



MULTIFAMILY REPORT

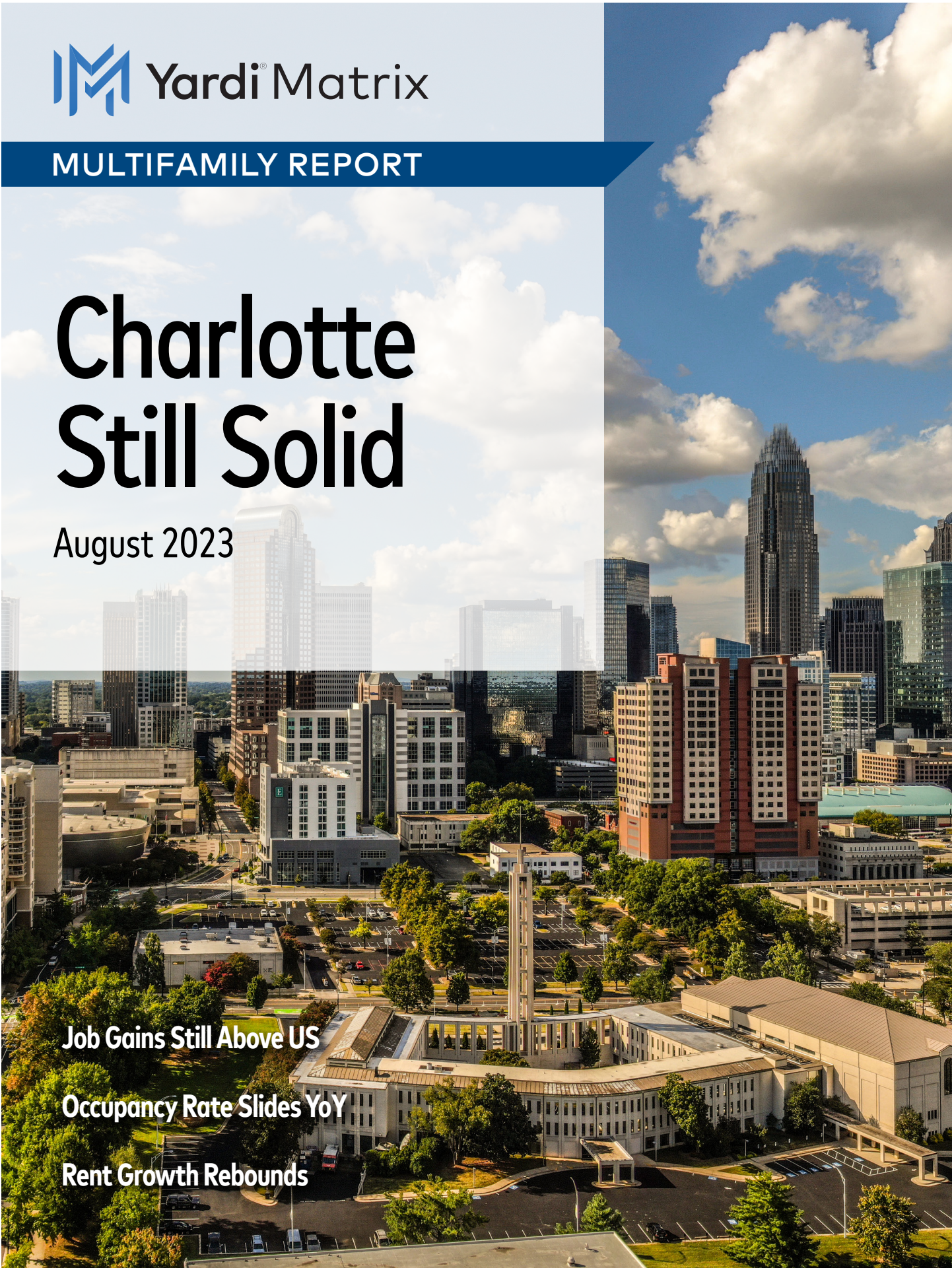
Charlotte Still Solid

August 2023

Job Gains Still Above US

Occupancy Rate Slides YoY

Rent Growth Rebounds



CHARLOTTE MULTIFAMILY



Rent Growth Improves, New Supply Solid

Charlotte's multifamily sector had a rough start to 2023, but rent growth rebounds have put the metro back in line with national trends. Rent expansion on a T3 basis was 0.4%, on par with the U.S. Meanwhile, occupancy slid 90 basis points to 94.3%, while the national rate seems to have stabilized, at 95.0%, over the past few months.

The metro's job market remained healthy, with all but one employment sectors recording gains. Some 35,600 jobs were added in 2023 through April, accounting for a 3.5% year-over-year gain. This rate was 50 basis points below the U.S. average. Following the national trend, the leisure and hospitality sector led in new jobs added (12,900), followed by education and health services, with 8,200 positions. Crescent Communities is continuing its development of the 1,400-acre, \$6 billion master-planned River District project.

Sales through the first two quarters of 2023 amounted to \$700 million, as investment activity continued to slow. Developers started construction on 4,870 units in the first six months of the year. Deliveries also improved, with 15 developments coming on-line in the first half of 2023, nine of which were delivered in the second quarter. The year-to-date percentage of stock completions was 90 basis points above the national rate, accounting for 1.7% of existing multifamily stock.

Market Analysis | August 2023

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Recent Charlotte Transactions

Providence Court



City: Charlotte, N.C.
Buyer: AEW Capital Management
Purchase Price: \$104 MM
Price per Unit: \$247,619

The Indigo at Cross Creek



City: Charlotte, N.C.
Buyer: Argyle Real Estate Partners
Purchase Price: \$76 MM
Price per Unit: \$250,825

The Station at Poplar Tent



City: Charlotte, N.C.
Buyer: NorthRock Cos.
Purchase Price: \$75 MM
Price per Unit: \$239,423

The Apartments at Brayden

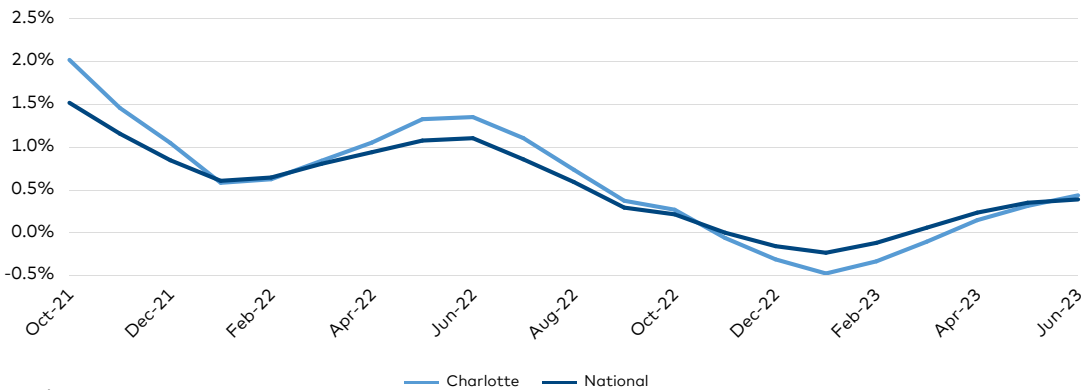


City: Charlotte, N.C.
Buyer: Knightvest Capital
Purchase Price: \$70 MM
Price per Unit: \$210,843

RENT TRENDS

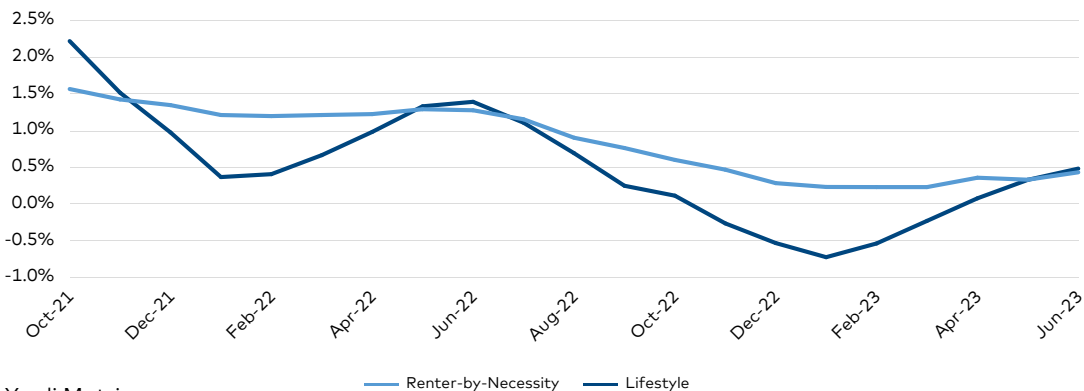
- Rent growth in Charlotte improved in the second quarter of 2023, up 0.4% on a trailing three-month (T3) basis as of June, in line with the national trend. On a year-over-year basis, rates were up 1.2%, 60 basis points lower than the U.S. rate of growth. The average asking rent was \$1,615 in June, still lower than the \$1,726 national figure. Rates are still adjusting, following five consecutive months of short-term contractions that ended in April, as the industry finds its equilibrium amid the overall economic uncertainty.
- Lifestyle rents slightly led improvement on a T3 basis, with the segment up 0.5%, outpacing the Renter-by-Necessity rate of growth by 10 basis points. Lifestyle is rebounding following five months of rent decreases that ended in April, while the RBN segment has seen consistent, albeit limited, growth over the interval.
- The average overall occupancy rate in stabilized properties dropped 90 basis points year-over-year through June, to 94.3%. Occupancy in RBN properties declined 110 basis points, to 94.8%, while Lifestyle occupancy slid 90 basis points, to 94.0%.
- Urban core submarkets such as Uptown (up 1.0% year-over-year, to \$2,292) and Myers Park (2.4% to \$2,176) were the most expensive. Rent growth was the strongest in York (19.2% to \$1,699), Statesville (16.2% to \$1,188) and Lincoln County (13.8% to 1,548).

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 was 3.2% in May, 20 basis points lower than the state rate and 50 basis points below the U.S. average. However, the figure is still 30 basis points higher than it was in April, when the metro recorded its lowest unemployment rate in more than a year.
- ▶ In the 12 months ending in April 2023, Charlotte's employment market added 35,600 jobs, up 3.3% year-over-year, outperforming the national figure by 40 basis points. The leisure and hospitality sector added the most jobs (12,900), followed by the education and health services sector, which gained 8,200 positions during the interval.
- ▶ Manufacturing was the only sector to lose jobs during the interval, down 600 positions, for a year-over-year contraction of just 0.5%. While North Carolina already has a strong traditional manufacturing (furniture and textiles) presence, advanced manufacturing is expected to be an integral part of job growth in the metro.
- ▶ The development of a new \$584 million 1.4 million-square-foot Macy's warehouse in the Rowan County suburb, which will open in August 2024, is expected to create 2,800 new jobs, boosting the trade, transportation and utilities sector, which is already the metro's largest employment subsector.

Charlotte Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	148	11.0%
65	Education and Health Services	144	10.7%
55	Financial Activities	122	9.1%
60	Professional and Business Services	230	17.2%
15	Mining, Logging and Construction	76	5.7%
80	Other Services	49	3.7%
90	Government	163	12.2%
40	Trade, Transportation and Utilities	273	20.4%
50	Information	26	1.9%
30	Manufacturing	109	8.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Charlotte's population grew 1.2% in 2021, while the U.S. rate was a tepid 0.1%.
- ▶ In the 10 years ending in 2021, the metro's population expanded by 16.8%, below Raleigh's 21.9%. Growth across the state was mostly boosted by domestic in-migration.

Charlotte vs. National Population

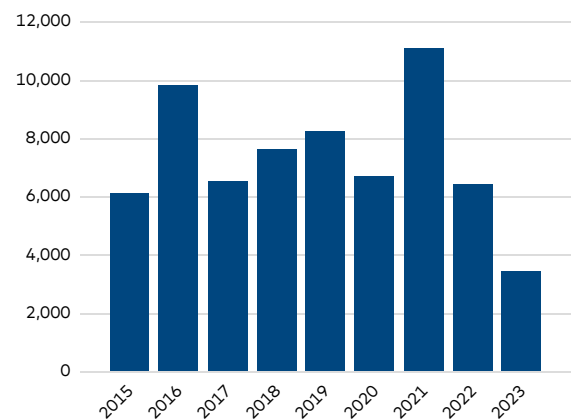
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Charlotte	2,571,717	2,616,579	2,647,635	2,678,986

Source: U.S. Census

SUPPLY

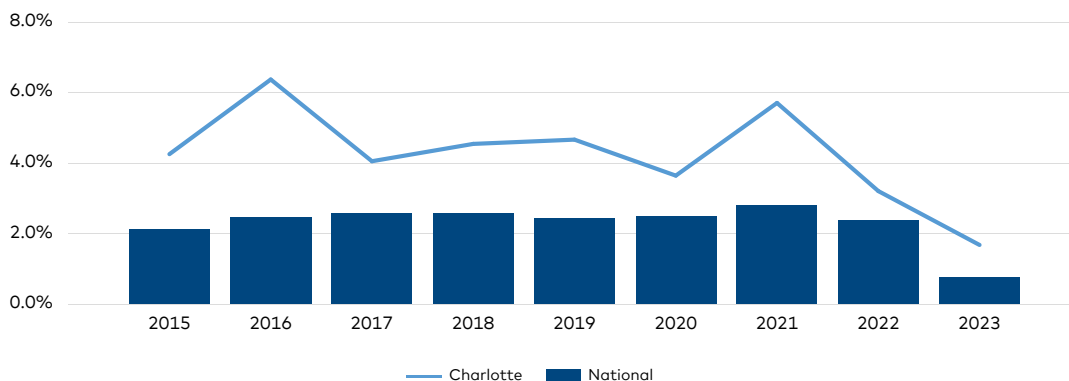
- ▶ As of mid-2023, Charlotte had 31,153 units under construction, with roughly 9% of them in fully affordable developments. Another 97,000 units were in the planning and permitting stages.
- ▶ Developers delivered 3,436 units in the first six months of 2023, well above the 2,497 units that came online during the same period last year. Of the 15 developments delivered in the first half of 2023, nine were delivered in the second quarter. Completions this year accounted for 1.7% of existing rental stock, 90 basis points higher than the national rate.
- ▶ Construction starts picked up following a slow first quarter, when developers broke ground on 1,459 units. At the end of the second quarter, that number had reached 4,870 units across 20 projects for the first six months of the year.
- ▶ In the urban core, construction is concentrated in areas near recent light-rail extensions, such as Tryon Hills, which has 4,064 units under construction, nearly twice the volume registered during the same time frame last year. In the suburbs, developers are most active in northern submarkets such as North Charlotte (2,939 units under construction).
- ▶ Savona Residences was the largest project underway in the metro as of June. The 650-unit development in Third Ward-Lakewood is being built by Portman Holdings with a \$68.4 million construction loan from Truist Bank. Completion is scheduled for June 2026.

Charlotte Completions (as of June 2023)



Source: Yardi Matrix

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



Source: Yardi Matrix

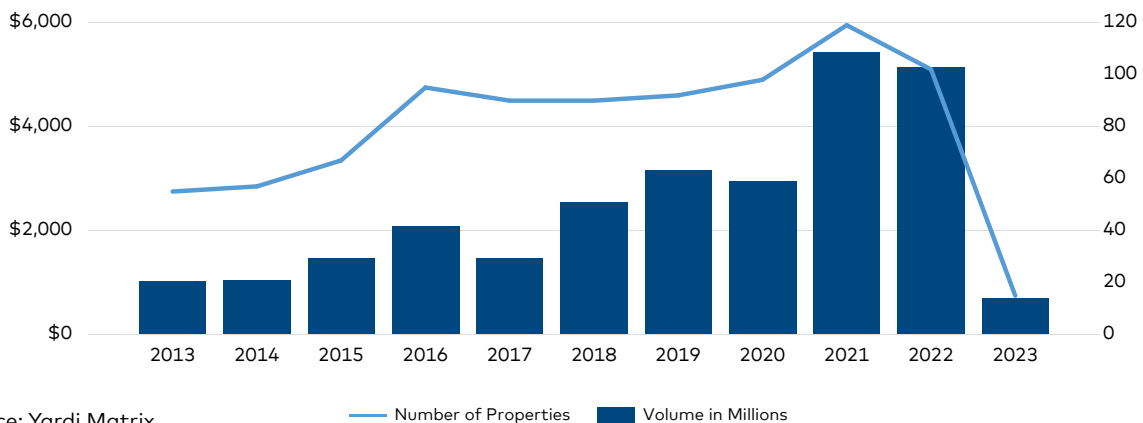
TRANSACTIONS

- Some \$700 million in multifamily assets changed hands in the first two quarters of 2023, significantly below the \$2.1 billion recorded for the same time frame last year. The slowdown is a result of successive interest rate hikes by the Federal Reserve, which have made capital tougher to come by in the past 12 to 18 months. In the year's second quarter, the total transaction volume was \$375 million.
- The average price per unit reached \$248,166 this year in metro Charlotte, well above the

\$182,694 national figure, but the year trended more positively following the first quarter, when the average price per unit was \$337,037.

- The largest transaction that closed in 2023 through June remains the purchase of the \$137.9 million Ascent Uptown, a 300-unit tower in uptown Charlotte. There were 15 property sales in 2023, of which seven were upscale assets and eight were RBN properties.

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



Source: Yardi Matrix

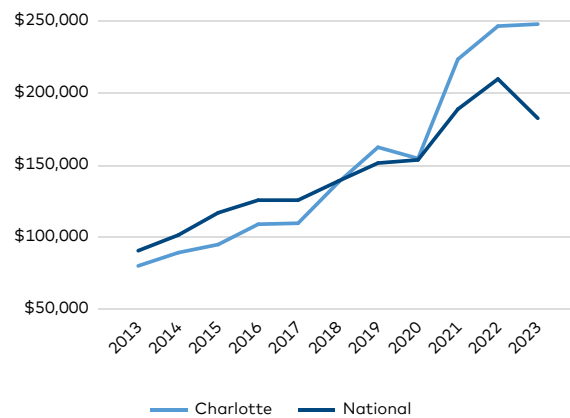
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Southwest Charlotte	305
Colonial Village-Montclair	290
North Charlotte	221
UNC at Charlotte	182
Uptown	138
Southside Park-West Blvd.	130
Myers Park	129

Source: Yardi Matrix

¹ From July 2022 to June 2023

Charlotte vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Markets for Multifamily Construction

By Anca Gagiuc

U.S. multifamily construction was robust at the start of a new leasing season, with the pipeline amounting to nearly 1.1 million units underway across 4,910 properties, according to Yardi Matrix. However, deliveries were slow, with just 73,506 units coming online this year through April. That's less than 7 percent of the national pipeline, and accounts for 20 percent of last year's 369,827-unit total.

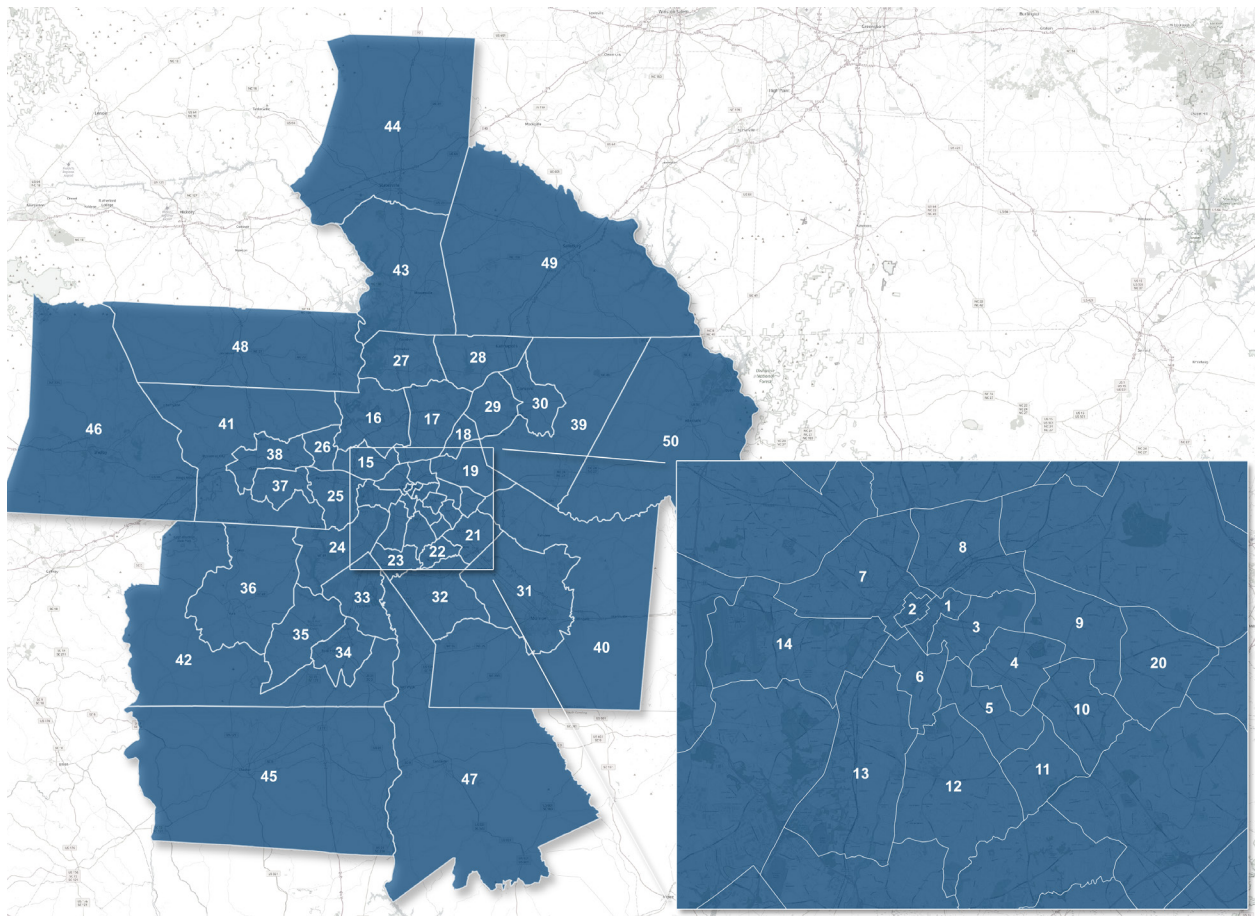
Metro	Unit Under Construction	Units Completed Year-to-Date	Construction Starts/Units January - March 2023
Austin	61,873	2,547	6,013
Dallas	60,532	2,016	5,864
Miami	44,533	2,732	3,612
Atlanta	41,204	2,679	4,120
Phoenix	39,875	3,811	1,985
New York City	38,859	137	3,304
Denver	35,893	1,696	1,580
Houston	34,709	1,686	1,660
Los Angeles	32,306	1,926	814
Charlotte	32,188	1,538	1,459

Charlotte

Rounding out our top 10, Charlotte's pipeline consisted of 32,188 units under construction across 137 properties, and another 100,000 in the planning and permitting stages. The 1,538-unit delivery total through May, placed the metro second lowest on this list, only outperforming New York City. Construction starts through March declined to 1,459 units, from 3,287 units in the first quarter of 2022. This marked a 55 percent drop in new construction, trailing the 48.6 percent national contraction rate.



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.



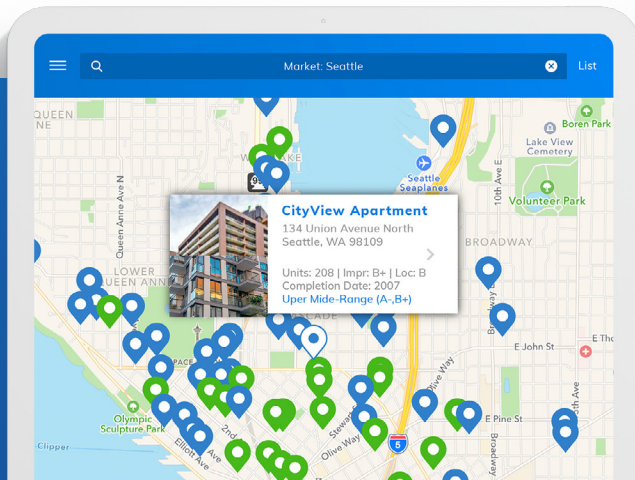
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MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- 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



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provides accurate data on
19.7+ million units, covering over
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