

STATE OF SOUTH CAROLINA

Board of Economic Advisors

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1000 Assembly Street, Suite 442  
Columbia, South Carolina 29201  
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August 1, 2005

The Honorable Hugh K. Leatherman, Sr.  
Chairman, Senate Finance Committee  
111 Gressette Building  
Columbia, SC 29202

Dear Senator Leatherman,

This is in response to a request by Mr. Michael Shealy on your behalf for information regarding the state's housing and construction industry. The enclosed charts have been extracted from the latest version of our monthly publication entitled, *Economic Indicators for South Carolina*.

If you have any questions, I will be happy to answer them.

Sincerely,

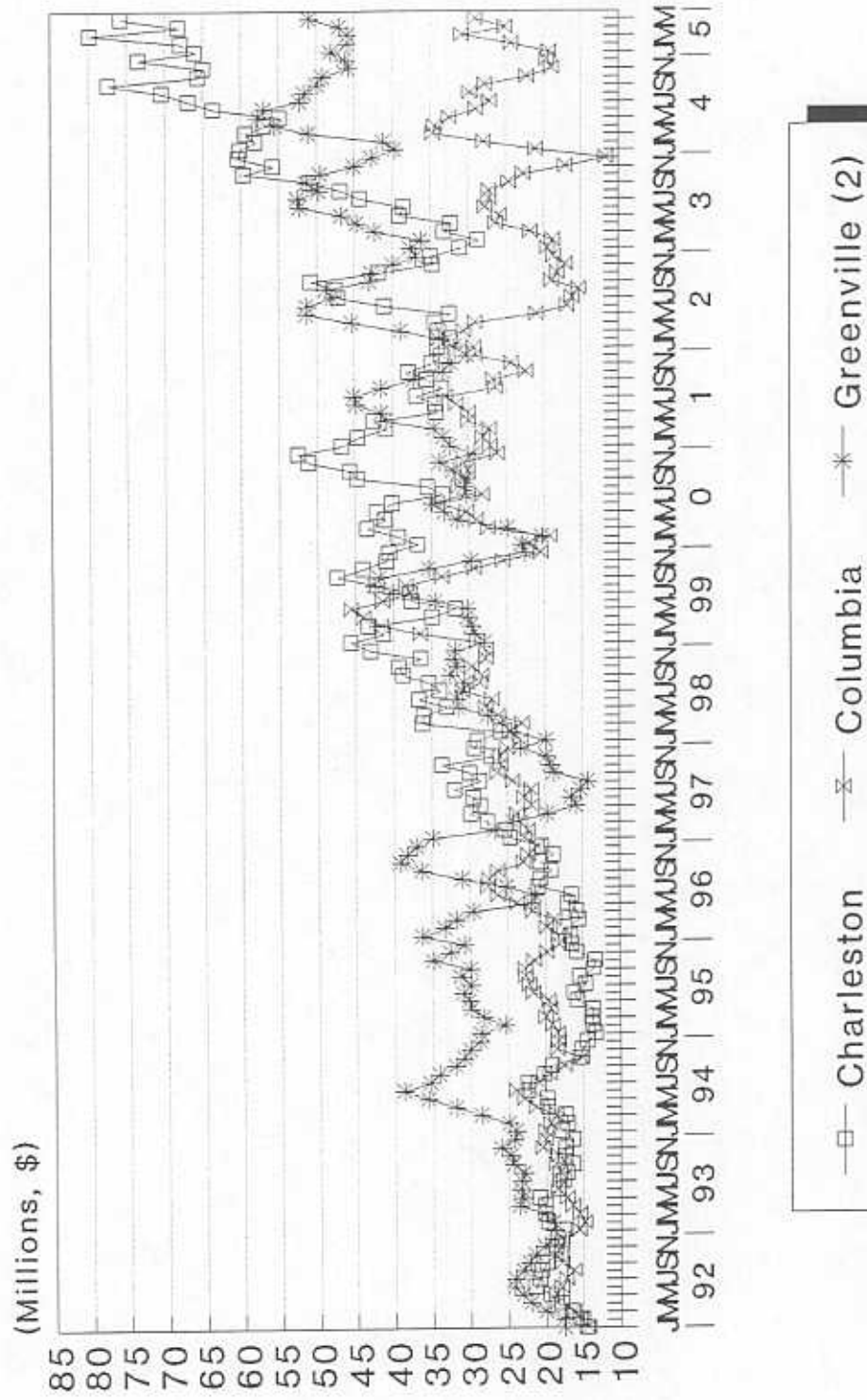
A handwritten signature in cursive script that reads "William C. Gillespie".

William C. Gillespie, Ph.D.  
Chief Economist

WCG/rwm  
Encl.

cc: Michael L. Shealy

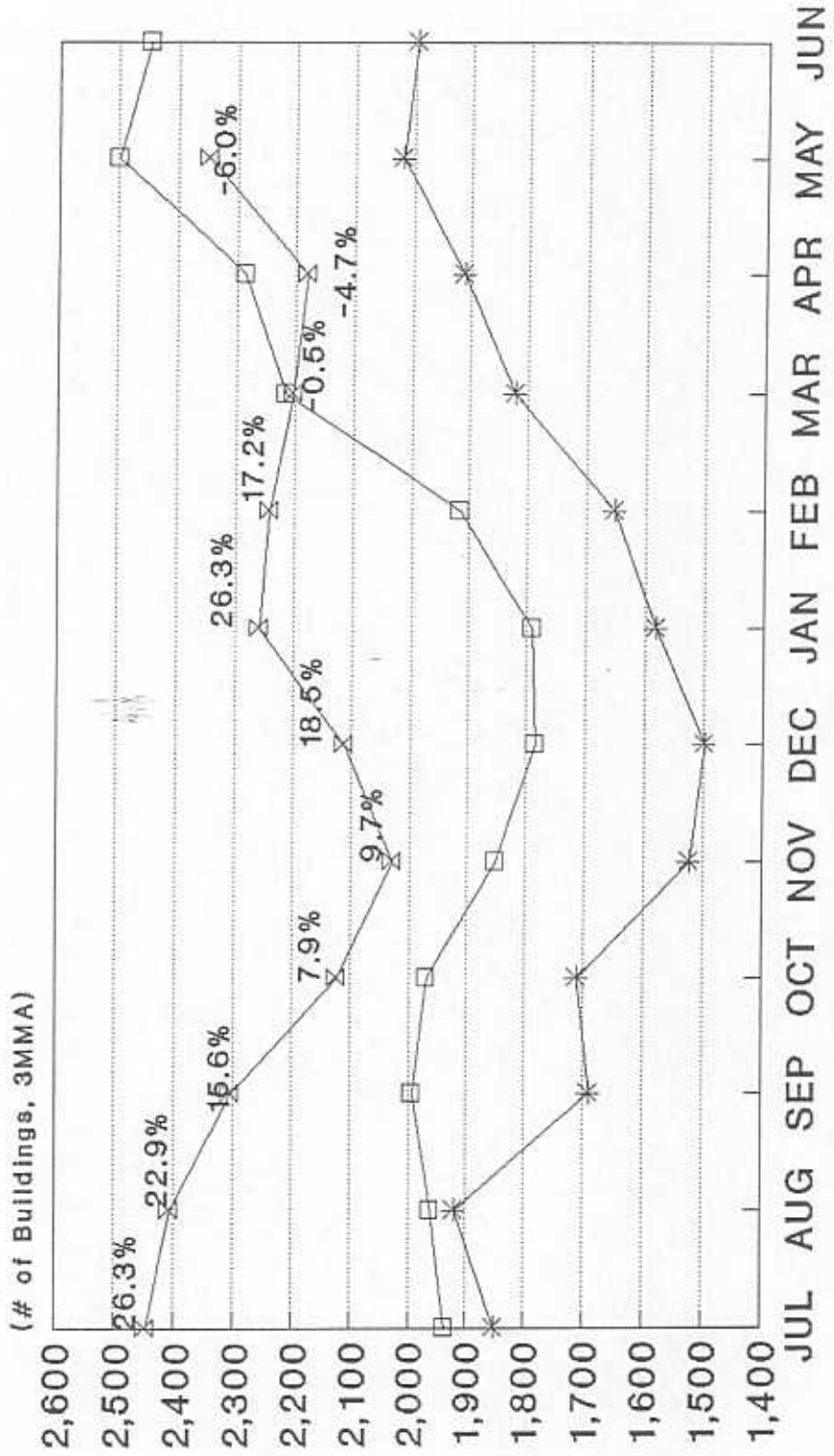
# REGIONAL BUILDING PERMIT VALUES (4-MONTH MOVING AVERAGE)



Source: U.S. Bureau of the Census

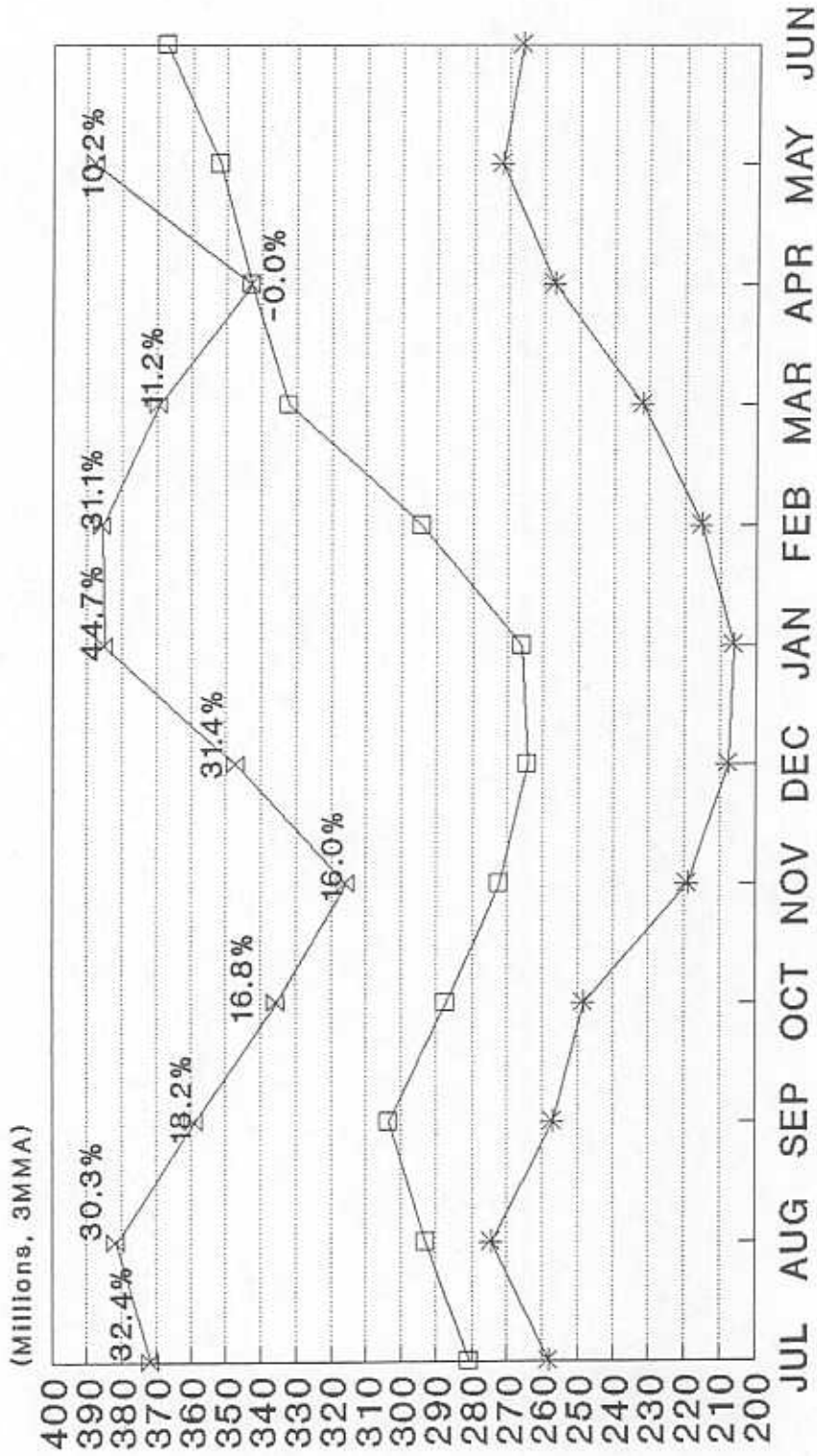
**V.  
HOUSING & CONSTRUCTION  
INDUSTRY**

# RESIDENTIAL BUILDING PERMITS IN SC



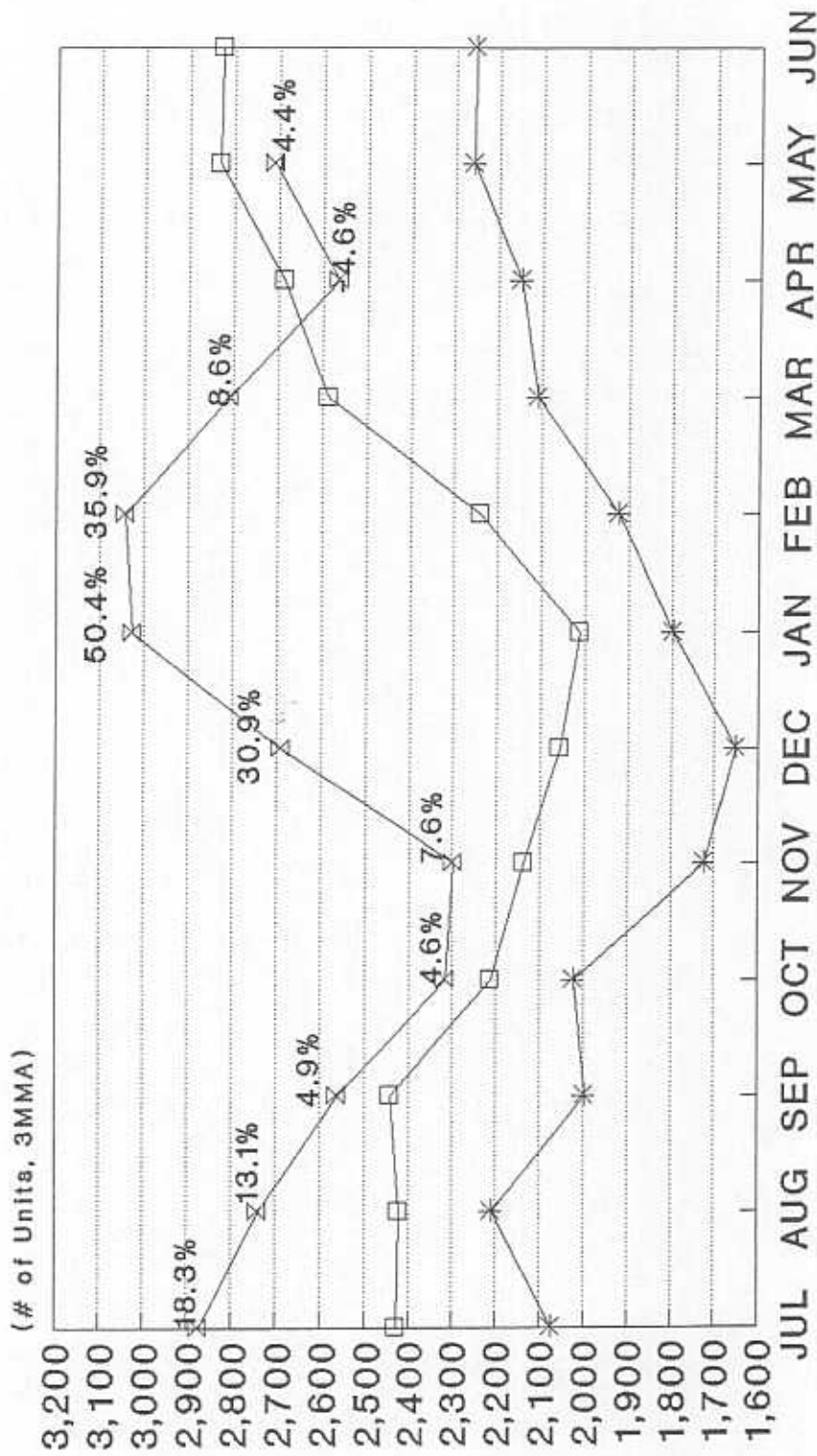
\* FY 2003    □ FY 2004    × FY 2005

# RESIDENTIAL BUILDING PERMIT VALUES IN SC



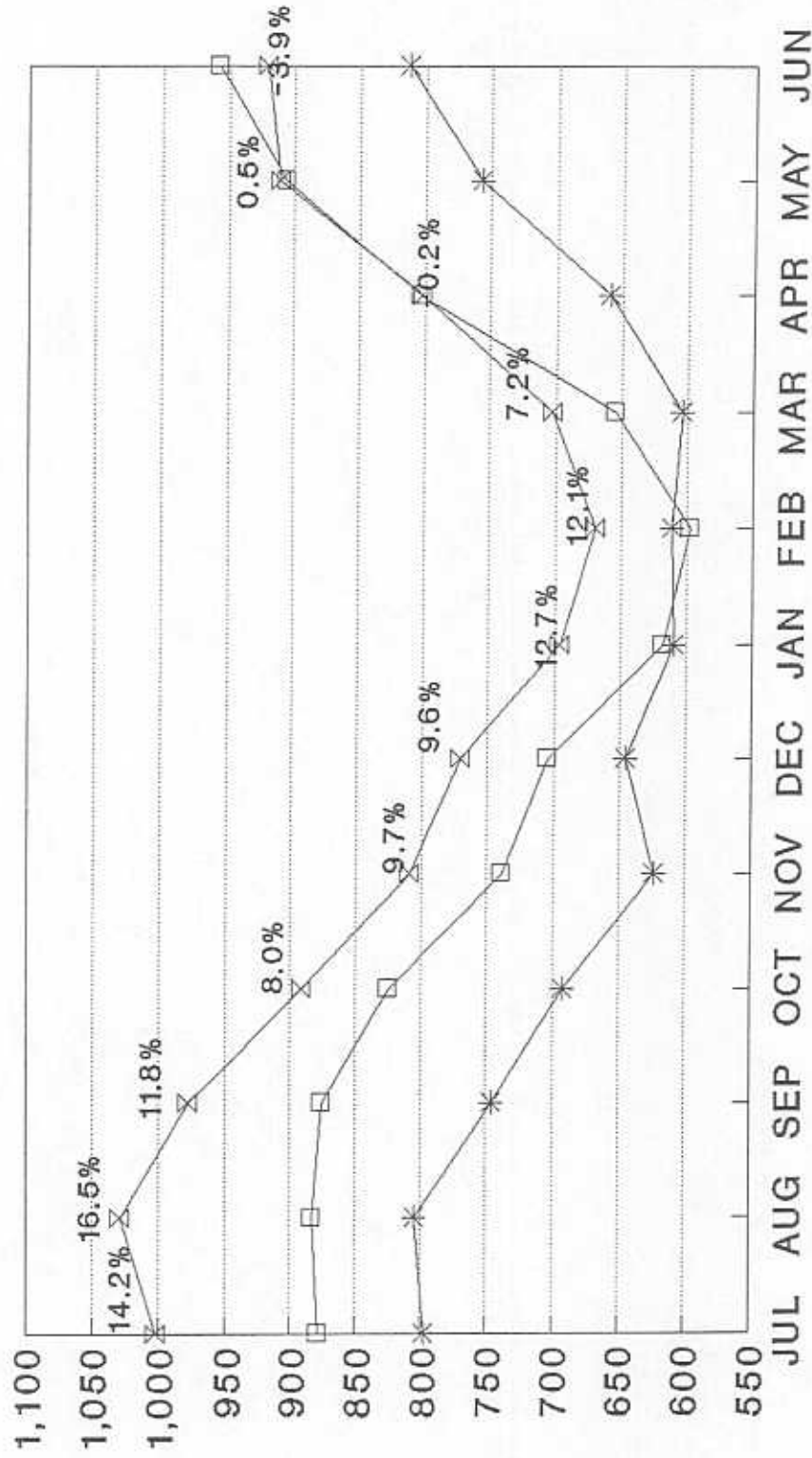
\* FY 2003    □ FY 2004    ✕ FY 2005

# RESIDENTIAL BUILDING PERMITS IN SC



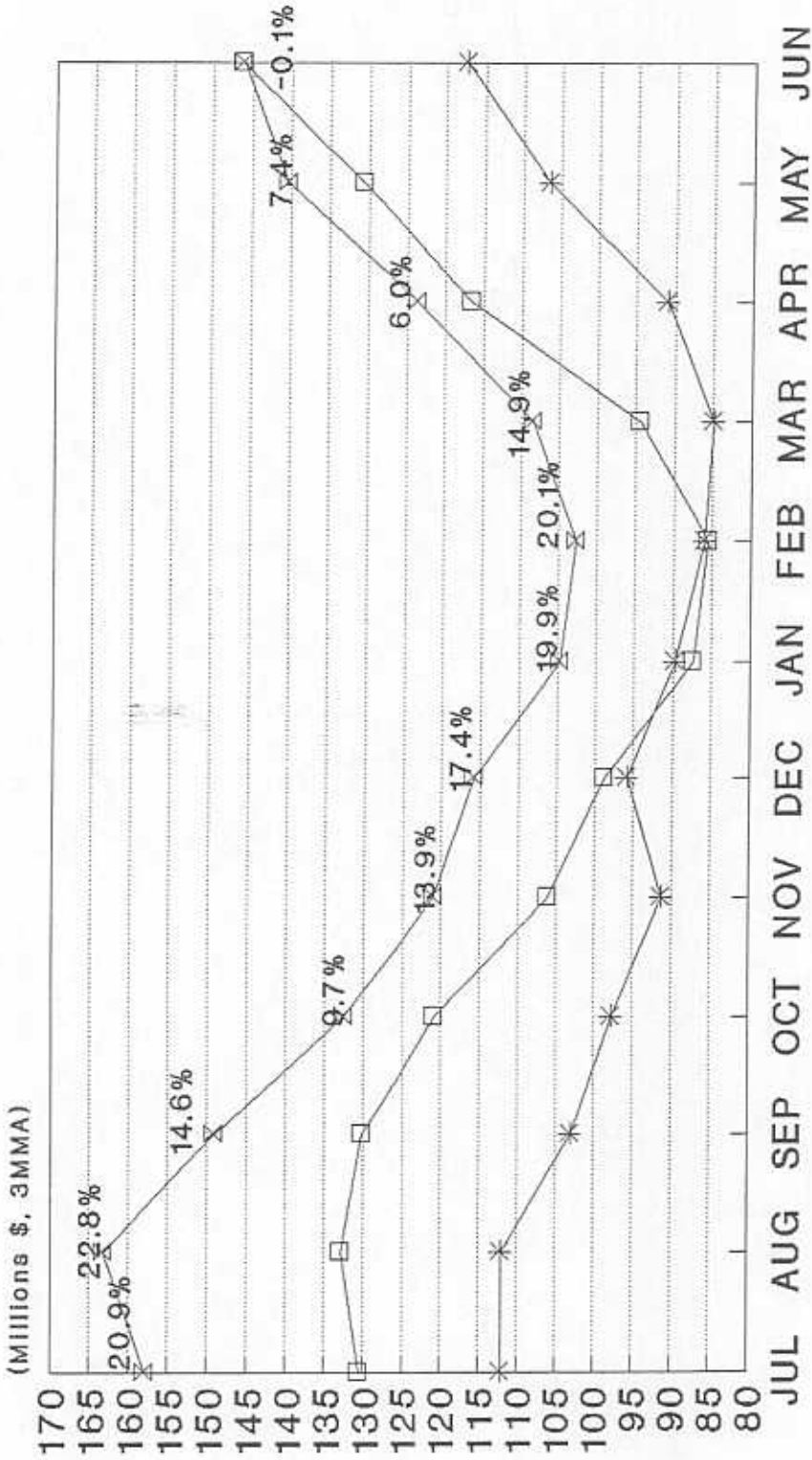
Source: US Bureau of the Census

# COLUMBIA RESIDENTIAL HOME SALES



\*— FY 2003    □— FY 2004    —x— FY 2005

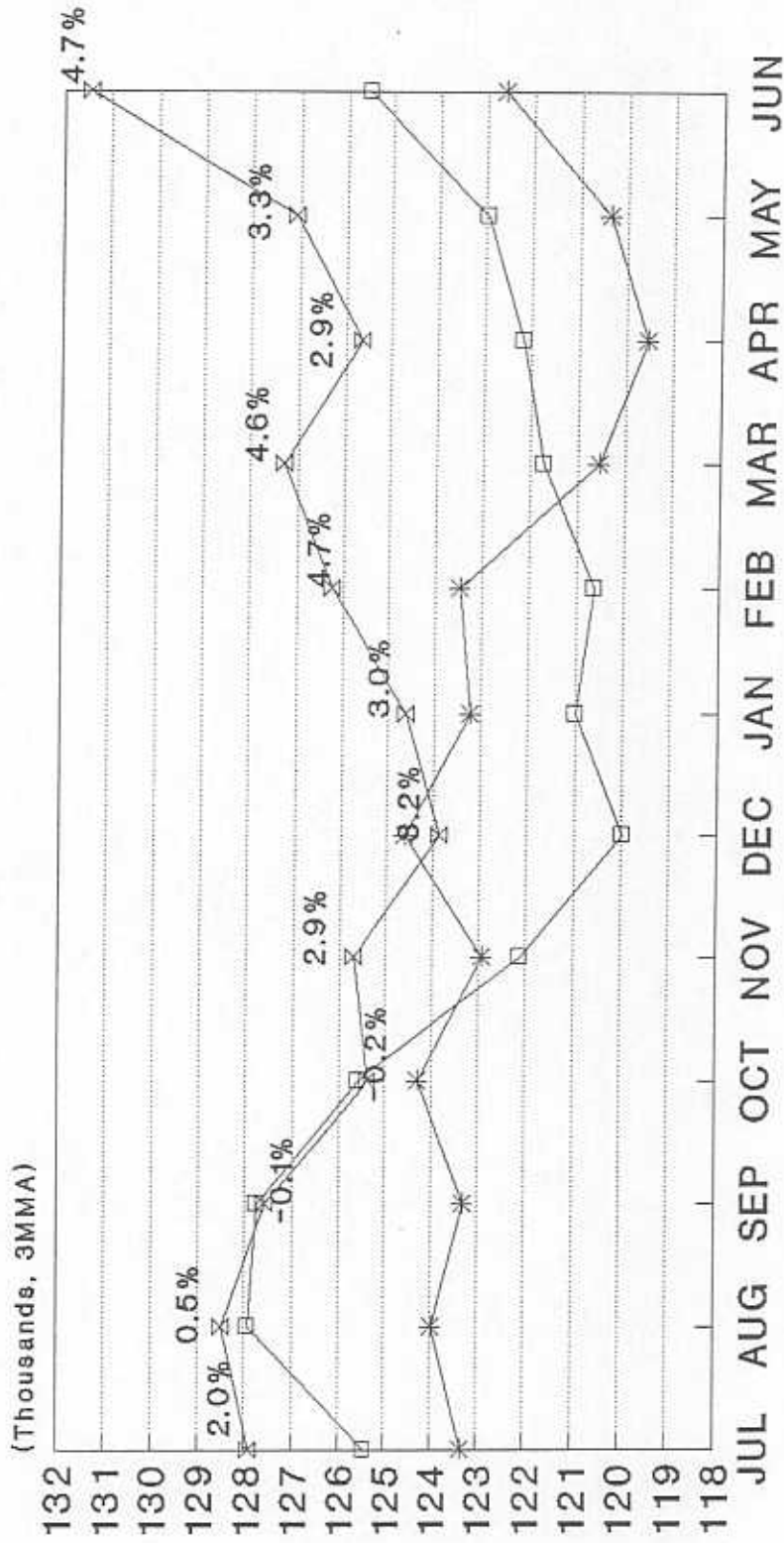
# COLUMBIA RESIDENTIAL DOLLAR SALES



\* FY 2003    □ FY 2004    × FY 2005

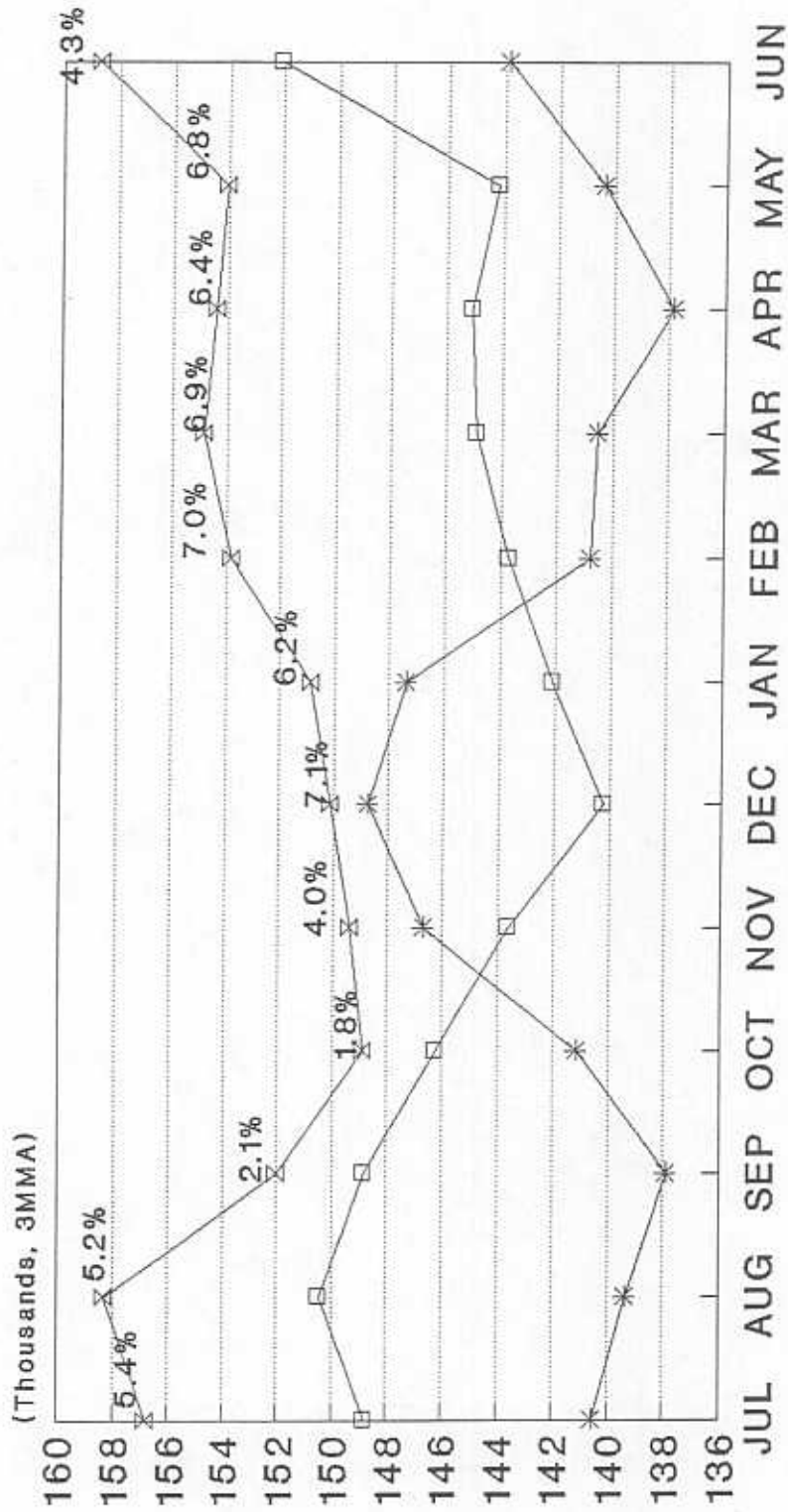


# COLUMBIA HOME SALES MEDIAN PRICE



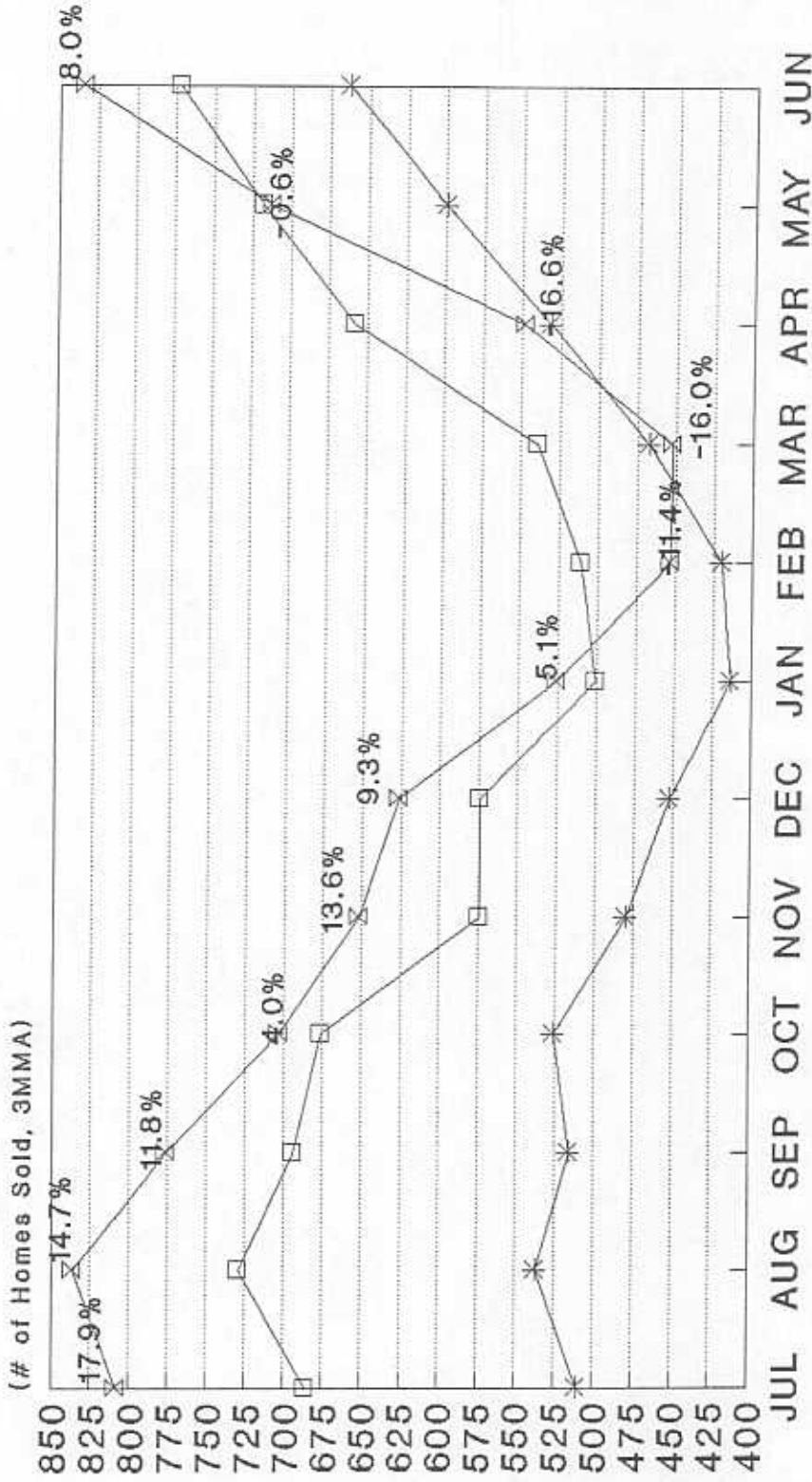
Source: Greater Cola. Assoc. of Realtors 32

# COLUMBIA HOME SALES AVERAGE PRICE



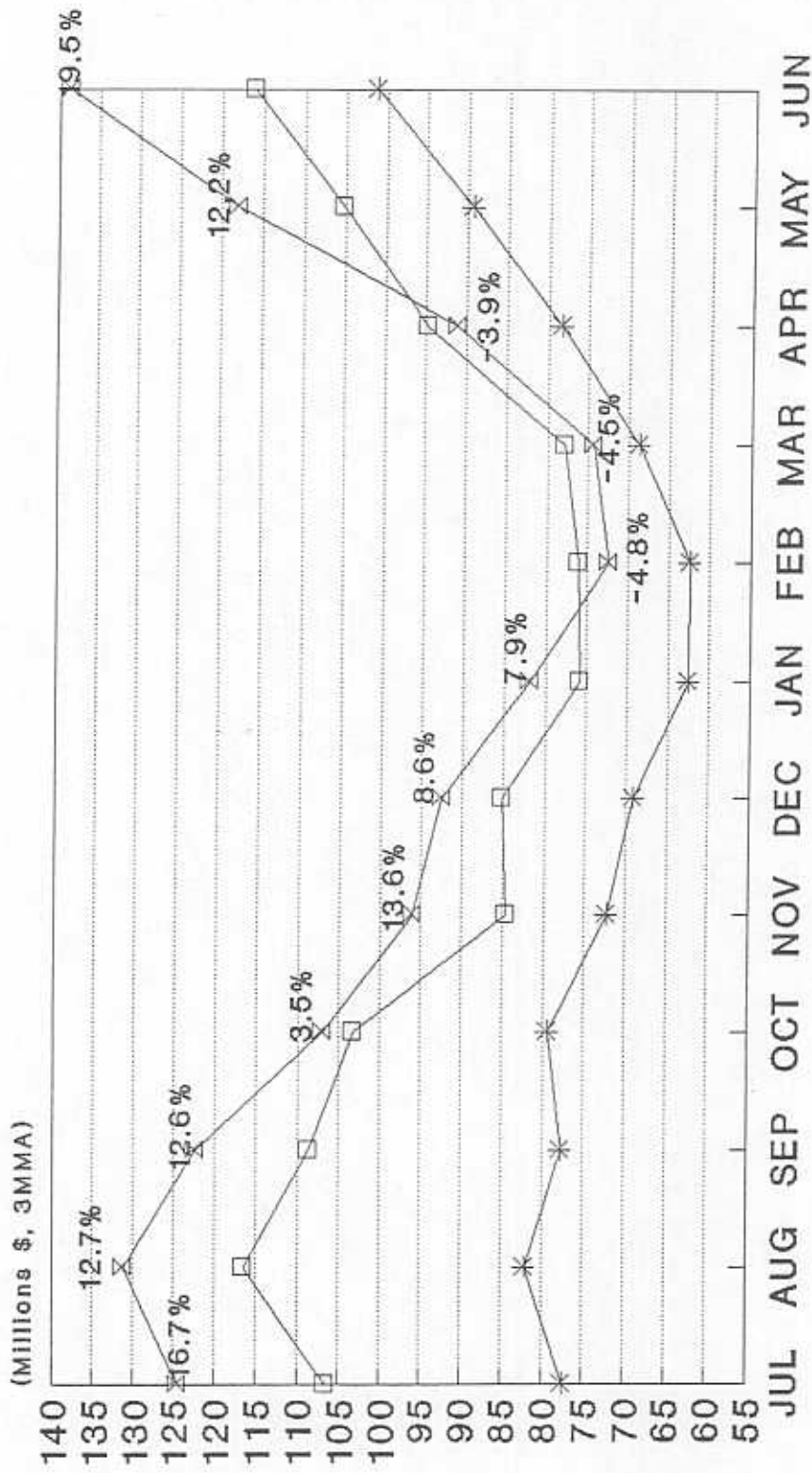
\*— FY 2003    □— FY 2004    —x— FY 2005

# GREENVILLE RESIDENTIAL HOME SALES



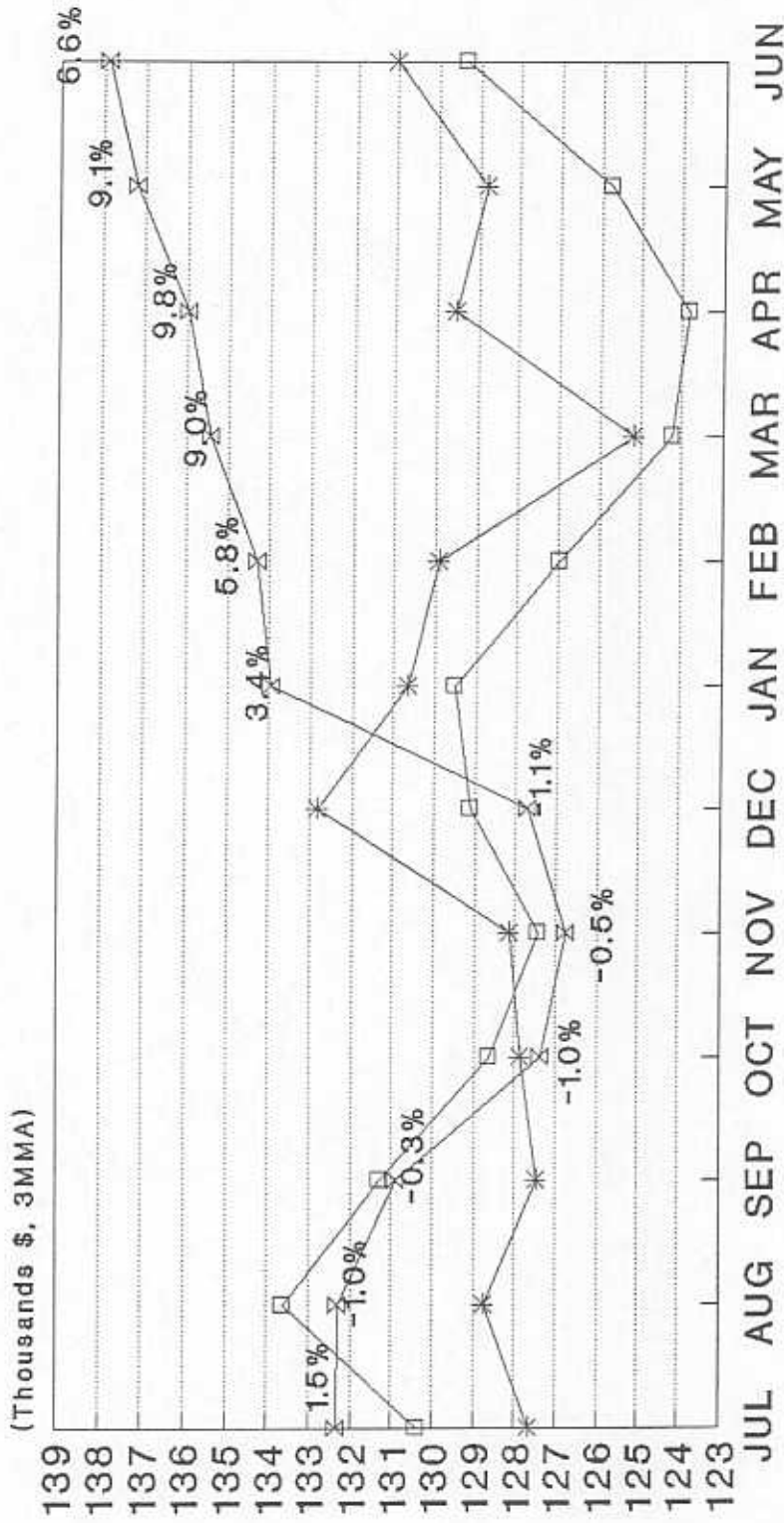
Source: Greenville Assoc of Realtors

# GREENVILLE RESIDENTIAL DOLLAR SALES



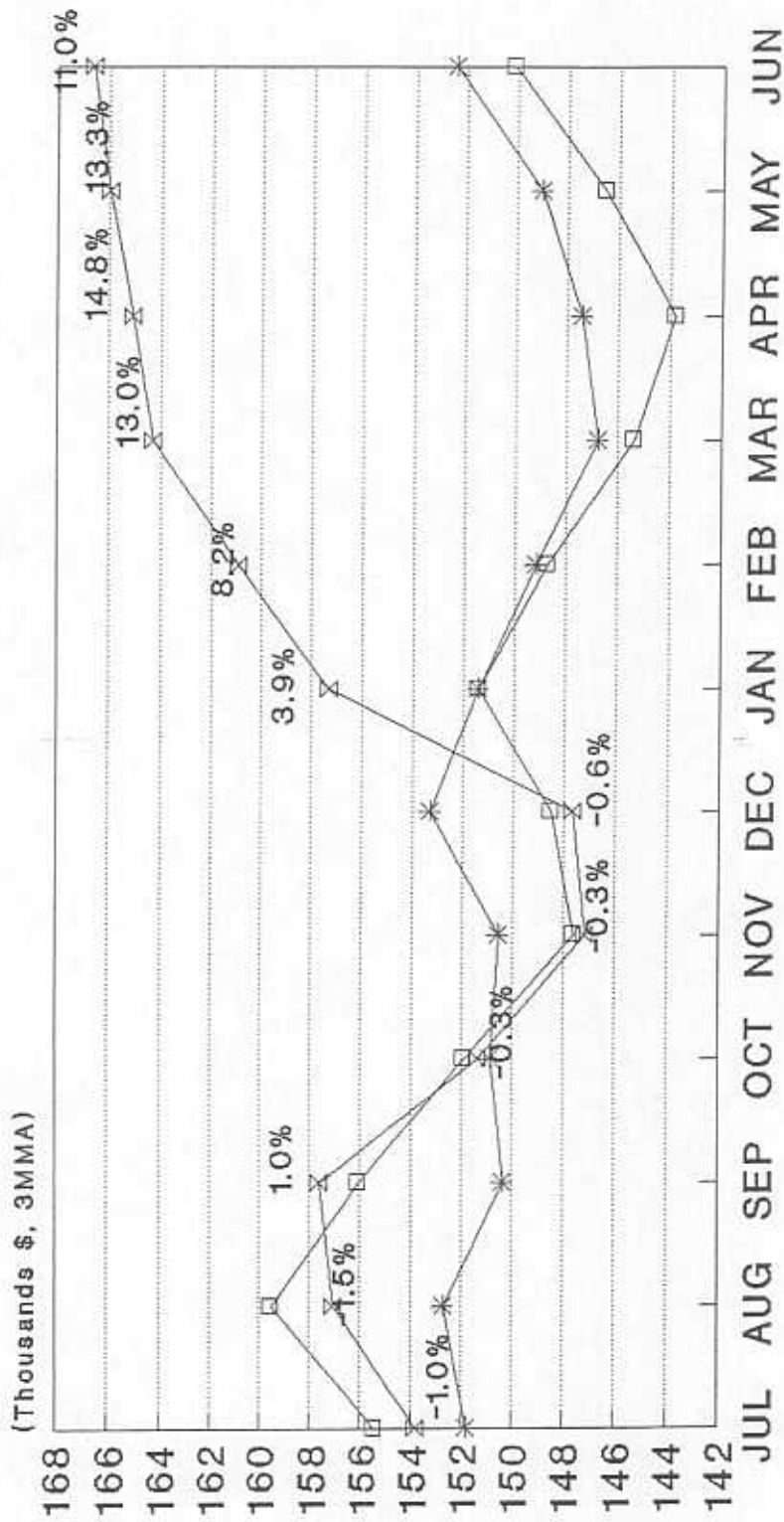
\*— FY 2003    □— FY 2004    —x— FY 2005

# GREENVILLE HOME SALES MEDIAN PRICE



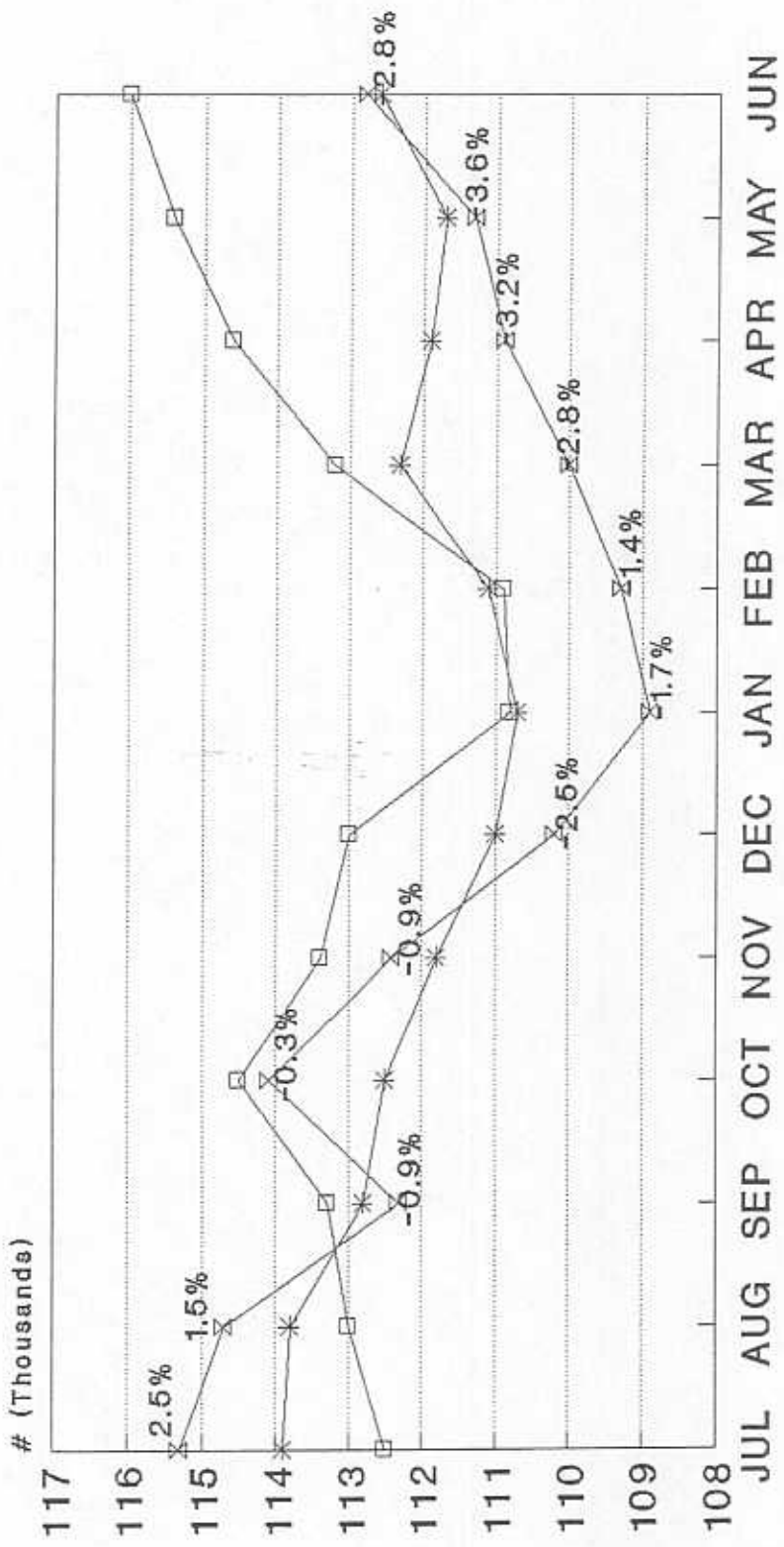
\*— FY 2003    □— FY 2004    —x— FY 2005

# GREENVILLE HOME SALES AVERAGE PRICE



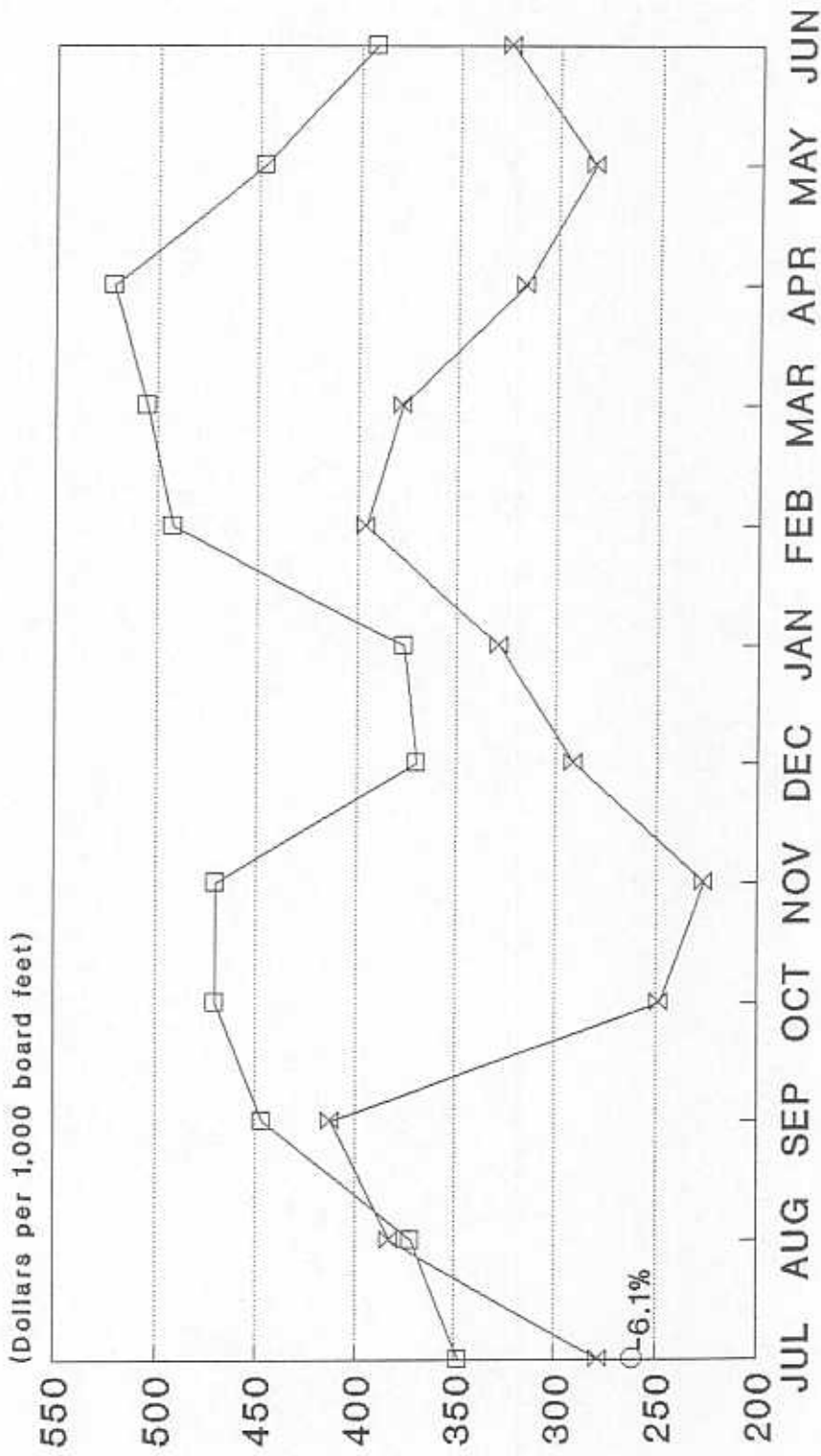
\*— FY 2003    □— FY 2004    △— FY 2005

# CONSTRUCTION EMPLOYMENT IN SC (UNADJUSTED)



\*— FY 2003    □— FY 2004    —x— FY 2005

# ORIENTED STRAND BOARD PRICES IN THE US



FY 2004
 
 FY 2005
 
 FY 2006



**The State.com**

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Posted on Mon, Jul. 25, 2005

## Lowcountry attracts wealthy newcomers

Associated Press

**CHARLESTON, S.C.** - Lou Hammond likes to split her time between her job in New York City and relaxing in Charleston.

The owner of a Manhattan public relations company is part of a wave of wealthy newcomers drawn to the Holy City's architecture and Southern charm in South Carolina's Lowcountry.

A carriage ride through downtown convinced Hammond to move to the city in the early 1990s.

"My husband and I went down Meeting Street and said, 'My God, there are still 18th-century houses,'" Hammond recalled. "We always said we would never own a second home, but we flew down on Saturday and had a home by Monday."

Census figures show that the number of Lowcountry households earning \$150,000 and up more than tripled to 7,704 from 1990 until 2003. Statistics show 5,740 households have incomes of \$1 million or more.

It's tough to pinpoint exactly what's causing the influx - some credit Chamber of Commerce marketing; others note that the city has been selected as the country's best-mannered for 10 straight years.

"We have an unusual city at a time when a lot of places are becoming more and more alike," said Josephine Humphreys, a prominent local author. "Our city looks so physically different and people, especially those who can afford it, want to be a part of something memorable."

Some newcomers move to the city for good after long, successful careers; others spend weekends here and weekdays elsewhere. Many seek to make contributions to their adopted city through donating time and money to local organizations.

Hammond is a big supporter of the Historic Charleston Foundation and serves on the board of Spoleto Festival USA. "I've really shifted my volunteer efforts here full time," Hammond said. "I just really believe so much in what's happening here."

Newcomers speak of a new kind of Charleston, a more accepting, worldly and posh side of the city. Charleston is a travel-magazine darling, with a landscape dotted with first-class restaurants and country clubs.

Howard Stahl, a native of Greenville and a College of Charleston alumnus who moved to Charleston from Washington, D.C., about a year ago, said his commute isn't that much longer now.

"From my house in Northern Virginia, it would take me an hour and a half to get to the office in traffic," Stahl said. "I figured for an extra 45 minutes, where I could sit on a plane and not drive, why not?"

An architecture buff, Stahl returned to Charleston every few years during the past three decades he has practiced international corporate law. He finally made the jump when he heard the Calhoun Mansion was for sale. He bought the 24,000-square-foot property for \$3.75 million in July 2004.

"This is the perfect place to live, particularly if you're older and want to try not to work 60 hours a week," Stahl said. "There are all kinds of distractions to get you away from your desk."

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Information from: *The Post and Courier*, <http://www.charleston.net>

TUESDAY, JULY 26, 2005 12:00 AM

## Affluent make their mark

But does the rising tide of new wealth in the Lowcountry lift all boats?

**BY MATTHEW MOGUL**  
Of The Post and Courier Staff

Tommy Baker has his finger pressed firmly on the pulse of the Charleston region's moneymakers.

The owner of Baker Motor Co., a seller of luxury cars, including Mercedes-Benz and Porsche, says business is booming. And he owes much of his success to affluent out-of-towners choosing Charleston as their new stomping ground.

"A nice portion of people moving here have the wealth to buy the cars I sell," Baker said. "I've been doing this for 18 years, and there was a time when I knew everyone on a first-name basis. Today, there are people who shop with us from all over the world."

Many of Baker's customers are newcomers who are transforming the region in ways felt far beyond Charleston's exclusive country clubs, golf courses and marinas. These well-heeled folks are moving into lavish homes downtown, on Daniel Island or Coosaw Creek and other upscale neighborhoods. They start new businesses or fly off to other cities for their jobs each workweek, returning for the weekends. They sit on community boards, volunteer their expertise to nonprofits and leave endowments. They are making contributions to the community that reflect an eagerness to leave a mark on their adopted city. They are turning Charleston into a place where the rich don't come just to play.

So, just how good is business for Baker and others?

In a three-month span earlier this year, Baker's dealership sold three super-luxury Maybachs, a high-end sedan that's part of the Mercedes family and sells for as much as \$440,000. Baker's dealership is the only one in South Carolina authorized to sell the car, and last year only 244 Maybachs were sold nationwide.

The immediate impact of the affluent people flocking to the city is obvious for businessmen such as Baker. Real estate agents specializing in the sale of multimillion-dollar mansions have also made out big, as have those earning a living in tourism and various retail and service sectors offering the finer things in life, ranging from personal chefs to chic art galleries.

The question, though, is whether this concentration of wealth is enriching the wider society. Does the arrival of prosperous people translate into a better life for the rest of us?

Opinions are mixed.

These newcomers have re-energized the city, their supporters say. Their money helped Charleston bounce back following the punishing economic blows inflicted by Hurricane Hugo and the closing of the Navy base. Their connections and worldly know-how help make Charleston more attractive to industries eyeing the city as a place to do business. That can mean more jobs to go around.

Critics say a wealthier Charles-ton isn't doing much for the typical wage-earner who, they say, can barely afford to buy a home, pay property taxes or come up with the rent each month.

Charles Van Rysselberge, president of the Charleston Metro Chamber of Commerce, welcomes the new wealthy class as "significant assets to the community" that go beyond spending and paying taxes.

"The very fact that they have chosen Charleston says something," he said. "These are people who still have friends in the corporate world, and it's very possible that this will increase the chances of businesses looking to locate here as well as more people thinking about retiring here."

Still, some wonder whether these newcomers give back as much as they get. Where are the Jerry Zuckers and Tony Bakkers? ask the skeptics.

Not too long ago, both Zucker, founder of specialty textile maker Polymer Group Inc., and Bakker, who started Daniel Island software company Blackbaud Inc., were new to Charleston. The two entrepreneurs invested their sweat and capital in the city and over time formed corporations that created thousands of jobs.

Al Parish, an economist and business forecaster at Charleston Southern University, isn't sure that more recent affluent arrivals have increased the size of the proverbial economic pie.

"They certainly have a substantial economic impact on the area in terms of spending, but we haven't looked at this issue on a broader basis," Parish said. "We need to be careful not to equate wealth with income. The two do not go together all the time."

Median home prices across the country, especially in sought-after coastal areas, are rising faster than median income levels, effectively pricing people out of properties they once could afford.

Some of this heightened demand, Parish said, stems from transplants who sell their homes in New York and Chicago for hundreds of thousands of dollars and come here knowing they can get something much nicer. At the same time, property prices are booming everywhere, and the phenomenon can't be pinned solely on newcomers.

While rising property values turn into lucrative ventures for anyone looking to cash in and sell their homes, the higher prices bring no joy to Jack Simmons, a local doctor who heads a group called the Committee to Save the City, a body dedicated to preserving Charleston's unique heritage and history.

Simmons has lived in his family home on Church Street since 1946 and says skyrocketing property taxes are threatening to force him and his longtime neighbors out of their historic homes.

"The specter of ever-escalating property taxes will make it difficult for all but the very rich to maintain private property in the area," Simmons said.

Jane Thornhill, who for her entire 80 years has lived south of Broad Street, said she vividly remembers the Charleston of her younger days as "Povertyville, U.S.A." Now, in contrast, it's on its way to becoming a "nouveau-riche city," she said.

"Plenty of the new folks are charming people. If they're nice to me, I'm nice to them," she said, pooh-poohing the notion that newcomers aren't neighborly. "But we're not all rich down here, and may have to move out because of the taxes."

City Councilman Larry Shirley summed it up this way:

"Charleston was a lot different when I came here in 1974. It was quieter. In a way, I wish I could stop people from coming, but that is not reality. They simply love Charleston. Many of us love their (newcomers') money but not necessarily them. But Charleston has always been a melting pot, and I think it makes the city stronger and a better place to live."

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TUESDAY, JULY 26, 2005 12:00 AM

## Region's home sales soar

In Charleston, South Carolina's busiest housing market, 1,574 existing units changed hands in June

**BY JOHN P. MCDERMOTT**  
Of The Post and Courier Staff

Sales of existing homes across the Charleston region, the state and the nation hit a record pace in June, exceeding expectations and underscoring the nation's obsession with real estate.

The National Association of Realtors said Monday that sales activity in June, compared to the same month last year, increased 2.7 percent, which translated into a projected record annual rate of 7.33 million transactions. Also, the group said the national median price of an existing home rose almost 15 percent last month to \$219,000, the biggest jump since November 1980.

The association said cheap financing and favorable market conditions helped attract more buyers than anticipated in June.

"Just when you think sales activity is ready to settle into a more sustainable pace, the housing market continues to surprise," said David Lereah, the trade group's chief economist.

In the Charleston region, the number of existing homes that switched hands in June soared 24 percent to 1,574, according to figures released last week by the South Carolina Realtors Association. Statewide, existing-home sales were up 22 percent, totaling 7,173 last month.

Charleston is South Carolina's busiest housing market, based on the number of transactions.

"It goes back to the fact that Charleston is such a desirable place to live," said Ruthie Smythe, president of the Charleston Trident Association of Realtors and broker-in-charge of Lane & Smythe Real Estate.

Smythe said the strong local job market, the diversifying economy and the allure of coastal living are helping spur home purchases in Charleston. "We're in a great market. ... There's not an end in sight that we can predict," she said.

For the first six months of the year, residential sales across the three-county region swelled 28 percent to 7,717, the South Carolina Realtors Association said. The median home price for that period was \$183,000 in Charleston, up 2 percent compared to the first half of 2004.

"If a house is priced correctly, it's selling very fast," said Jim Near, operating partner of Keller Williams Realty, which has offices in West Ashley and Mount Pleasant.

Aside from what Near called "bread-and-butter buyers," the region also is attracting more of its share of well-heeled newcomers from out of state, he said. "There's a huge influx of people moving in."

Some are retirees, while others are starting second careers or commuting to jobs in other cities, he said. Many are flush with profits earned from selling their homes in more expensive areas such as Boston and New York, Near said. "And they're paying cash here a lot of the time," he said.

Near and others also said the local real estate industry is benefiting from the "J-curve" effect -- buyers who leave the Northeast for Florida but later decide they want to live in coastal South Carolina.

Nationally, home sales for June exceeded expectations. Many economists had projected sales last month would be flat, given strong increases in previous months.

The NAR suggested that demand likely will ease, especially if interest rates for mortgages rise, as the group expects. "Eventually, appreciation rates will slow and come down to normal levels when the shortage of homes on the market improves and comes closer into balance, hopefully, by the second half of next year," said Al Mansell, president of the Washington, D.C.-based association.

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