



MULTIFAMILY REPORT

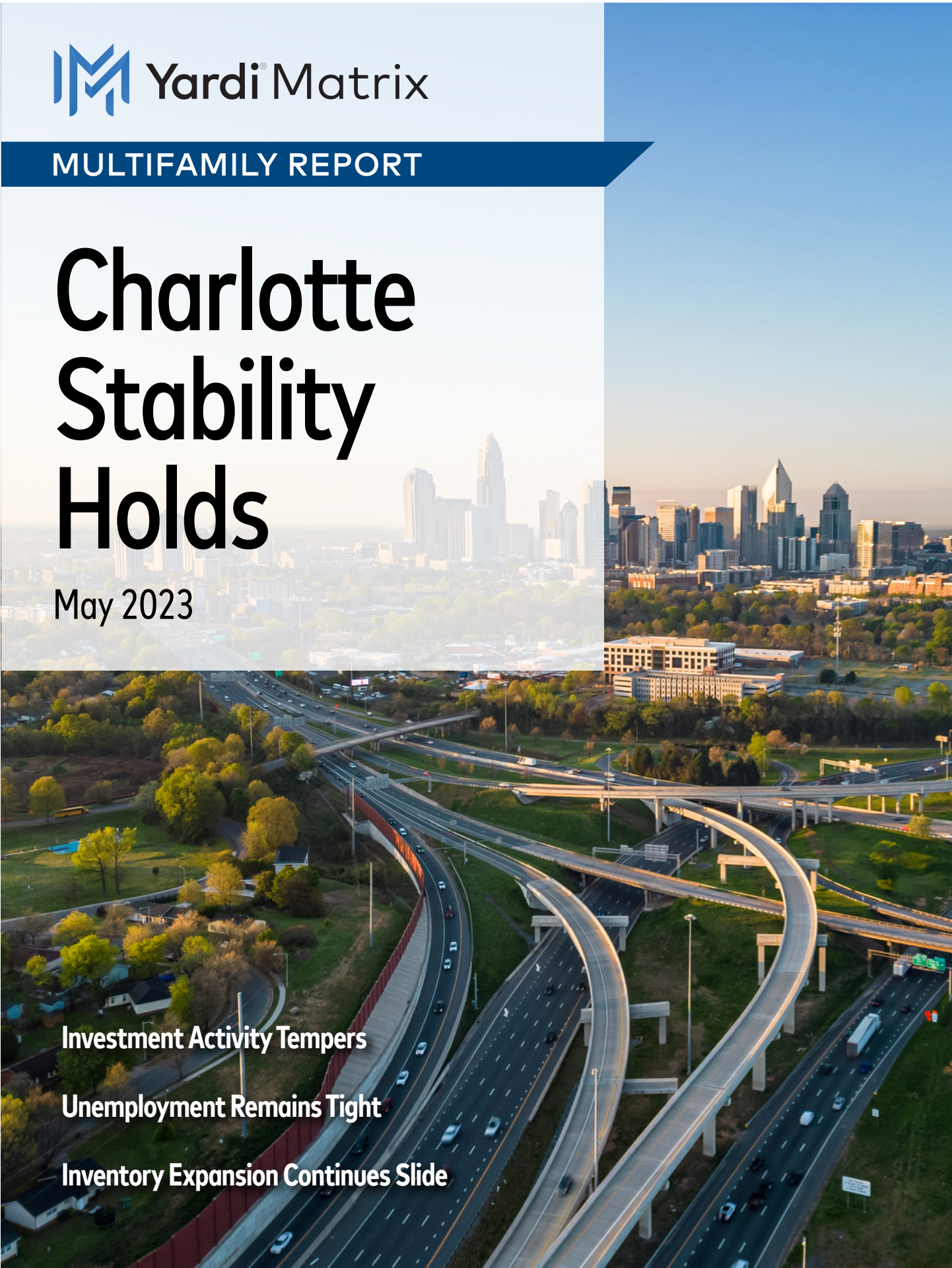
Charlotte Stability Holds

May 2023

Investment Activity Tempers

Unemployment Remains Tight

Inventory Expansion Continues Slide



CHARLOTTE MULTIFAMILY



Rents Stabilize, Demand Remains Firm

With its rapidly expanding population, affordable lifestyle and above-average job growth, the Charlotte multifamily market is capable of withstanding economic challenges in upcoming quarters. The first three months of the year produced no gains for multifamily rents in the metro, with rates stabilizing at \$1,591. Meanwhile, the average U.S. figure clocked in at \$1,706.

The metro's job market remained strong, with all employment sectors recording gains. Some 58,500 positions were added in 2022, accounting for a 5.3% labor-pool expansion, 160 basis points above the U.S. rate of growth. Leisure and hospitality led gains with 17,000 jobs, followed by professional and business services with 9,700 positions. Meanwhile, a high-profile project that broke ground after several years of planning is expected to reshape West Charlotte. Crescent Communities finally began work on The River District, a 1,400-acre, \$6 billion master-planned project.

As in most parts of the country, transaction activity began to moderate in the first quarter, with sales amounting to only \$255 million. Investment totaled more than \$5 billion in each of the previous two years. Deliveries also slowed down, with developers bringing just 737 units online, for a 0.4% expansion of stock, which will likely put pressure on rents. Yardi Matrix expects Charlotte rates to grow 3.6% this year. The figure would mark the largest rent increase among major metros tracked by the data provider.

Market Analysis | May 2023

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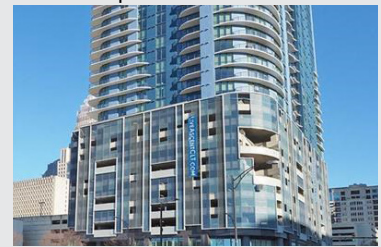
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Recent Charlotte Transactions

Ascent Uptown



City: Charlotte, N.C.
Buyer: Sterling American Property
Purchase Price: \$138 MM
Price per Unit: \$459,667

Sycamore at Tyvola



City: Charlotte, N.C.
Buyer: Continental Realty Corp.
Purchase Price: \$96 MM
Price per Unit: \$334,375

Silverstone



City: Charlotte, N.C.
Buyer: Safdeye Investment Group
Purchase Price: \$12 MM
Price per Unit: \$130,851

Country Club

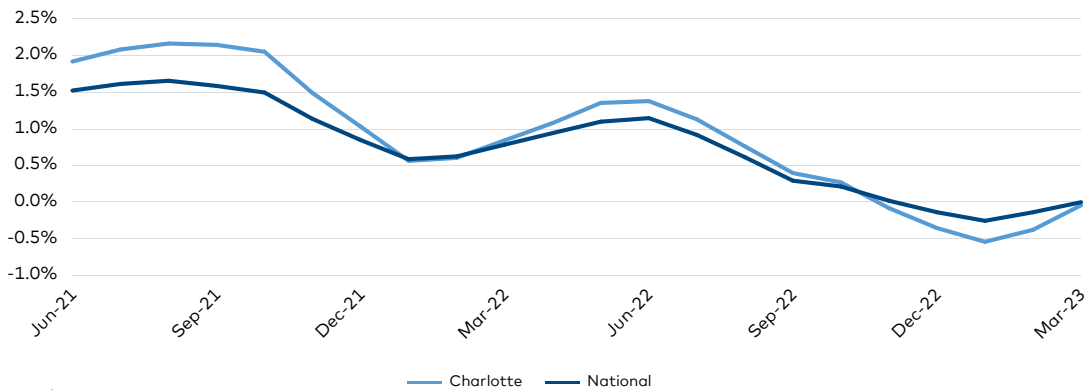


City: Lincoln, N.C.
Buyer: Wickenden Partners
Purchase Price: \$8 MM
Price per Unit: \$112,162

RENT TRENDS

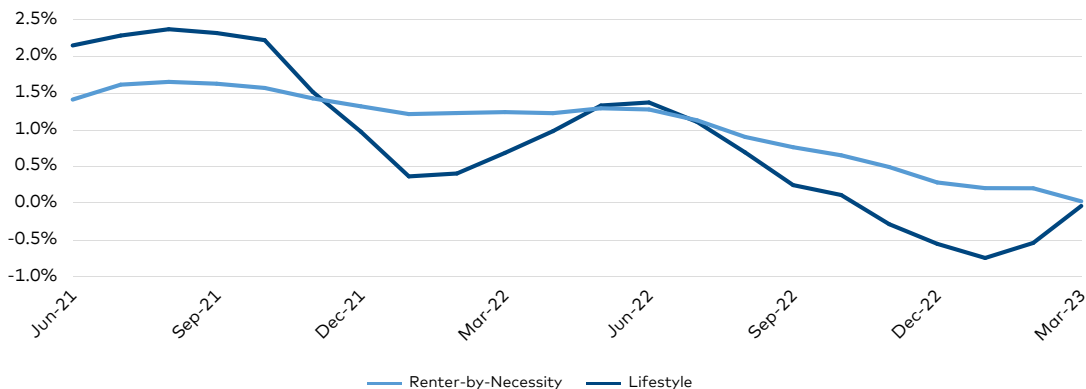
- Rent growth in Charlotte was flat in the first quarter of 2023, on par with the national trend. Rates are recalibrating following four consecutive months of contractions, as the industry continues to adjust to overall economic uncertainty. On a year-over-year basis, rents were up 4.2% as of March, 20 basis points above the U.S. figure. However, the average rent in the metro remained \$115 below the \$1,706 national rate.
- Lifestyle rates contracted for four consecutive months starting in November, but stabilized in March, at \$1,727. At the opposite end of the quality spectrum, rent gains remained positive in the same interval, with rates in the working-class Renter-by-Necessity segment clocking in at \$1,297 at the end of the first quarter.
- The average occupancy rate in stabilized assets dropped 110 basis points year-over-year through February, to 94.4%. Surprisingly, occupancy in RBN properties declined 150 basis points to 94.8%, while Lifestyle occupancy slid only 100 basis points to 94.1%.
- Rent growth was spotty in the 12 months ending in March. Cotswold (14.0% to \$1,985), Northwest Charlotte (11.5% to \$1,145) and Lincoln County (11.3% to \$1,437) were among the best-performing submarkets. The metro's most expensive units were in two urban core areas: Uptown (\$2,294) and Myers Park (\$2,142).
- Single-family rental rates have been steadily increasing since the fourth quarter of 2022, hitting \$2,231 in March, well above the \$2,079 U.S. rate.

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

- ▶ Charlotte's unemployment rate hovered between 3.0% and 4.0% every month last year and continued on the same path at the start of 2023, according to preliminary data from the Bureau of Labor Statistics. At 3.5% as of February, the rate was 10 basis points below the state's average.
- ▶ In 2022, Charlotte added 58,500 jobs, for a 5.3% expansion of the labor pool. That was 160 basis points above the U.S. rate of growth. Leisure and hospitality (17,000 jobs) expanded the most, followed by professional and business services with 9,700 jobs. The city's educated workforce, along with large-scale developments, continue to support the local economy. In West Charlotte, a large swath of undeveloped land is now under construction after Crescent Communities broke ground on a 1,400-acre, \$6 billion master-planned project along the Catawba River. The River District is set to include more than 5,000 homes and apartments, hotels and 8 million square feet of commercial space.
- ▶ In York County, S.C., Pallidus is investing \$443 million in a new corporate headquarters and manufacturing facility, creating 400 new jobs in the Charlotte metro area. The plant is expected to shore up supply-chain gaps and address the country's semiconductor shortage. Pallidus will be relocating from New York, potentially taking advantage of federal funds available through the CHIPS and Science Act.

Charlotte Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	145	10.8%
60	Professional and Business Services	231	17.3%
65	Education and Health Services	138	10.3%
55	Financial Activities	122	9.1%
40	Trade, Transportation and Utilities	285	21.3%
15	Mining, Logging and Construction	75	5.6%
80	Other Services	49	3.7%
30	Manufacturing	109	8.1%
90	Government	159	11.9%
50	Information	25	1.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Lancaster (4.0%) and Lincoln (3.6%) counties were the fastest-growing areas of the Charlotte metro in the 12 months ending in July 2022, according to census estimates. Mecklenburg's population rose by 1.7%, while Brunswick (5.7%) was the state's fastest-growing county.

Charlotte vs. National Population

	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Charlotte	2,571,717	2,616,579	2,647,635	2,678,986

Source: U.S. Census

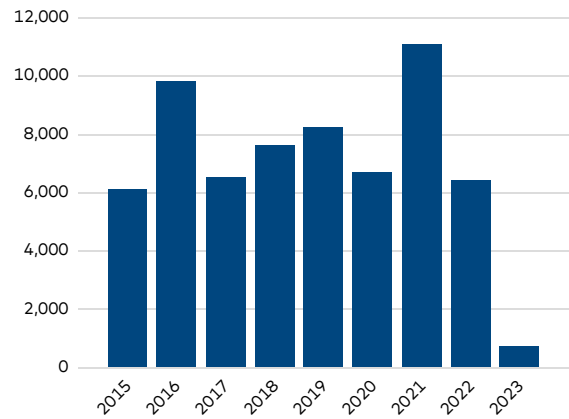
SUPPLY

- ▶ Charlotte had 29,092 units under construction as of March, with roughly one-tenth of them in fully affordable developments. Another 94,000 units were in the planning and permitting stages, highlighting developer confidence in the market's long-term prospects. However, some of these projects may be canceled or delayed because of overall economic volatility making it harder for projects to pencil out.
- ▶ Three developments totaling 737 units were delivered in the first quarter of the year, 10 basis points above the national rate and accounting for 0.4% of existing stock. After peaking at 11,103 units in 2021, expansion scaled back, with only 6,450 apartments coming online last year.
- ▶ Charlotte construction starts decreased by more than 50%. Developers started work on only 1,459 units across seven projects, a significant drop from the 3,287 units across 14 developments that broke ground in the first three months of 2022.
- ▶ Development is concentrated within the Interstate 485 beltway and in northern areas, with two submarkets having more than 3,000 units underway each—Tryon Hills (3,563 units) and North Charlotte (3,025 units). Three more sub-

markets had more than 2,000 units under construction each: Colonial Village-Montclair (2,901 units), Third Ward-Lakewood (2,277 units) and Southside Park-West Blvd (2,023 units).

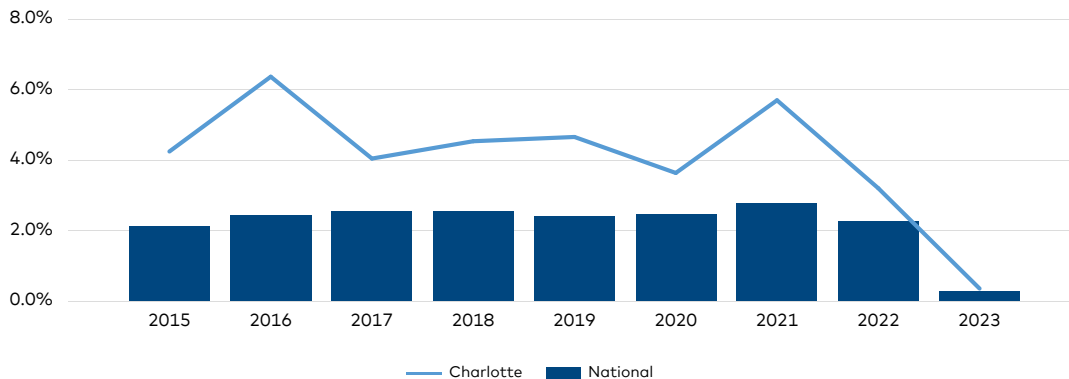
- ▶ Providence Row Phase II was the largest project underway as of March. The 830-unit development in Foxcroft is being built by Northwood Ravin using a \$54.7 million construction loan from U.S. Bank. The first move-ins are expected this summer.

Charlotte Completions (as of March 2023)



Source: Yardi Matrix

Charlotte vs. National Completions as a Percentage of Total Stock (as of March 2023)

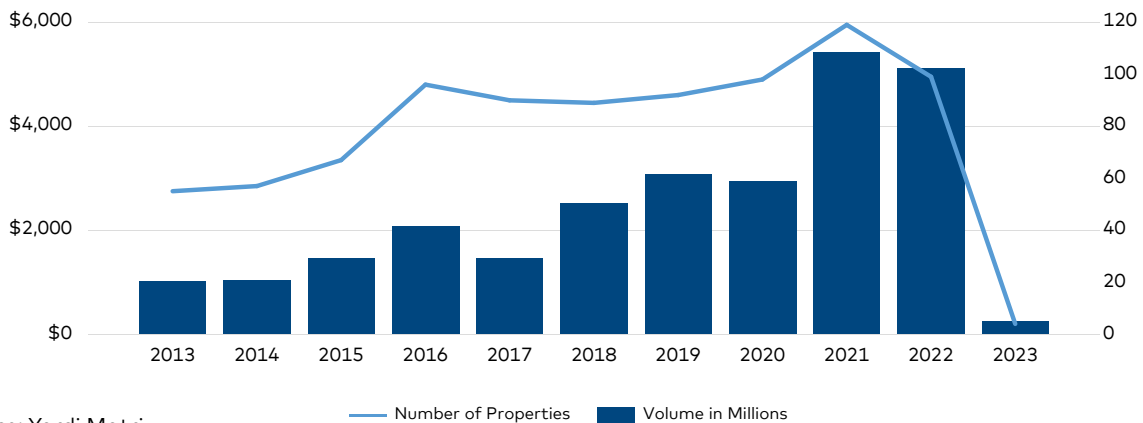


Source: Yardi Matrix

TRANSACTIONS

- ▶ Only four multifamily assets traded in the metro in the first quarter of the year, for a combined \$255 million. That was roughly a fifth of the total investment volume recorded in the same interval of 2022. The substantial drop in sales was mainly the result of the Federal Reserve's successive interest rate hikes, which have been testing investors' ability to source debt. Additionally, lenders have become more cautious following the collapse of three medium-sized banks, further inhibiting multifamily deals.
- ▶ The average price per unit hit \$337,037 year-to-date through March, well above the \$196,544 national figure. In 2022, per-unit prices clocked in at \$247,850, much closer to the \$211,072 U.S. average.
- ▶ One of the largest transactions that closed at the beginning of this year was Sterling American Property's \$137.9 million purchase of Ascent Uptown, a 300-unit, 22-story tower in the metro's urban core. The buyer used a \$68 million Fannie Mae CMBS loan to finance the acquisition.

Charlotte Sales Volume and Number of Properties Sold (as of March 2023)



Source: Yardi Matrix

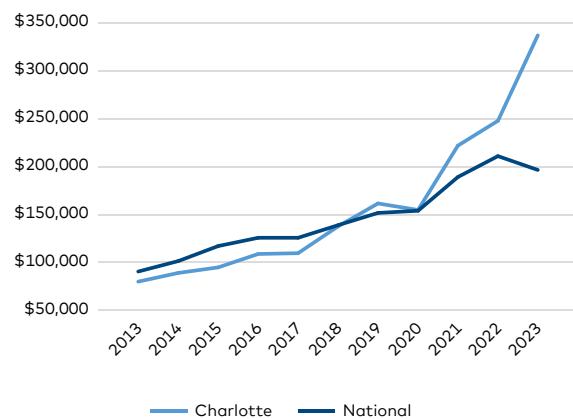
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Southwest Charlotte	515
Colonial Village-Montclair	345
UNC at Charlotte	331
North Charlotte	317
Uptown	303
Mooreville	210
Morningside	182

Source: Yardi Matrix

¹ From April 2022 to March 2023

Charlotte vs. National Sales Price per Unit



Source: Yardi Matrix

Top Markets for Multifamily Transactions in 2022

By Anca Gagiuc

Multifamily investment powered through mounting economic challenges in 2022, with the national sales volume slightly above \$200 billion, which is 14.4 percent lower than 2021's total, according to Yardi Matrix data. The average U.S. price per unit continued to increase (up 11.2 percent year-over-year to \$212,181) and the sales composition—heavier on the Renter-by-Necessity side with 57 percent of all units sold in the segment—shows a keener interest in value-add opportunities.

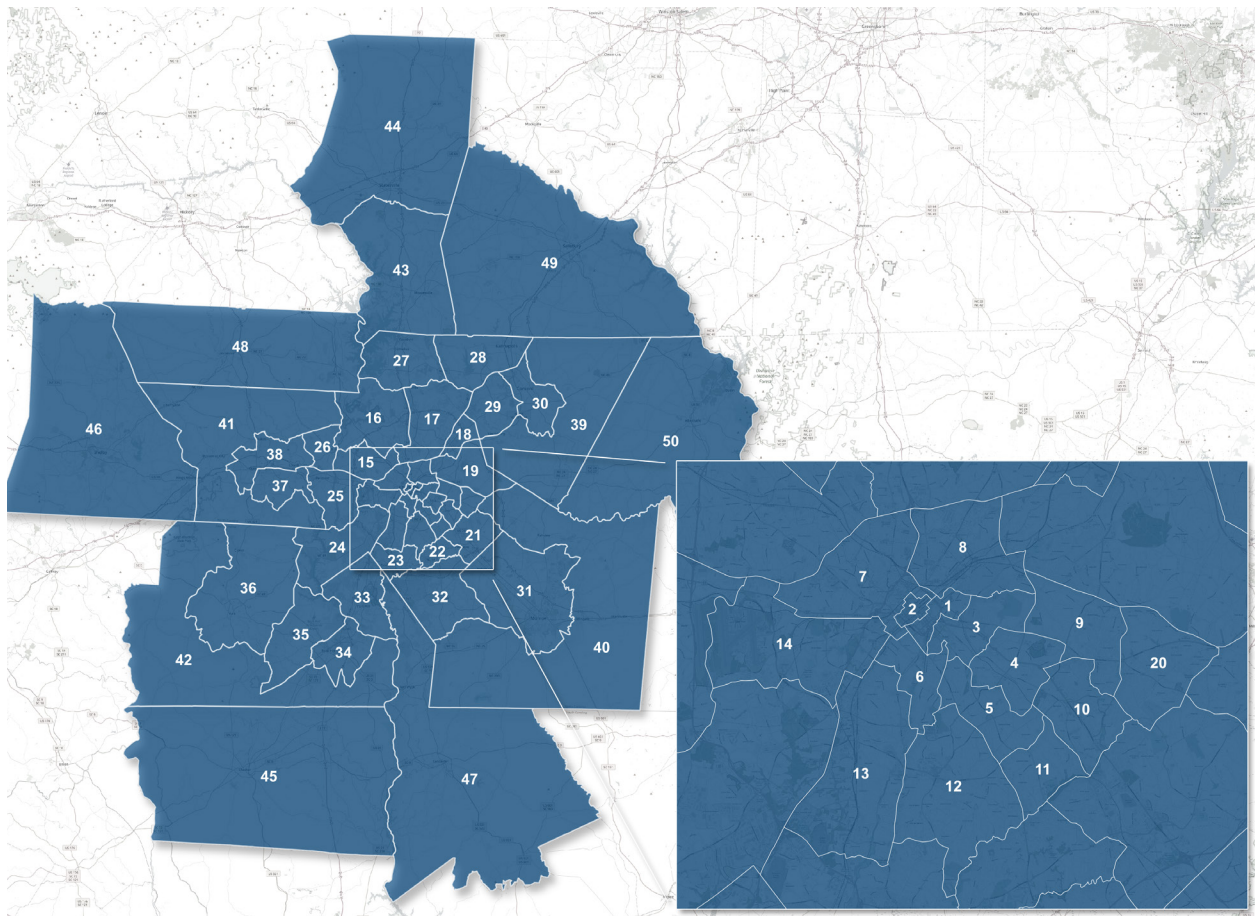
Metro	Sales Volume \$2022	Price Per Unit 2022	Assets Sold 2022	Units Sold 2022
National	\$200,240,131,245	\$212,181	5,946	1,144,213
Atlanta	\$11,964,229,394	\$205,788.42	275	62,167
Phoenix	\$11,306,035,129	\$322,582.62	201	39,691
Dallas	\$10,284,900,277	\$174,147.76	497	107,430
Houston	\$9,887,173,638	\$152,435.73	381	96,354
Miami	\$6,673,451,883	\$325,575.83	114	22,599
Orlando	\$6,453,854,031	\$242,914.18	112	28,590
Los Angeles	\$6,359,607,395	\$437,496.65	99	13,477
Washington, D.C.	\$6,271,248,445	\$276,764.86	103	25,223
New York	\$6,034,606,218	\$626,998.92	51	7,657
Charlotte	\$5,263,281,111	\$248,778.04	106	21,088

Charlotte

Charlotte rounded out the top 10 with \$5.3 billion in multifamily sales, nearly on par with the volume registered in 2021. Overall, investment activity was intense, with 2022 being the second-best year for transaction volume in the past decade. Investor interest was heavily geared toward Lifestyle assets, accounting for \$4.3 billion of the year's total; RBN sales reached \$944 million. Furthermore, 106 properties with 21,088 units traded in Charlotte in 2022, slightly below the volume in 2021 when 121 properties totaling 22,890 units changed hands.



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.



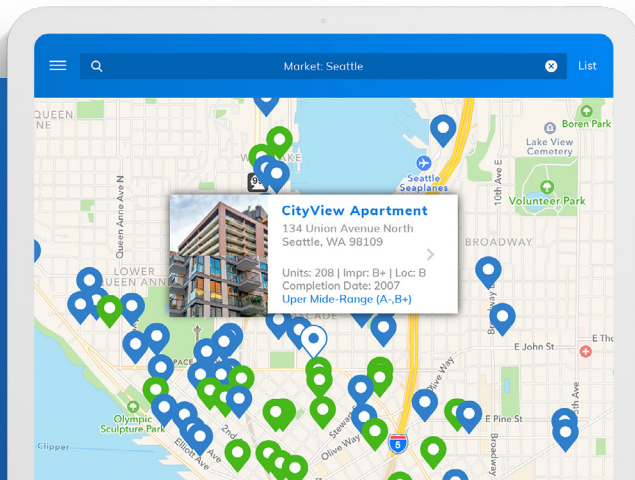
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MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
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- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
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