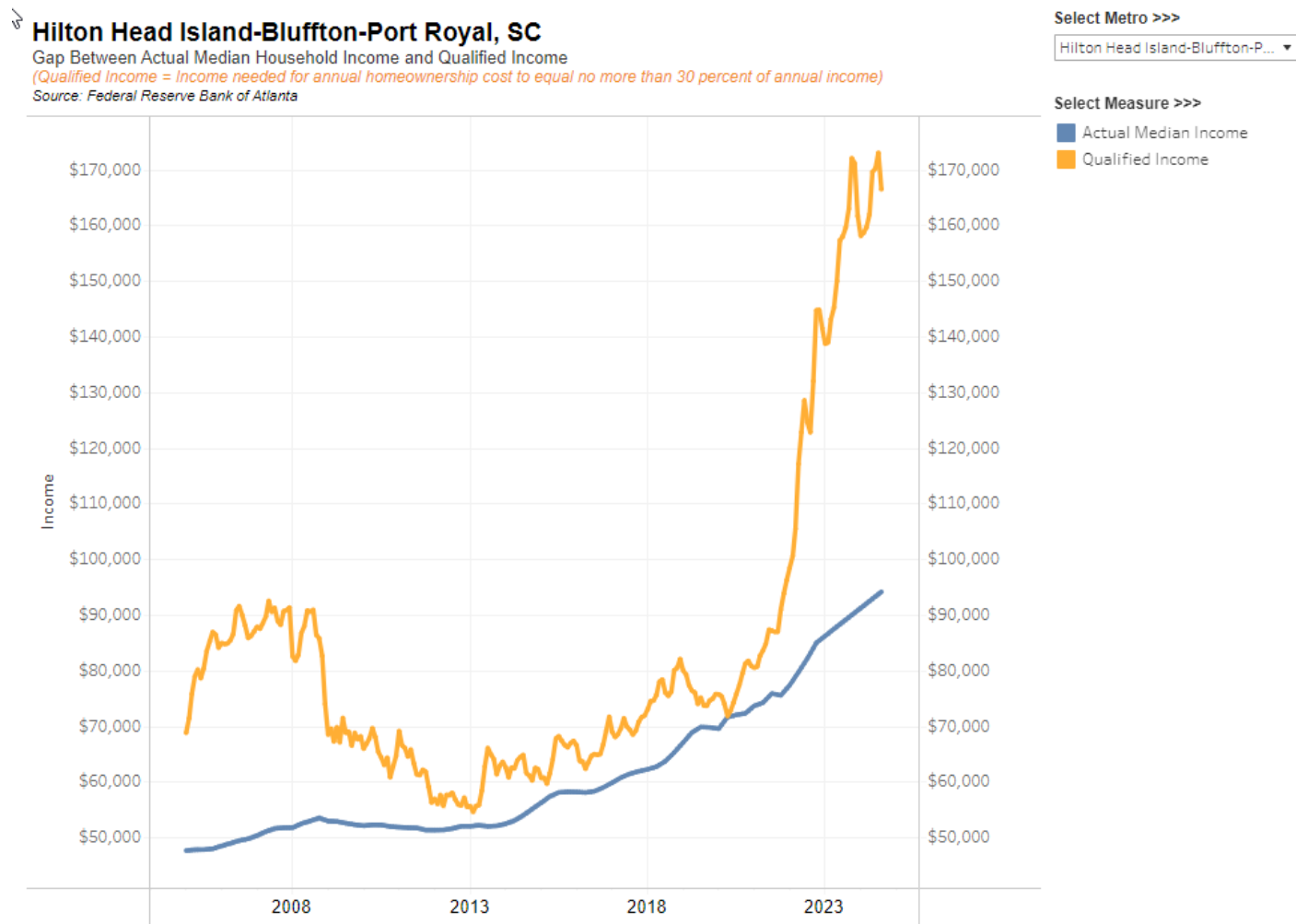
Homeownership Cost as a Percent Share of Median Income vs the United States (Black Line)

Share Greater than 30% = Unaffordable
Source: Federal Reserve Bank of Atlanta



Source: Federal Reserve Bank of Atlanta, Home Ownership Affordability Monitor

Someone in the Hilton Head MSA would need to make almost \$170,000 a year to affordably purchase the median home



Source: Federal Reserve Bank of Atlanta, Home Ownership Affordability Monitor

The vast majority of the costs associated with homes in the region is the cost of the mortgage, or in other words, the cost of the house itself

Hilton Head Island-Bluffton-Port Royal, SC

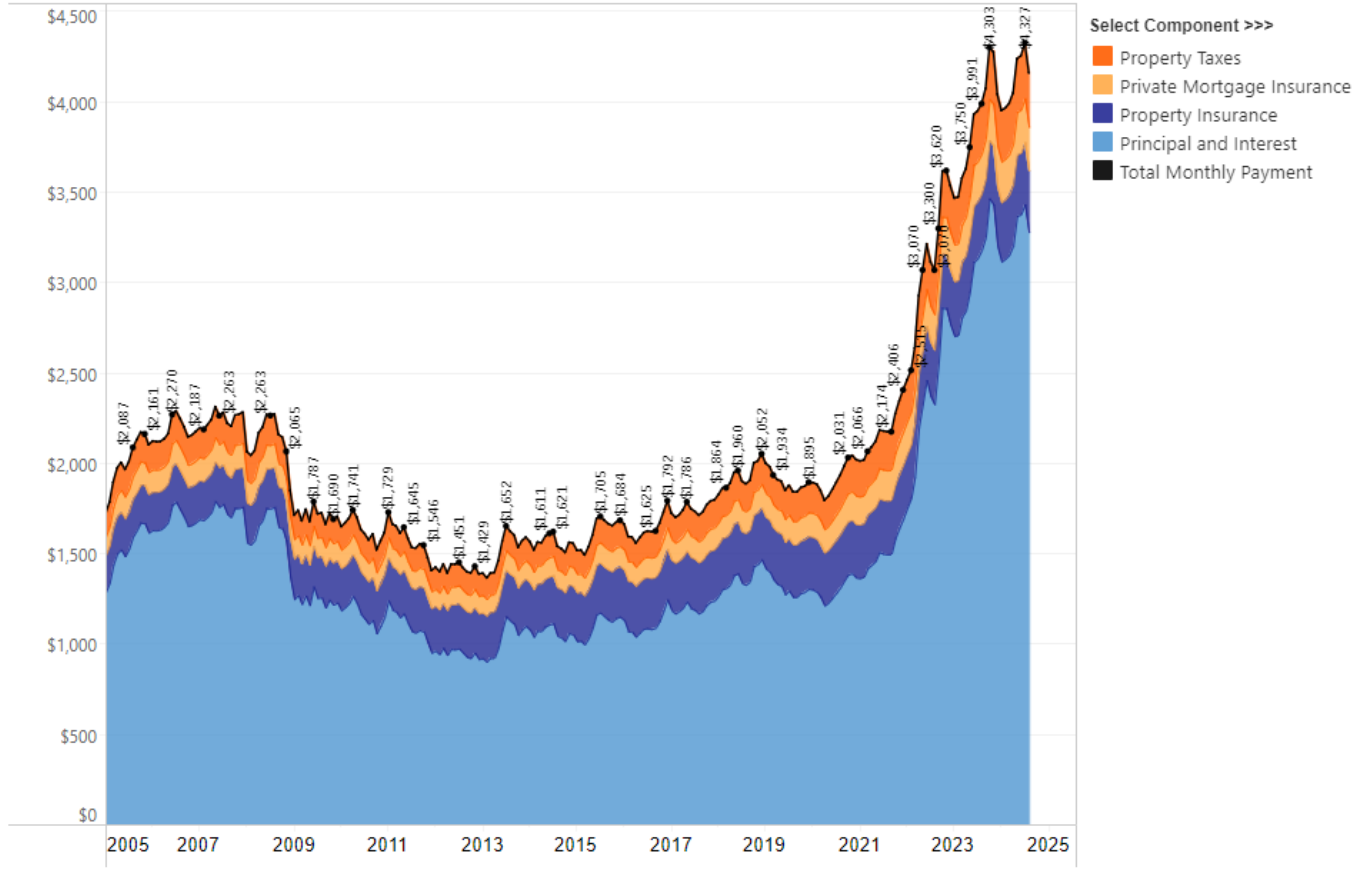
Monthly Cost Breakdown

(Select Cost Components in the legend, Hover for Values)

Source: Federal Reserve Bank of Atlanta

Select Metro >>>

Hilton Head Island-Bluffton-Port... ▾



Source: Federal Reserve Bank of Atlanta, Home Ownership Affordability Monitor

This can look quite different in other parts of the country, for example, Chicago

Chicago-Naperville-Elgin, IL-IN

Monthly Cost Breakdown

(Select Cost Components in the legend, Hover for Values)

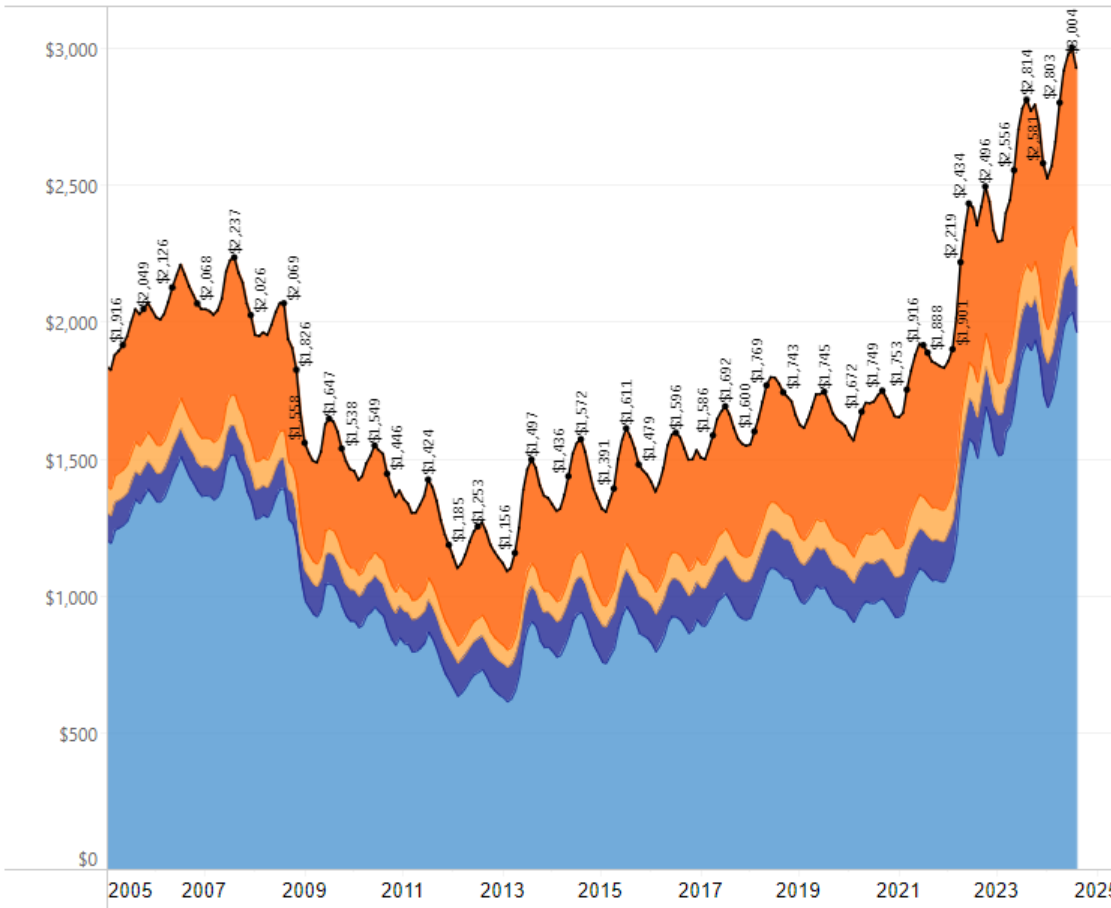
Source: Federal Reserve Bank of Atlanta

Select Metro >>>

Chicago-Naperville-Elgin, IL-IN

Select Component >>>

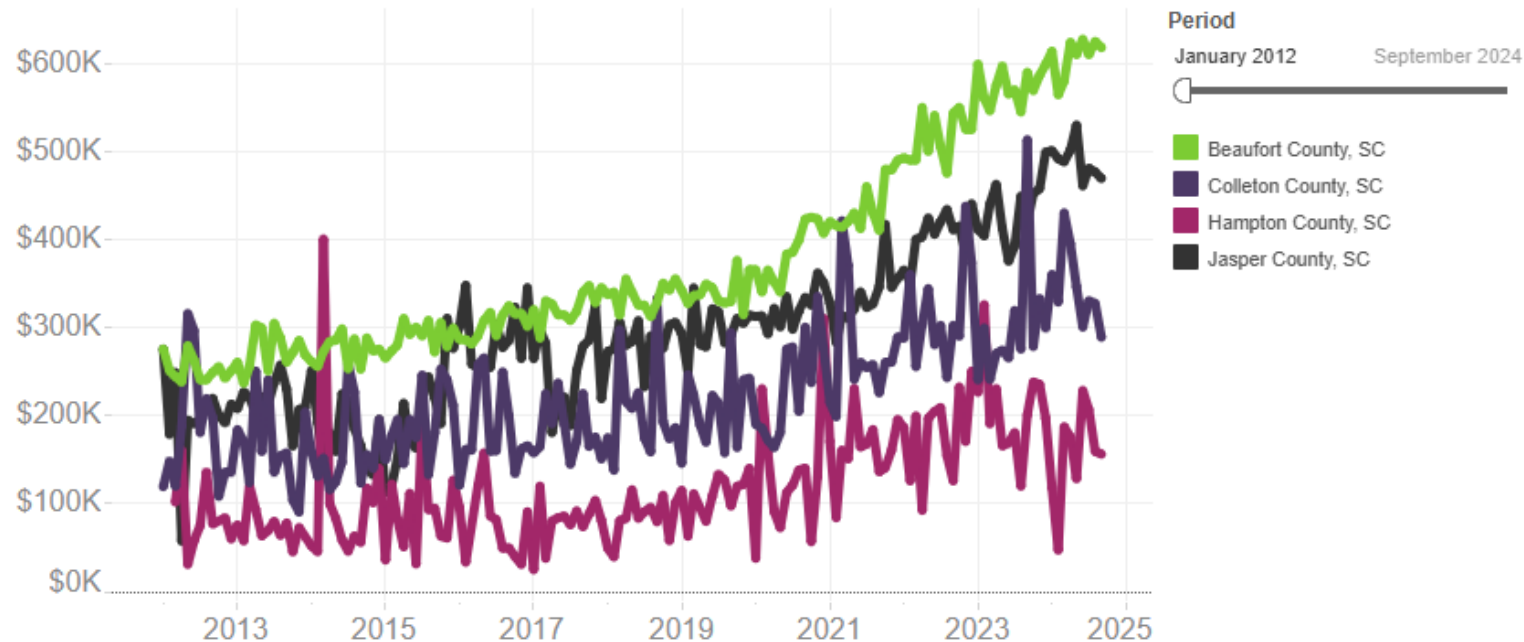
- Property Taxes
- Private Mortgage Insurance
- Property Insurance
- Principal and Interest
- Total Monthly Payment



Source: Federal Reserve Bank of Atlanta, Home Ownership Affordability Monitor

Prices across the lowcountry have risen in recent years, with the most extreme occurring in Beaufort County

Median Sale Price

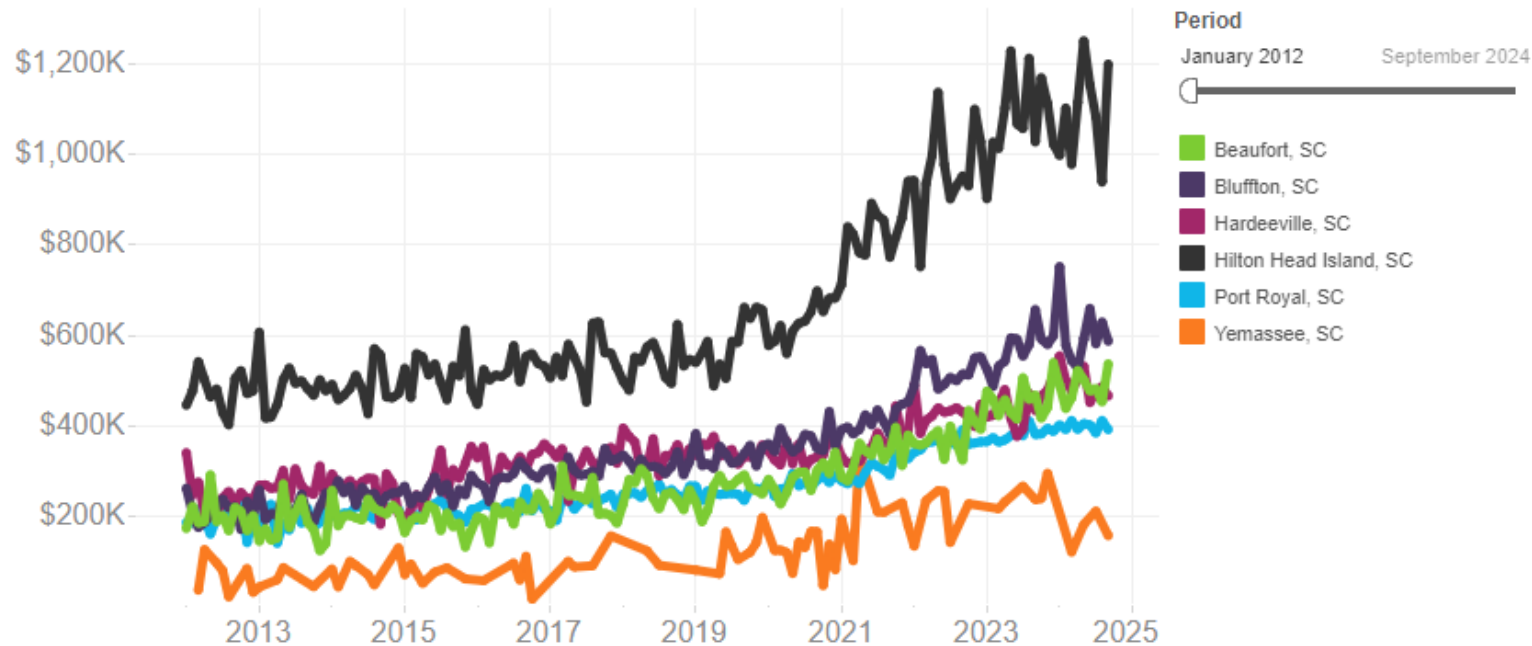


REDFIN

Source: Redfin

Not surprisingly, the cost of the median home is most extreme in Hilton Head, but it has risen to over \$400k in all but Yemassee

Median Sale Price

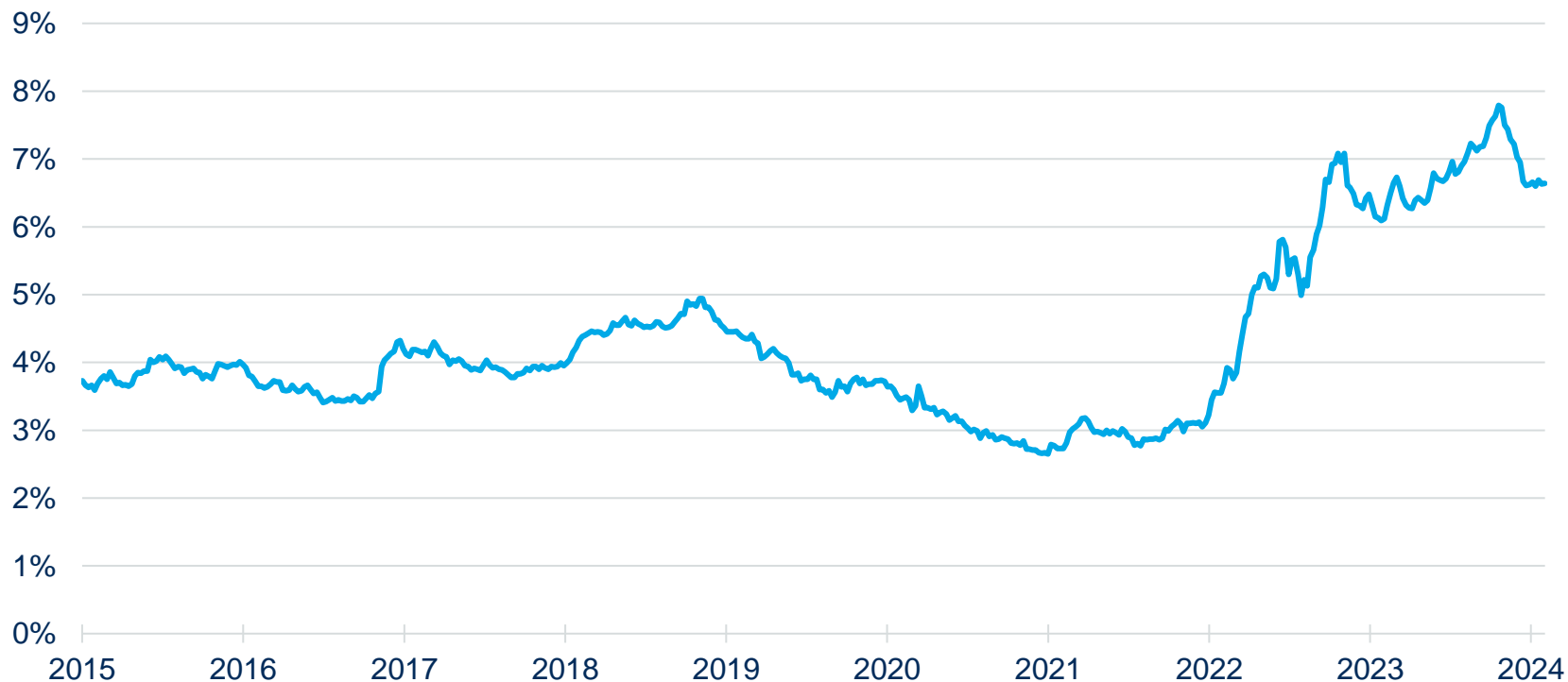


REDFIN

Source: Redfin

At the same time prices have climbed, so have mortgage rates...

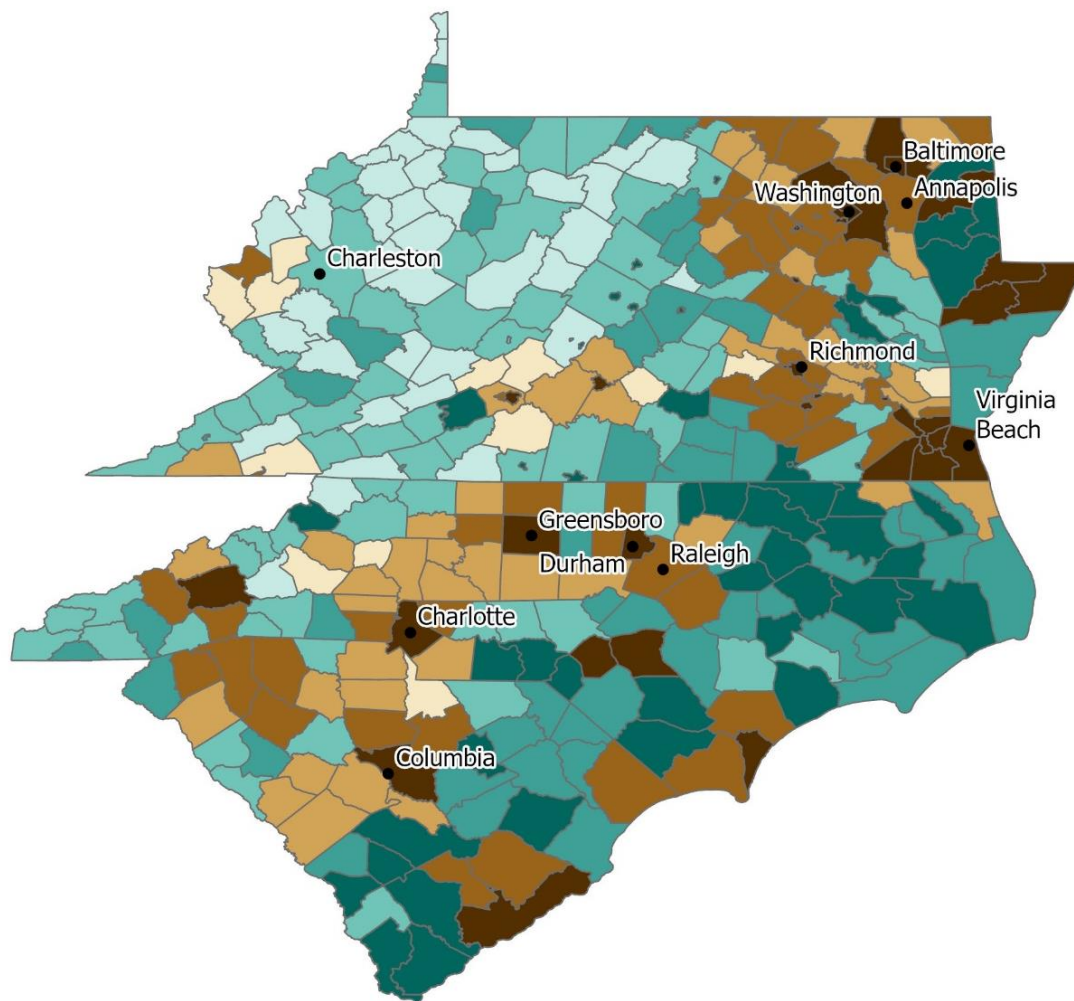
Average 30-Year Fixed Rate Mortgage



Source: Freddie Mac, 30-Year Fixed Rate Mortgage Average in the United States

There isn't a region we visit that isn't struggling with housing

Share of housing cost burdened households



Rural

- Fewer than 20 percent
- 20 - 25 percent
- 25 - 30 percent
- More than 30 percent

Urban

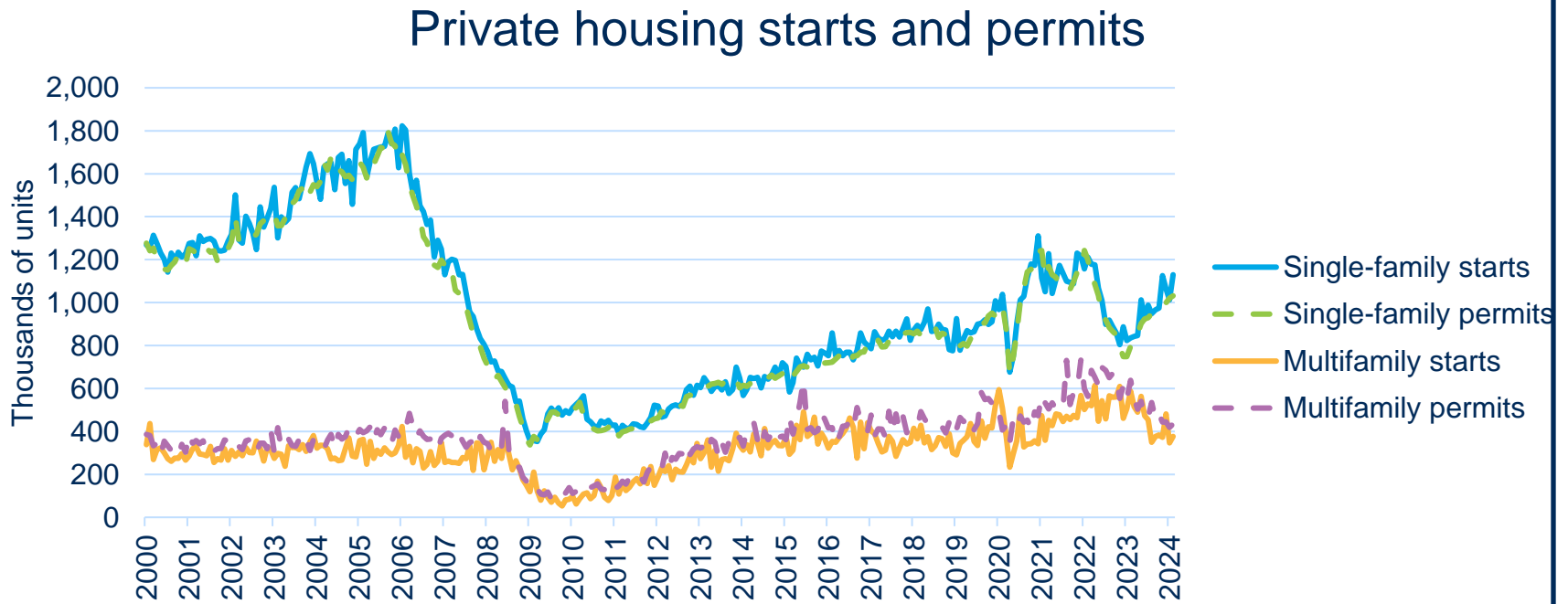
- Fewer than 20 percent
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- More than 30 percent

0 50 100 200 Miles



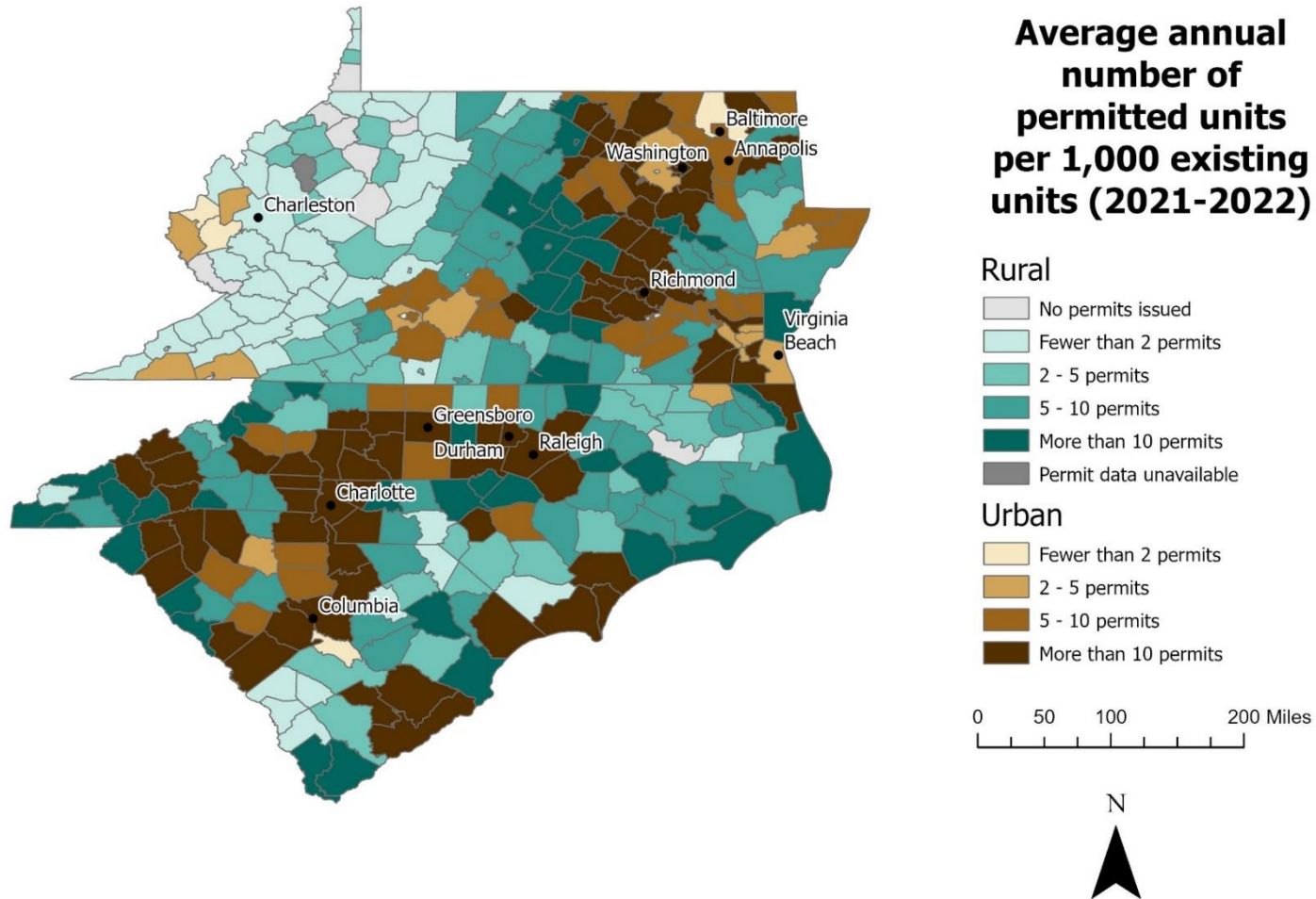
Source: U.S. Census Bureau 2018-2022 American Community Survey (ACS) 5-year estimates

Nationally, home building starts and permits have not recovered from the GFC...



Sources: U.S. Census Bureau and U.S. Department of Housing and Urban Development
Note: Multifamily represents units in buildings with 5 or more units. Units in buildings with 2-4 units are not presented.

...and recent permitting varies significantly by region. Parts of the lowcountry are seeing very low permitting levels



Sources: U.S. Census Bureau and U.S. Department of Housing and Urban Development
Note: Multifamily represents units in buildings with 5 or more units. Units in buildings with 2-4 units are not presented.

What can we do to improve housing affordability?

- **Coordination and intentional approaches**
 - Housing affordability as part of broader economic development strategies
- **Help projects pencil out**
 - Attract investment by eliminating fees and/or providing incentives
 - Impact fees are an issue in this space in South Carolina
- **Improve regulatory environment**
 - Streamline processes: staffing/procedures/regulations
 - Local/state officials can help build support for new construction, especially for housing that is affordable
- **Make more land available**
 - Revisit zoning laws
 - Invest in buildable homesites
 - Leverage unused land or structures, including naturally occurring affordable housing (NOAH)
 - Repurpose old and dilapidated structures

Questions/Comments?

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