

Grand Strand Economic Quarterly Report

Fourth Quarter - 2012

Welcome to the fourth 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.

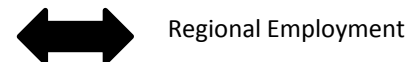
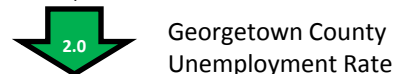
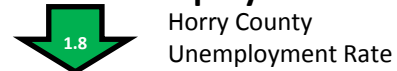
The Grand Strand economy continues to improve, although we have yet to see significant gains in employment and income. The unemployment rate continues to fall, almost entirely due to unemployed individuals leaving the labor force. Healthcare and higher education are leading growth in employment, but these gains have not yet been strong enough to offset the losses in other sectors. The strong retirement demographic continues to stabilize demand in both the tourism and residential construction sectors. Nationally, the economy weakened in the fourth quarter of 2012 as GDP declined 0.1 percent. Fiscal uncertainty associated with the budget debate as well as the expiration of the 2 percentage point reduction in the payroll tax will weigh on investor and consumer confidence in the first half of 2013.

Tourism experienced growth over the 52-week moving average, leveraged by three strong quarters (Q1-Q3) in 2012. In a comparative quarter over quarter basis, the fee and tax revenues decreased and are projected to decrease in 2013 Q1 and Q2 as well. However, included in the revenues are fees and taxes that may have been accrued in a prior period and recorded in the period collected. The most reliable metrics for tourism are occupancy rate, average daily rate, and revenue per available room (RevPar) which all experienced growth in 2012 Q4.

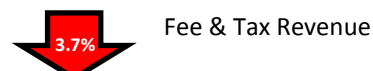
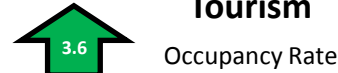
Real estate continues to improve in the 4th quarter as the number of SFR and condo/townhome sales increase and excess inventory is decreasing. The median sales prices for condo/townhomes are flat from 2011, seeing a substantial increase in sales with virtually no price appreciation. The SFR median sales has decreased almost 3% from that of 2011. Sales prices will increase as the distressed properties continue to be pushed through the inventory. SFR building permits have increased almost 70% as well-located subdivisions continue to attract buyers and builders.

Grand Strand Indicators

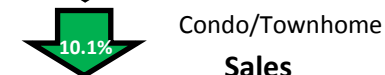
Employment



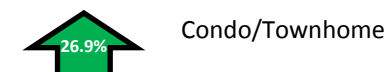
Tourism



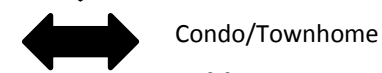
Real Estate Inventory



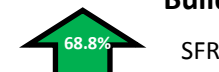
Sales



Median Sales Price



Building Permits



Employment

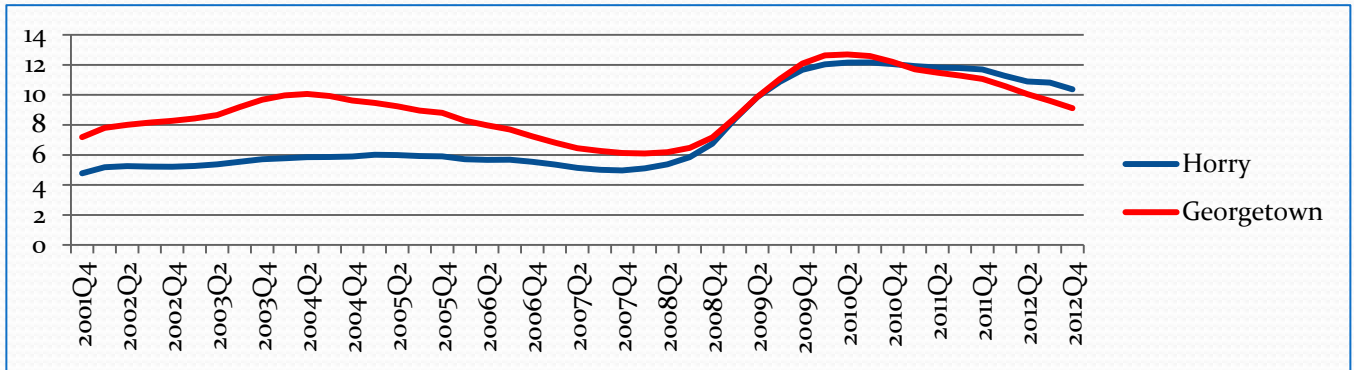
Horry County

9.1% Unemployment

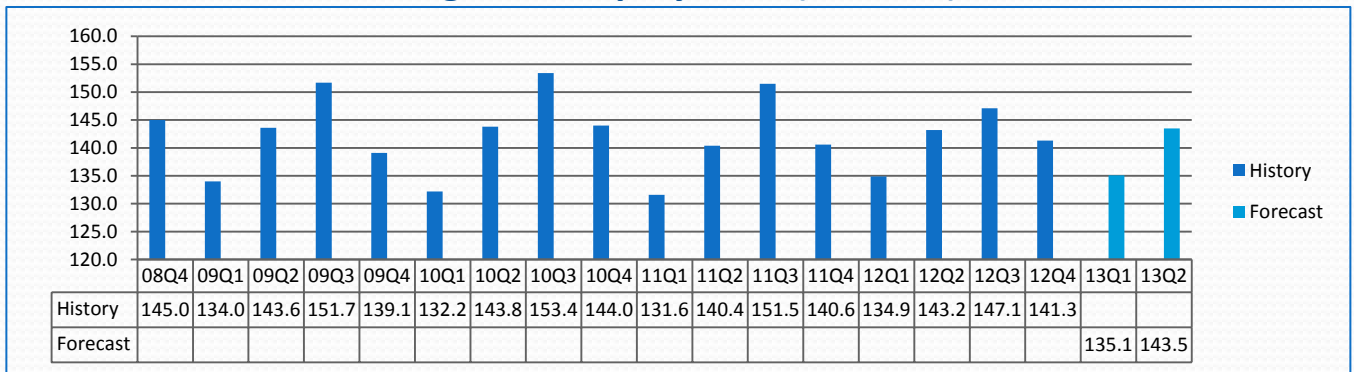
Georgetown County

8.2% Unemployment

Unemployment Rate By County (Quarterly Moving Average)



Regional Employment (millions)



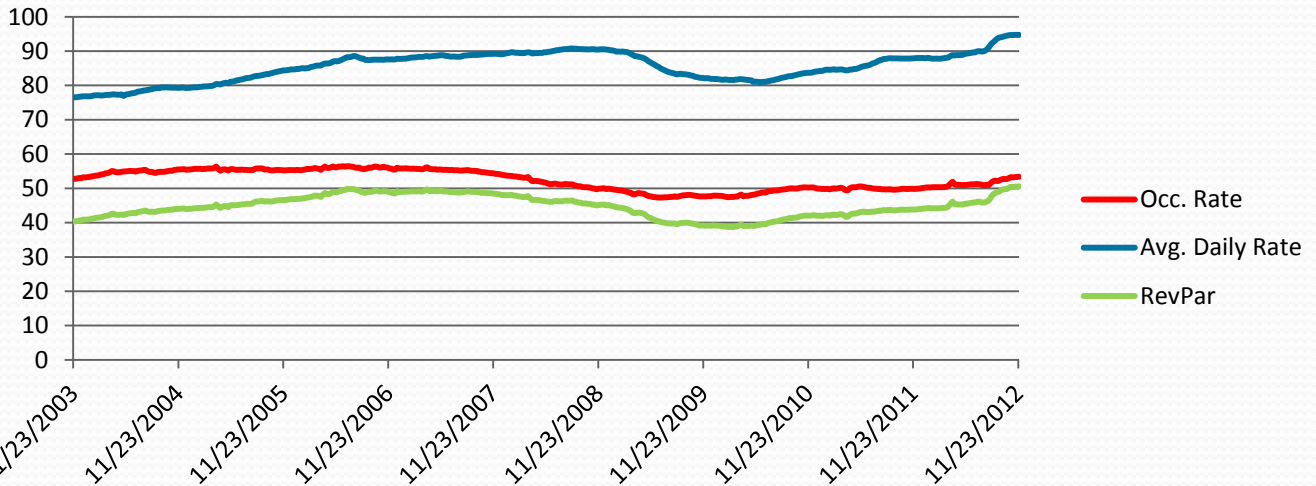
Source: SC Department of Employment & Workforce

Horry county's unemployment rate for the fourth quarter of 2012 averaged 9.1% and represents a decline of 1.8 points from the rate of 10.9% in the fourth quarter of last year. The unemployment rate in the fourth quarter is generally lower than the first and third quarters as this quarter includes the increase in seasonal employment for the holidays. 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 10.4%. The overall unemployment rate is generally declining from its peak in 2010. Following this trend, the unemployment rates for the 1st and 2nd quarters of 2013 should continue to fall compared with the previous year's period rates.

Georgetown County's unemployment rate for the fourth quarter of 2012 averaged 8.2% and represents a decline of 2.0 points from the rate of 10.2% in the fourth quarter of last year. The unemployment rate in the fourth quarter is generally lower than the first and third quarters as this quarter includes the increase in seasonal employment for the holidays, 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 9.1% in the fourth 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 1st and 2nd quarters 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 2012 the ADR, excluding beach house rentals, averaged a high of \$142.70 in the summer months and a low of \$54.60 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 fourth quarter 52-week moving average of \$94.74 is \$6.82 (7.2%) higher than the fourth quarter of 2011, \$87.92.

Occupancy Rate

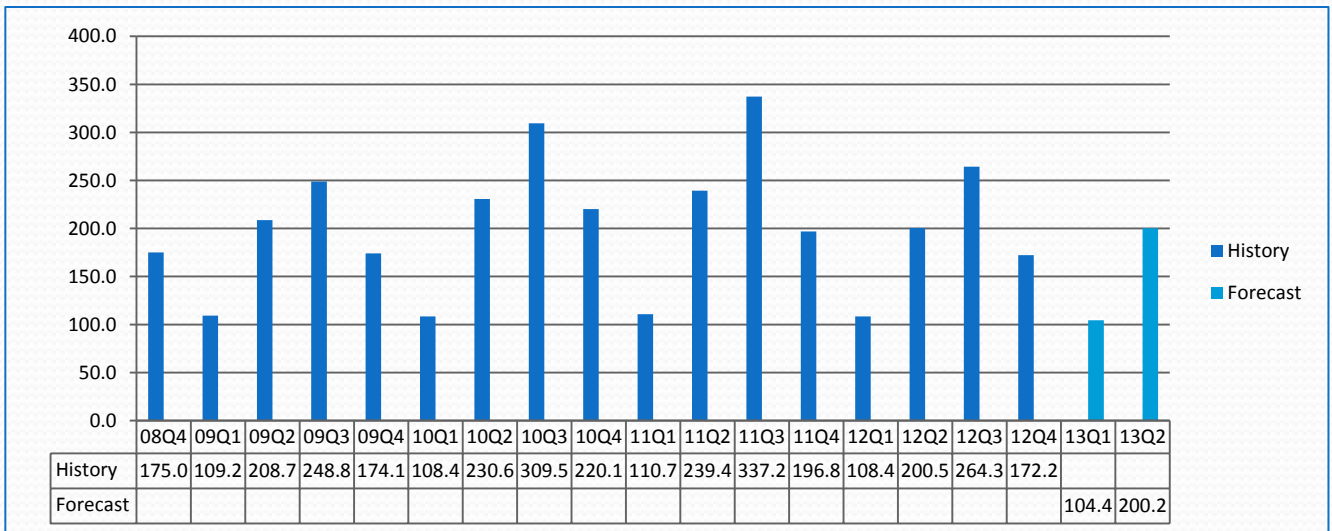
The occupancy rate for vacation accommodations excluding beach house rentals is similarly a seasonally sensitive measure. In 2012 the occupancy rate averaged a high of 78.6% in the summer months and a low of 28.3% in the winter months. 2012's fourth quarter 52-week moving average of 53.4% is 3.6 (7.2%) points higher than the average of 49.8% in the fourth 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 \$127.60 in the summer months of 2012 and a low of \$14.46 in the winter. RevPar for the fourth quarter of 2012 stood at \$50.56, an increase of \$6.74 (15.4%) over the \$43.82 average for the fourth quarter of 2011.

MYR Airport

There were 172,000 deplanements at the Myrtle Beach International Airport (MYR) in the 4th quarter of 2012. This is down 24,600 deplanements (12.5%) from the 4th quarter of 2011. In January 2013, a major discount carrier, Spirit Airlines, announced that they would be adding daily non-stop flights to and from Baltimore and Philadelphia. Spirit carries more passengers to Myrtle Beach than any other airline. Also in January, 2013, WestJet (a Canadian carrier) agreed to begin servicing MYR which will expand the footprint as they offer direct flights to Toronto and flights to many other domestic and Canadian destinations. The Grand Strand already sees a number of Canadian visitors and it is estimated that 18% of Canadians play golf. Flights from MYR to 29 Canadian cities are expected to increase the number of visitors in Grand Strand as most currently travel by car.



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

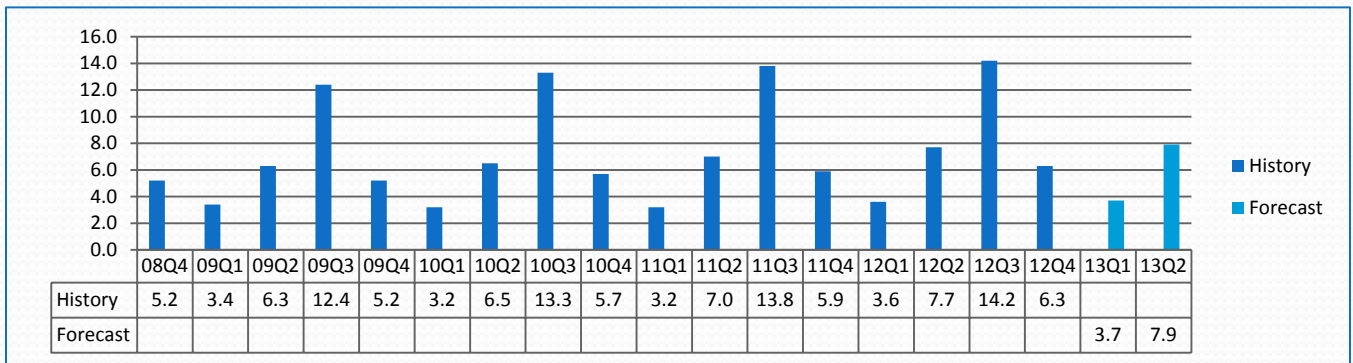
The Myrtle Beach International Airport is near completion of the expansion that will increase the number of gates from 7 to 13. Restaurants and shops have been added to the airport as well, creating 70 positions to be filled in the food service industry.



Tourism Tax Revenue

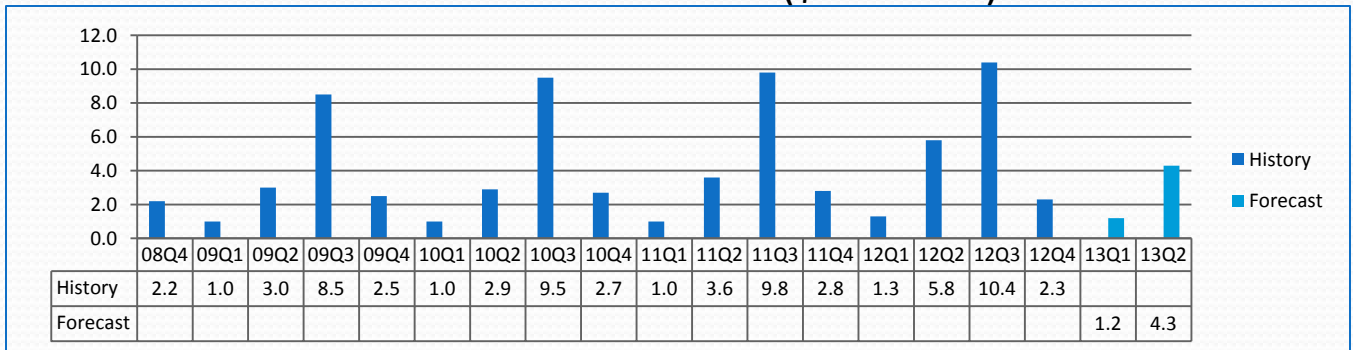
We monitor three separate taxes on tourism activity in the Grand Strand: the Horry County-wide 1.5% hospitality fee, the state accommodations tax assessed in Horry and Georgetown Counties, and the state admissions tax assessed in Horry and Georgetown Counties. Revenue from these three sources totaled \$10.3 million in the 4th quarter of 2012, a decrease of \$400,000 (3.7%) from the 4th quarter of 2011.

Horry 1.5% Hospitality Fee Revenue (\$ Millions)



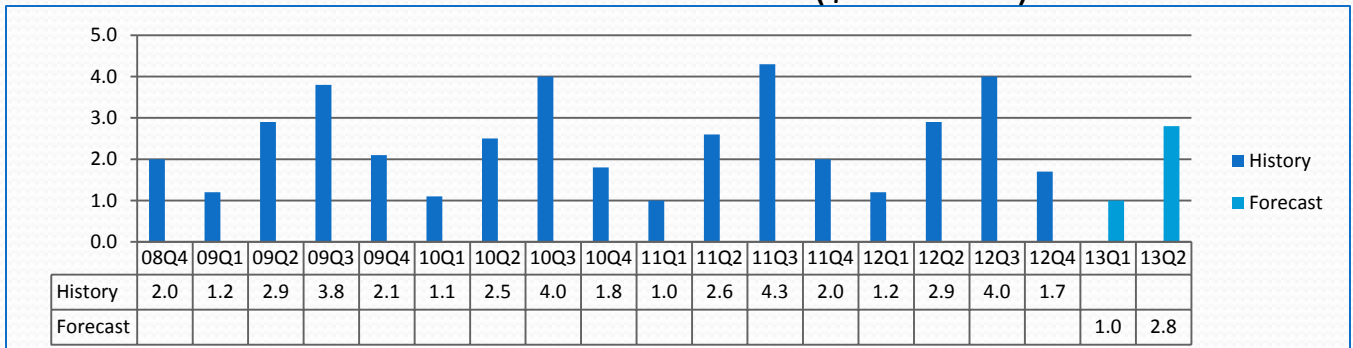
Source: Horry County Government

Accommodations Tax (\$ Millions)



Source: Horry County Government

5% State Admissions Tax (\$ Millions)

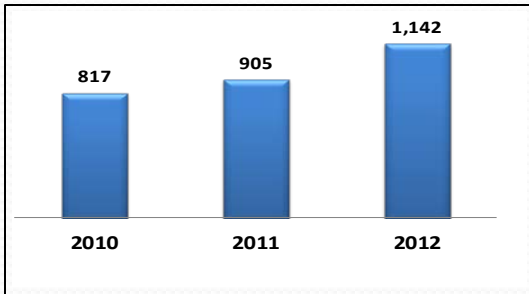


Source: South Carolina Department of Revenue

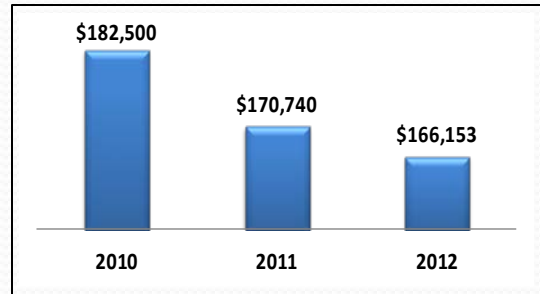
Real Estate

SFR Sales Activity

4th Quarter # of Sales

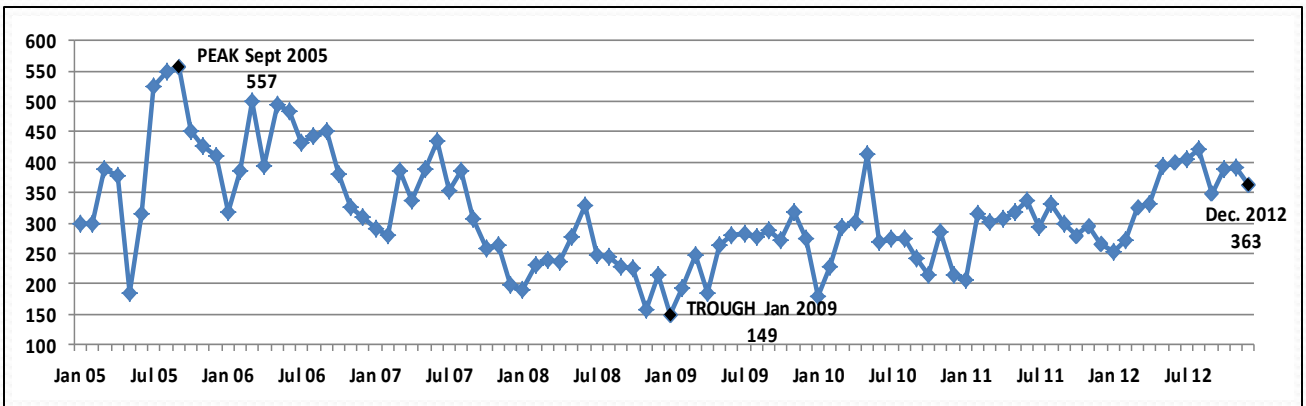


4th Quarter Median Sales Price

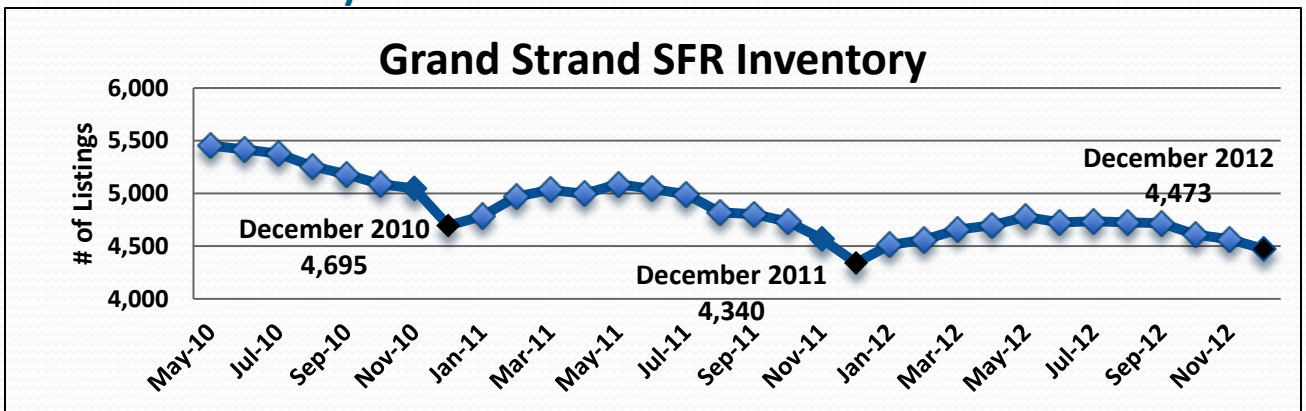


There were 1,142 single family residence sales with a median sales price of \$166,153 in Horry and Georgetown Counties in the 4th quarter of 2012. Sales are up 26.2% while the median sales price is down only \$4,587 (2.7%) from the same period in 2011. The SFR inventory at the end of the 4th quarter was 4,473 homes, a decrease of 3.1% from the same period in 2011.

Historical Sales Activity



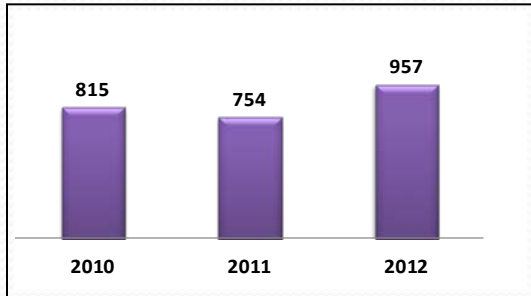
Historical Inventory Levels



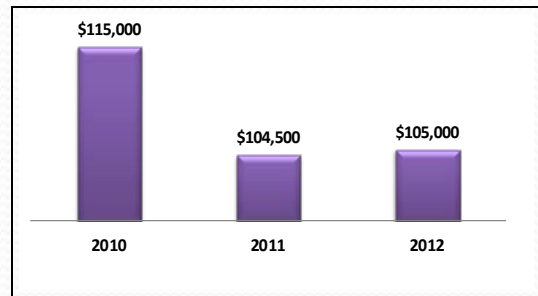
Real Estate

Condo/Townhome Sales Activity

4th Quarter # of Sales

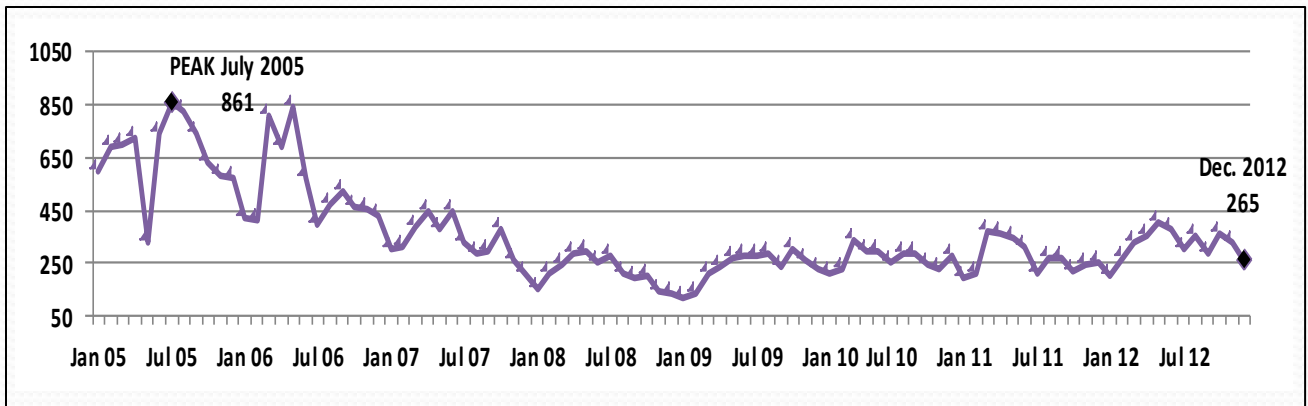


4th Quarter Median Sales Price

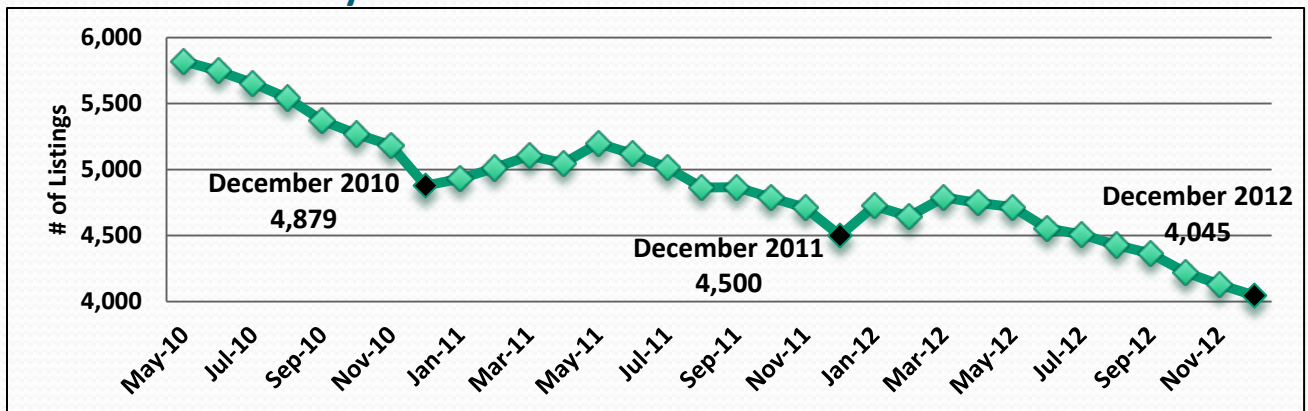


There were 957 condo/townhome sales in Horry and Georgetown Counties in the 4th quarter of 2012 with a median sales price of \$105,000. The number of sales is up 26.9% while median sales price has only increased \$500 from the same period in 2011. The condo/townhome inventory at the end of the 4th quarter was 4,045 units, a decrease of 10.1% from the same period last year.

Historical Sales Activity

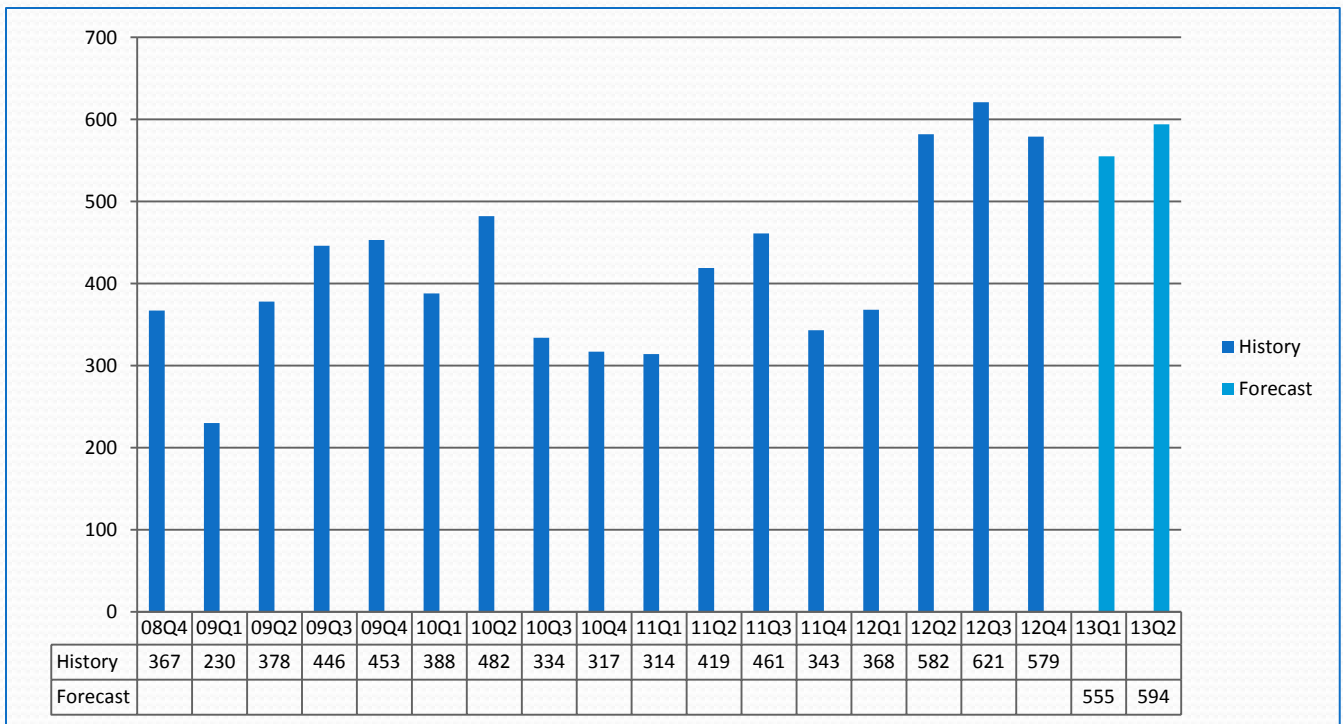


Historical Inventory Levels



Real Estate Building Permits

Single Family



Source: US Census Bureau of Statistics

There were 579 building permits issued in the fourth quarter of 2012 for single family homes in Horry and Georgetown Counties combined. This is an increase of 68.8% over the 343 permits issued in the 4th quarter of 2011. There were a total of 2,150 permits issued in 2012 and we are currently at 2005 levels.