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CRRA/CMLS CEO

If you were unable to take advantage of the free Speakers Series event on Friday, Jan. 16, here is a recap of CRRA/CMLS CEO Anne Marie Howard, Esq.'s "State of the Residential Market" discussion. More than 150 Realtors[®], hungry for information about the Charlotte region housing market, gathered at the Charlotte Regional Realtor[®] Association (CRRA) to hear an overview of the economy, the state of the national and local housing markets, and new developments that might have a positive impact on the region.

Howard began her talk with background information about CRRA and Carolina Multiple Listing Services, Inc. (CMLS), the Mingle School of Real Estate and the Real Estate and Building Industry Coalition (REBIC). She touched on membership numbers, which for CRRA as of Jan. 12, 2009 was 8,500 members, as well as highlights from the budget, which projected a 20 percent loss in membership. This was in addition to a 10 percent membership loss in 2008. Howard also gave highlights of association staff's significant cost-saving initiatives and announced the Housing Opportunity Foundation's (HOF) newest initiative – Realtors[®] Care Day.

National outlook

From a national standpoint, Howard cited factors that brought our economy to the current state. She looked at the July 2008 Housing and Economic Recovery Act (HERA), which was the federal government's stabilization of Government Sponsored Enterprises (GSEs) that brought us the \$7,500 first-time homebuyers' tax credit. She discussed the National Association of Realtors[®] (NAR) proposal to make this tax credit a true "credit" and not a loan. Howard talked about factors that further exacerbated deteriorating economic conditions in early fall, from the massive banking bailout to the fourth quarter announcement of the recession. The current recession actually began in December 2007 and is predicted to last about 18 months.¹ Other factors painted a grim picture of the national housing market.

- Pending Homes Sales Index dropped to an all-time low of 82.3 in November 2008 (The index, released in November, accurately predicted tepid home sales in December and forecasts weak results for January 2009 as well.)
- Existing-Home Sales in November 2008 was 4.49 million units – down 8.6 percent
- Existing-Home Median Price in November 2008 totaled \$181,300

¹ "4th Qtr. Economic Forecast," Dr. John Connaughton, economist, UNC-Charlotte

- Housing Starts in November 2008 was 625,000 units compared to 1,000,000+ in 2007
- New-Home Sales in November 2008 was 407,000 units – down 5.3 percent²

Howard noted that the gross domestic product (GDP) is only predicted to grow (during 2009) at half the rate it grew in 2007.³ Factors aggravating slow GDP are rising unemployment (current national rate of 6.8 percent as of December 2008), stabilizing of the financial markets, and rising food and energy costs. Locally, Mecklenburg County's unemployment rate is lower, at 7.7 percent, than North Carolina's, which is 7.8 percent.⁴

Positive population growth, a younger demographic and strong buying power

On the positive side, Charlotte, Mecklenburg County and the surrounding region will continue to grow in population, albeit slower in 2009. Charlotte's 2008 population was 695,995, and by year-end 2009 the city will add nearly 21,000 people.⁵ She noted that the county has a younger demographic, with about 60 percent of Mecklenburg's residents younger than 44.⁶ This younger demographic is a positive indicator that the city and county will continue to grow by households, but households will typically be smaller. A recent ranking in 2007 by Forbes further reinforces this, as Charlotte was ranked the 7th Best City in the U.S. for young people.⁷ The ranking was the result of the many opportunities for young professionals, the high income potential and the high quality of life. Mecklenburg still has strong buying power – with 35 percent of households bringing in between \$25,000 and \$49,000.⁸ Charlotte's median family income, according to HUD, is higher than the county at \$64,300.⁹

Industry diversification and major developments to watch

Howard noted additional positive indicators, which include the diversification in the Charlotte region's job sectors and the transition from manufacturing and finance in the late '90s to an economy supporting expanding sectors like healthcare, automotive and motorsports, logistics, wholesale trade, and tourism. There are several emerging industries to watch: aviation and defense, biotechnology and pharmacology, medical devices and optics. According to the Union County Chamber of Commerce, Union county ranks 5th in the nation in aerospace and defense, with several new and expanding companies in that county.¹⁰ Even in the face of a down economy, Mecklenburg County added 926 firms, which resulted in 9,552 jobs created with a total investment of more than \$1.7 billion over the first nine months of 2008.¹¹

² National Association of Realtors® (NAR)

³ NAR

⁴ U.S. Bureau of Labor Statistics

⁵ Charlotte Chamber of Commerce

⁶ Charlotte Chamber of Commerce

⁷ Forbes, 2007 Rankings, Best Cities for Young Professionals

⁸ Chamber of Commerce/U.S. Census

⁹ HUD/efanniemae.com

¹⁰ Union County Chamber of Commerce

¹¹ Charlotte Chamber of Commerce

Other developments to watch are the expansion of Charlotte-Douglas International Airport and the N.C. Research Campus at Kannapolis. The third parallel runway will enhance the city's hub status, giving the airport greater capacity for landings and departures during peak hours, which will automatically increase air service by 33 percent. Plans are also in the works for a new 25-gate international concourse by late 2010.¹² In 2008, the N.C. Research Campus at Kannapolis created nearly 2,000 jobs focused on biotechnology. The 350-acre campus will also give eight major universities – Duke, UNC-Chapel Hill, NC State, and UNC-Charlotte, to name a few – a presence in the region. At full build-out, the campus will be the southern anchor of regional research for the state with about 37,000 jobs.¹³

Local residential outlook

Toward the end of Howard's presentation, the discussion turned to the local Charlotte housing market. Charts depicted Charlotte's housing correction and a return in contracts and closings to 2003 levels. December 2008 brought us the grim reality of a 47 percent decrease in closings compared to last year. But again, Howard advised the audience to remain positive due to the fact that pricing in the CMLS service area has remained somewhat steady; we're not experiencing the type of down market that California, Florida and Arizona are experiencing. We began 2008 with pricing at about \$218,000-\$219,000, and ended the year down 8.3 percent at \$200,226. The largest decrease in pricing for the year was felt in November when the average price dipped 11 percent to \$193,035.

Howard's talk ended with brief findings about foreclosure filings and the fact that N.C. administrative courts count filings but are not following up to find out whether those filings actually end in foreclosures. She also noted the N.C. Commissioner of Banks' recent start in tracking foreclosures related to subprime lending. As of November 2008, there were some 8,938 foreclosure filings in Mecklenburg County; however, North Carolina ranks 29th in the nation in foreclosure filings and is not considered a "hot spot" for filings. Howard brought perspective to the filings situation, noting that with Mecklenburg's high rate of homeownership at 67 percent¹⁴ and large population at about 900,000 people, the rate of filings as of November 2008 was only one in every 380 homes, or about 1 percent of homes receiving a filing.¹⁵ She further noted how these factors have impacted the banking and lending environment today, with mortgage banking going back to the basics and a lending atmosphere of 10 years ago.

The power of positive thinking

Howard reinforced her feeling that Realtors® must remain informed, knowledgeable and positive about the Charlotte market. It is important to continually tout the many strengths and accolades the region receives. It is through education that we are able to change

¹² "2008 Economic Development Review," Charlotte Chamber of Commerce

¹³ N.C. Research Campus, Market Street Research, http://www.ncbiotech.org/news_and_events/industry_news/report_research.html

¹⁴ http://www.freddiemac.com/corporate/about/pdf/North_Carolina.pdf

¹⁵ Realtytrac.com

perception and consumer confidence. Hopefully we can get buyers, who are mortgage-ready and knowledgeable about homeownership, positioned and back in the market for home purchases.