FY-2022 Economic Outlook

Michael Brandon Simmons
Board Retreat FY2023

Population and Demographics
Population Growth

Mecklenburg County Population
2010 – 919,628
2020 – 1,115,482
40th largest county in the nation.
48.1% male, 51.9% female
Median age 34.96
22.3% population growth since 2010.

Source: US Census Bureau

Population growth continues to be concentrated along major cities such as Charlotte, Raleigh Jacksonville, and Wilmington while population has declined in rural parts of the state.

From 2010 to 2020 the average population growth for the state was 9.5%. Mecklenburg grew at 22.2% over the same time period.

Source: U.S. Census Bureau
Demographics by Race

The following slides in the presentation will use the race break-out shown in the graph.

Note that these are from the 2019 survey as the IPUMS data for 2020 was not released prior to the creation of this analysis.

Source: 2019 ACS Community Survey

Median Household Income by Race

The County’s median household income in 2019 was $68,111.

Non-Hispanic white household’s median household income was 35.1% above the County’s median.

Non-Hispanic Black and Hispanic households had median household incomes 52.2% and 57.1% lower than Non-Hispanic White households.

Source: 2019 ACS Community Survey
Homeownership Rates by Race

Owning a home is a key source of wealth for households in the US. In Mecklenburg County home ownership is high for Non-Hispanic white and the Asian population at 73.5% and 64.4% respectively. Housing prices as shown in the S&P/Case-Schiller index shows home prices have drastically risen since the onset of the pandemic up 21.7% YoY in August.

Education and Access

39.8% of prime working age individuals (25-64 years old) in the Hispanic community have less than a high school education. The data also shows this Non-Hispanic black and Hispanic households have less access to high-speed internet which limits business opportunities within their communities for entrepreneurship and big business development.
COVID-19 remains the largest unknown for the year in our forecast. The number of cases have far surpassed the previous two spikes and continues to climb.

As of January 17th, average daily cases amounted to 790,553. The previous spikes peaked at 251k and 164k respectively.

Although the current focus is on hospitalizations the case number has important economic considerations.

Source: NY Times
Supply Shortages & Inflation

- Sick days have increased due to COVID.
- Overall labor shortage with retiring baby boomers.
- Clogged ports as US imports more goods and lack of workers.
- Rising energy cost increasing cost.
- Shifts in preferences and needs such as increased demand for computers to work from home.
- Influx of stimulus money – more money chasing less goods.
- Manufacturers keeping more inventory on hand and moving away from JIT production.

Gross Domestic Product

GDP growth in the 3rd quarter surpassed pre-pandemic levels.
Real GDP growth in the 3rd quarter increased at 2.1%.
Growth is expected to hit 5.5% in 2021 and decelerate to 4.4% in 2022.
NC had the 10th best recovery for a state at 102.5% GDP recovery, while the US averaged 100.9%.

Source: Bureau of Economic Analysis
Federal debt continues to accumulate, the CBO in March was projecting 2021 to end the year at 102% Debt to GDP. As of the 3rd quarter the figure stood at 122.5%.

Source: CBO and Federal Reserve
Employment

The National unemployment rate decreased to 3.7% from 3.9% from November to December.

Mecklenburg and North Carolina have moved closely in tandem through 2021 with North Carolina currently lower at 3.4% vs Mecklenburg’s 3.5% unemployment rate.

Full employment has likely been attained in Mecklenburg and North Carolina and rates are expected to hold around 3% to 4%.

Source: U.S. Department of Labor

Claims Data

Initial claims for unemployment in December amounted to 3,229. Initial claims peaked at 120,696 in April 2020.

Continuing claims in December were 18,663 marking a continual decline since the peak of May 2020 when claims amounted to 575,045.

Source: U.S. Department of Labor
Job Openings vs Hiring

Job openings are outpacing hiring's by 3.8 million and the total number of unemployed by 3.7 million persons.

Although the amount of job openings is high, unemployment rates remain elevated as the skillset of individuals are not matching the requirements for the jobs. (frictional unemployment)

Source: U.S. Bureau of Labor Statistics

Employment Cost Index

The employment cost index for all workers jumped to 3.68% over the prior year with private industry leading the way at 3.98%.

In the November survey of compensation executives, 46% of those surveyed noted increases were necessary to entice young workers and hold on to existing staff at a time when a record number of jobs are going unfilled.

39% remarked the increases were necessitated due to high inflation rates.

Source: U.S. Bureau of Labor Statistics
US Quit vs Layoffs

Layoffs continue to decline to 1.3 million in November. This is lower than the six-month pre-recession period when layoffs averaged 1.8 million per month.

Quits hit an all time high in November with 4.5 million. Employees between 30 and 45 years old have had the greatest increase in resignation rates up 20% from 2020 to 2021.

Resignation rates decreased for workers ages 20 to 25.

Source: U.S. Bureau of Labor Statistics

Fortune 1000 Companies

Mecklenburg County is home to thirteen Fortune 1000 companies with seven being Fortune 500 companies.

Truist moved up the list

SPX moved out of the Fortune 1000 list in 2021, in 2020 it was ranked 999th

Source: Fortune 500 (2021 Rankings)
Foreign Firms in Mecklenburg County

<table>
<thead>
<tr>
<th>Country</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>149</td>
<td>143</td>
<td>143</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>90</td>
<td>83</td>
<td>82</td>
</tr>
<tr>
<td>Canada</td>
<td>67</td>
<td>64</td>
<td>65</td>
</tr>
<tr>
<td>Japan</td>
<td>54</td>
<td>54</td>
<td>54</td>
</tr>
<tr>
<td>Switzerland</td>
<td>43</td>
<td>42</td>
<td>43</td>
</tr>
<tr>
<td>Italy</td>
<td>39</td>
<td>39</td>
<td>39</td>
</tr>
<tr>
<td>France</td>
<td>41</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>35</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>China</td>
<td>39</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Sweden</td>
<td>22</td>
<td>22</td>
<td>21</td>
</tr>
<tr>
<td>Ireland</td>
<td>16</td>
<td>19</td>
<td>16</td>
</tr>
<tr>
<td>India</td>
<td>16</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Other</td>
<td>133</td>
<td>111</td>
<td>110</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>744</td>
<td>681</td>
<td>683</td>
</tr>
</tbody>
</table>

Foreign firms remain down -8.2% from 2019. No change from 2020 to 2021.

Source: Charlotte Regional Business Alliance

Mecklenburg Industry Analysis (Q4 2019 to Q2 2021)

<table>
<thead>
<tr>
<th>NAICS Code</th>
<th>Industry</th>
<th>Q2 2021</th>
<th>Q4 2020</th>
<th>Variance</th>
<th>Pct Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>48</td>
<td>Transportation and Warehousing</td>
<td>51,586</td>
<td>43,432</td>
<td>8,154</td>
<td>18.8%</td>
</tr>
<tr>
<td>52</td>
<td>Finance and Insurance</td>
<td>29,443</td>
<td>74,102</td>
<td>5,340</td>
<td>7.2%</td>
</tr>
<tr>
<td>54</td>
<td>Professional, Scientific, and Technical Services</td>
<td>60,906</td>
<td>59,648</td>
<td>1,258</td>
<td>2.1%</td>
</tr>
<tr>
<td>51</td>
<td>Information</td>
<td>19,994</td>
<td>19,533</td>
<td>461</td>
<td>2.4%</td>
</tr>
<tr>
<td>31</td>
<td>Manufacturing</td>
<td>34,882</td>
<td>34,645</td>
<td>237</td>
<td>0.7%</td>
</tr>
<tr>
<td>22</td>
<td>Utilities</td>
<td>1,887</td>
<td>1,716</td>
<td>171</td>
<td>10.0%</td>
</tr>
<tr>
<td>21</td>
<td>Mining</td>
<td>199</td>
<td>176</td>
<td>23</td>
<td>13.1%</td>
</tr>
<tr>
<td>23</td>
<td>Construction</td>
<td>36,768</td>
<td>36,779</td>
<td>(13)</td>
<td>0.0%</td>
</tr>
<tr>
<td>11</td>
<td>Agriculture, Forestry, Fishing and Hunting</td>
<td>885</td>
<td>957</td>
<td>(72)</td>
<td>-7.5%</td>
</tr>
<tr>
<td>53</td>
<td>Real Estate and Rental and Leasing</td>
<td>14,149</td>
<td>14,369</td>
<td>(220)</td>
<td>-1.5%</td>
</tr>
<tr>
<td>42</td>
<td>Wholesale Trade</td>
<td>36,864</td>
<td>37,098</td>
<td>(234)</td>
<td>-0.6%</td>
</tr>
<tr>
<td>62</td>
<td>Health Care and Social Assistance</td>
<td>83,728</td>
<td>83,971</td>
<td>(243)</td>
<td>-0.3%</td>
</tr>
<tr>
<td>81</td>
<td>Other Services (except Public Administration)</td>
<td>18,834</td>
<td>19,135</td>
<td>(301)</td>
<td>-1.6%</td>
</tr>
<tr>
<td>92</td>
<td>Public Administration</td>
<td>18,740</td>
<td>19,268</td>
<td>(528)</td>
<td>-2.7%</td>
</tr>
<tr>
<td>55</td>
<td>Management of Companies and Enterprises</td>
<td>29,114</td>
<td>31,264</td>
<td>(2,150)</td>
<td>-6.9%</td>
</tr>
<tr>
<td>61</td>
<td>Educational Services</td>
<td>34,524</td>
<td>36,769</td>
<td>(2,245)</td>
<td>-6.1%</td>
</tr>
<tr>
<td>71</td>
<td>Arts, Entertainment, and Recreation</td>
<td>13,535</td>
<td>16,327</td>
<td>(2,792)</td>
<td>-17.1%</td>
</tr>
<tr>
<td>56</td>
<td>Administrative and Support and Waste Management and Remediation Services</td>
<td>61,992</td>
<td>65,084</td>
<td>(3,092)</td>
<td>-4.8%</td>
</tr>
<tr>
<td>44</td>
<td>Retail Trade</td>
<td>63,953</td>
<td>67,311</td>
<td>(3,358)</td>
<td>-5.0%</td>
</tr>
<tr>
<td>72</td>
<td>Accommodation and Food Services</td>
<td>53,004</td>
<td>64,844</td>
<td>(11,840)</td>
<td>-18.3%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td></td>
<td>714,987</td>
<td>726,428</td>
<td>(11,441)</td>
<td>-1.6%</td>
</tr>
</tbody>
</table>

Source: Quarterly Census Employment and Wages (QCEW)
Hotel Performance Data

Charlotte hotels have started to recover with more than 36,000 rooms booked per week compared to last year.

Occupancy in the week ending Jan 1st reached 50.4% compared to 38.2% in the same week last year with rates up $30.29 over last year.

Employment in the hotel and accommodation industry increased by 7,947 from Q2 2020 to Q2 2021.

Source: CRVA
Consumers and Retail Activity

Restaurant Activity

Open Table Seated Diners
(Data is compared to 2019 as baseline)
Consumer Sentiment

One-in-four households specifically cited the negative impact of inflation on their living standards.

Democrats anticipate much lower inflation rates than Republicans for the year ahead (3.0% vs. 6.8%) and over the longer term (2.3% vs. 4.4%). Moreover, three times as many Republicans as Democrats cited the negative impact on their finances from inflation (47% vs. 16%).

Source: University of Michigan

Inflation

Inflation increased in December to 7.1% from last year with the Core-CPI increasing 5.5%.

Inflationary pressures will likely peak in the first quarter of 2022, and should decline as the Fed intervenes and supply bottlenecks ease.

The inflation we are currently experiencing is attributed to a combination of demand-pull and cost-push inflation.

Source: US Department of Labor
Inflation and the Fed

The Fed’s preferred measure of inflation is currently at 4.7% in which the Fed is targeting a 2.0% growth rate. The Fed funds rate, which is the rate commercial banks borrow and lend their excess reserves to each other overnight, is used to combat inflation.

Source: US Department of Labor and Federal Reserve

Capital Markets

Rates across the board are increasing off the low’s experienced last year. As the Federal Reserve begins to tighten monetary policy, we expect rates to rise.

Source: St Louis Federal Reserve Economic Database (FRED)
Vehicle – Inflation in action

Shortages in components for vehicle manufactures have limited production driving up the cost of both new and used cars. As of October new car prices are up 11.1% while used cars have risen by 44.0%.

Inventory levels hit a near record low in November of 109.3 thousand vehicles. During the 2008 recession the low was 461.9.

Source: US Bureau of Economic Analysis

National Retail Sales

The advance national retail sales leads county sales tax be a few months and provides the best estimate for future tax collections.

From last November advance retail sales are up 16% spurred on from wage growth, inflation, and fiscal stimulus.

Source: US Census Bureau
E-Commerce Sales
E-Commerce has declined from its high of 15.7% of all sales in the second quarter of 2020 to 13.3% of all sales in the second quarter of 2021.
The pandemic disrupted shopping habits and increased online shopping as it allowed for social distancing.
The long-term growth path of E-commerce is shown by the dotted line and will likely return to a more normal growth trajectory.

Source: US Census Bureau

Sales Tax Forecast
FY22 is starting off the year strong with combined sales tax collections up 23.2% from last year. The increase is largely consumer driven as the gross County collections have averaged 20.9% growth in the first four months of the fiscal year.
Refunding activity has been lower than usual at $11.3 mil total versus the average of the past three years which averaged $13.3 mil.

Source: NC Department of Revenue
Commercial, Retail, Industrial, and Residential Markets

Major Announcements

<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>New Jobs</th>
<th>Facility Type</th>
<th>New or Expanded</th>
<th>Total Source Funding</th>
<th>Announced Investment</th>
<th>Economic Development Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep 13, 2021</td>
<td>Safeguard Medical</td>
<td>375</td>
<td>New</td>
<td></td>
<td>355,120</td>
<td>Manufacturing</td>
<td></td>
</tr>
<tr>
<td>Sep 9, 2021</td>
<td>Vero Lit</td>
<td>100</td>
<td>New</td>
<td></td>
<td></td>
<td>Office</td>
<td></td>
</tr>
<tr>
<td>Sep 8, 2021</td>
<td>Grumney Supply Co Inc</td>
<td>64</td>
<td>New</td>
<td></td>
<td>61,811</td>
<td>Distribution</td>
<td></td>
</tr>
<tr>
<td>Dec 30, 2020</td>
<td>Cloverboard</td>
<td></td>
<td>Expansion</td>
<td></td>
<td>0,896</td>
<td>$1,799,000,000</td>
<td>Office</td>
</tr>
<tr>
<td>Dec 22, 2020</td>
<td>International Capitol</td>
<td>500</td>
<td>Expansion</td>
<td></td>
<td></td>
<td>$5,844,450.00</td>
<td>Office</td>
</tr>
<tr>
<td>Dec 9, 2020</td>
<td>Artistic Automotive</td>
<td>150</td>
<td>Expansion</td>
<td></td>
<td></td>
<td>$3,000,000.00</td>
<td>Office</td>
</tr>
<tr>
<td>Dec 4, 2020</td>
<td>Sanford USA, LLC</td>
<td>150</td>
<td>Expansion</td>
<td></td>
<td></td>
<td>$23,000,000.00</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>Oct 16, 2020</td>
<td>The Home T</td>
<td>3</td>
<td>Expansion</td>
<td></td>
<td></td>
<td>$200,000.00</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>Oct 8, 2020</td>
<td>Premier Workspaces</td>
<td>100</td>
<td>New</td>
<td></td>
<td>12,000</td>
<td>Office</td>
<td></td>
</tr>
<tr>
<td>Sep 2, 2020</td>
<td>Big Sky Full Service</td>
<td>35</td>
<td>New</td>
<td></td>
<td>35,000</td>
<td>$1,000,000.00</td>
<td>Distribution</td>
</tr>
<tr>
<td>Jul 23, 2020</td>
<td>RCH Securities LLC</td>
<td>300</td>
<td>Expansion</td>
<td></td>
<td></td>
<td>$14,987,000.00</td>
<td>Office</td>
</tr>
<tr>
<td>Jul 1, 2020</td>
<td>Centene</td>
<td>3221</td>
<td>New</td>
<td></td>
<td>1,000,000</td>
<td>$1,614,500,793.00</td>
<td>Office</td>
</tr>
<tr>
<td>Jun 16, 2020</td>
<td>China Solutions</td>
<td>250</td>
<td>Expansion</td>
<td></td>
<td></td>
<td>Office</td>
<td></td>
</tr>
<tr>
<td>May 29, 2020</td>
<td>Plant Polyglot</td>
<td>16</td>
<td>Expansion</td>
<td></td>
<td></td>
<td>$4,000,000.00</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>May 21, 2020</td>
<td>TRANSMIT</td>
<td>200</td>
<td>Expansion</td>
<td></td>
<td></td>
<td>Office</td>
<td></td>
</tr>
<tr>
<td>Apr 19, 2020</td>
<td>Amalgam</td>
<td>400</td>
<td>New</td>
<td></td>
<td>20,000</td>
<td>$1,000,000.00</td>
<td>Office</td>
</tr>
<tr>
<td>Apr 17, 2020</td>
<td>Quantum Machinery Group</td>
<td>300</td>
<td>New</td>
<td></td>
<td>37,872</td>
<td>Distribution</td>
<td></td>
</tr>
<tr>
<td>Mar 15, 2020</td>
<td>RPX</td>
<td>2</td>
<td>New</td>
<td></td>
<td>2,000</td>
<td>Office</td>
<td></td>
</tr>
<tr>
<td>Mar 10, 2020</td>
<td>Unibrain A/S</td>
<td>10</td>
<td>New</td>
<td></td>
<td></td>
<td>Office</td>
<td></td>
</tr>
<tr>
<td>Feb 28, 2020</td>
<td>Klinek Co</td>
<td>70</td>
<td>New</td>
<td></td>
<td>6,000,000.00</td>
<td>Manufacturing</td>
<td></td>
</tr>
</tbody>
</table>

Total: 5,993 1,405,789 $1,099,832,288.00
Commercial Office Market

• Construction completions in Charlotte was the third highest through the 3rd quarter of 2021 with 2.3 million square foot of new office space added.
• In terms of current construction Charlotte ranked ninth in ongoing construction with an additional 3.6 million square foot of new space under construction.
• 59% of the current construction is preleased and currently only 10 spaces exist within the County for users seeking 100,000 square foot or more space.

Source: Costar and Cushman and Wakefield

In the 3rd quarter, effective office rent growth in Charlotte’s commercial office market increased 6.7% over the 2nd quarter, or 1.5% year-over-year.

Mecklenburg’s asking rents averaged $30.63 in the third quarter which is lower than the national average of $35.63. Rents in the uptown and midtown markets of the County averaged $35.42 while rent in the suburban markets were lower at $28.37.

Source: Costar and Cushman and Wakefield
Commercial Office Market Local Data

Year-to-date Charlotte completed construction on 104,866 square foot of new retail space ranking 20th for the most construction completed during the year. Currently, there is 92,363 foot of new retail space under development.

Retail Market

Source: Costar and Cushman and Wakefield
Retail Market

Charlotte’s retail vacancy rate has improved markedly since last year moving from middle of the pack at 42, last year, down to 13th lowest of the cities in study in the 3rd quarter of 2021. The cities current vacancy rate sits at 5.3%, which is very good considering the national rate is 6.8%.

Charlotte had the 21st highest level of positive net absorption in the market with 310,192 square feet, a sign that the market is growing and healthy.

Charlotte rents grew 0.2% from the second quarter to the third quarter of 2021, or 2.4% year-over-year.

Charlotte’s average asking rents for all classes of retail property was $20.80 per square foot in the 3rd quarter, lower than the national average of $21.43 per square foot.

Raleigh/Durham’s growth was very comparable to our own, with rents increasing 0.1% over the quarter or 2.5% year-over-year.

Source: Costar and Cushman and Wakefield
Industrial / Warehouse Market

Charlotte’s vacancy rates continued to improve decreasing from 5.9% in the second quarter to 5.0% in the third quarter. The Charlotte market currently has 4.7 square foot of new warehouse space under construction with 1.8 million square ft being built in the Southwest.

Outside the County York and Cabarrus County have a combined total of 2.0 million square ft of space under construction.

Source: Costar and Cushman and Wakefield

Industrial / Warehouse Market

Charlotte’s industrial / warehouse market increased 17.2% from the second quarter, with rates moving from $5.76 per square ft to $6.75 per square ft, which is still lower than the national average of $7.18.

Year-over-year Charlotte’s industrial / warehouse rents grew by 27.4%, much faster than the national average which increased at 8.3% over the same time.

Source: Costar and Cushman and Wakefield
Industrial / Warehouse Market Local Data

Source: Costar and Cushman and Wakefield

Mecklenburg County Housing Market

Source: Canopy MLS
Charlotte Apartment Market

Only 1% of apartments are priced under $1000.

Rents are growing at rates similar to the housing market.

Average 2-bedroom apartment is $1445

Salary needed using 30%

1-bedroom apartment salary above $56,268 per year.

2-bedroom apartment salary above $70,704 per year.

3-bedroom apartment salary above $78,876 per year.

Source: Apartment List

Average Rent Price in Mecklenburg

<table>
<thead>
<tr>
<th>Studio</th>
<th>$1,458</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bedroom</td>
<td>$1,288</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>$1,445</td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>$1,684</td>
</tr>
<tr>
<td>4 Bedroom</td>
<td>$2,146</td>
</tr>
</tbody>
</table>

Questions?