

ECONOMIC DIALOGUE

**24TH ANNUAL GROWTH AND REAL
ESTATE SUMMIT
DUNES GOLF AND BEACH CLUB**

MARCH 24, 2023

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WELCOME!

- It's Lent season. What did you give up?
- I gave up ... negativity.

RECALL A YEAR AGO: LAST YEAR'S FIRST AND LAST SLIDES.



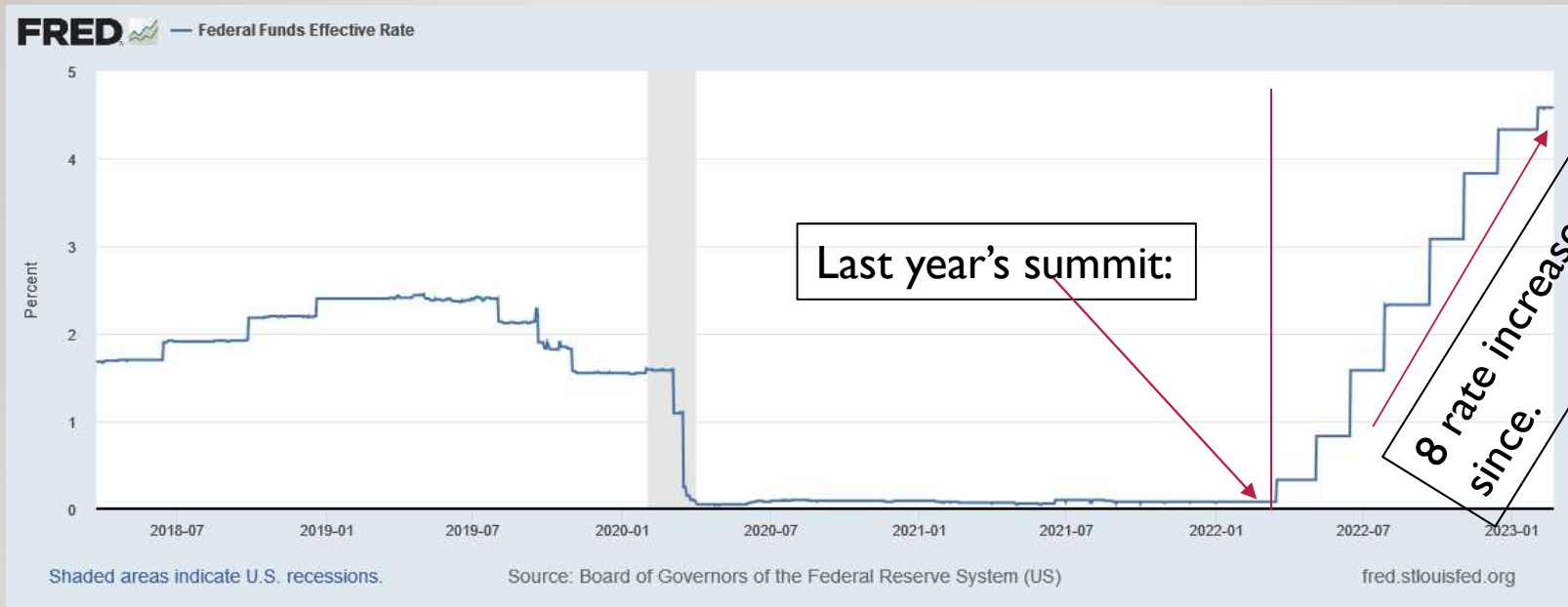
- Expansion is slowing and moves to tame inflation are building. (Fed made first upward move, to 0.25%. Today at 4.55%)
- Geopolitical risk is increasing. (Not much has changed)
- Overheating and uncertainty are similar to pre-Covid period. (A banking crisis threatened but was tempered)
- Yet, inflation has emerged and lingers. Budget conservatively. (Eggs, fuel, everything else. Up...then down some.)

THE ECONOMY: WHAT DO WE KNOW, OR REMEMBER?

- The World (inflation and western economies)
- The U.S. (1st y.o.y. home price decline since 2012)
- South Carolina and the Region (in-migration)
- Do our experiences converge or diverge from the greater economic conditions (e.g. single family versus multi-family; in-migration versus out-migration)?
- How should we prepare?



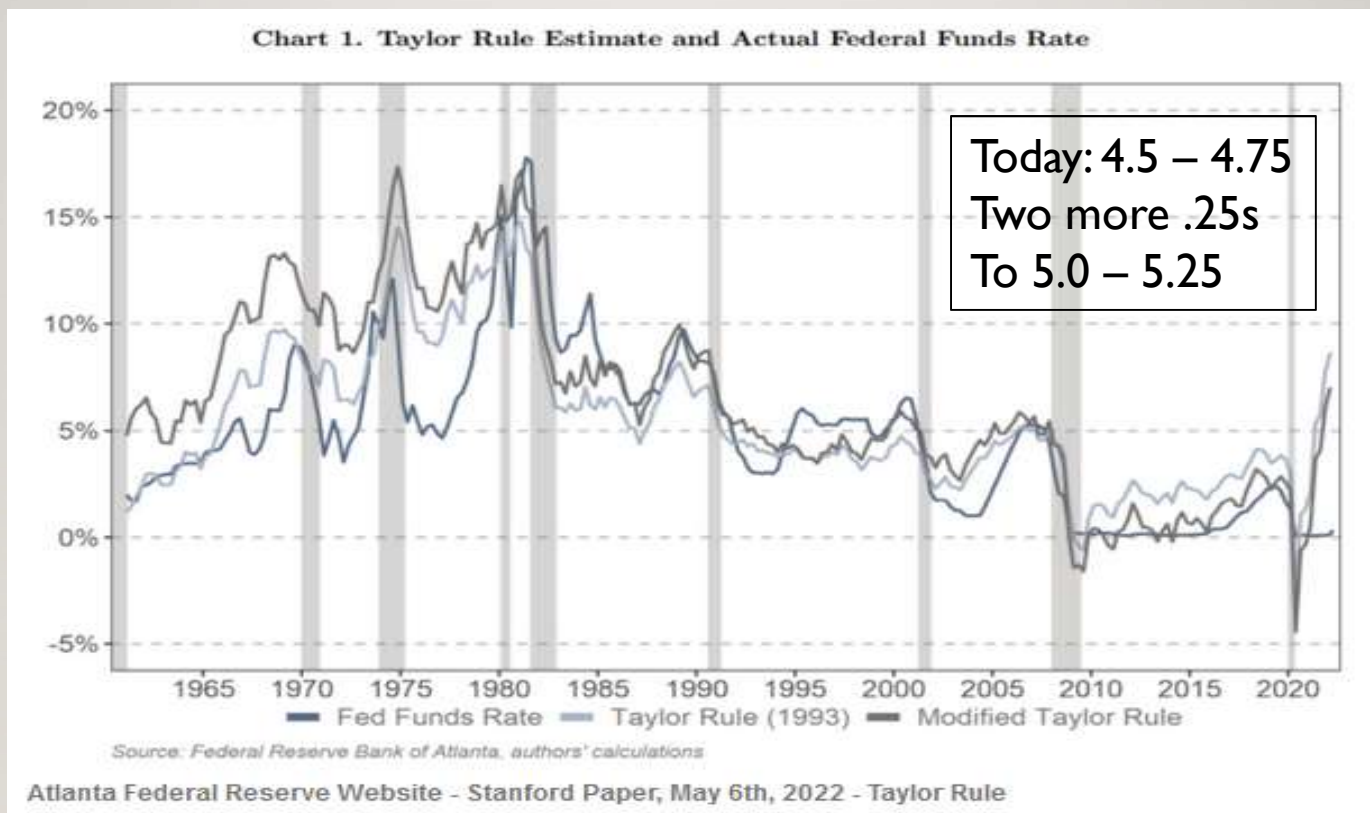
THIS TIME LAST YEAR: FED RATE?



FEDERAL FUNDS RATE - HISTORICAL

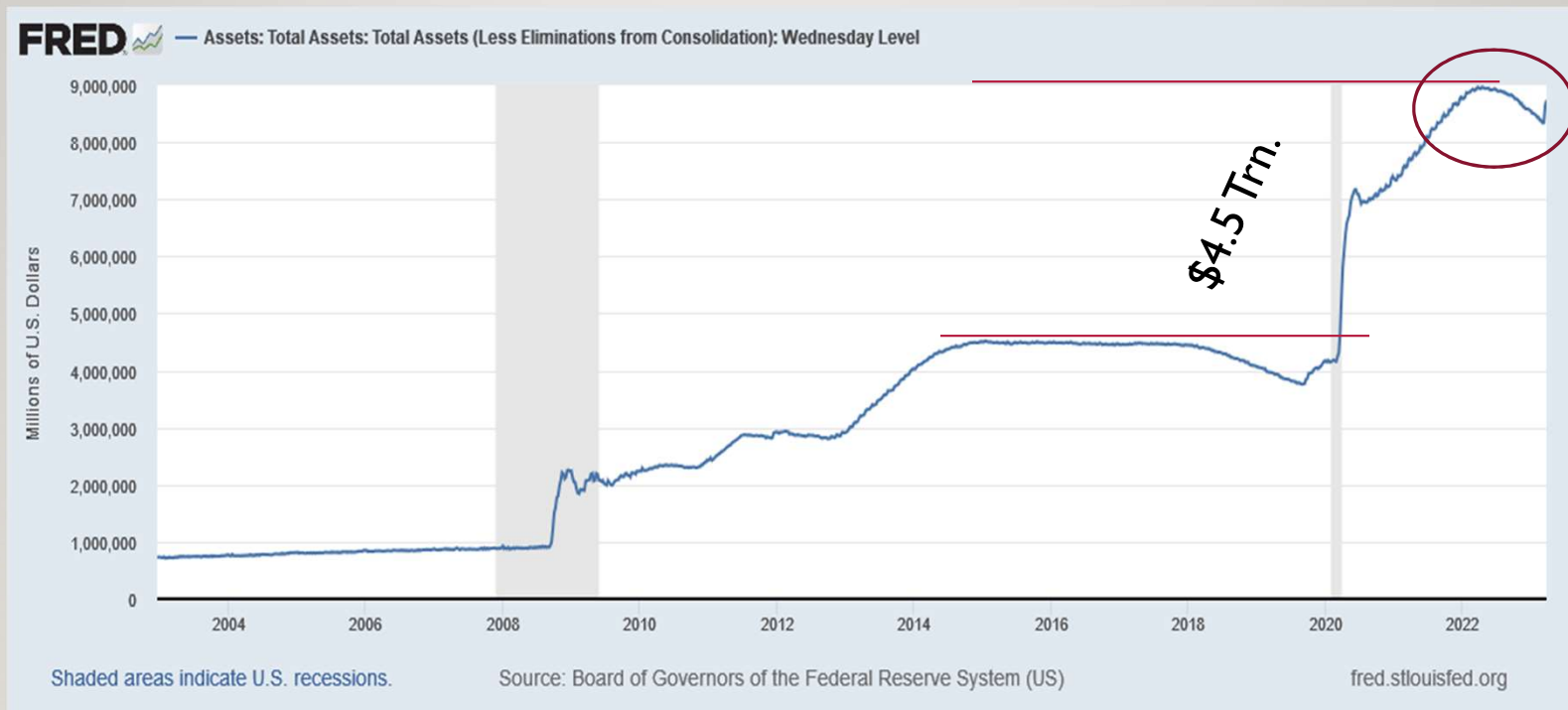


STUDY PREDICTED 7% FFR NEEDED TO FIGHT INFLATION

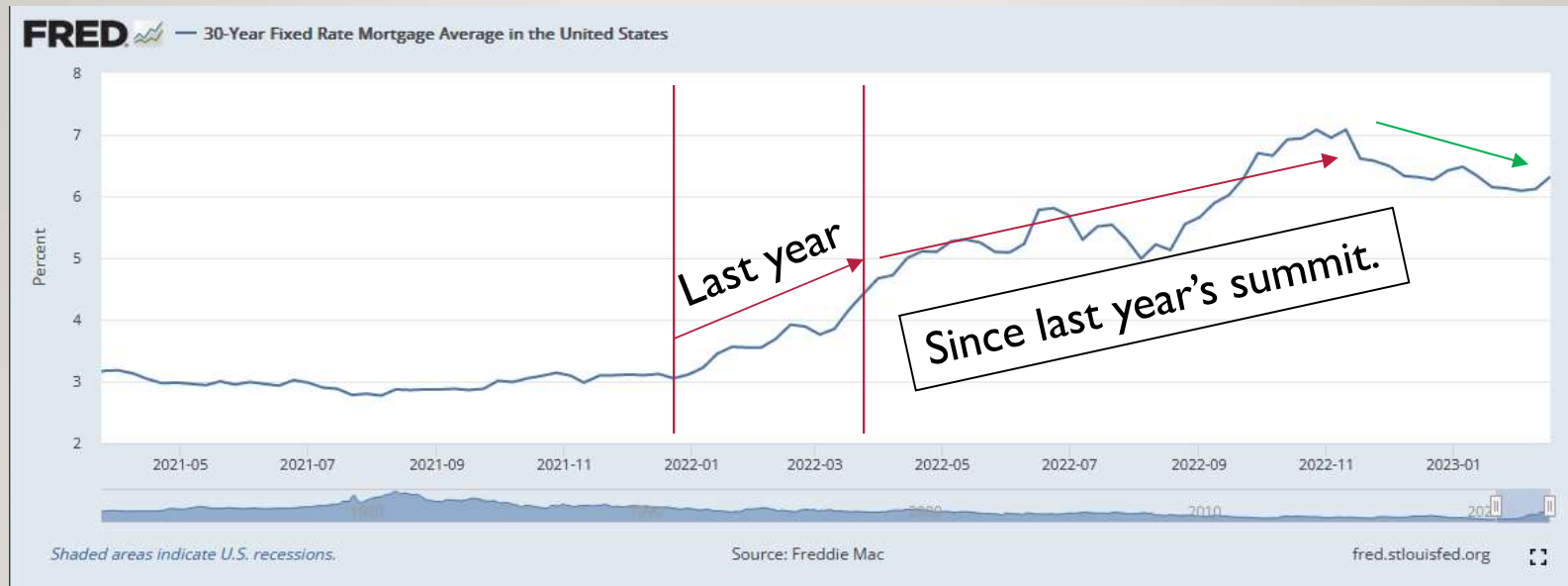


Courtesy of Paul Franke at Seeking Alpha

FED BALANCE SHEET



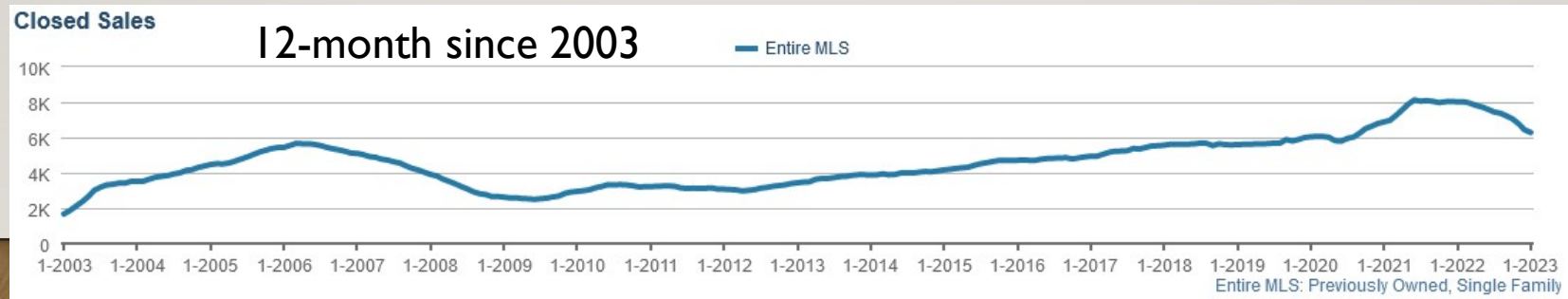
30-YEAR MORTGAGE RATES



But what are the effects?

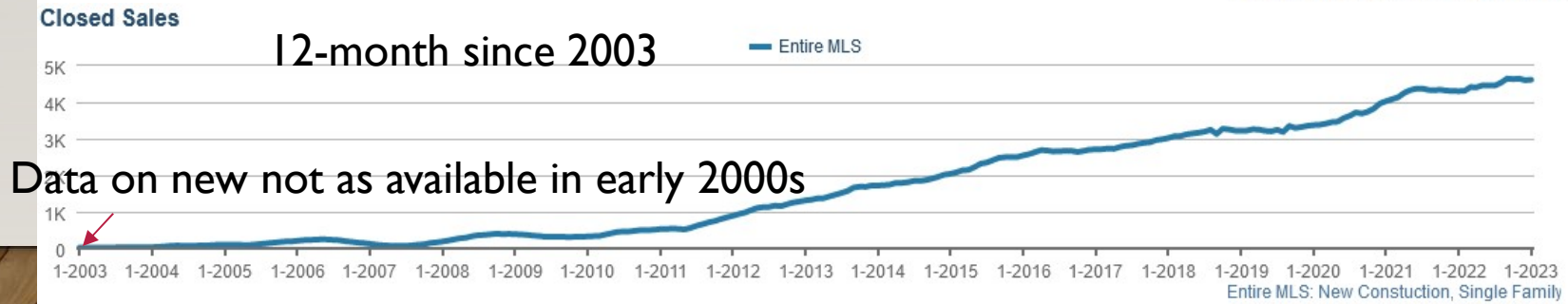
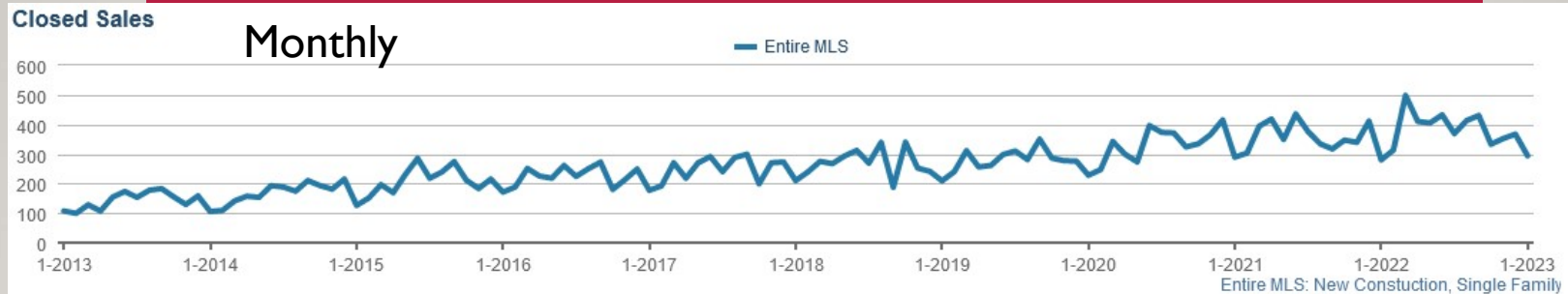


EXISTING HOMES CLOSED





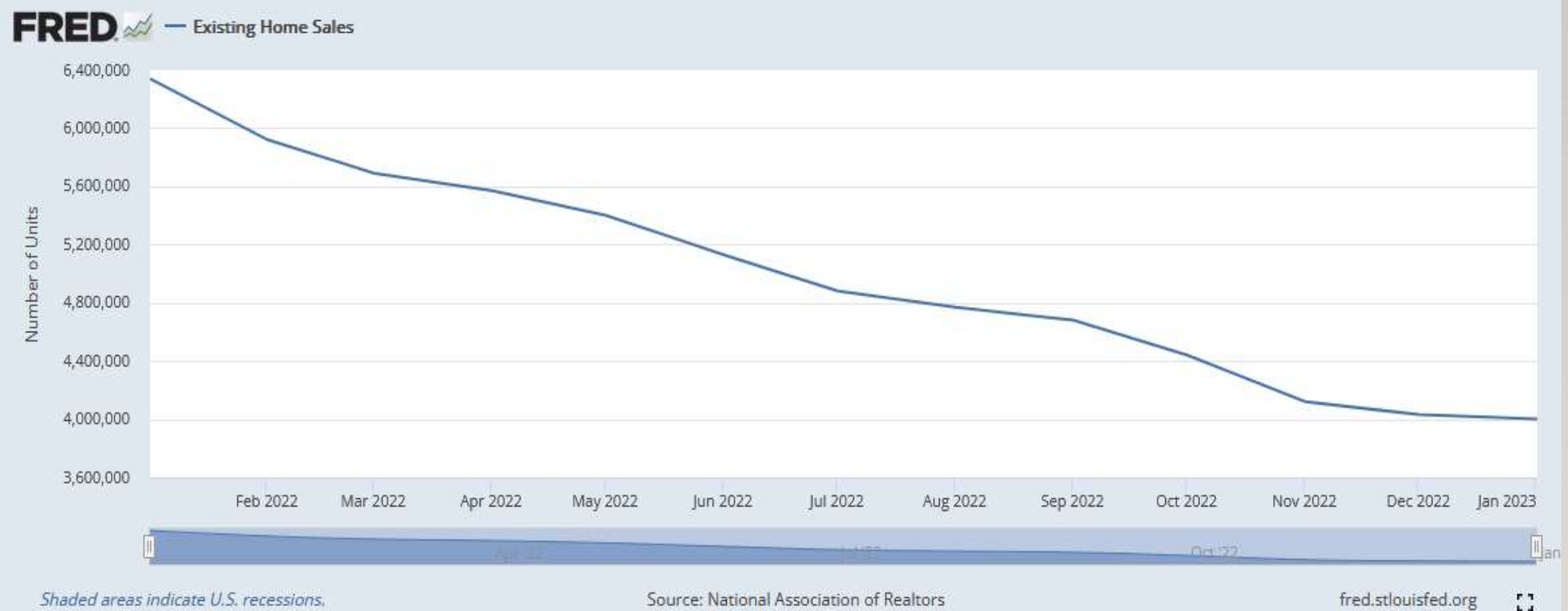
NEW HOMES CLOSED



HOME PRICES: NEW AND EXISTING

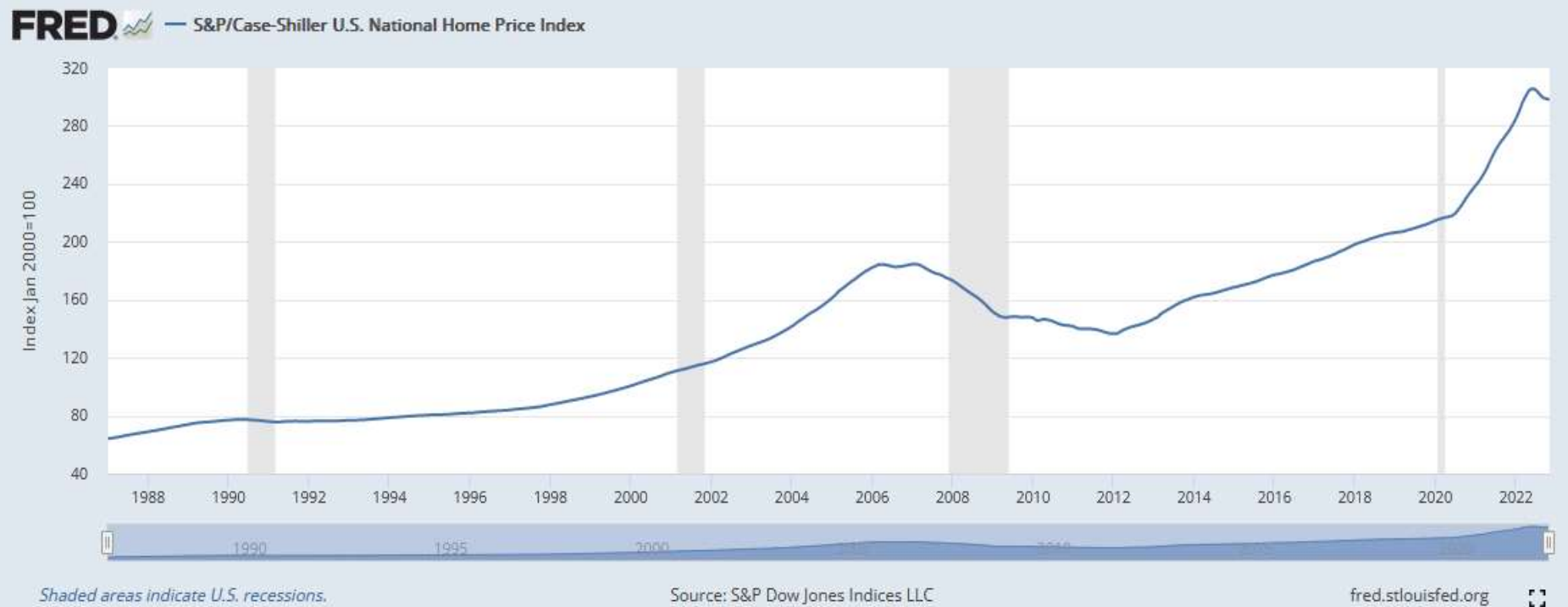


U.S. EXISTING HOME SALES





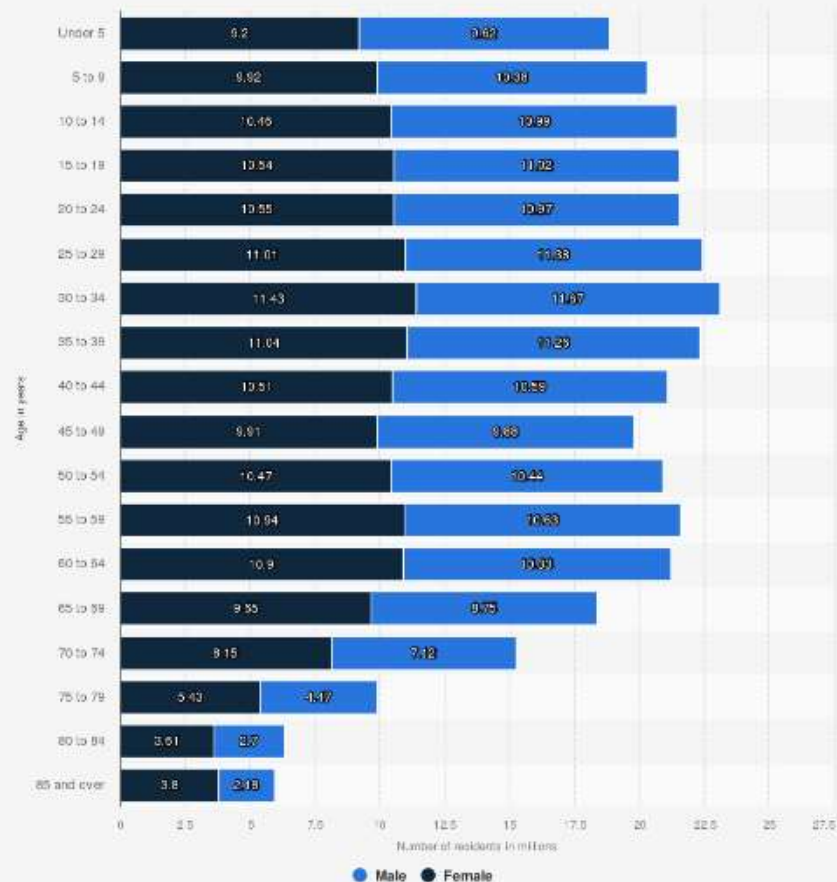
U.S. HOME PRICES: S&P/CASE-SHILLER



HOW DOES THIS CYCLE COMPARE WITH PREVIOUS CYCLE?

- From 2002 to 2006:
 - Massive speculation (house- and lot-flipping)
 - Loose underwriting (e.g. Countrywide)
 - Public policy was pushing home ownership harder (HOPE).
- Last two years:
 - Covid Shock to lifestyle and mass exodus (from high cost/low q.)
 - Technology adoption catapult! Sustaining exodus.
 - Retirees larger share of population. (29% 55+ in 2019; 22% in 2005)
 - 30 million more 55+ in 2019 than 2005

Resident population of the United States by sex and age as of July 1, 2021 (in millions)



Source
US Census Bureau
© Statista 2022

Additional information:
United States, As of July 1, 2021.

- Aging population keeps growing.
- Gen-X is smaller but more positive on life (Pew Research).
- ... More of us will buy the beach! We earned it.

WHAT ABOUT SIMILARITIES IN THE CYCLES?

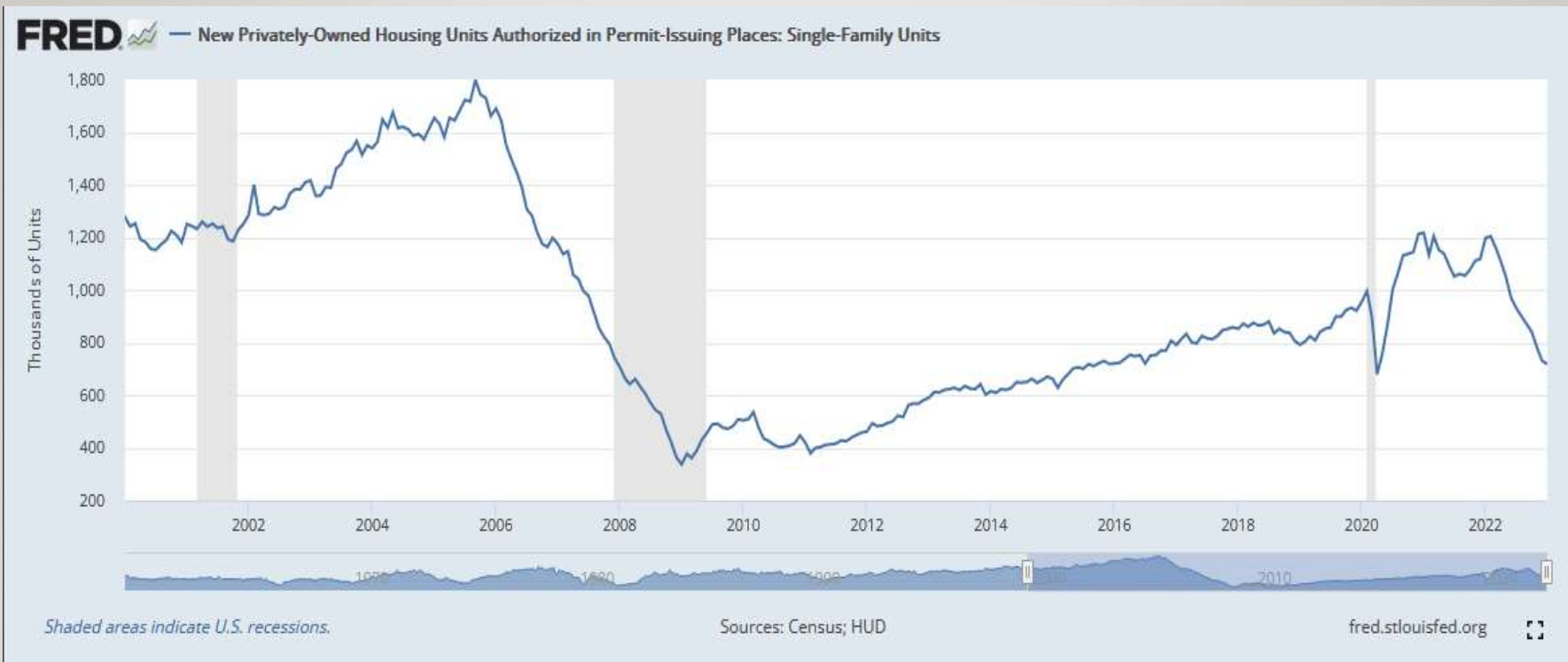
- Monetary contraction (QT; interest rates up).
- Bank collapses? Contained?
- Stock market decline (not as much).
- Consumer debt burden increasing (not as high).
- However...Rates and Builder Confidence improving/stabilizing (NAHB).

U.S. HOUSING STARTS

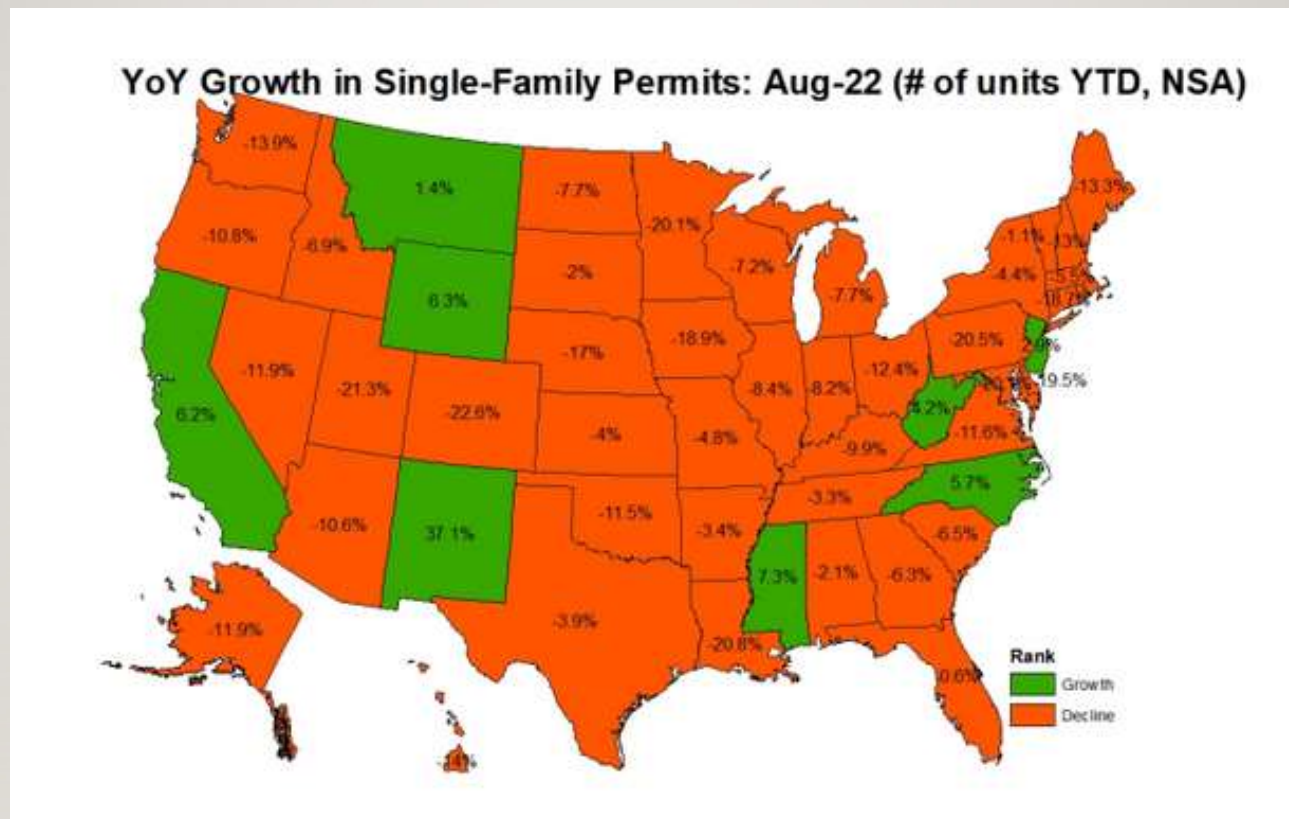




U.S. SINGLE FAMILY PERMITS



EACH STATE INCLUDING SC



Source: NAHB <https://eyeonhousing.org/2022/10/single-family-permits-decline-in-august-2022/>

HORRY COUNTY SINGLE FAMILY PERMITS

Jan. 2019	Feb. 2019	Mar. 2019	Apr. 2019	May 2019	June 2019	July 2019	Aug. 2019	Sep. 2019	Oct. 2019	Nov. 2019	Dec. 2019	Total 2019
299	309	395	379	467	443	426	287	326	449	295	328	4,403
Jan. 2020	Feb. 2020	Mar. 2020	Apr. 2020	May 2020	June 2020	July 2020	Aug. 2020	Sep. 2020	Oct. 2020	Nov. 2020	Dec. 2020	Total 2020
336	381	446	347	280	375	484	397	472	600	416	473	5,007
Jan. 2021	Feb. 2021	Mar. 2021	Apr. 2021	May 2021	June 2021	July 2021	Aug. 2021	Sep. 2021	Oct. 2021	Nov. 2021	Dec. 2021	Total 2021
623	473	738	620	579	579	563	442	691	619	365	433	6,725
Jan. 2022	Feb. 2022	Mar. 2022	Apr. 2022	May 2022	June 2022	July 2022	Aug. 2022	Sep. 2022	Oct. 2022	Nov. 2022	Dec. 2022	Total 2022
365	541	702	645	728	797	614	720	430	576	434	0	6,552

Source: HUD; Census

+359 6,918

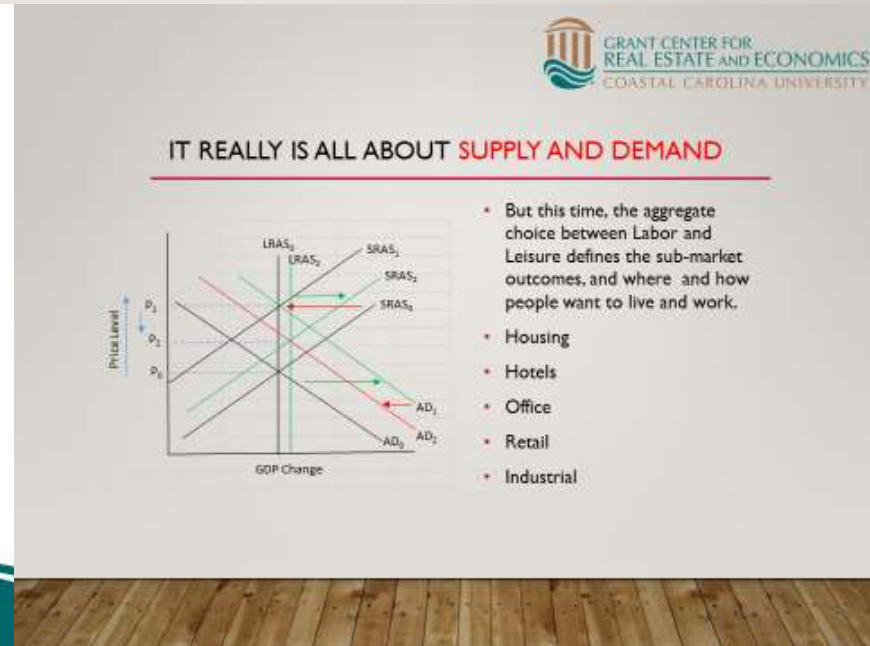


GEORGETOWN COUNTY SINGLE FAMILY PERMITS

Jan. 2019	Feb. 2019	Mar. 2019	Apr. 2019	May 2019	June 2019	July 2019	Aug. 2019	Sep. 2019	Oct. 2019	Nov. 2019	Dec. 2019	Total 2019
30	19	18	39	18	21	31	25	21	35	27	26	310
Jan. 2020	Feb. 2020	Mar. 2020	Apr. 2020	May 2020	June 2020	July 2020	Aug. 2020	Sep. 2020	Oct. 2020	Nov. 2020	Dec. 2020	Total 2020
31	30	34	30	28	40	30	40	51	47	27	175	563
Jan. 2021	Feb. 2021	Mar. 2021	Apr. 2021	May 2021	June 2021	July 2021	Aug. 2021	Sep. 2021	Oct. 2021	Nov. 2021	Dec. 2021	Total 2021
27	70	37	61	27	64	42	25	45	44	33	27	502
Jan. 2022	Feb. 2022	Mar. 2022	Apr. 2022	May 2022	June 2022	July 2022	Aug. 2022	Sep. 2022	Oct. 2022	Nov. 2022	Dec. 2022	Total 2022
32	29	56	15	36	29	41	28	24	21	25	27	363

Source: HUD; Census

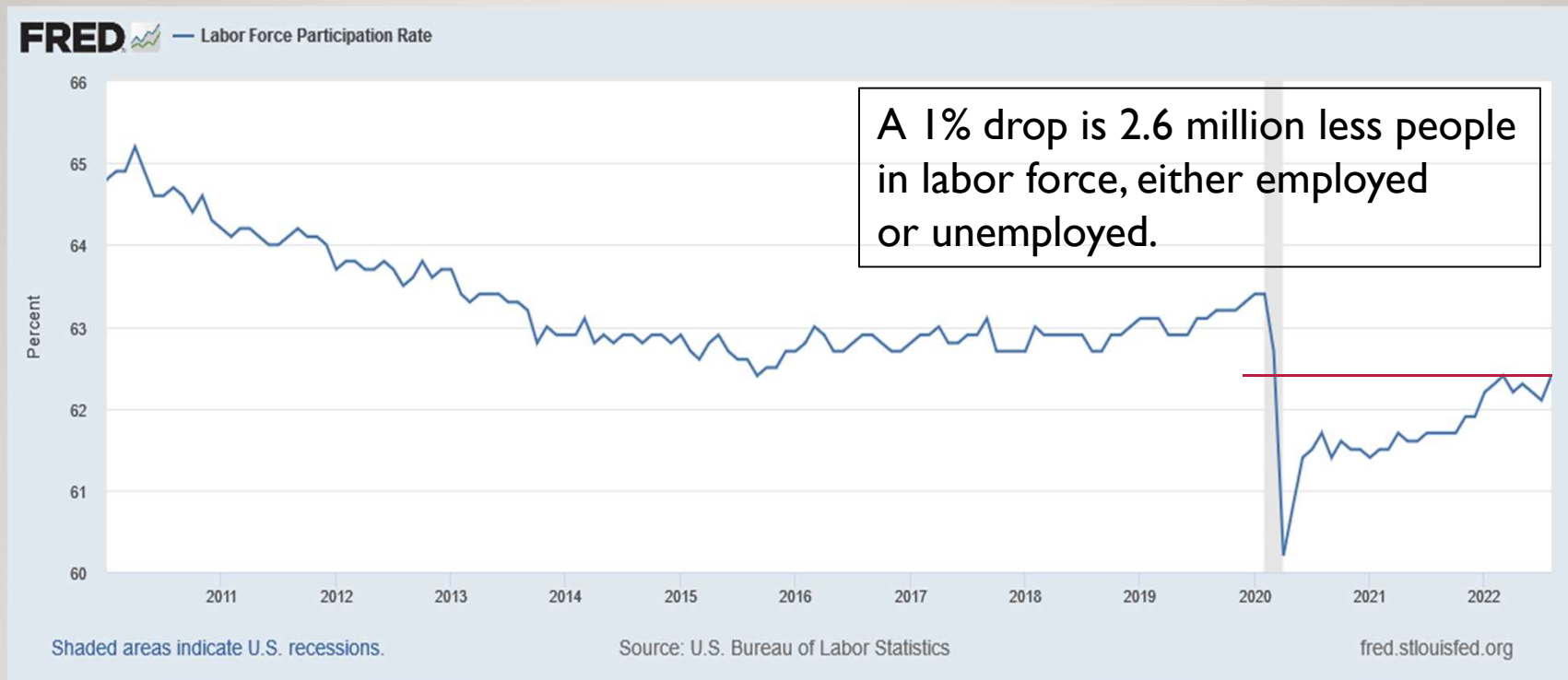
REFLECT A MOMENT



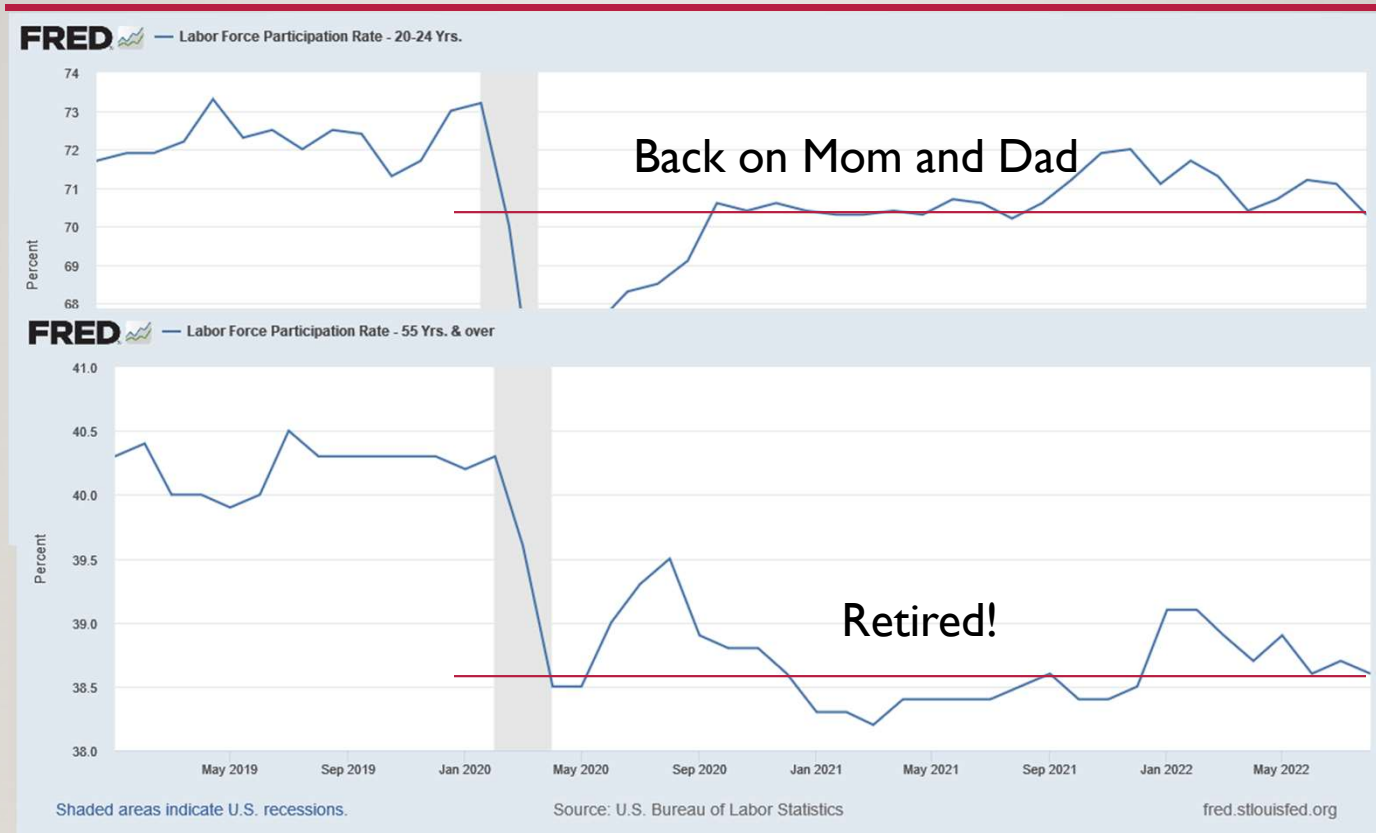
WHICH PRICES ARE MORE ELASTIC OR LESS STICKY?

- Price Effects?
- Income Effects?
- Substitutes Available? (**For housing?**)
- In last recession, income wealth effects toppled prices.
- Speculation was greater in U.S. real estate than today, like we're seeing in China today.
- Second homes traditionally more price elastic than primary homes. (**Has Covid affected this?**)

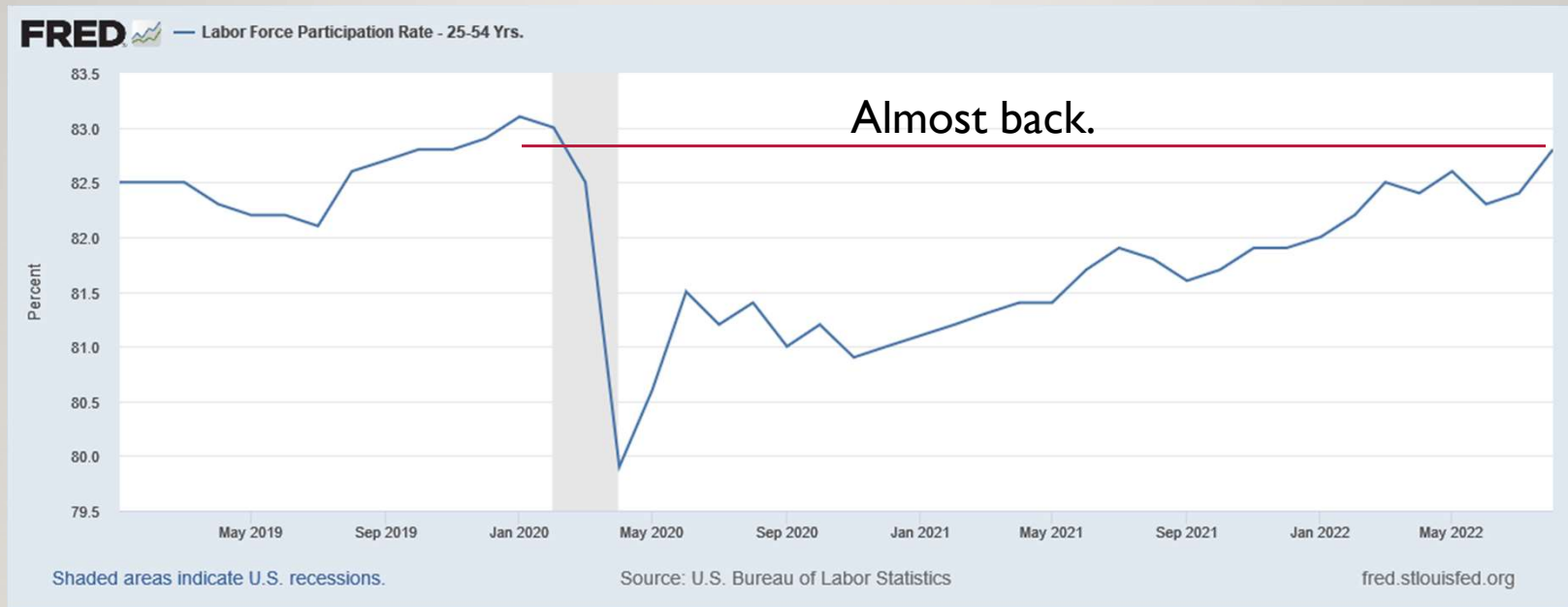
LABOR FORCE PARTICIPATION



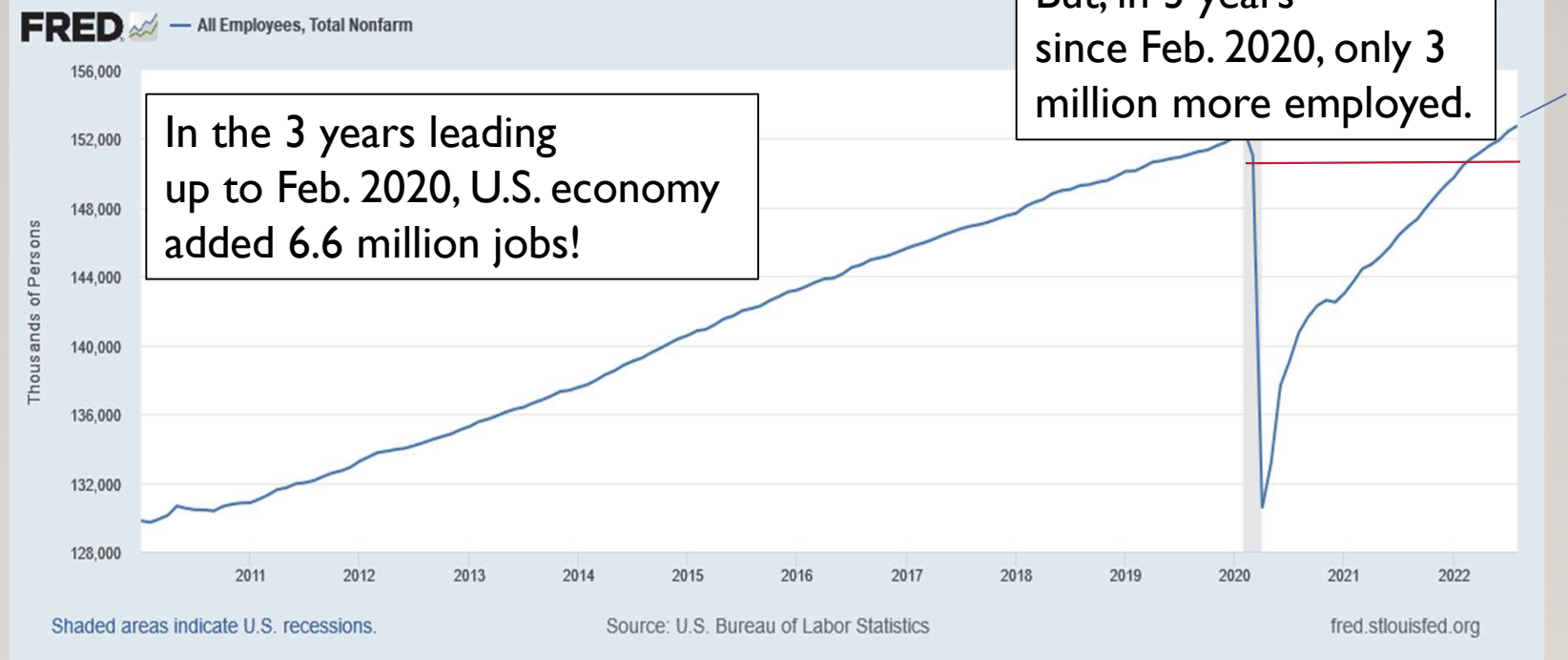
LFP 20-24 YR. OLDS AND 55+



THE PRIME WORKING AGE (25-54) ARE TRYING TO WORK

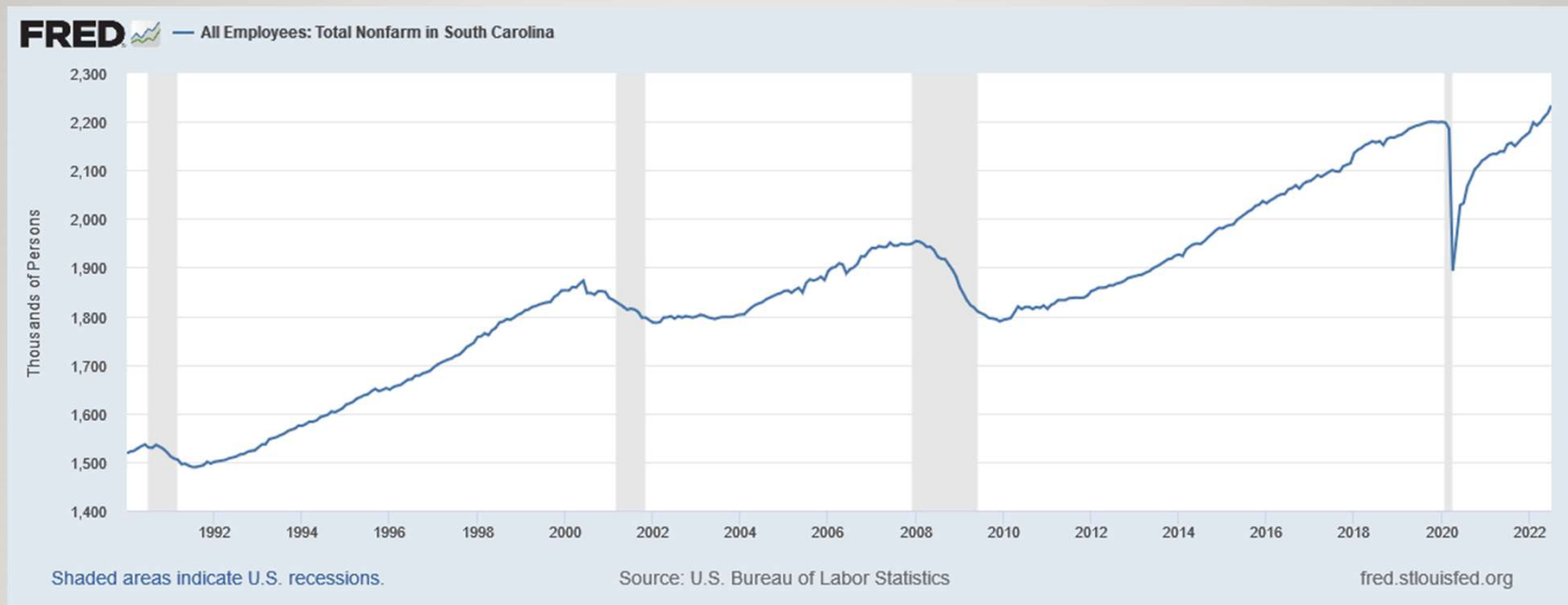


EMPLOYMENT LEVEL AND GROWTH



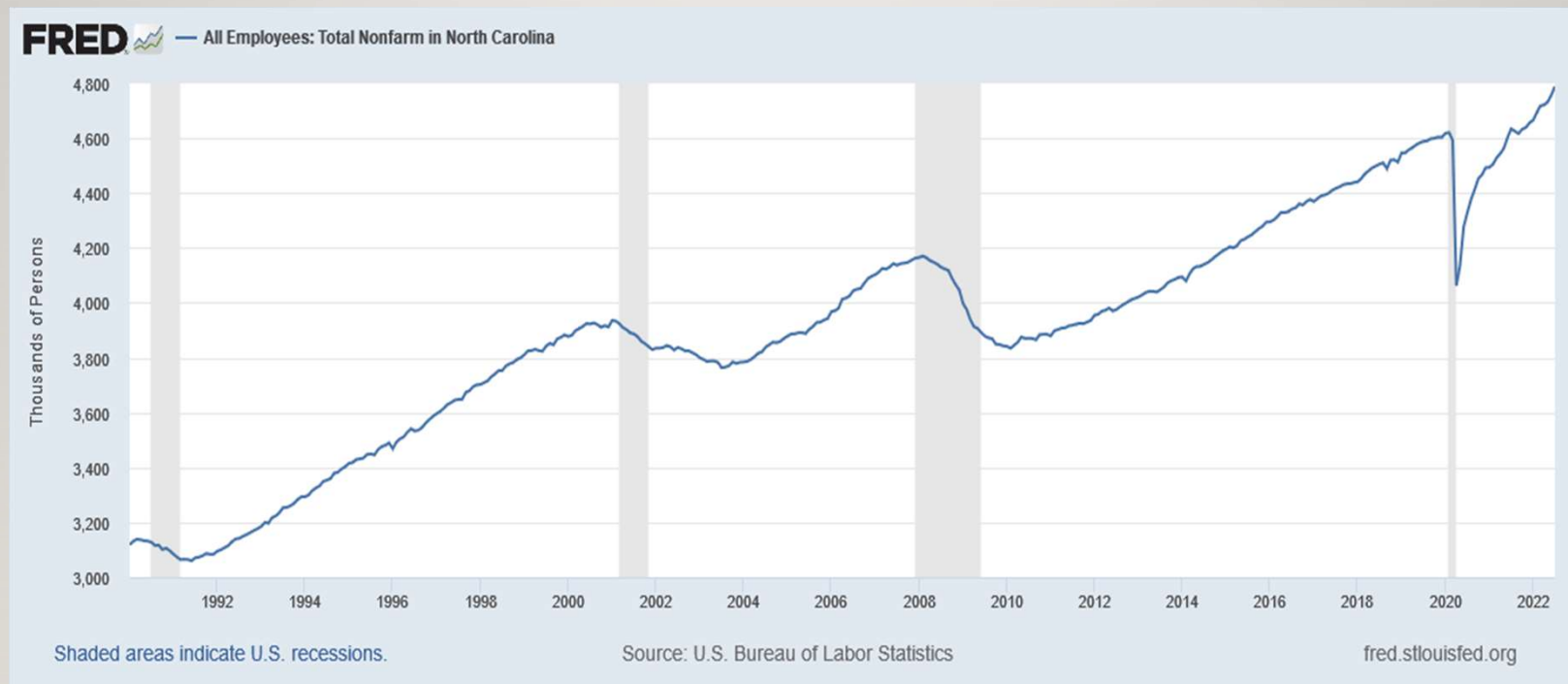


SC EMPLOYMENT





NC EMPLOYMENT





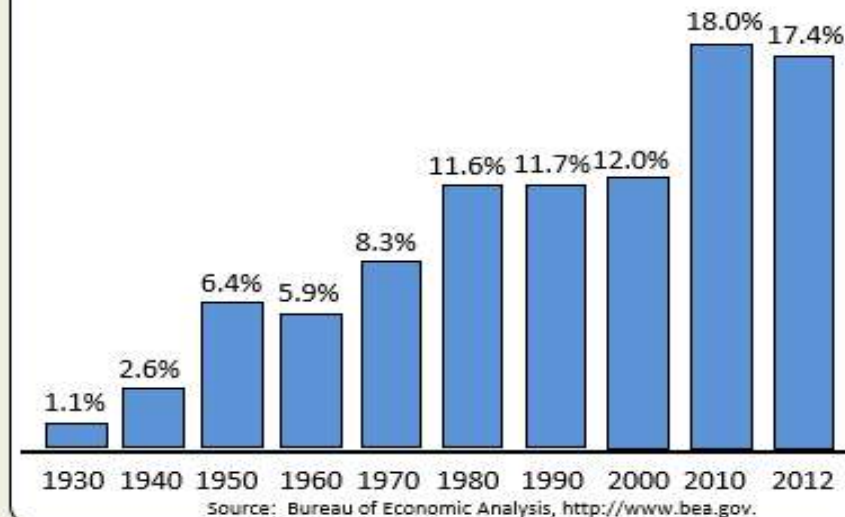
34.0%

The Growth of Government Transfer Payments

15th
edition
Gwartney, Stroup
Sobel, Macpherson

- **Transfer payments** tax income from some and transfer it to others.
- As is illustrated here, government transfer payments have grown rapidly since 1930.

Transfer Payments as a % of National Income



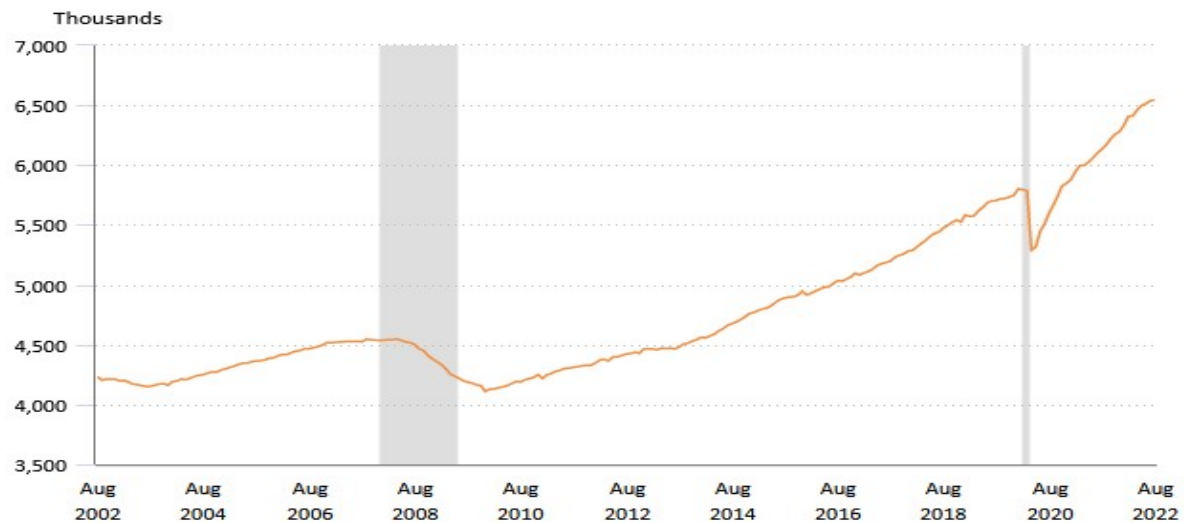
2021

TRANSPORTATION AND WAREHOUSING: INCREASES TREND

Employment levels by industry, seasonally adjusted

Click and drag inside chart to change dates displayed

- Total nonfarm
- Wholesale trade
- Financial activities
- Leisure and hospitality
- Local government
- Total private
- Retail trade
- Professional and business services
- Other services
- Government
- Federal government
- State government
- Mining and logging
- Construction
- Manufacturing
- Utilities
- Information
- Education and health services
- **Transportation and warehousing**



Hover over chart to view data.

Note: Shaded areas represent recessions, as determined by the National Bureau of Economic Research.

Source: U.S. Bureau of Labor Statistics.





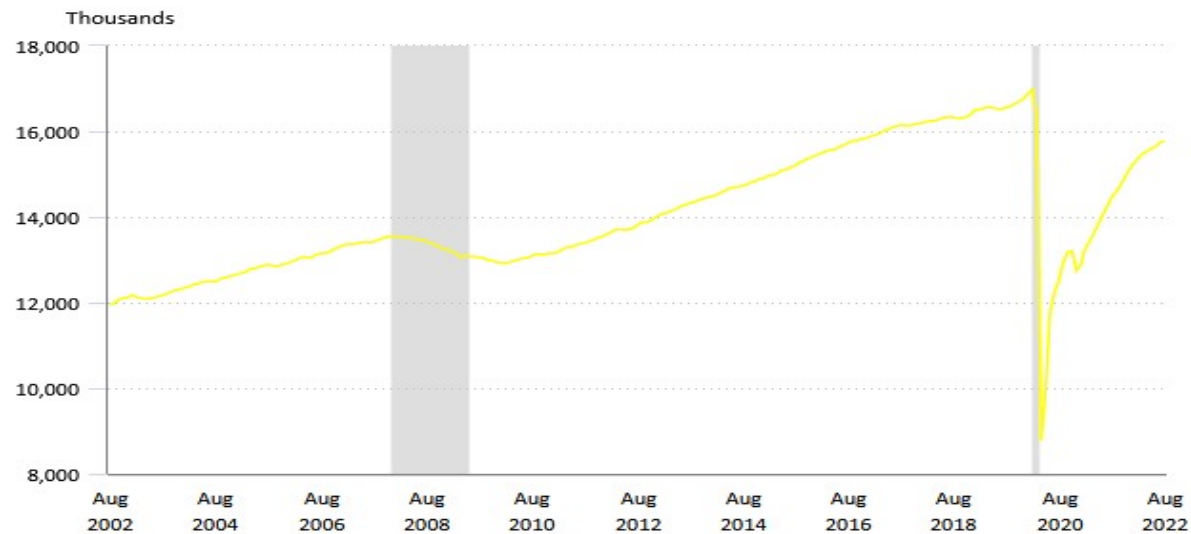
LEISURE AND HOSPITALITY: FALLING BEHIND

What about our region?

Employment levels by industry, seasonally adjusted

Click and drag inside chart to change dates displayed

- Total nonfarm
- Total private
- Mining and logging
- Construction
- Manufacturing
- Wholesale trade
- Retail trade
- Transportation and warehousing
- Utilities
- Information
- Financial activities
- Professional and business services
- Education and health services
- Leisure and hospitality
- Other services
- Government
- Federal government
- State government
- Local government



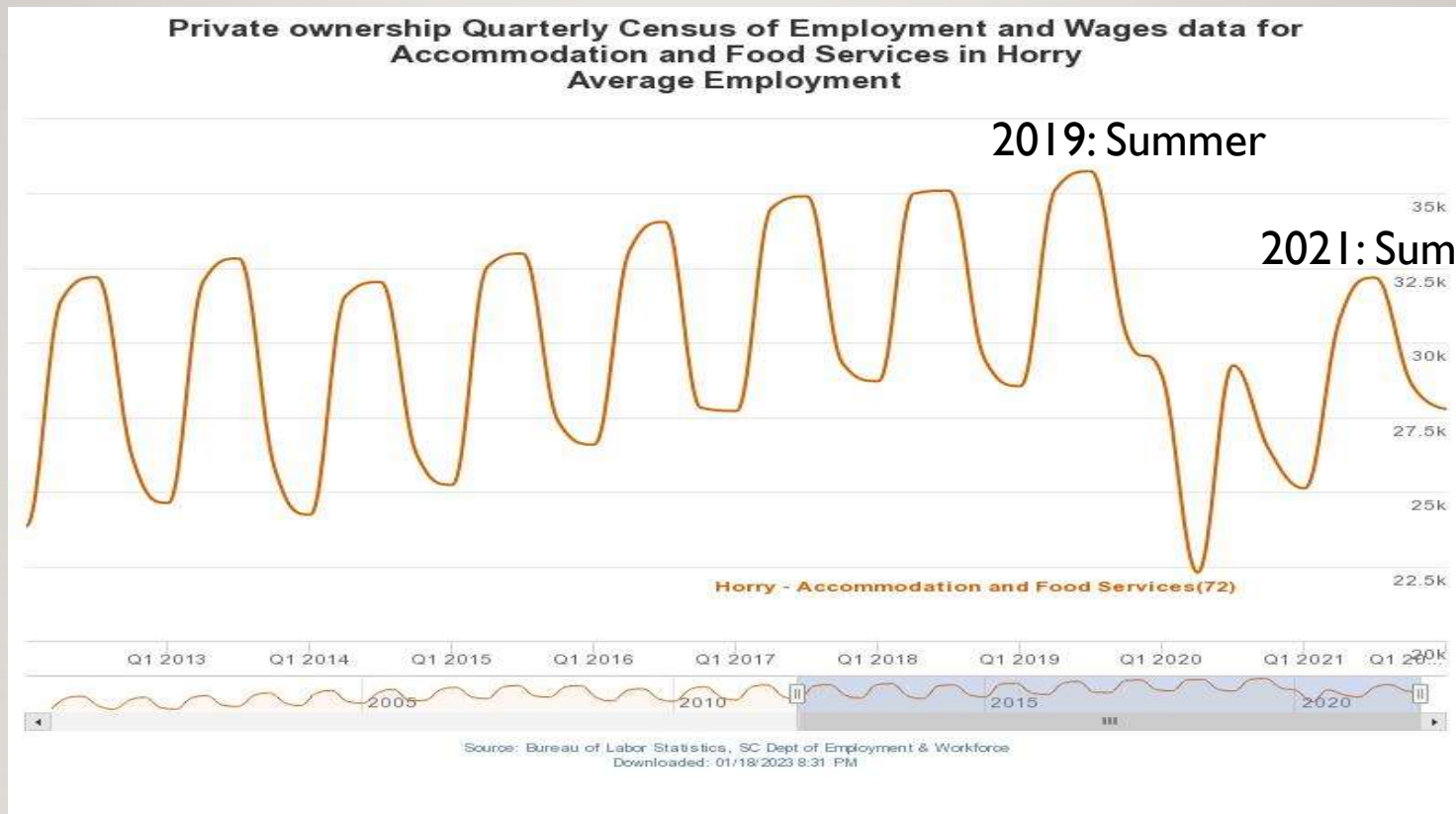
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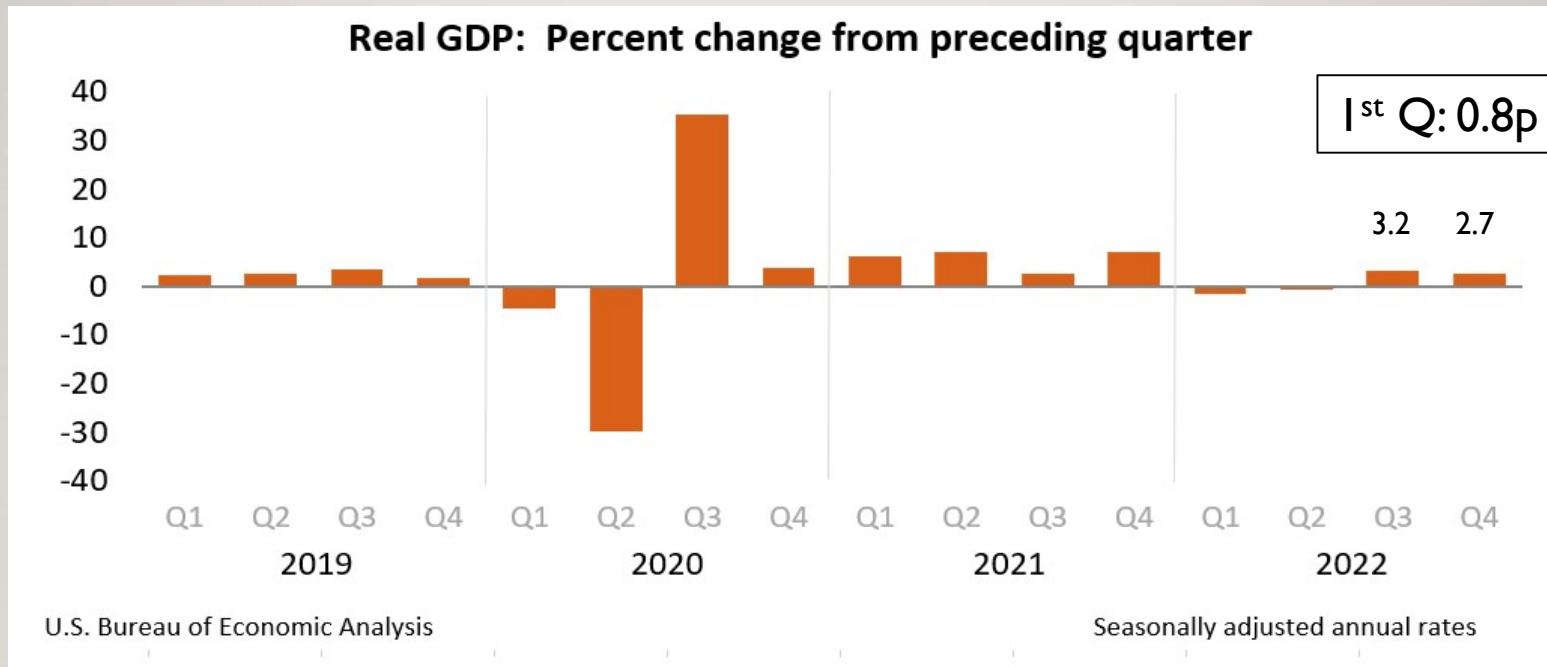
Source: U.S. Bureau of Labor Statistics.



HORRY COUNTY: SIMILAR TO NATIONAL TREND



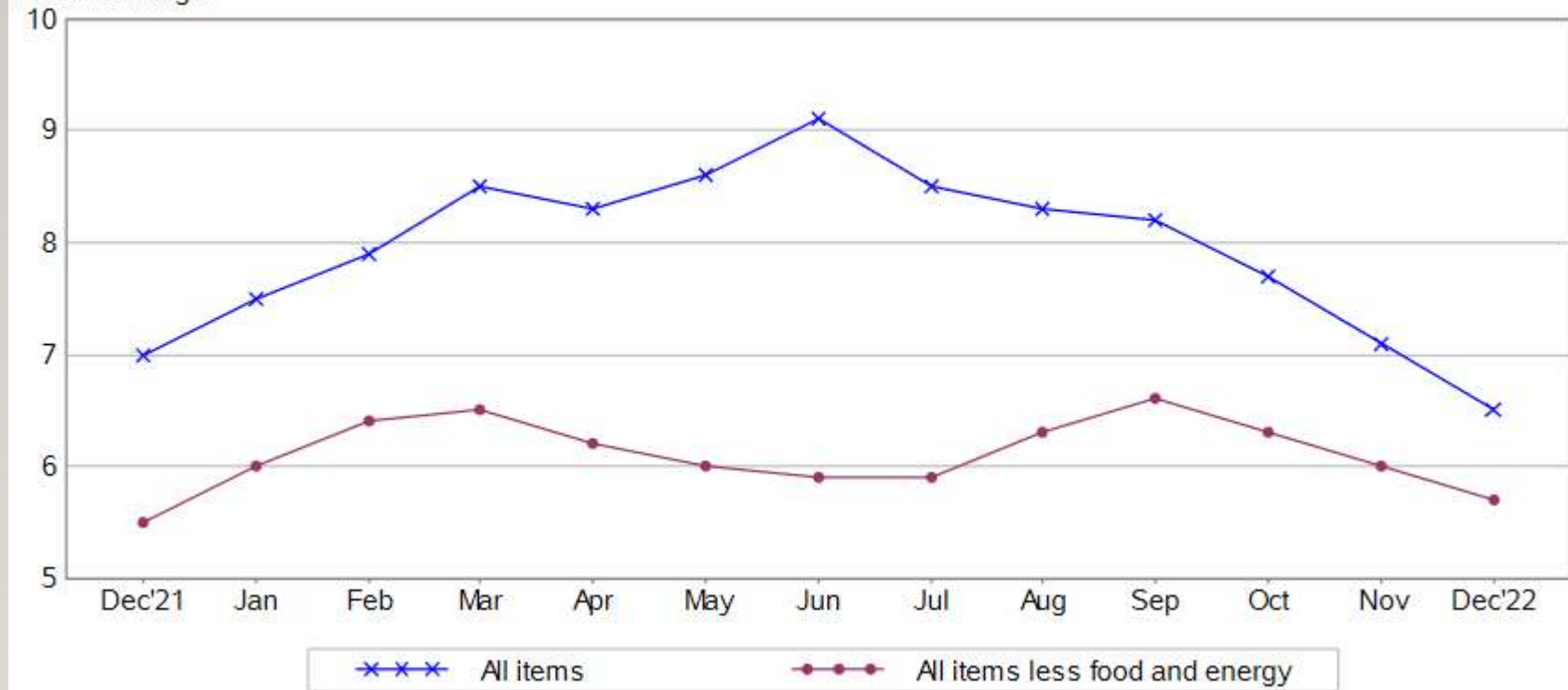
REAL GDP % CHANGE



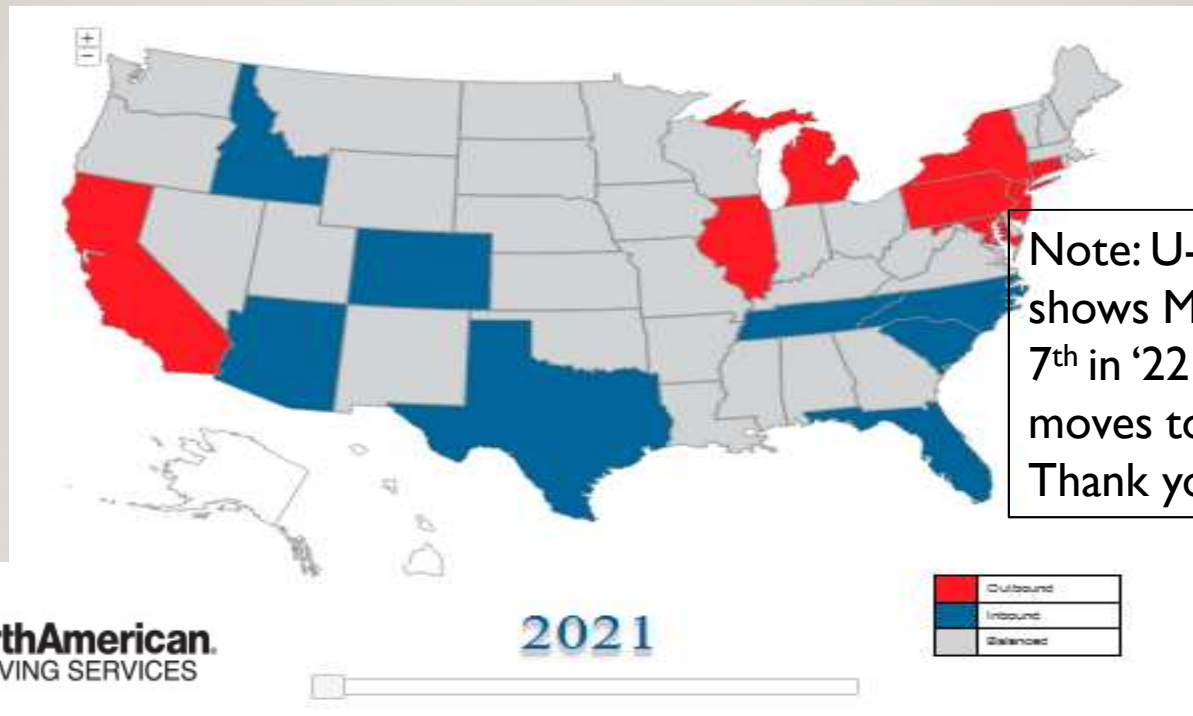
INFLATION

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Dec. 2021 - Dec. 2022

Percent change



MOVING DATA 2021 NOT A POLITICAL MAP – BLUE IS IN-MOVES, RED IS OUT-MOVES



Note: U-Haul data shows Myrtle Beach 7th in '22 (17th) most moves to.
Thank you Rox.

2021 TOP AND BOTTOM: INBOUND AND OUTBOUND ACCORDING TO NORTHAMERICAN VAN LINES, INC.

Top inbound states

South Carolina	68%
Idaho	65%
Tennessee	65%
North Carolina	62%
Florida	59%

Top outbound states

Illinois	69%
California	68%
New Jersey	64%
Michigan	61%
New York	61%



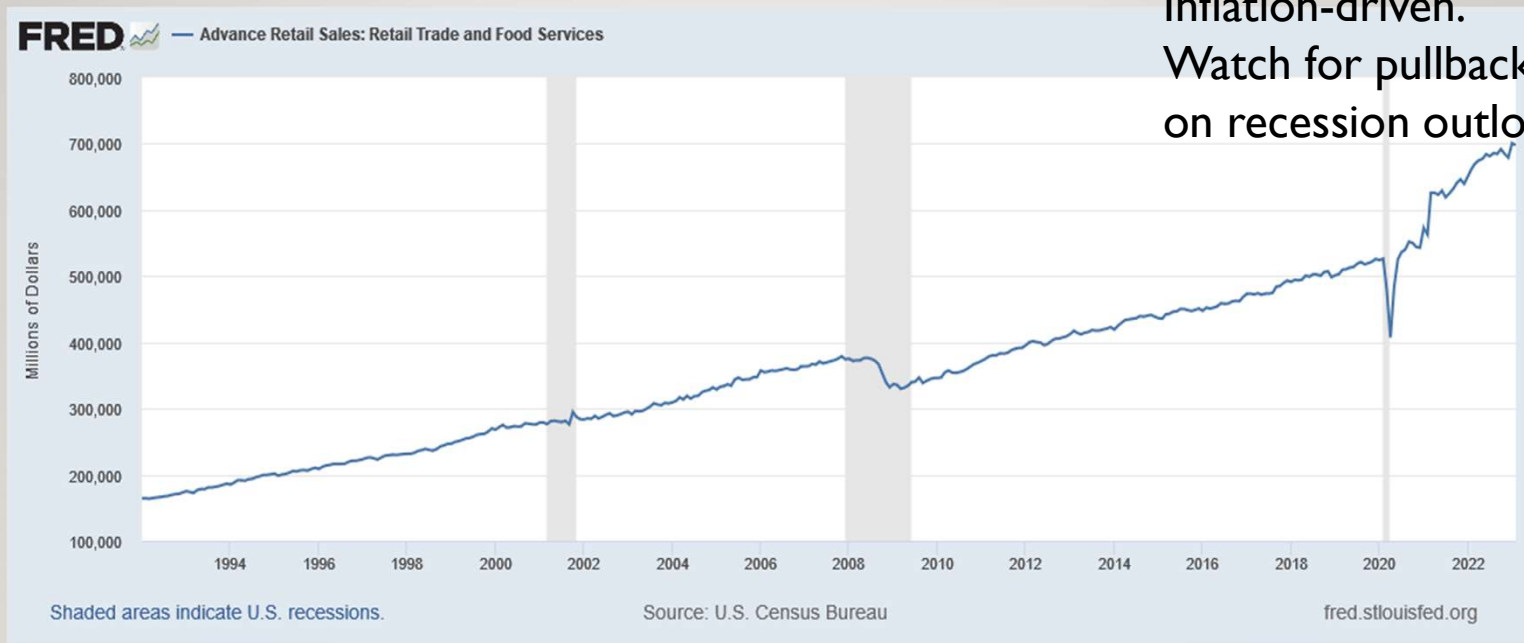
LEISURE AND HOSPITALITY REAL ESTATE



- Again, Sunbelt lucky here.
- Hotels in beach destinations are the few positives.
- Golf has experienced a return – labor/leisure tradeoff.



U.S. RETAIL SALES (\$MILLIONS/MONTH – SA)

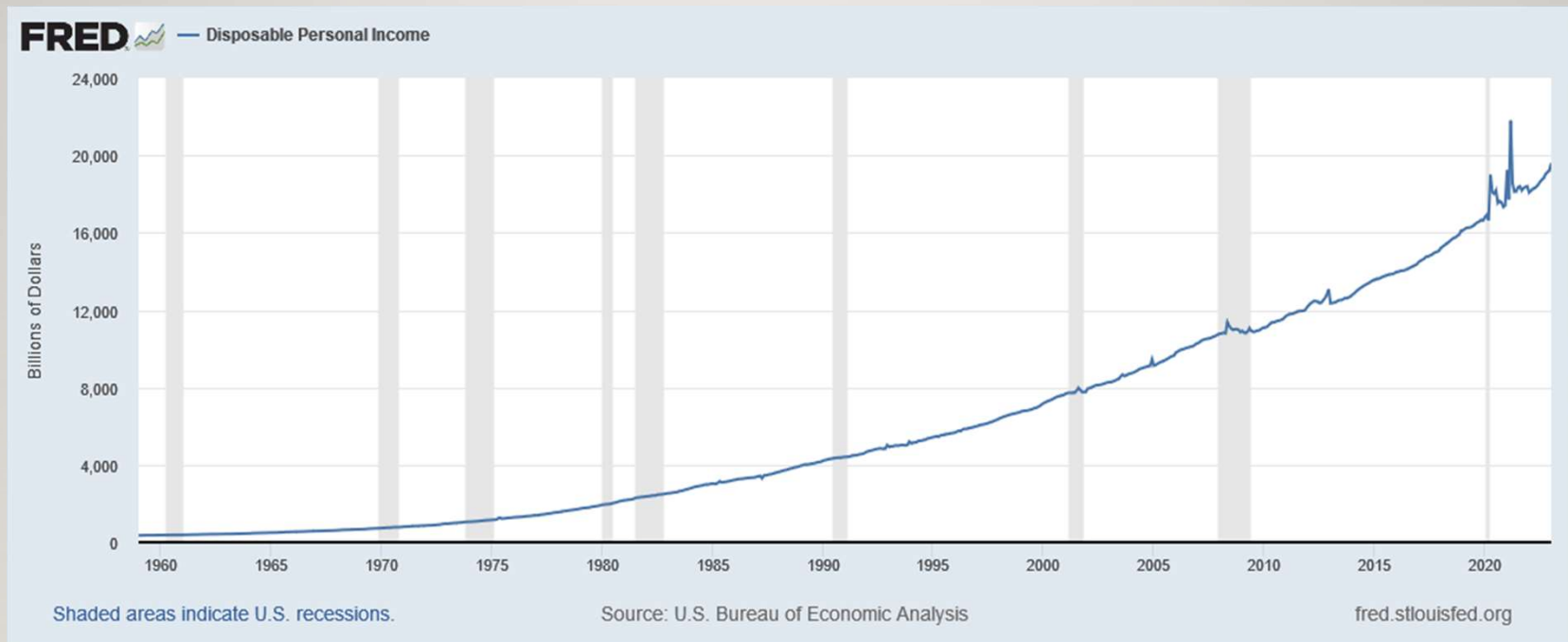


Inflation-driven.
Watch for pullback
on recession outlook.

Source: U.S. Department of Commerce



U.S. DISPOSABLE PERSONAL INCOME



PARADIGM SHIFT ALREADY UNDER WAY

- Suburbanization
- Migration to Sunbelt.
- Retirement of Boomers.
- E-commerce is the culture.
- Gen-Z educating more and joining workforce later.

THANK YOU

- Economy teetering on recession, but many argue a shorter, more shallow one.
- Geopolitical risk is ever-present.
- Inflation is strong and continues.
- Fed tightening not strong enough on its own.
- Bank collapses warn of financial risk economy-wide.
- Hard assets, including real estate, a long-term hedge.