



MULTIFAMILY REPORT

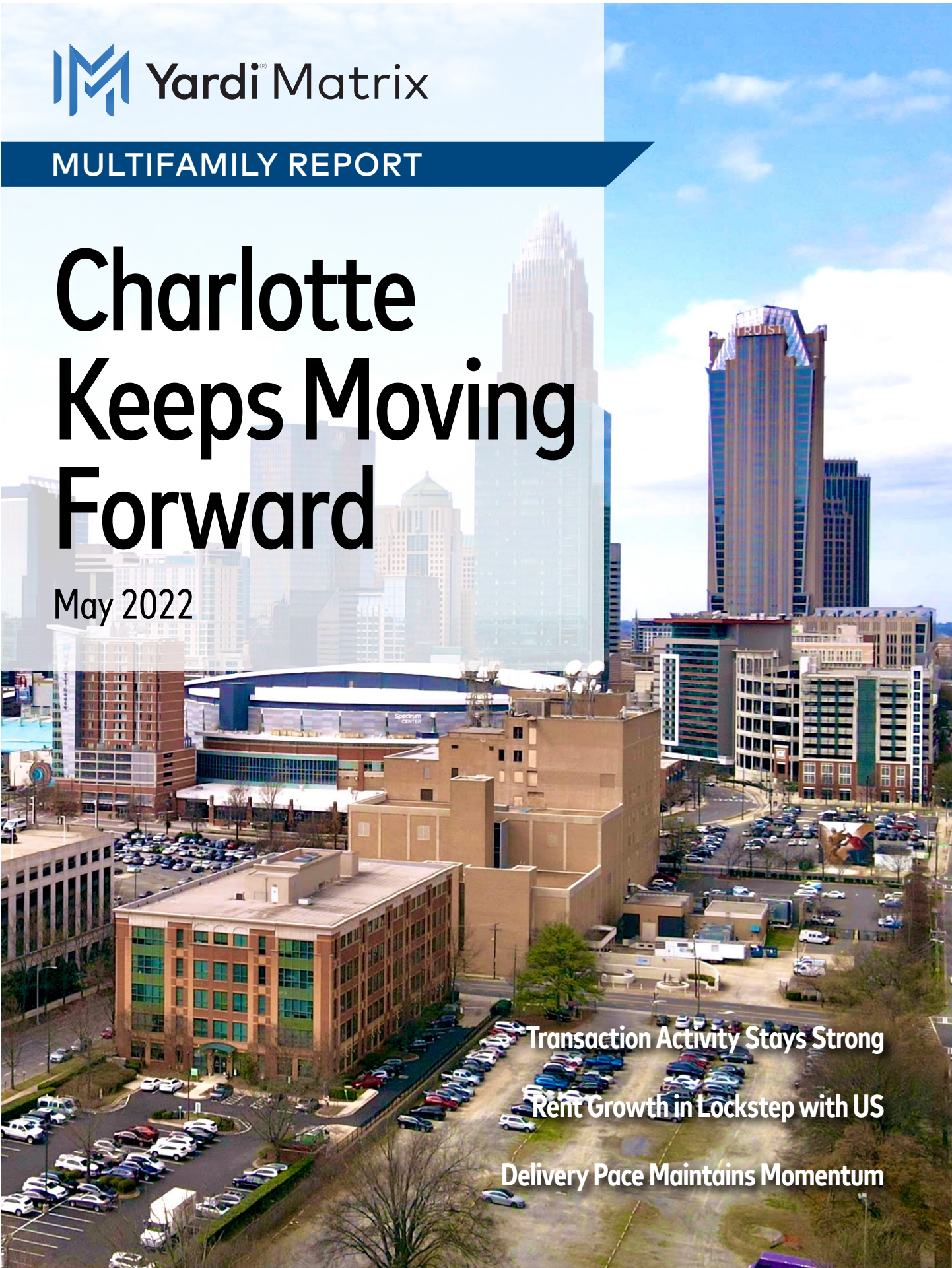
Charlotte Keeps Moving Forward

May 2022

Transaction Activity Stays Strong

Rent Growth in Lockstep with US

Delivery Pace Maintains Momentum



CHARLOTTE MULTIFAMILY



The Queen City Gears Up For Another Solid Year

After a strong performance in 2021, Charlotte's rental market entered a period of slower, more sustainable growth. Fueled by an influx of remote workers, its affordable cost of living and solid economy, the metro's rental sector continued to display strong fundamentals. Rents rose 0.7% in the first quarter of 2022, to \$1,522. On a year-over-year basis through March, Charlotte rents increased 18.6%, surpassing the U.S. rate by 380 basis points.

Charlotte added 44,700 jobs in the 12 months ending in February, for a 3.4% uptick in employment. Although known as a finance and banking hub, the metro has been gradually diversifying its economy in the past few years. Most recently, electric vehicle manufacturer Arrival announced it would be building its second U.S. micro factory in West Charlotte, while pharmaceutical giant Eli Lilly is expected to break ground on an 800,000-square foot campus at the former Philip Morris site in Concord later this year. Set to be the second-largest economic investment in Cabarrus County history, the \$1 billion plant is expected to create 600 new jobs.

Drawn by the region's long-term growth prospects, both investors and developers have been busy in the metro. In the first quarter of 2022 alone, \$793 million in multifamily assets changed hands and 970 new units were delivered. Going forward, we expect rents to continue to grow, albeit at a softer pace.

Market Analysis | May 2022

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Recent Charlotte Transactions

Addison Park



City: Charlotte, N.C.
Buyer: GID
Purchase Price: \$114 MM
Price per Unit: \$266,432

808 Hawthorne



City: Charlotte, N.C.
Buyer: Hawthorne Residential Partners
Purchase Price: \$78 MM
Price per Unit: \$327,004

Ashbrook Village



City: Gastonia, N.C.
Buyer: GVA Real Estate Investments
Purchase Price: \$59 MM
Price per Unit: \$138,298

The Arbors at Fort Mill

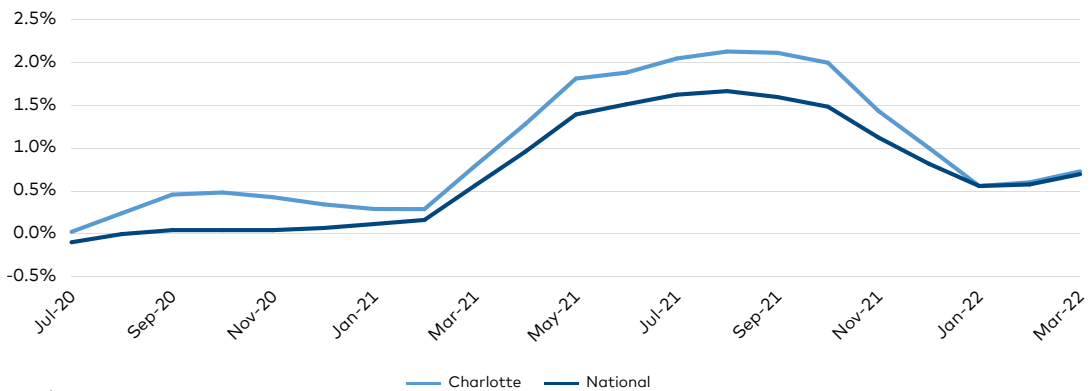


City: Fort Mill, S.C.
Buyer: Southwood Realty
Purchase Price: \$48 MM
Price per Unit: \$142,353

RENT TRENDS

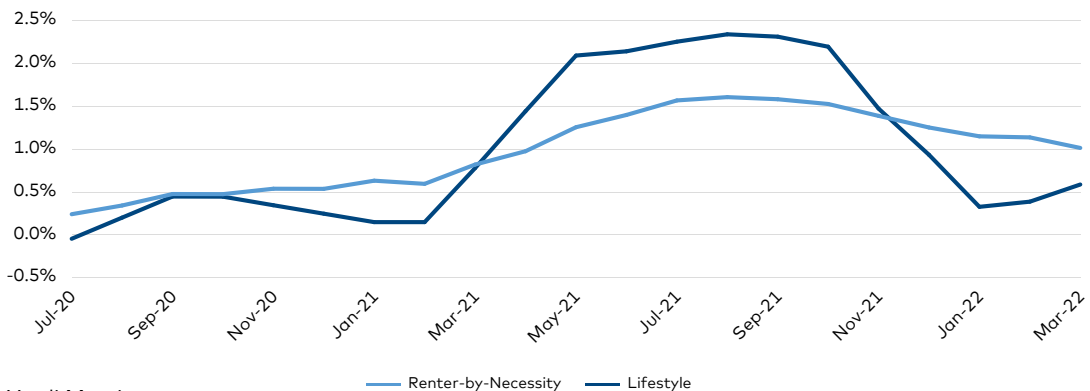
- ▶ Charlotte rents were up 0.7% on a trailing three month basis as of March, which is on par with the national rate. Although rate increases have been slowly decelerating since the end of last year, growth is still healthy considering seasonal slowdowns. Charlotte rents remained relatively affordable, as the \$1,522 March figure was below the \$1,642 U.S. average.
- ▶ Since the end of last year, workforce Renter-by-Necessity units took the lead in rent growth. On a trailing three-month basis, rates grew 1.0% to an average of \$1,210, while rates at the upper end of the quality spectrum grew only 0.6% to \$1,674. The average occupancy rate in stabilized properties across the metro was 95.7% as of March, a 30-basis-point year-over-year increase. Meanwhile, U.S. occupancy improved from 95.1% to 96.0% over the same interval.
- ▶ Only two submarkets of the 47 tracked by Yardi Matrix posted single-digit rent increases in the 12 months ending in March. Urban core submarket Second Ward (28.6% to \$1,908) and suburban areas Kannapolis (33.5% to \$1,473) and Concord-West (26.9% to \$1,604) posted the highest rent increases. However, Uptown and Myers Park remained the most expensive, with the average rate crossing the \$2,000 mark in both submarkets.
- ▶ The supply-demand imbalance should continue to prop up rent growth going forward, albeit at a slower pace compared to 2021. Yardi Matrix expects rents to grow another 8.0% in 2022.

Charlotte vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Charlotte Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- ▶ The unemployment rate in the metro spiked to 3.7% in February, according to preliminary Bureau of Labor Statistics data. The change was 50 basis points above its lowest level since the onset of the health crisis—3.2% in December 2021.
- ▶ Charlotte added 44,700 jobs year-over-year through February, a 3.4% increase, but 130 basis points below the U.S. rate. Leisure and hospitality, along with professional and business services, led employment growth, accounting for roughly half of the overall gains. The metro's economy bounced back from pandemic-induced woes fairly rapidly, and now growth is moderating to more sustainable levels.
- ▶ Riverside Investment & Development's Morehead & Tryon is among the largest projects set to break ground in the metro. The \$750 million mixed-use development is set to include three high-rise buildings, connecting two neighborhoods—Uptown and South End. Large investments are also planned further away from the metro's urban core. In West Charlotte, electric vehicle manufacturer Arrival announced it would be building a second U.S. micro factory, which is expected to bring more than 250 new jobs to Mecklenburg County. Additionally, Trinity Capital Advisors and Clarion Partners have joined forces to build a 1 million-square-foot speculative industrial project on 120 acres in Bessemer City, N.C.

Charlotte Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	125	9.9%
60	Professional and Business Services	221	17.5%
40	Trade, Transportation and Utilities	270	21.3%
55	Financial Activities	117	9.2%
65	Education and Health Services	130	10.3%
80	Other Services	46	3.6%
90	Government	154	12.2%
50	Information	25	2.0%
30	Manufacturing	107	8.5%
15	Mining, Logging and Construction	70	5.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ In 2020, Charlotte added 47,742 residents, for a 1.8% expansion.
- ▶ Between July 2020 and 2021, outlying counties such as Lancaster, Lincoln and Iredell—as opposed to Mecklenburg—were among the biggest drivers of demographic growth, according to U.S. Census estimates.

Charlotte vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Charlotte Metro	2,524,863	2,569,213	2,612,437	2,660,179

Source: U.S. Census

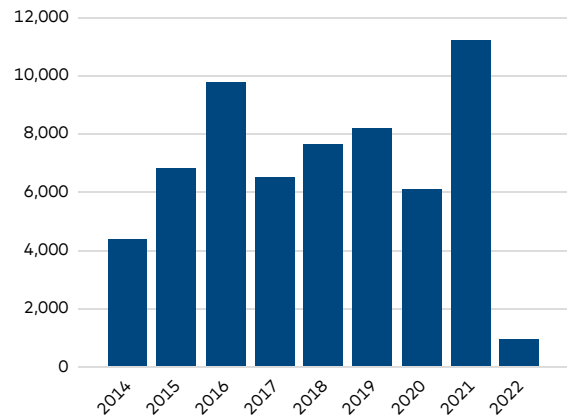
SUPPLY

- ▶ At the end of the first quarter, 17,740 units were under construction across the metro, with 82% of them in upscale projects. Another 80,462 units were in the planning and permitting stages, a sign that developers are confident in Queen City's long-term prospects.
- ▶ A total of 970 apartments were completed during the first quarter, all of them in luxury communities. The rate of deliveries has accelerated lately, averaging 8,261 units every year since 2016. Last year alone, developers added 11,220 units, a record for the metro. Yardi Matrix expects 9,410 units to be completed in 2022.
- ▶ Despite the high demand coming from the influx of domestic transplants and remote workers, construction starts totaled only 612 units over the first three months of the year, a significant decline from the 3,074 units that developers broke ground on in the same interval of last year. Accelerating demand is fueling rent growth, particularly across inner-ring submarkets.
- ▶ Development was mostly concentrated in North Charlotte (2,667 units underway) and UNC at Charlotte (1,967 units), accounting for more

than a quarter of the pipeline as of March. The same northern submarkets led the metro in rental property investment volume.

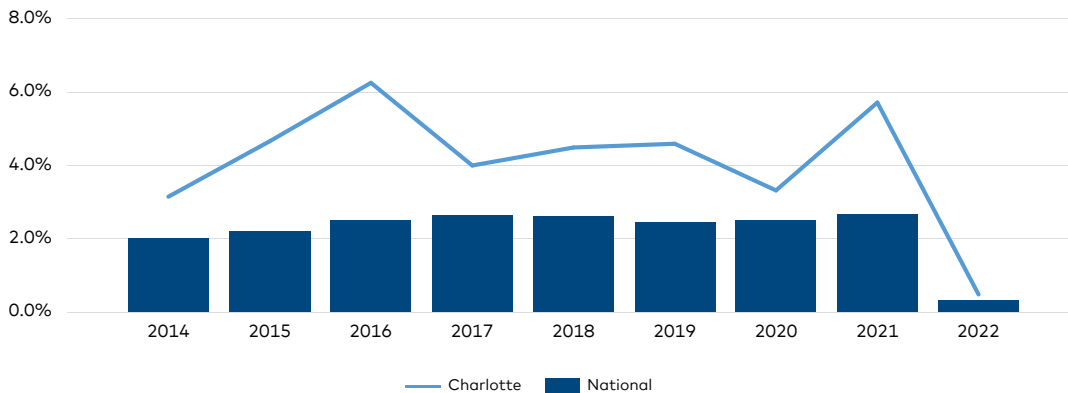
- ▶ Providence Row Phase II in Foxcroft was the largest project underway. Northwood Ravin is building the 830-unit development using a \$54.7 million loan from U.S. Bank, with completion expected by the end of next year.

Charlotte Completions (as of March 2022)



Source: Yardi Matrix

Charlotte vs. National Completions as a Percentage of Total Stock (as of March 2022)



Source: Yardi Matrix

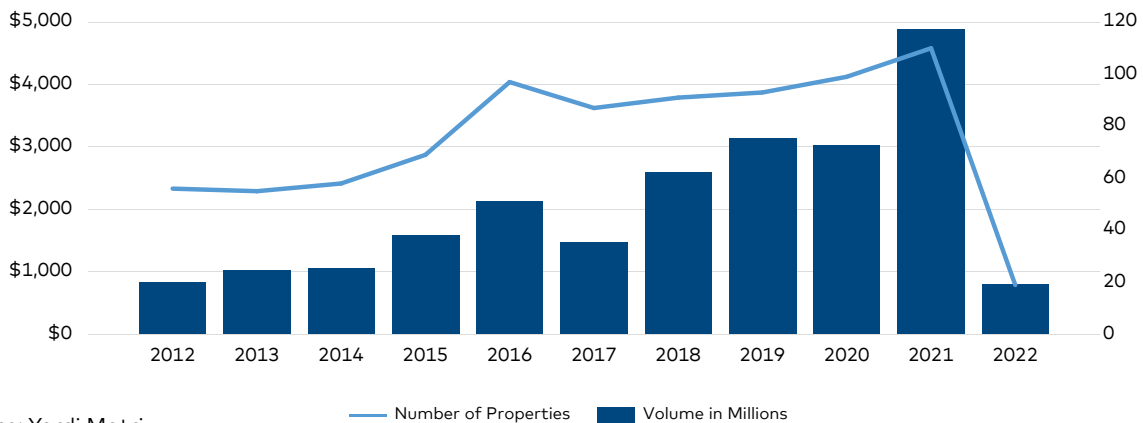
TRANSACTIONS

- More than \$793 million in multifamily assets changed hands in Charlotte in the first quarter, with the investment market coming off a record year—sales totaled \$4.9 billion in 2021. Transaction activity held an accelerated pace at the beginning of this year, with investors favoring large deals. Roughly half of the properties that changed ownership in the first quarter of the year traded for more than \$50 million each.
- Although investors had a slight preference toward workforce assets in the first three

months of the year, the average price per unit stayed above the \$200,000 mark. Meanwhile, the U.S. average was \$213,402.

- North Charlotte (\$428 million) and UNC at Charlotte (\$401 million)—two neighboring, easily accessible northern submarkets—were the most coveted in the 12 months ending in March. The largest deal was DWS' \$176 million purchase of The Atherton, a recently built 346-unit community in Myers Park.

Charlotte Sales Volume and Number of Properties Sold (as of March 2022)



Source: Yardi Matrix

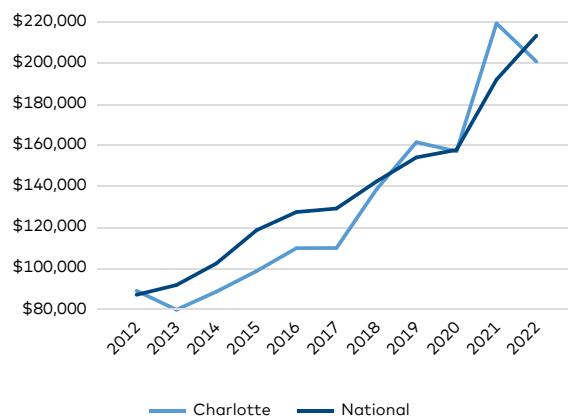
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
North Charlotte	428
UNC at Charlotte	401
Matthews	321
Colonial Village-Montclair	310
Hidden Valley-Oak Forest	281
Southwest Charlotte	253
Morningside	252

Source: Yardi Matrix

¹ From April 2021 to March 2022

Charlotte vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Multifamily Markets by Units Delivered in 2021

By Anca Gagiuc

Multifamily development had an exceptional year in 2021, with more than 350,000 units delivered nationally. The volume was boosted in part by the projects initially slated to come online in 2020 and delayed by the onset of the pandemic, but mainly by mobility and job recovery-induced demand. In the ranking below, we present the top 10 markets for deliveries in 2021 by the number of units, based on Yardi Matrix data.

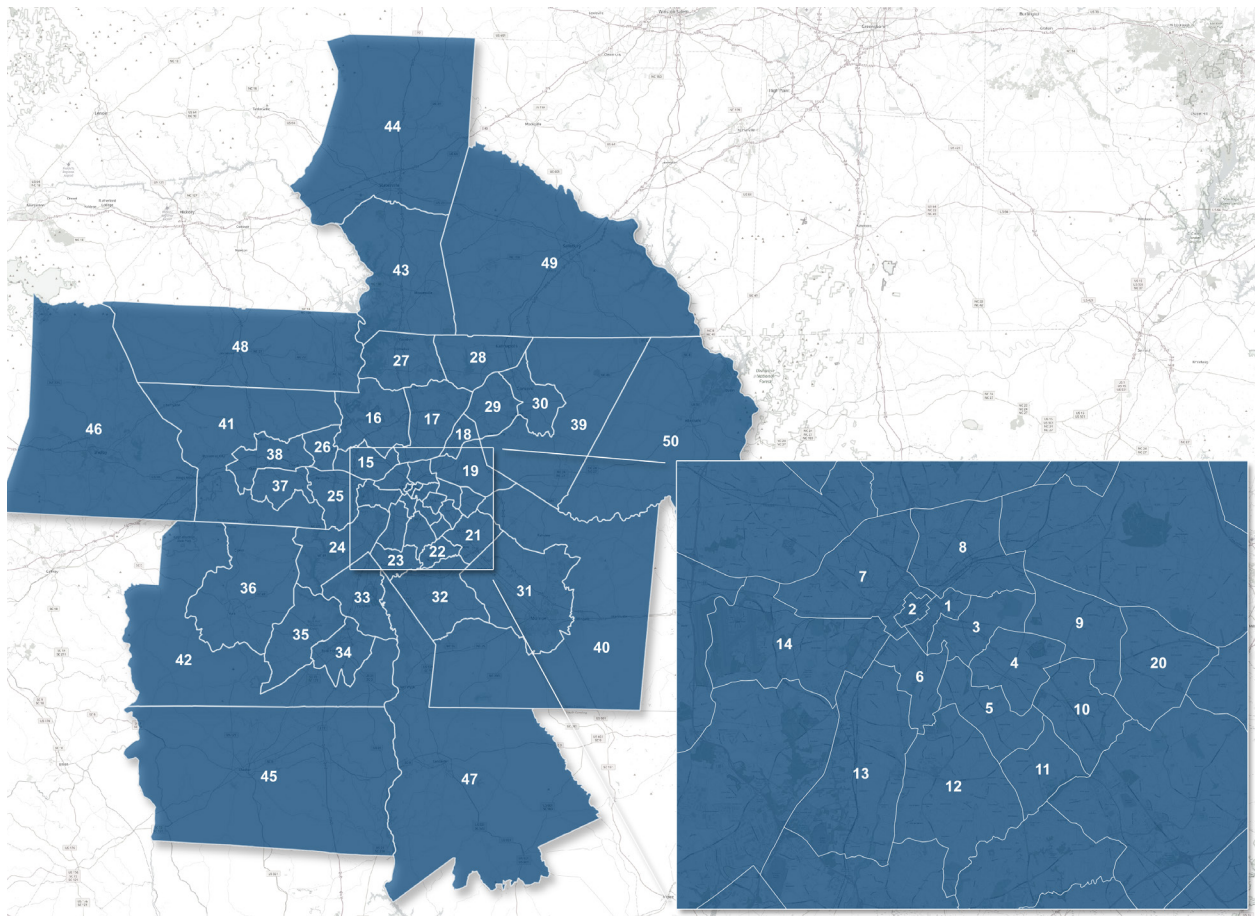
Rank	Metro	Units Delivered 2021	Percentage of Stock 2021	Units Delivered 2020	Percentage of Stock 2020
10	Phoenix	10,058	2.9	9,143	2.7
9	Charlotte	10,692	5.5	6,151	3.3
8	Los Angeles	10,883	2.4	11,369	2.6
7	Orlando	12,948	5.0	6,864	2.8
6	Washington, D.C.	13,148	2.3	12,822	2.3
5	Atlanta	13,653	2.9	10,540	2.3
4	Austin	14,367	5.3	13,363	5.2
3	Miami Metro	16,221	4.7	11,132	3.4
2	Houston	19,878	2.9	14,403	2.2
1	Dallas	24,635	3.0	26,734	3.4

Charlotte

Multifamily development reached a new high in 2021, with 10,692 units added to the inventory, a substantial 5.5% of total stock—which makes it a leader among major markets, by percentage of stock. Not only has last year's volume surpassed totals of 2020 (6,151 units) and 2019 (8,401 units) but also that of the previous peak recorded in 2016 (9,785 units).



CHARLOTTE SUBMARKETS



Area No.	Submarket
1	Second Ward
2	Uptown
3	Morningside
4	Briarcreek-Oakhurst
5	Cotswold
6	Myers Park
7	Third Ward-Lakewood
8	Tryon Hills
9	Eastland-Windsor Park
10	Coventry Woods-East Forest
11	Stonehaven-Lansdowne
12	Foxcroft
13	Colonial Village-Montclair
14	Southside Park-West Blvd.
15	Northwest Charlotte
16	Wedgewood
17	North Charlotte

Area No.	Submarket
18	UNC at Charlotte
19	Hidden Valley-Oak Forest
20	Becton Park-Marlwood
21	Matthews
22	Wessex Square
23	Pineville
24	Southwest Charlotte
25	Belmont
26	Mount Holly
27	Huntersville
28	Kannapolis
29	Concord-West
30	Concord-East
31	Monroe
32	Ballantyne-Providence
33	Fort Mill
34	Rock Hill-East

Area No.	Submarket
35	Rock Hill-West
36	York
37	Gastonia-South
38	Gastonia-North
39	Outlying Cabarrus County
40	Outlying Union County
41	Outlying Gaston County
42	Outlying York County
43	Mooresville
44	Statesville-North Iredell County
45	Chester County
46	Cleveland County
47	Lancaster County
48	Lincoln County
49	Rowan County
50	Stanly County

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.



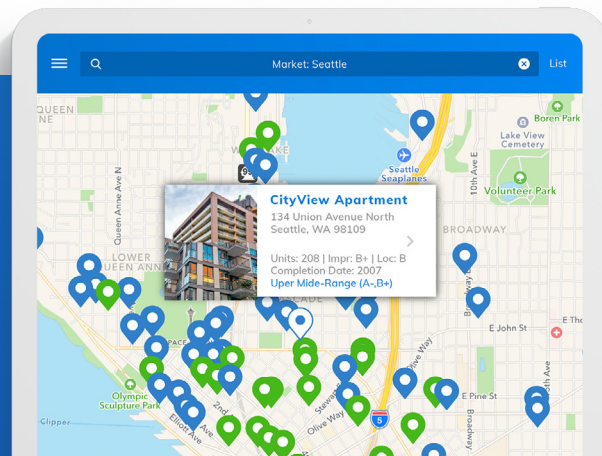
Yardi Matrix

Power your business
with the industry's
leading data provider



MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily
provides accurate data on
19.7+ million units, covering over
92% of the U.S. population.



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