

Grand Strand Economic Quarterly Report

Third Quarter - 2012

Welcome to the third issue of the new Grand Strand Economic Quarterly report, a combined effort of SiteTech Systems and the Wall College of Business's Center for Economic and Community Development at Coastal Carolina University. We are pleased to provide the quarterly economic report of the overall economic climate of the Grand Strand economy, specifically Horry and Georgetown Counties.

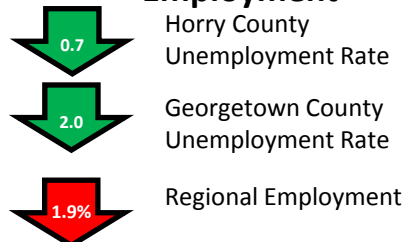
The Grand Strand economy continues to improve, buoyed by significant growth in construction and consistent performance from tourism. Residential and commercial construction growth is clearly visible across the region. Low interest rates and stabilizing land values are improving investor and buyer confidence in the overall real estate market. Tourism activity has generated record sales as measured by tax collections, and room revenue is strengthening with stable occupancy and effective price increases. The continued positive developments in tourism, real estate and construction are consistent with the overall developments in these sectors nationally.

Real estate continues to improve in the 3rd quarter as the number of SFR and condo/townhome sales increase and excess inventory is decreasing. The median sales prices for condo/townhomes are still lower than last year. The SFR median sales prices are almost identical to that of the 3rd quarter last year showing very slight appreciation; however, sales prices will increase as the distressed properties continue to be pushed through the inventory. SFR building permits have increased almost 35% from the same period last year as well-located subdivisions continue to attract buyers and builders.

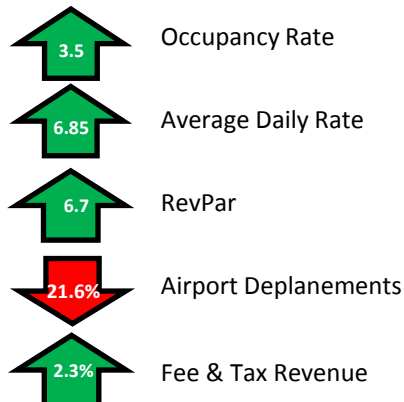
Tourism has also experienced growth compared to the 3rd quarter of 2011, seeing improvements in occupancy, ADR and RevPar. Also, tax revenue has increased slightly as the area is experiencing more visitors and they are spending more while visiting the Grand Strand.

Grand Strand Indicators

Employment



Tourism

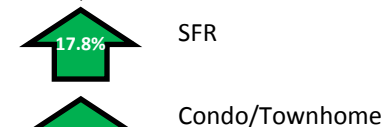


Real Estate

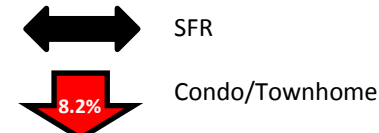
Inventory



Sales



Median Sales Price



Building Permits



Employment

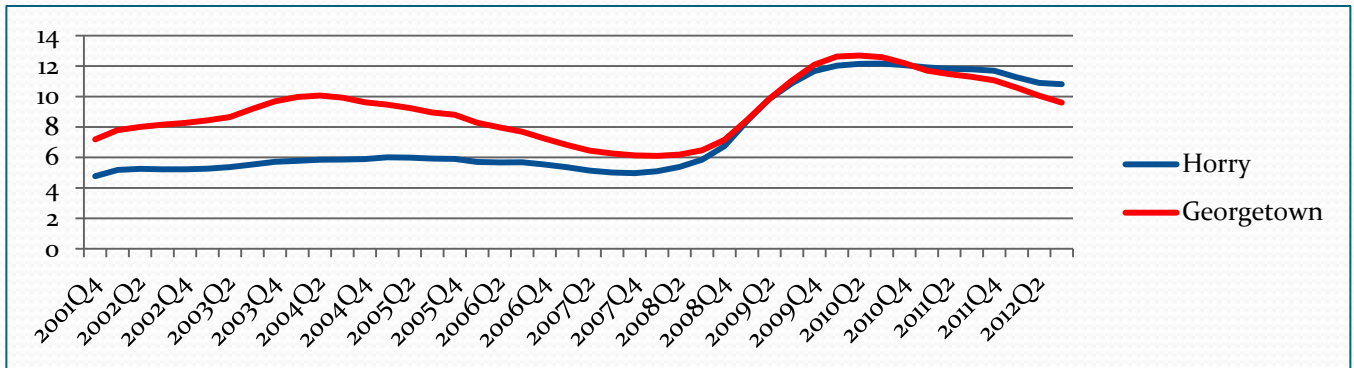
Horry County

10.0 % Unemployment

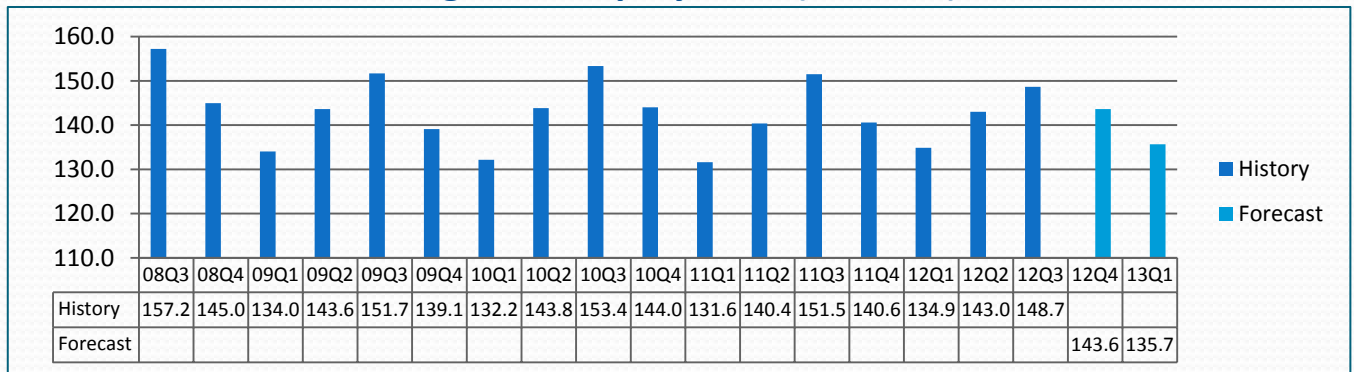
Georgetown County

8.8% Unemployment

Unemployment Rate By County (Quarterly Moving Average)



Regional Employment (millions)



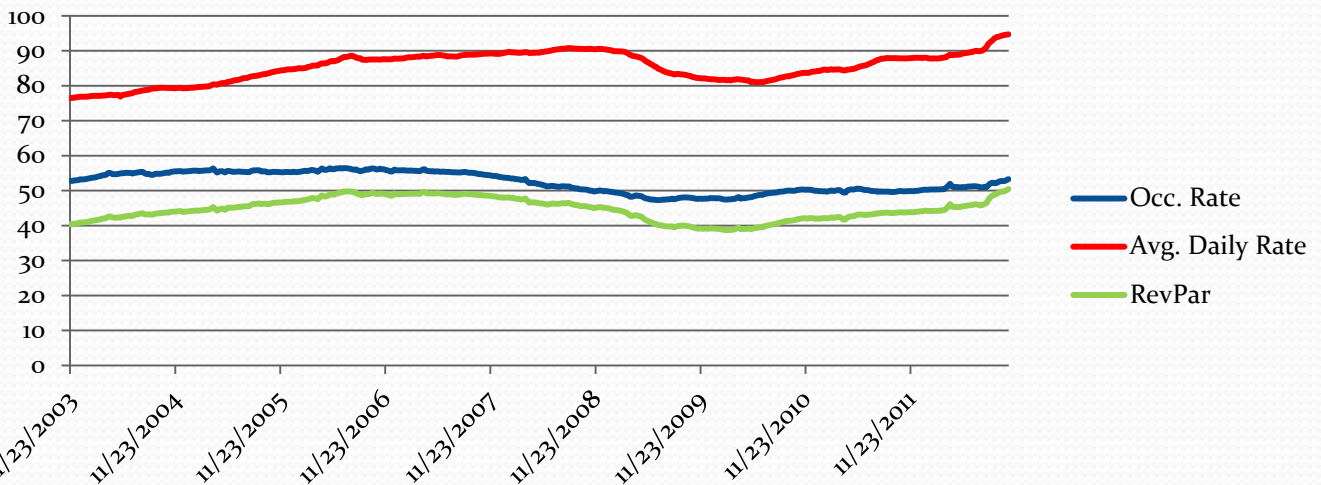
Source: SC Department of Employment & Workforce

Horry county's unemployment rate for the third quarter of 2012 averaged 10.0% and represents a decline of 0.3 points from the rate of 10.3% in the third quarter of last year. The unemployment rate in the third quarter is generally better than the second quarter due to the seasonal nature of tourism activity resulting in the varying demand for labor. The 4-quarter moving average minimizes this variation and provides a clearer picture of the movement of unemployment overall. In the third quarter of 2012, the unemployment rate measured by this moving average stood at 10.8%. The overall unemployment rate is generally declining from its peak in 2010. Following this trend, the unemployment rates for the 4th quarter of 2012 and 1st quarter of 2013 should continue to fall compared with the previous year's period rates.

Georgetown County's unemployment rate for the third quarter of 2012 averaged 8.8% and represents a decline of 1.8 points from the rate of 10.6% in the third quarter of last year. The unemployment rate in Georgetown County in the third quarter is generally better than the second quarter due to the seasonal nature of tourism activity, although the variation is not as dramatic as that of Horry County, owing to the heavier manufacturing base as a proportion of the overall economy in the county. The unemployment rate in Georgetown County measured by the 4-quarter moving average stood at 9.6% in the third quarter of 2012. The overall unemployment rate in Georgetown County is also generally declining from its peak in 2010. Following this trend, the unemployment rates for the 4th quarter of 2012 and 1st quarter of 2013 should continue to fall compared with the previous year's period rates.

Tourism

52-Week Moving Average of Hotel, Condotel and Campground Rentals



Source: CCU Clay Brittain Jr. Center for Resort Tourism

ADR

The Average Daily Rate (ADR) for vacation accommodations is a seasonally sensitive measure owing to the fluctuation in tourism activity from summer to winter months. In 2011 the ADR, excluding beach house rentals, averaged a high of \$136.7 in the summer months and a low of \$54.9 in the winter months. For measuring the strength of the economy, a more suitable long-term measure of this activity is the 52-week moving average. 2012's third quarter 52-week moving average of \$94.69 is \$6.85 (7.8%) higher than the third quarter of 2011, \$87.84.

Occupancy Rate

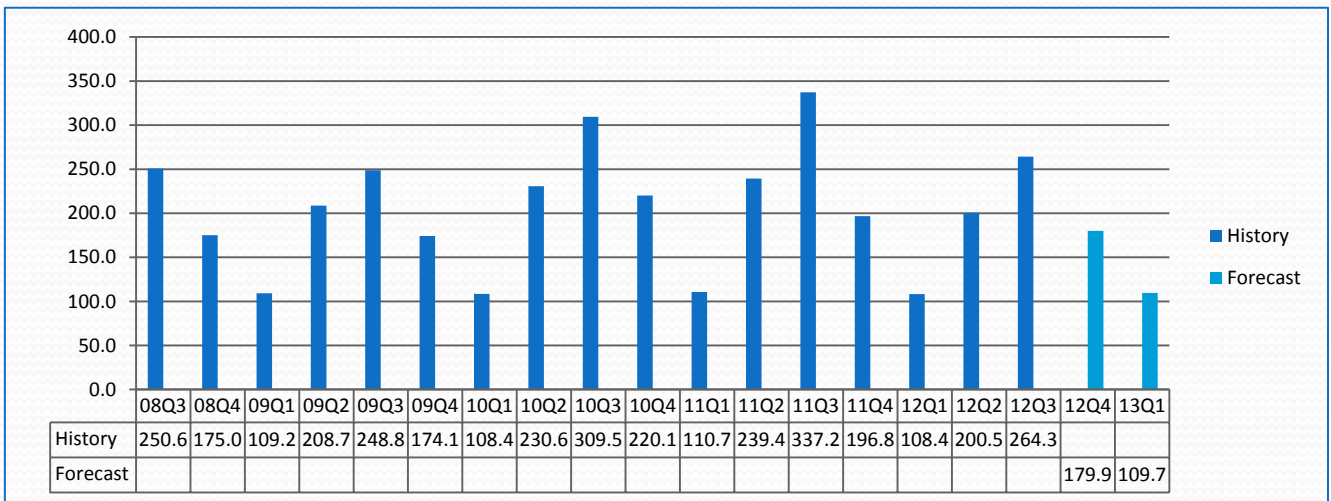
The occupancy rate for vacation accommodations excluding beach house rentals is similarly a seasonally sensitive measure. In 2011 the occupancy rate averaged a high of 77.3% in the summer months and a low of 26.3% in the winter months. 2012's third quarter 52-week moving average of 53.3% is 3.5 (7%) points higher than the average of 49.8% in the third quarter of 2011.

RevPar

The Revenue Per Available Room (RevPar) for vacation accommodations measures the average revenue per room night based on the average occupancy rate and average daily rate. Also a seasonally sensitive measure, RevPar for accommodations, excluding beach house rentals, averaged a high of \$105.70 in the summer months of 2011 and a low of \$14.40 in the winter. RevPar for the third quarter of 2012 stood at \$50.45, an increase of \$6.70 (15.3%) over the \$43.75 average for the third quarter of 2011.

MYR Airport

There were 264,300 deplanements at the Myrtle Beach International Airport (MYR) in the 3rd quarter of 2012. This is down 72,900 deplanements (21.6%) from the 3rd quarter of 2011. In March of 2012 a major Myrtle Beach carrier, Direct Air, filed for bankruptcy and cancelled all flights indefinitely. To compound this challenge, Spirit Airlines moved jets around to accommodate new markets, and Myrtle Beach suffered a reduction in seats as a result. Vision Airlines added non-stop flights between Myrtle Beach and mid-west destinations in Ohio, Kentucky, and Indiana. Fuel costs are also a concern, but the rising prices of the spring have subdued, bringing some relief to air travelers; however, the price of air travel is still higher than in previous years and is beginning to increase on the back of once again rising fuel prices.



Source: Horry County Department of Airports – Myrtle Beach International Airport

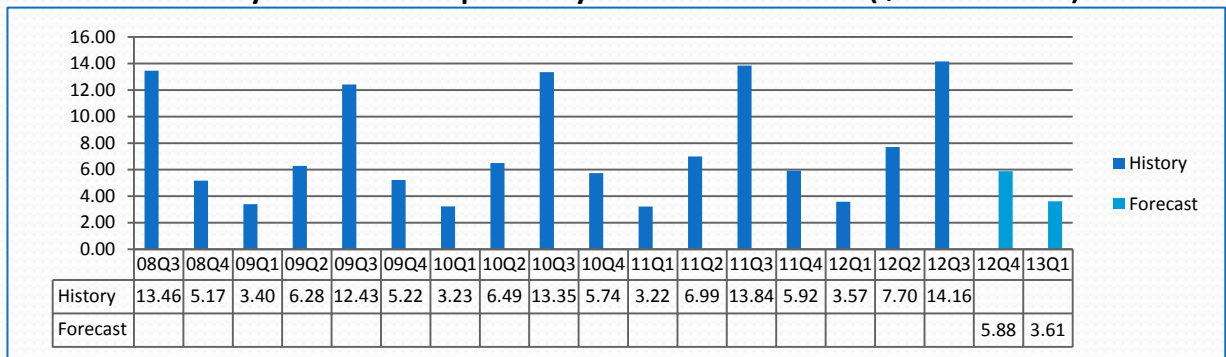
The Myrtle Beach International Airport has begun an expansion which will add an terminal, taking the total number of gates from 7 to 13. The expansion is expected to be complete in early 2013.



Tourism Tax Revenue

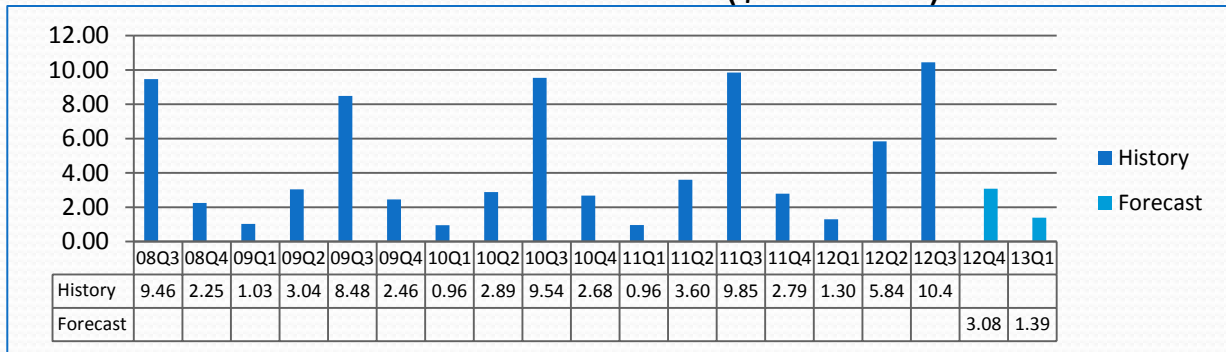
We monitor three separate taxes on tourism activity in the Grand Strand: the Horry County-wide 1.5% hospitality fee, the state accommodations tax assessed in Horry and Georgetown Counties, and the state admissions tax assessed in Horry and Georgetown Counties. Revenue from these three sources totaled \$28.61 million in the 3rd quarter of 2012, an increase of \$630,000 (2.3%) from the 3rd quarter of 2011.

Horry 1.5% Hospitality Fee Revenue (\$ Millions)



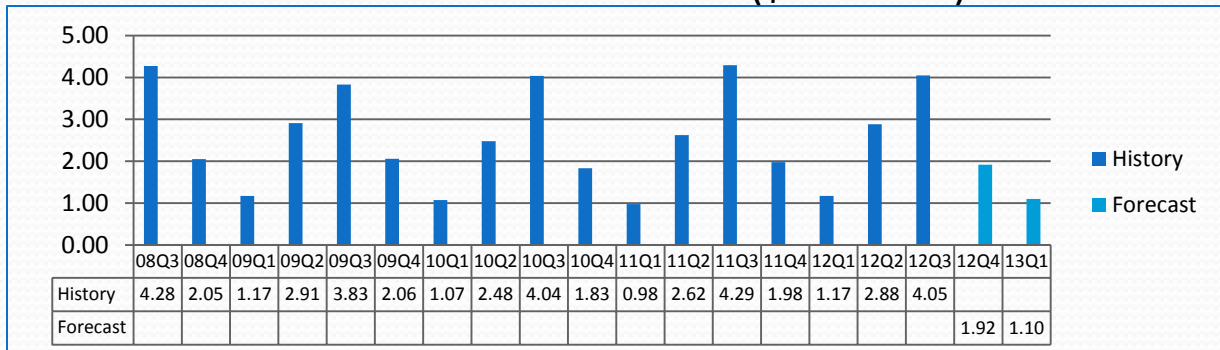
Source: Horry County Government

Accommodations Tax (\$ Millions)



Source: Horry County Government

5% State Admissions Tax (\$ Millions)

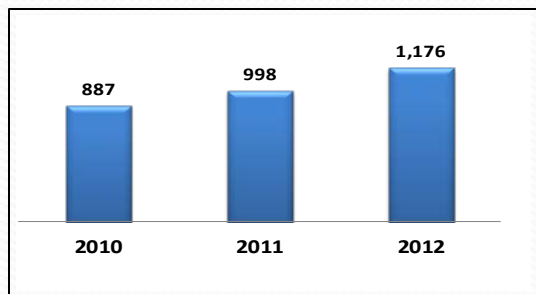


Source: South Carolina Department of Revenue

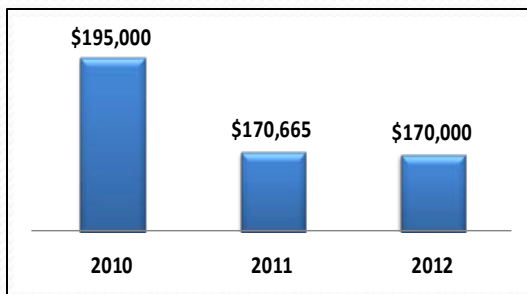
Real Estate

SFR Sales Activity

3rd Quarter # of Sales

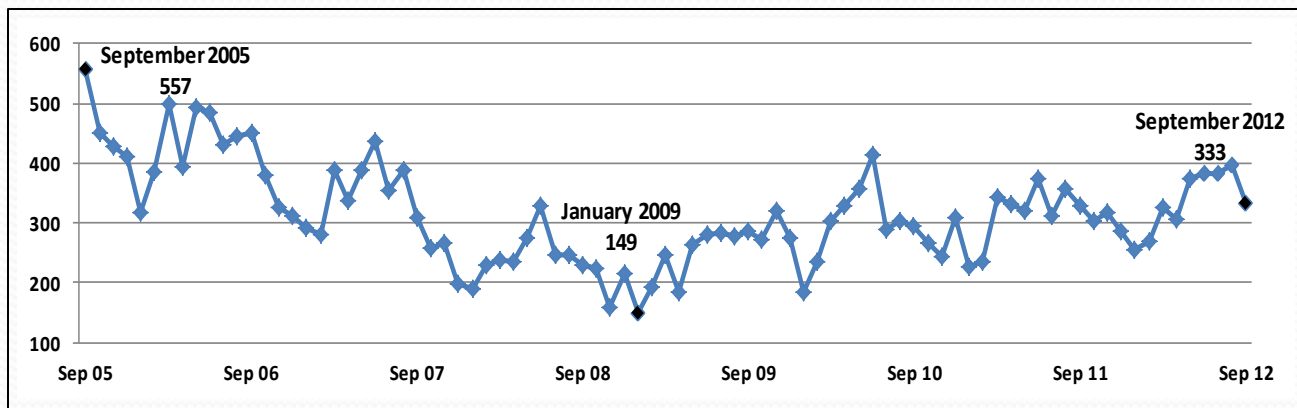


3rd Quarter Median Sales Price

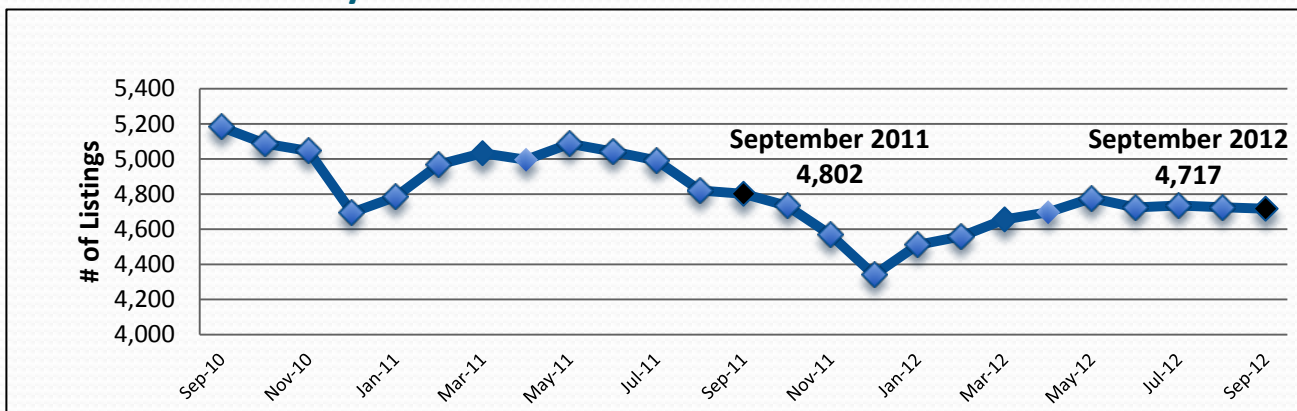


There were 1,176 single family residence sales with a median sales price of \$170,000 in Horry and Georgetown Counties in the 3rd quarter of 2012. Sales are up 17.8% while the median sales price is down only \$665 (0.3%) from the same period in 2011. The SFR inventory at the end of the 3rd quarter was 4,717 homes, a decrease of 1.8% from the same period in 2011.

Historical Sales Activity



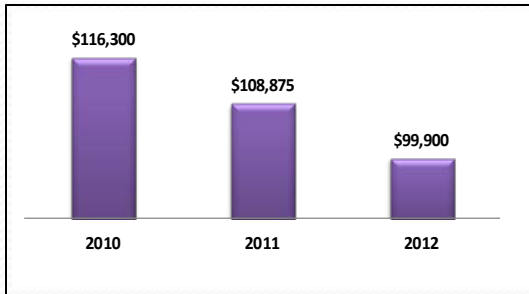
Historical Inventory Levels



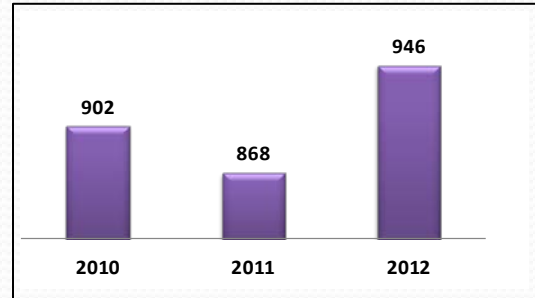
Real Estate

Condo/Townhome Sales Activity

3rd Quarter Median Sales Price

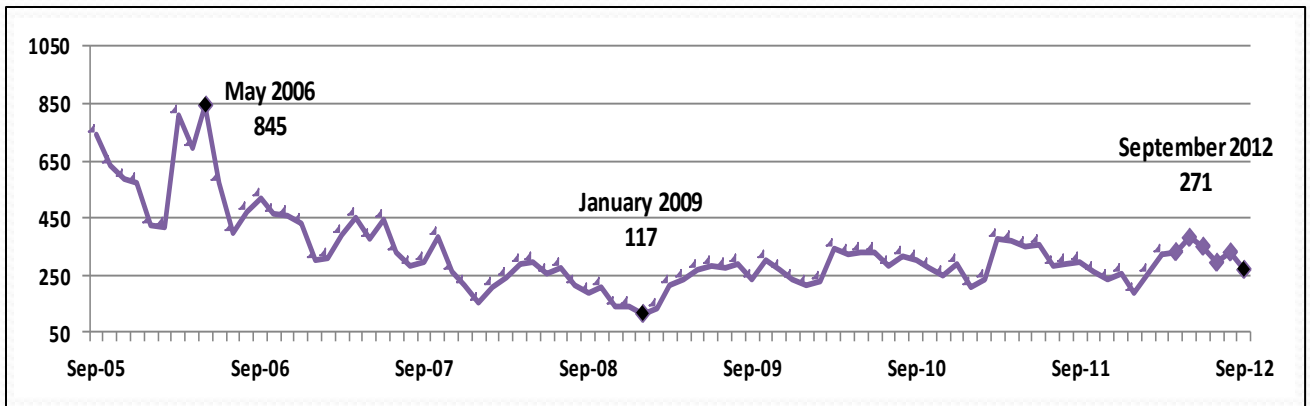


3rd Quarter # of Sales

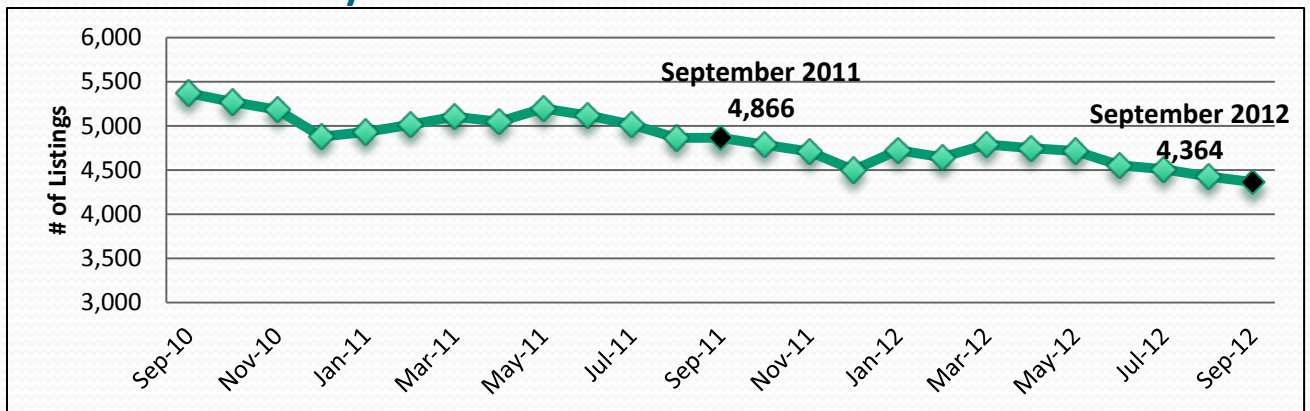


There were 946 condo/townhome sales in Horry and Georgetown Counties in the 3rd quarter of 2012 with a median sales price of \$99,000. The number of sales is up 8.9% while median sales price is down 8.2% from the same period in 2011. The condo/townhome inventory at the end of the 3rd quarter was 4,364 units, a decrease of 10.3% from the same period last year.

Historical Sales Activity



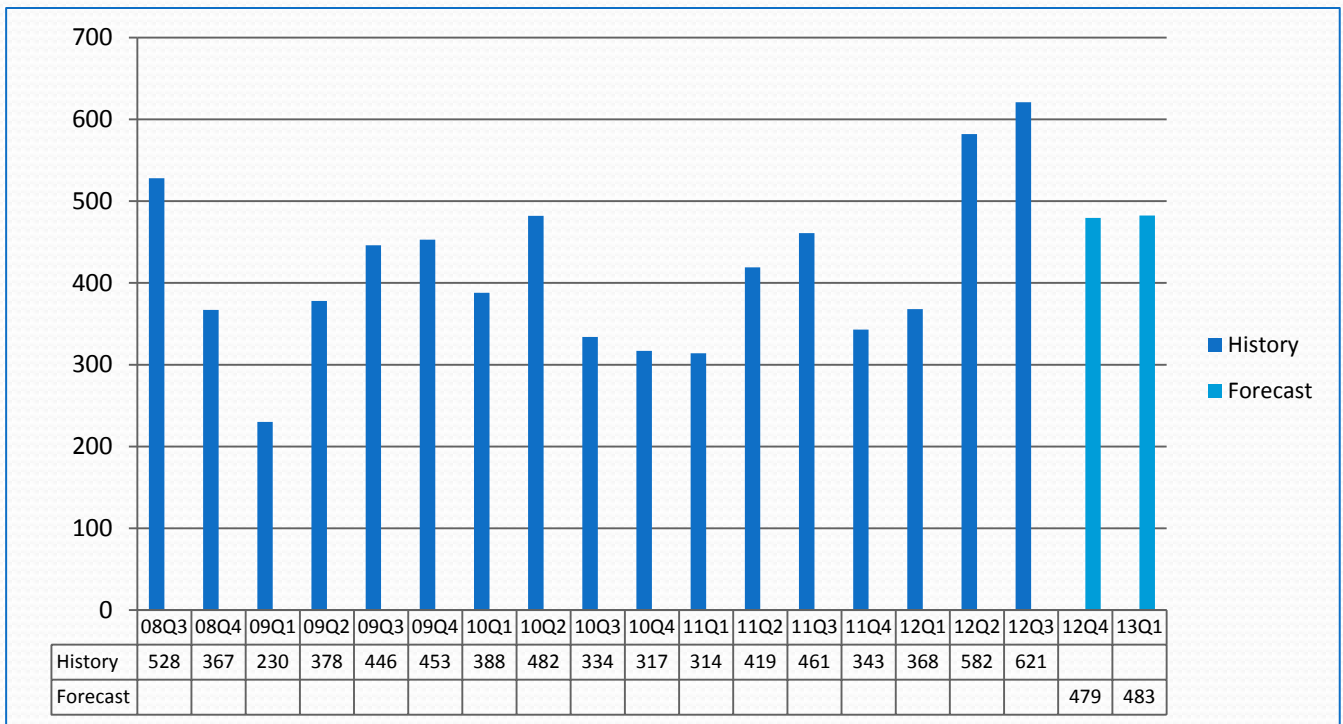
Historical Inventory Levels



Real Estate

Building Permits

Single Family



Source: US Census Bureau of Statistics

There were 621 building permits issued in the third quarter of 2012 for single family homes in Horry and Georgetown Counties combined. This is an increase of 34.7% over the 461 permits issued in the 3rd quarter of 2011.