



2025 ECONOMIC INDICATORS

Dr. Harry Davis, *NCBA Professor of Banking, Economist*

Joe Furman, *Watauga Economic Development*

Wright Tilley, *Boone Area Tourism Development Authority*

David Jackson, *Boone Area Chamber of Commerce*

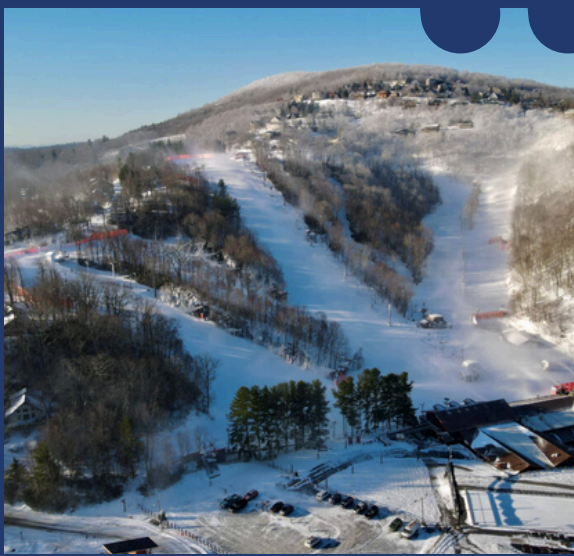
James Milner, CCIM, *Appalachian Commercial Real Estate*

Stacie Pineda, *Stacie Pineda Real Estate Group*





Q1 ECONOMIC INDICATORS 2025



Let's not forget, our economy is not driven as much by manufacturing, but by tourism, which provides some protection during times of broader uncertainty.

*Dr. Harry Davis,
NC Bankers Association*

WATAUGA COUNTY'S CURRENT ECONOMIC CONDITIONS



Residential Home Sales

High Country
Q1 2025
289

High Country
Q1 2024
376

Watauga %
Q1 2025
45.3% (131)



New Single-Family Homes

Q1 2025
50

Q1 2024
82

Percent Change
39% decrease



Unemployment Rates

February 2025
3.1% 3.7% 4.1%
Watauga NC US

January 2025
3.8% 4.0% 4.0%
Watauga NC US

February 2024
3.0% 3.8% 3.9%
Watauga NC US



Occupancy Tax

January 2025
\$702,565.13

February 2025
\$511,157.79

January 2024
\$688,154.57



Net Sales Tax Collections

February 2025
\$2,734,380.64

January 2025
\$3,224,119.78

February 2024
\$2,595,533.73



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WATAUGA COUNTY BUSINESS SNAPSHOT SURVEY

In an effort to track real-time conditions for local businesses as recovery from the impacts of Hurricane Helene continue, the Watauga County Economic Development Commission created the Watauga County Business Snapshot Survey to be sent out to businesses each month. Focuses are on current concerns, performance toward revenue expectations, and ability to meet staffing needs.

JAN

TOP CONCERNS

1. Reliable revenue stream
2. Overall financial stability

61%

said their business failed to meet revenue expectations



STAFFING LEVELS

- 64% reported no change
- 27% reported a decrease

43%



of respondents reported the current state of their business at a 5 or lower (on a scale of 1-10)

FEB

TOP CONCERNS

1. Reliable revenue stream
2. Overall financial stability

69%

said their business failed to meet revenue expectations



STAFFING LEVELS

- 63% reported no change
- 31% reported a decrease

56%



of respondents reported the current state of their business at a 5 or lower (on a scale of 1-10)

MAR

TOP CONCERNS

1. Reliable revenue stream
2. Overall financial stability

50%

said their business failed to meet revenue expectations



STAFFING LEVELS

- 73% reported no change
- 12% reported a decrease

34%

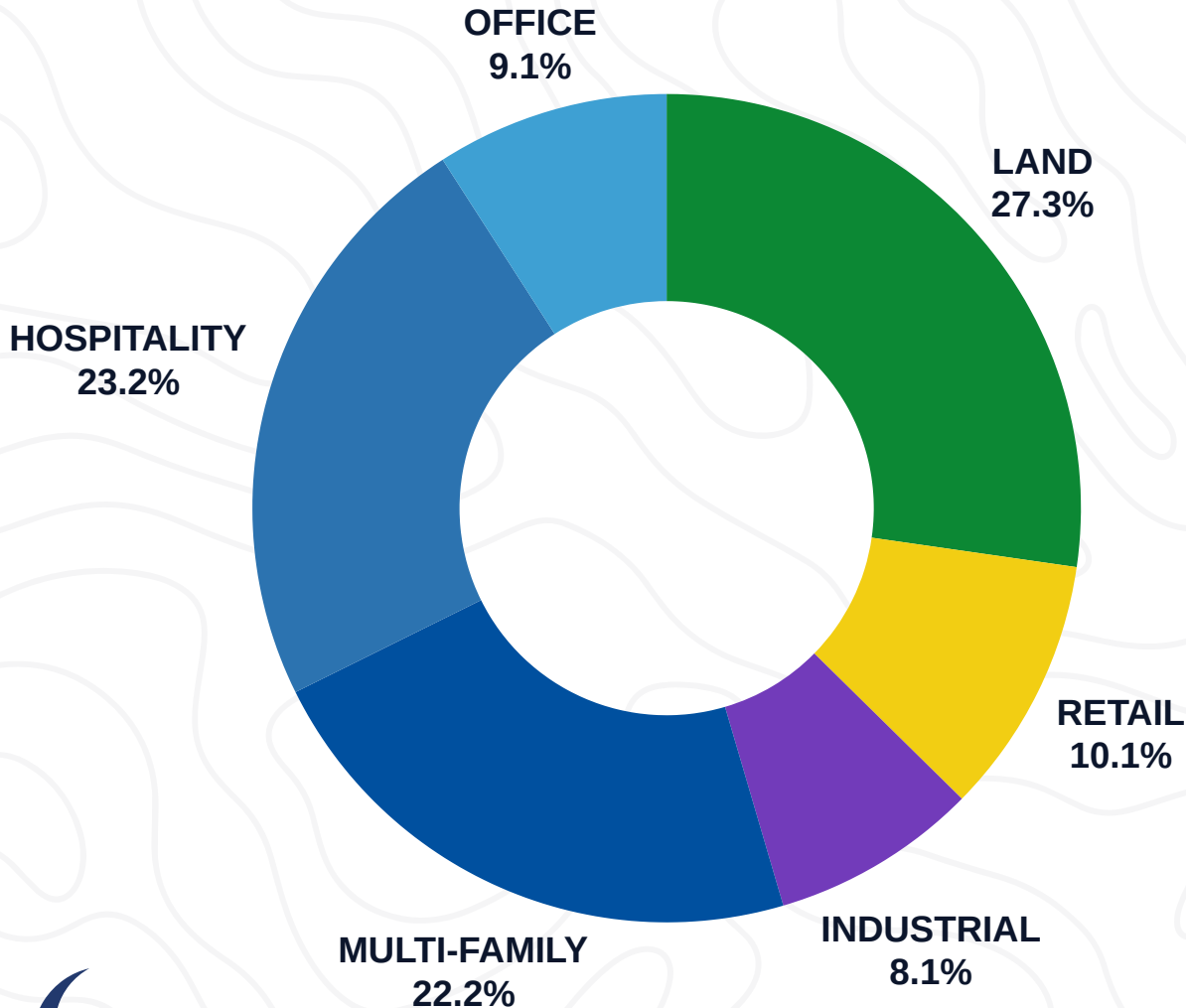


of respondents reported the current state of their business at a 5 or lower (on a scale of 1-10)



Q1 ECONOMIC INDICATORS 2025

COMMERCIAL REAL ESTATE SALES



JAMES MILNER, CCIM

It is encouraging to see a mix of property types this quarter, accompanied by a substantial number of sales. While the commercial real estate market continues to struggle with fundamentals, any activity is a positive sign.

QUICK STATS

11	TOTAL # OF SALES
\$14,437,400	TOTAL SALES
\$3,300,000	LARGEST SALE
\$610,000	SMALLEST SALE
-16.22% ▼	Q1 2025 VS Q4 2024
40.28% ▲	Q1 2025 VS Q1 2024

Q1 ECONOMIC INDICATORS 2025

JAMES MILNER, CCIM, APPALACHIAN COMMERCIAL REAL ESTATE

Is there some stability in sight, possibly, but not likely. While the local commercial real estate market was up 40.28% from a year ago, we experienced a decrease of 16.22% from the previous quarter. This is typical between quarters, as the end of the year often produces a surge in transactions, and the beginning of the year is typically a slower period due to the seasonal nature of the market. What is uplifting is a good mix of asset types this quarter, showing that investors aren't necessarily focused on one product type.

However, the same commercial real estate market fundamentals remain in place, with interest rates still impacting the capital stack, pricing not adjusting to buyer market expectations, construction costs remaining high, and supply and demand factors still at play. It is these supply and demand factors that are important to highlight, as the Town of Boone faces a resurgence of potential student housing development, whether from the public or private sector. Will this finally put us on a path where supply and demand can meet?

From a student housing perspective, the impacts of supply and demand are more driven by the on-campus percentage, and as this percentage increases, it will put pressure on the private sector. While there are skeptics of the trickle-down effect, it does have an impact. That any additional supply is beneficial to the market does not mean that we still don't need other types of housing stock; we are still facing a housing crisis in which we desperately need single-family residential or townhomes that a variety of demographics can utilize.

Key items to note from the Town of Boone Permit Reports for the first quarter of 2025 include WATA's relocation to a new space on Blowing Rock Road and the commencement of interior buildout, with an estimated project cost of \$183,053. A new physical therapy practice has leased the remaining space at Greenway Commons and is currently working on its interior buildout, with an estimated project cost of \$215,000. Appalachian State University's App-105 852-bed apartment project has an estimated project cost of \$97,550,000.

While there are numerous spaces available for lease within the local market, prospective tenants are primarily focused on the delivery of the space and the parking associated with it. As the Town of Boone's comprehensive plan nears its final stages, it is encouraging to see that an intensive review of the Unified Development Ordinance will accompany it.

REFERENCES

- The data used in this analysis is sourced from CoStar, HCAR MLS, and public records.
- The data used in this analysis is for sales transactions only in Watauga County of \$500,000 or greater.
- The data used in this analysis excludes any transfer that was a partial interest (less than 100%) or an internal transfer.
- The data used in this analysis treats any improved properties that were demolished for redevelopment at the time of sale or that the improvements had no contributory value at the time of sale as land sales.
- The data used in the permitting section of this report is from the Town of Boone Planning and Inspections office, application for a building or zoning permit does not imply that the project will occur.



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RESIDENTIAL REAL ESTATE



Statistics

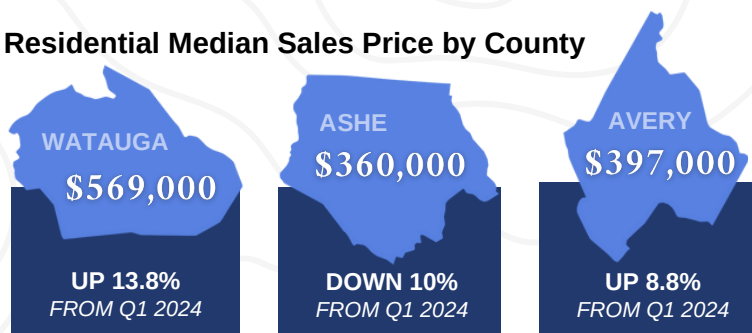
If we compare the first quarter of 2025 to the first quarter of 2024, we see a 24% decrease in overall sales volume in the three counties of Ashe, Avery, and Watauga. If, however, we compare March 2025 with March of the previous year, there's an improvement. This leads me to believe that January and February were still reeling from the impact of Hurricane Helene. Watauga County sold approximately \$127 million in sales volume in the first quarter, Avery County \$54.5 million, and Ashe County \$33 million. Watauga carries the majority of our marketplace sales, accounting for about 62% of the overall volume across the three counties.

Quarter One of each year is historically the lowest-producing quarter of the year, hence, the general improvement in March points to a continued strong, competitive, and dynamic market.

Inventory

We have more inventory in Q1 2025 than we did in Q1 2024 (814 units compared to 751 units - across 3 counties), hence, five to six months of inventory, softening the seller's market trends.

Residential Median Sales Price by County



Conversations and Discussions:

- **Affordable Housing:** Of concern is the impact of high housing prices on the locals, including Samaritan's Purse, the medical community, teachers, and AppState, amongst others.
- **Shifting Boundaries:** Clients are shifting their boundary criteria to Lenoir and Wilkesboro, where it is still possible for first-time buyers to purchase in the \$200,000 – \$350,000 price range.
- **The Numbers Breakdown for a \$350,000 Purchase:** Generally, a monthly mortgage on a \$350,000 house with a 10% down payment, at a 7% interest rate, will have a monthly payment of over \$2,100. *(Disclaimer- I am not a lender nor represent the accuracy of these numbers. My figures came from a simple online calculator).* There are loans available that require much less down, but the payment is again impacted by higher interest rates or mortgage insurance, etc. High monthly rents, low inventory for homes in that price range, and wages not matching the cost of living create a whole set of issues for these unseasoned buyers.
- **Regional Appeal:** The second home and investment buyers account for over 40% of the market ownership. This reflects the region's destination spot appeal, with its university, four seasons, exciting winters, mild summers, fall colors, mountain views, and the Blue Ridge Parkway, all contributing to the desirability of our area and demand remaining strong to have a piece of the Appalachian pie.

CITATIONS

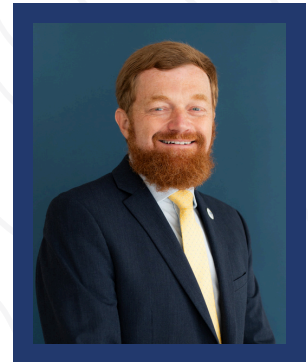
Data used is sourced from High Country Association of Realtors MLS.

Q1 ECONOMIC INDICATORS 2025

DAVID JACKSON, BOONE AREA CHAMBER OF COMMERCE

As we shared in our April Business Snapshot report, there are positive signs that are becoming more consistent within our post-Helene economic realities.

While Mother Nature dealt us a devastating blow in late September, her invitation to Old Man Winter helped drive one of the most economically impactful and well-timed winter sports seasons in recent memory. We all owe a sincere thank you to Appalachian Ski Mountain, Beech Mountain Resort, Hawksnest Snow Tubing & Zipline, and Sugar Mountain Resort for their quick action toward storm repairs that saved the winter tourism season, for visitors, the associated local businesses, and thousands of seasonal employees that were able to maintain their jobs. The cold snaps and snowfall helped our region host over 300,000 visitors during the season. This activity boosted the performance of both occupancy and sales tax collections in the early months of the year.



There is still plenty of work to be done, both in the short and long term, economically speaking. The Boone Area Chamber of Commerce and our sister organizations throughout Western North Carolina continue to advocate at the State and Federal level for support for businesses impacted by the hurricane along with the flow of funds that will help the rebuilding efforts throughout our community. Access to personal property using private roads and bridges is one of several issues our local workforce is still facing as they navigate their daily commute. We have seen the shift in the daily traffic pattern on the east side of Watauga County due to the Blue Ridge Parkway closure from US 421 to Bamboo Gap, cutting off a popular pathway used to deliver workers to Samaritan's Purse and UNC Health Appalachian, two of our county's largest employers.

On the long-term side, the numbers pointed out in Stacie Pineda's report on the difficulties first-time home buyers are facing is a state-wide issue, but in our case, it's a recruitment deterrent for many local businesses who are trying to hire and retain qualified employees. As recent disruptions have shown, we must explore ways to diversify our economic inputs in Watauga County, but having no chance to retain the people we are educating in this community is significantly hurting that effort. We are encouraged by the discussion state-wide to address this issue, and appreciate Watauga County, the Towns of Boone and Blowing Rock, and Watauga County schools for thinking creatively to address these issues.

We will bid farewell to the Appalachian State, Caldwell Community College & Technical Institute, and Watauga High School Classes of 2025 over the next few weeks. These young minds are the coveted entrants into the workforce of today. We hope the lessons they have learned through their experiences with COVID-19 and Helene will only help their innovation and ingenuity rise to the top. Graduation also marks the start of the summer season in our area. Economically speaking, we need the summer to perform! While the extra traffic may be annoying at times, many of this summer's visitors will be the same folks that donated money, supplies, and time to our region in the immediate days and weeks after the storm. They are excited to return to visit the businesses they helped, and we should all be equally eager to shake the hands of those that kept us going when times were at their toughest.

The cooperative spirit we have seen over the last seven months is the fuel the High Country needs to keep moving forward on our path to recovery. Here's to that spirit leading us into a productive summer season ahead.

Q1 ECONOMIC INDICATORS 2025

DR. HARRY DAVIS, NC BANKERS ASSOCIATION

The High Country economy has rebounded significantly from the early days and months post Hurricane Helene, but we still see evidence of the economic impact the storm created. After seven months, it's encouraging to see that most of the economic metrics we look at have only deteriorated slightly, not severely. For example, the housing numbers have shown a similar decline to previous reports. Residential home sales declined from 376 to 289 from Q1 '24 to Q1 '25, with 45% of the region's sales for Q1 2025 coming from Watauga County. New single-family home starts also declined over the same period, from 82 to 50.



Not all economic metrics are trending negative. Net sales tax collections actually increased in February of 2025 over February of 2024, and the performance of collections in both January and February is evidence of the economic boost provided by the strong ski season turned in by High Country resorts this winter. Additionally, the occupancy tax also increased from January 2024 to January 2025, which also shows evidence of the extreme cold temperatures on the winter economy.

As we reported in our monthly Business Snapshot reports at the start of 2025, businesses showed concern about retention and recruitment of employees, particularly after a holiday season that was covered with Helene's economic fingerprints. The rise in unemployment in Watauga County reflected that sentiment, but it's encouraging to see a return to 3.1% unemployment in February 2025, which is consistent with Watauga County's usual performance as one of the lowest unemployment rates in the State.

While economic uncertainty has increased drastically at the national level, its impact has not yet been fully realized in the High Country. Let's not forget, our economy is not driven as much by manufacturing, but by tourism, which provides some protection during times of broader uncertainty. Our major employers are not likely to experience any major slowdowns this year due to policy changes in Washington. The State of North Carolina, which funds our largest employer in Appalachian State University, continues to see strong tax revenue collections, and the return to strength in key areas of Western North Carolina is helping fuel that performance.

REFERENCES

- Residential Home Sales data provided by High Country Association of Realtors, HC = Alleghany, Ashe, Avery, & Watauga Counties
- Net Sales Tax Collection data provided by the North Carolina Department of Revenue
- Unemployment data reported by the NC Department of Commerce
- Occupancy Tax data provided by Watauga Co. TDA, total includes Boone, Blowing Rock, and Watauga County
- Single Family Home Application data provided by Watauga County, Town of Beech Mountain, Town of Boone, Town of Blowing Rock, & Town of Seven Devils