

COMPREHENSIVE HOUSING MARKET ANALYSIS



Greenville, South Carolina

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of October 1, 2006

PD&R

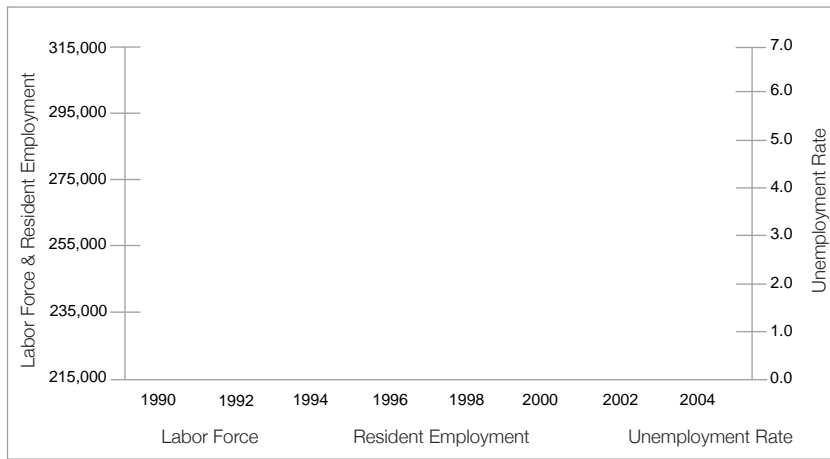


Economic Conditions

conomic conditions in the Greenville HMA were strong during the 1990s with nonfarm employment growth averaging 6,175 jobs a year before the downturn in the early 2000s. From 2001 to 2003, the national recession led to employment declines in the HMA, with the largest declines occur

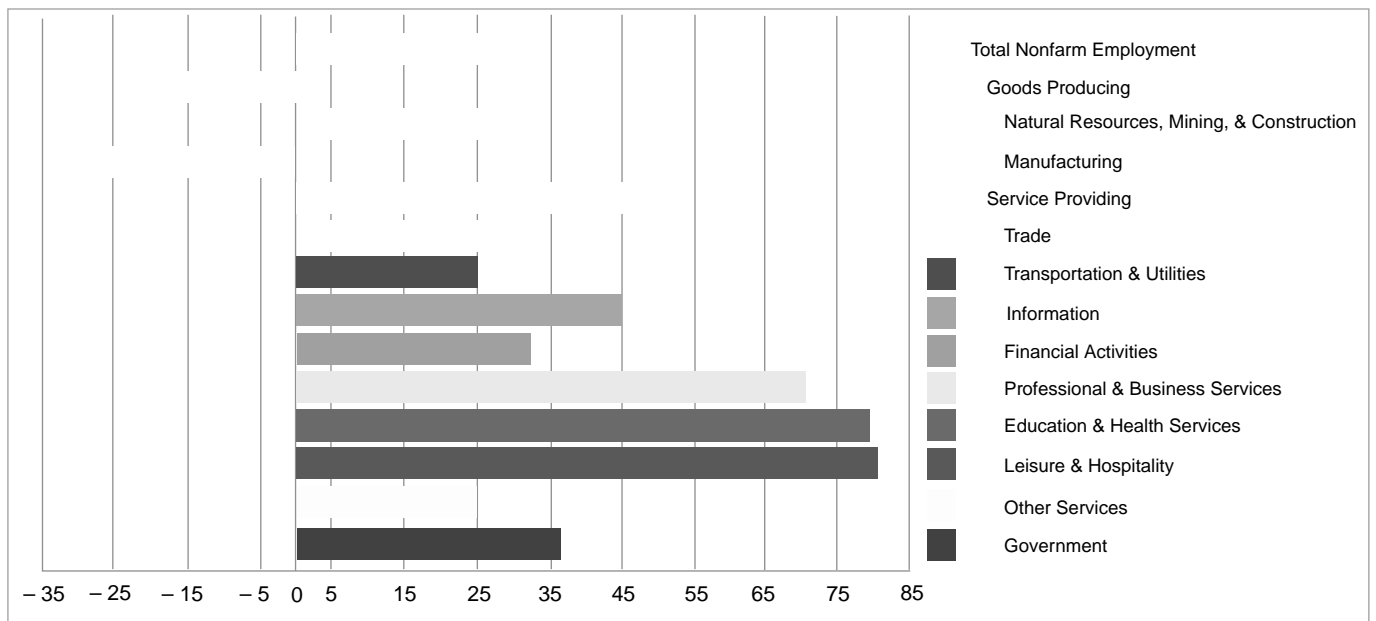
ring in manufacturing and textile employment. During this period, nonfarm employment declined by 14,700 jobs and net in-migration slowed to an annual average of 2,850 people compared with 6,125 during the 1990s. The economy began to recover in 2004 and nonfarm employment increased. During the 12-month period ending September 2006, nonfarm employment averaged 308,800 jobs, the highest level achieved since 2000 and a 3.5-percent gain from the previous 12 months. The unemployment rate has not returned to the decade low recorded in 2000 but has improved during the past 12 months to 5.7 percent compared with 6 percent during the previous 12 months. See Figure 1 for labor force, resident employment, and unemployment trends in the HMA and Figure 2 for nonfarm employment sector change from 1990 to the current date.

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Greenville HMA, 1990 to 2005



Source: U.S. Department of Labor, Bureau of Labor Statistics

Figure 2. Sector Growth in the Greenville HMA, Percent Change, 1990 to Current



Note: Current is based on 12-month averages through September 2006.

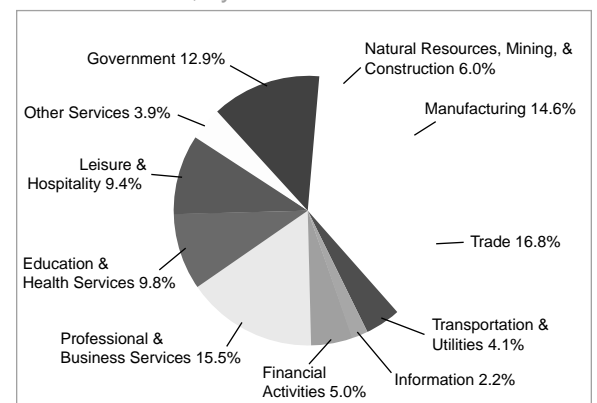
Source: U.S. Bureau of Labor Statistics

During the 12 months ending September 2006, employment in the service-providing sectors increased by 9,300 jobs and employment in the goods-producing sectors grew by 1,000 jobs. Professional and business services employment increased by 4,100 jobs, or 9.4 percent, primarily as a result of the growing number of administrative and support companies. Other service-providing sectors that continue to grow at a healthy pace are leisure and hospitality and financial activities, which added 1,000 and 900 jobs, respectively. In the goods-producing sectors, manufacturing, which was historically based in textiles, has declined since 2000. Textile-related manufacturing accounted for 20 percent of total manufacturing in 2000 and decreased to 14 percent by 2005. Total manufacturing employment remained nearly unchanged in the past 12 months compared with the previous 12 months (see Table 2). Figure 3 shows the current employment distribution in the HMA by sector.

Clemson University has an enrollment of 17,150 students and employs 7,525 faculty and staff. The university also participates in several partnerships with businesses, such as

the Clemson University International Center for Automotive Research (CU-ICAR). CU-ICAR, an education and research facility, receives financial support from BMW of North America, LLC, Michelin USA, IBM, and Microsoft Corporation. These companies benefit from the intellectual property developed at CU-ICAR. The BMW plant, located 1 mile outside the HMA in Spartanburg County, has a significant impact on the state and

Figure 3. Current Employment in the Greenville HMA, by Sector



Notes: Based on 12-month averages through September 2006.
Source: U.S. Bureau of Labor Statistics

Table 2. 12-Month Average Employment in the Greenville HMA, by Sector

Employment Sector	12 Months Ending September 2005	12 Months Ending September 2006	Percent Change
Total Nonfarm Employment	298,500	308,800	3.5
Goods Producing	62,400	63,400	1.6
Natural Resources, Mining, & Construction	17,500	18,400	5.1
Manufacturing	44,900	45,000	0.2
Service Providing	236,100	245,400	3.9
Trade	51,100	52,000	1.8
Transportation & Utilities	11,900	12,600	5.9
Information	6,700	6,800	1.5
Financial Activities	14,600	15,500	6.2
Professional & Business Services	43,700	47,800	9.4
Education & Health Services	29,400	30,200	2.7
Leisure & Hospitality	27,900	28,900	3.6
Other Services	11,400	12,000	5.3
Government	39,500	39,800	0.8

Notes: Numbers may not add to totals due to rounding. Based on 12-month averages through September 2005 and September 2006.

Source: U.S. Bureau of Labor Statistics

local economies, including the economy of the HMA. Since the groundbreaking in 1993, BMW has invested more than \$1.9 billion in South Carolina and currently employs 4,300 workers. The BMW plant purchases parts from 33 South Carolina suppliers, including several located in the Greenville MSA. Major employers in the HMA are presented in Table 3.

During the 3-year forecast period, employment is expected to grow at a modest pace as the recovery begins to level off. Sectors such as education and health services, financial activities, transportation and utilities, and leisure and hospitality will lead employment growth.

Table 3. Major Employers in the Greenville HMA

Name of Employer	Employment Sector	Number of Employees
Greenville Hospital System	Health Services	7,800
Clemson University	Education	7,525
General Electric Company	Manufacturing	3,600
St. Francis Health System	Health Services	2,025
Bob Jones University	Education	1,800
Sealed Air Corporation	Manufacturing	1,700

Note: Excludes public school systems.

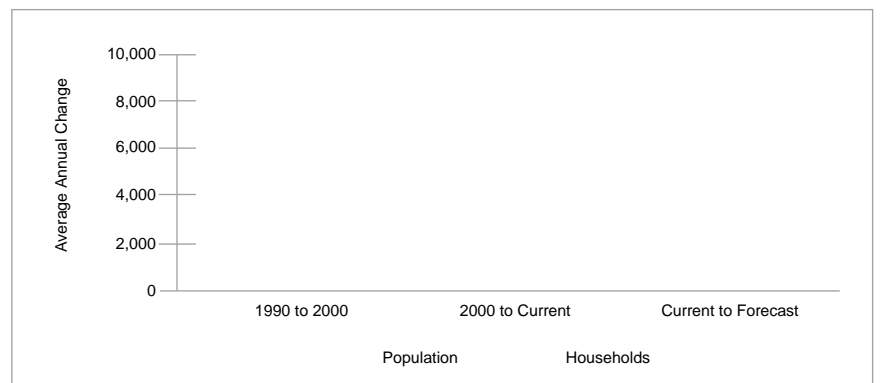
Sources: Greenville County Chamber of Commerce; South Carolina Appalachian Council of Governments; Pickens County Chamber of Commerce

Population and Households

The Greenville HMA population as of October 1, 2006, is estimated at 601,400, an average increase of 6,375, or 1.1 percent, a year since the 2000 Census. This figure represents a slowdown from the 1990s when population grew by an average of 8,775, or 1.7 percent, a year (see Figure 4). From 2002

to 2004, population growth slowed substantially because of declining employment. For the past 2 years, employment growth has strengthened and population growth has increased by approximately 2,500 more annually than it did from 2000 to 2004.

Figure 4. Population and Household Growth in the Greenville HMA, 1990 to Forecast



Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

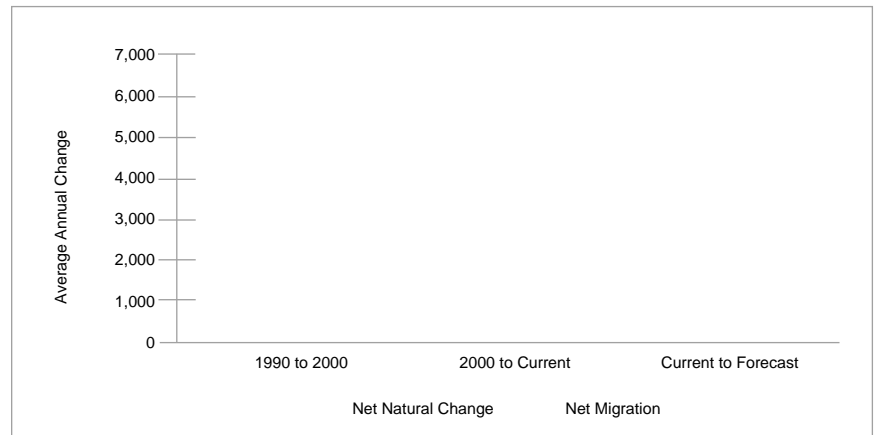
During the 1990s, population grew at a fast pace of 2 percent because of strong net in-migration, particularly toward the end of the decade. Because of the downturn in employment in the early part of the 2000s, net in-migration has averaged 3,615 people since 2000 compared with 6,125 during the 1990s. During the forecast period, migration to the area is expected to increase at a faster rate, averaging an estimated 4,700 people a year (see Figure 5).

Although the number of households continued to increase from 2000 to the current date, the average rate of household formation slowed when compared with the rate recorded during the 1990s. As with population growth, household growth has increased during the past 2 years as the economy

has been recovering. The current nonhousehold population represents approximately 4 percent of the total population and is estimated at 21,500, with most of this population residing in college dormitories.

Population and household growth are not expected to return to the growth rates of the 1990s because of modest employment gains anticipated during the 3-year forecast period. It is estimated that the population will increase at a slightly faster rate of 1.2 percent and the number of households will increase at a constant rate of 1.6 percent during the next 3 years compared with the rates from 2000 to the current date. By the end of the forecast period, the population and number of households are expected to reach 623,800 and 250,600, respectively.

Figure 5. Components of Population Change in the Greenville HMA, 1990 to Forecast



Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

Housing Market Trends

Sales Market

During the past few years, a strong demand for homes in the Greenville HMA has led to an increase in homeownership, from 70 percent in 2000 to 73 percent as of the current date. The percentage of owner households is expected to increase at a slower rate during the forecast period. See Figure 6 for trends in

the number of households in the HMA by tenure from 1990 to the current date.

According to the Greater Greenville Association of REALTORS®, home sales increased by 19 percent to 8,450 units during the 12-month period ending August 2006 and the

average number of days a home remained on the market decreased substantially from 112 to 90 days compared with the previous 12 months. The average sales price for existing homes increased to \$187,300, up 11 percent compared with the previous 12 months. Currently, the estimated sales vacancy rate is 2.1 percent, slightly lower than it was in 2000. See Table DP-1 for vacancy rate trends.

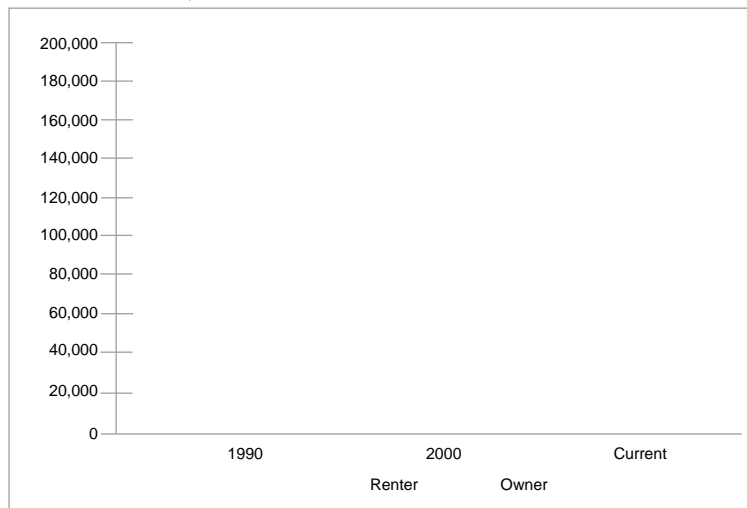
Soft sales market conditions in the early 2000s led to a decrease in single-family housing construction, as measured by building permits. Single-family building permit activity averaged 4,100 units from 2000 to 2004 and remained below the then-record level of 4,500 units

recorded in 1999 until 2005, when 4,975 single-family building permits were issued (see Figure 7). The number of building permits issued for single-family homes increased 7 percent to 5,150 during the 12 months ending September 2006 compared with 4,825 issued during the previous 12 months. Most new sales housing construction occurs northeast and southeast of the city of Greenville and in the eastern portion of the city of Greenville.

Future residential sales developments include Verdae, an 1,100-acre, mixed-use development in the 1st year of construction. Located across Interstate 85 from CU-ICAR, Verdae is a 20- to 30-year project that will be triple the size of downtown Greenville. The residential component of Verdae will include many options for homeownership, including single-family homes, townhomes, and condominiums. Phase I, which is to be completed by August 2008, will include approximately 125 single-family homes and a 316-unit continuing-care senior living community.

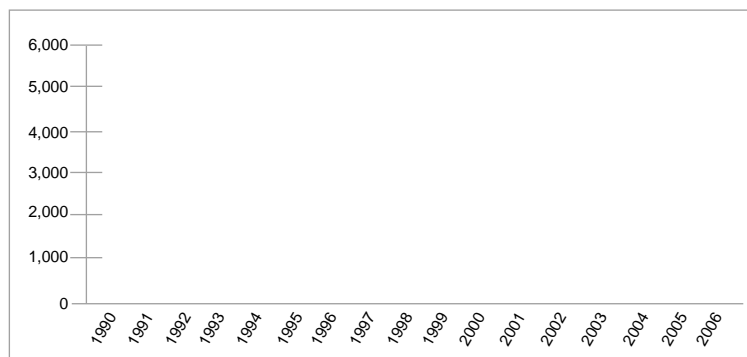
Based on current and anticipated sales housing market conditions, demand for sales housing will be 12,300 units during the 3-year forecast period. Demand is expected to be strongest in the \$225,000-to-\$275,000 range. See Table 4 for a profile of estimated demand for market-rate sales housing in the HMA by price range.

Figure 6. Number of Households by Tenure in the Greenville HMA, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Figure 7. Single-Family Building Permits Issued in the Greenville HMA, 1990 to 2006



Notes: Includes single-family units. Includes data through September 2006.

Source: U.S. Census Bureau, Building Permits Survey

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Greenville HMA, October 1, 2006 to October 1, 2009

Price Range (\$)		Units of Demand	Percent of Total
From	To		
125,000	174,999	1,075	8.7
175,000	224,999	1,725	14.0
225,000	274,999	2,450	19.9
275,000	349,999	2,325	18.9
350,000	424,999	1,850	15.0
425,000	499,999	1,475	12.0
500,000	574,999	630	5.1
575,000	649,999	490	4.0
650,000	and higher	280	2.3

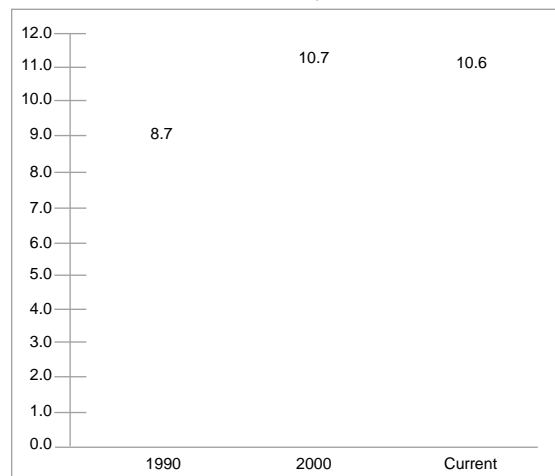
Source: Estimates by analyst

Rental Market

Conditions in the HMA rental housing market have been soft since 2000. Although overall rental market conditions are currently soft, the apartment market has improved during the past few years. According to the apartment index produced by Real Data, Inc., the apartment vacancy rate in the Greenville-Spartanburg market area decreased from 12.6 percent in May 2005

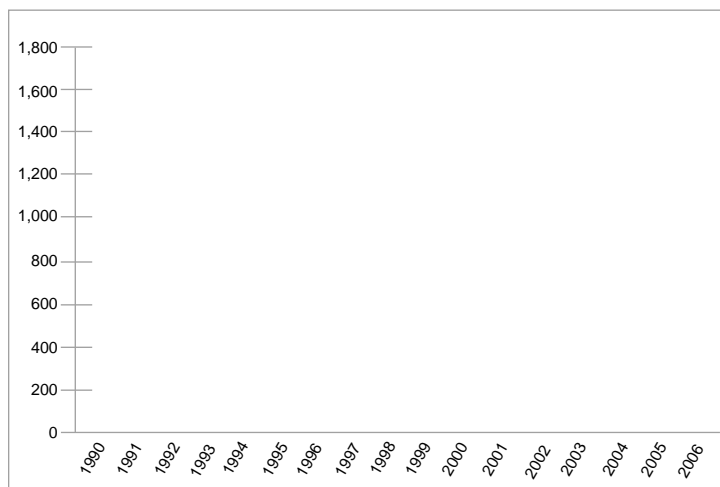
to 8.8 percent in May 2006. The improvement is primarily due to a slowing of apartment construction. Real Data reports that the average rent for the Greenville-Spartanburg market area increased from \$569 in May 2005 to \$591 in May 2006. According to Real Data, the average monthly rent for units in lease-up is \$595 for one-bedroom units, \$692 for two-bedroom units, and \$865 for three-bedroom units. Other rental housing units in the HMA, including mobile homes that account for approximately 15 percent of all rental units and single-family homes that account for approximately 33 percent of all rental units, have significant vacancies and continue to elevate the overall rental vacancy rate (see Figure 8).

Figure 8. Rental Vacancy Rates in the Greenville HMA, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Figure 9. Multifamily Building Permits Issued in the Greenville HMA, 1990 to 2006



Notes: Includes all multifamily units in structures with two or more units. Includes data through September 2006.

Source: U.S. Census Bureau, Building Permits Survey

In the Greenville HMA, nearly all multifamily housing construction has consisted of rental units. Multifamily construction, as measured by the number of building permits issued, has varied greatly from year to year. Since 2000, the construction of multifamily units has slowed due to lower population growth coupled with an increasing preference for homeownership. During the 12-month period ending September 2006, the number of multifamily building permits issued increased to 510 from 410 issued during the same period a year ago (see Figure 9).

To achieve balanced market conditions by the end of the 3-year forecast period, the excess vacant inventory first needs to be absorbed. Based on current and anticipated rental market conditions, and accounting for the excess vacancies, estimates indicate a demand for 360 additional rental units during the forecast period. Units currently under construction will meet this demand. To meet expected demand beyond the forecast period, the construction of new units should not begin until the 3rd year of the forecast period. The estimated demand for market-rate rental housing in the HMA by rent levels and the number of bedrooms per unit is presented in Table 5.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Greenville HMA, October 1, 2006 to October 1, 2009

1 Bedroom		2 Bedrooms		3 or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
700	250	800	40	950	70
750	220	850	30	1,000	65
800	200	900	30	1,050	60
850	180	950	25	1,100	50
900	160	1,000	20	1,150	45
950	130	1,050	20	1,200	40
1,000	110	1,100	15	1,250	35
1,100	90	1,200	15	1,350	25
1,200 and higher	70	1,300 and higher	10	1,450 and higher	20

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Data Profile

Table DP-1. Greenville / 4 (+ H [H 7 Y V Ä S L [V * \ Y Y L U [

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	238,483	287,016	284,480	1.9	-0.1
Unemployment Rate (%)	4.2	2.7	5.7		
Nonfarm Employment	244,100	308,200	308,800	2.4	0.0
Total Population	472,153	559,940	601,400	1.7	1.1
Total Households	176,960	217,152	239,300	2.1	1.5
Owner Households	121,466	152,699	174,100	2.3	2.0
Percent Owner (%)	68.6	70.3	72.8		
Renter Households	55,494	64,453	65,200	1.5	0.2
Percent Renter (%)	31.4	29.7	27.2		
Total Housing Units	190,711	239,042	271,700	2.3	2.0
Owner Vacancy Rate (%)	1.5	2.2	2.1		
Rental Vacancy Rate (%)	8.7	10.7	10.6		
Median Family Income	NA	\$47,200	\$56,500	NA	2.8

Notes: Median family income data are for 1989, 1999, and 2006. NA = data are not available.

Sources: U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 10/1/2006—Analyst's estimates

Forecast period: 10/1/2006–10/1/2009—
Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_GreenvilleSC.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.