

HVS Market Intelligence Report: Charlotte, North Carolina

📅 April 18, 2008 / 👤 By Katharine Lowe

A diverse economy, international companies, fine dining, and bountiful tourist attractions are just a few of the things that continue to propel Charlotte's popularity among businesses, visitors, and residents. The population influx to Charlotte shows no sign of cessation: As of the end of 2007, new jobs in Charlotte continued to exceed the supply of new homes¹, helping to keep the city's housing market above water and shining a beacon of economic strength in the face of the present fiscal storm. Below we'll look at how Charlotte's diverse array of commercial, convention, and lodging markets work together to reinforce the city's reign.

From gold to greenbacks

A 17-pound "yellow rock" found by a Mecklenburg County farm boy in 1799 triggered the nation's first gold rush. Two-hundred years later, Charlotte stands as the second-largest financial center in the U.S., with city-based financial firms controlling more than \$2 trillion in assets². According to Mark Vitner, a Senior Economist at Wachovia Corporation, the economic slowdown that has stifled so much of the country seems to have left Charlotte relatively unscathed: "The region's buoyant economy continues to attract new residents, which is helping sustain home sales and new home construction. . . . Commercial development also remains quite strong, both uptown and in the suburbs . . . and the region's tourism and convention trade is as strong as it has ever been."³

The following eight Fortune 500 companies are headquartered in the Charlotte metropolitan area:

- Bank of America
- Duke Energy
- Family Dollar
- Goodrich Corporation
- Nucor
- Sonic Automotive
- SPX Corporation
- Wachovia

Together, these companies generated more than \$220.3 billion in revenue for 2006.⁴

Charlotte's strong business climate has garnered national recognition, ranking second-highest among large U.S. cities for economic strength⁵ and entrepreneurial appeal⁶. The city remains a home to manufacturing, retail and wholesale trade, information technologies, and an increasing number of international companies. The Charlotte Chamber of Commerce is working to expand other key industries, including defense/aerospace, biotech, and automotive/motorsports. In late 2007, Defense Venture Group announced plans to relocate from California to Charlotte, and companies such as Maersk Line and Sogeti USA are following suit. All of this business brings in a wealth of commercial travelers, nourishing the vitality of Charlotte's lodging market.

The Airport

Charlotte-Douglas International Airport (CLT) is a major economic engine for Charlotte, generating over \$10

Summary

At a time of nationwide fiscal drought and a slump in development, the "Queen City" maintains a regal guise.

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billion annually to the region's economy. The airport is US Airway's largest hub and, as of year-end 2007, noted over 600 daily departures. Concurrent with the city's abundant growth, CLT has experienced strong gains in activity. In anticipation of future growth, the airport is constructing a new runway, which is scheduled for completion in 2010. Airport officials are also in the very early stages of planning a new international concourse. Though construction on the concourse is still several years away, the rally for expansion of the airport speaks to the city's confidence that travel to Charlotte will only climb over the long haul.

Uptown/Downtown/Center City

Charlotte's nucleus of nightlife, tourism, business, and lodging, known alternatively as Uptown, Downtown, or the Center City, is experiencing significant growth. The EpiCentre, a \$275-million mixed-use complex set to occupy the site of the city's former convention center, is currently under development in the First Ward district of Uptown. The EpiCentre will sit on approximately three acres and provide luxury residential units, restaurants, retail, entertainment venues, and office space. According to the Charlotte Chamber of Commerce, 8,662 new firms invested \$12.8 billion in new Charlotte facilities between 1997 and 2007⁷. In addition to the EpiCentre, new condominium towers, restaurants, bars, and retail venues are planned for the Uptown area.

The Convention Center

Convention centers generate significant levels of demand for area businesses, and hotels in the immediate vicinity of a major convention center compete for the spoils of thousands of room nights per year. The Charlotte Convention Center opened in 1995 and has attracted an average of nearly half-a-million visitors each year.

The following table illustrates recent usage statistics for this facility.

Convention Center Statistics				
Year	Number of Events	Percent Change	Number of Delegates	Percent Change
2001	209	—	500,123	—
2002	186	(11.0) %	402,377	(19.5) %
2003	203	9.1	523,321	30.1
2004	214	5.4	450,161	(14.0)
2005	242	13.1	343,961	(23.6)
2006	309	27.7	463,083	34.6
2007	308	(0.3)	—	—

Source: Charlotte Convention Center

Convention Center Statistics

These data illustrate that, since 2002, the number of conventions at the center has increased on an annual basis. Major events still to come at the Charlotte Convention Center in 2008 include the International Gem and Jewelry Show, the 21st Century Building Expo and Conference, and the Charlotte International Auto Show. The Center will undergo an expansion of 70,000 additional square feet of meeting space, set for completion by late 2009.

Lodging in Charlotte

The growth of the hospitality and tourism industry in Charlotte has been fertilized by the city's successful and expanding economy. The following information, as reported by the Charlotte Regional Visitors Authority (CRVA), emphasizes the effect of this thriving market:

- The overall average rate of Charlotte hotels was approximately \$83 in 2007, more than 11% higher than that of 2006.
- Charlotte-area hotels booked more than 7.1 million rooms in 2007, a record for the market.
- Drawing from data provided by the Travel Industry Association of America, the North Carolina Governor's office claims that visitors to the state spent \$16.5 billion in 2007, up from \$15.4 billion in 2006.

Charlotte's lodging industry sows what it reaps from the area's businesses and tourism, annually contributing over \$2.5 billion dollars and 38,640 jobs to the local economy⁸. This mutually rewarding dynamic reinforces the economic prestige of the city, to the benefit of its diverse array of industries.

The supply pipeline for the Center City area supports a propitious outlook for the future of the lodging market and the overall economy. The following table illustrates new supply anticipated for Uptown Charlotte.

Hotel Name	Developer	Opening Date	Room Count
aloft	The Ghazi Company	November-08	176 units
Ritz Carlton	Bank of America	Fall 2009	150 units
TWELVE	Novare Group	2010-2011	150 units
Hotel Sierra	Not Available	Spring 2010	140 units

In addition, the Charlotte Business Journal reports that Bissell Hotels plans to construct a 135-room aloft hotel on Ballantyne Commons Parkway, adjacent to the Ballantyne Resort, The Lodge at Ballantyne, and an office park employing 12,000⁹. The aloft hotel chain features an urban design, a social atmosphere, and accessible but cutting-edge technology. This brand of hotels is designed to attract a younger generation of business travelers, as well as leisure travelers in search of unique, ultra-modern accommodations.

Mike Applegate, Director of Research for the CRVA, views the influx of new supply as a positive sign. "Charlotte's Center City is a very vibrant area and there should be no problem with the volume of new supply being absorbed," he said. "There are many new demand generators entering the market, so even if some hotels open before others, there will be another wave of area attractions to keep bringing in demand."¹⁰ The introduction of new upscale and luxury supply is anticipated to result in an increase in overall market average rates.

Conclusion

The upper floors of the Bank of America Corporate Center in Uptown resemble a multi-tiered tiara and are colloquially referred to as Charlotte's "crown." Neither this nor the Queen City's appellation is worn in vain. In closing, we should mention Charlotte's three professional sports teams, its vibrant arts-and-sciences community, and its plethora of retail and dining options, which round out the city's popularity among business, leisure, and convention travelers. Taken together, the elements of Charlotte's economy and culture look strong even in times of national economic trouble, and it seems fairly sure that, in the coming years, the Queen City does not intend to give up the throne.

¹"Hot Market: Charlotte, NC growing \$1 billion at a time," *Realty Times*, December 18, 2007

²Charlotte Chamber of Commerce

³"Charlotte's Economic Outlook," *Ventures Charlotte*, Fourth Quarter 2007

(http://www.charlottechamber.com/clientuploads/Economic_pdfs/Charlottes_Economic_Outlook.pdf)

⁴Charlotte Chamber of Commerce

⁵"Economic Strength Rankings," POLICOM Corporation, July 2007

⁶"Best Cities for Entrepreneurs," *Entrepreneur Magazine*, September 2006

⁷Charlotte Chamber of Commerce

⁸Charlotte Economic Development Office

⁹"Ballantyne adds Aloft," *Charlotte Business Journal*, March 28, 2008

¹⁰Personal communication, March 28, 2008