



**MULTIFAMILY REPORT**

# Versatile Charlotte

January 2024

**Investment Volume Slows Down**

**Employment Growth Outpaces US**

**YoY, T3 Rent Gains Remain Negative**

# CHARLOTTE MULTIFAMILY



## Rents Contract as More Supply Hits the Market

Multifamily fundamentals remained promising in Charlotte, despite negative rent performance amid robust deliveries and seasonal trends. On a three-month basis through November, rates contracted 0.6%, to \$1,581, while national figures declined only 0.2%, to \$1,713. However, the occupancy rate in stabilized properties stood at 94.1% as of October, pointing to solid demand. Nationally, occupancy clocked in at 94.9%.

In the 12 months ending in September, the Charlotte employment market expanded by 3.6%, well above the 2.4% U.S. growth rate. Mirroring the national trend, most positions were added in leisure and hospitality, a sector that accounted for 18,700 jobs and marked a 13.5% expansion. Unemployment stood at 3.2% in October, 70 basis points below the national figure and 20 basis points above Raleigh's jobless rate. Only one sector—manufacturing—lost positions (1,900), with some layoffs potentially stemming from technological automation.

A total of 8,238 units were delivered last year through November, already surpassing 2022's total (6,450 apartments). Meanwhile, the investment market softened substantially, mainly due to high borrowing costs. Charlotte saw only \$1.8 billion in multifamily transactions, a significant drop from the same period of the previous year. However, the \$234,476 per-unit price remained in line with the \$235,207 average of 2021 and 2022.

## Market Analysis | January 2024

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### Recent Charlotte Transactions

Greys Harbor at Lake Norman



City: Huntersville, N.C.  
Buyer: 37th Parallel Properties  
Purchase Price: \$73 MM  
Price per Unit: \$232,372

### Presley Uptown



City: Charlotte, N.C.  
Buyer: Eaton Vance Investment Managers  
Purchase Price: \$66 MM  
Price per Unit: \$286,087

### Avalon Mooresville



City: Mooresville, N.C.  
Buyer: AvalonBay Communities  
Purchase Price: \$52 MM  
Price per Unit: \$256,650

### 1010 Dilworth

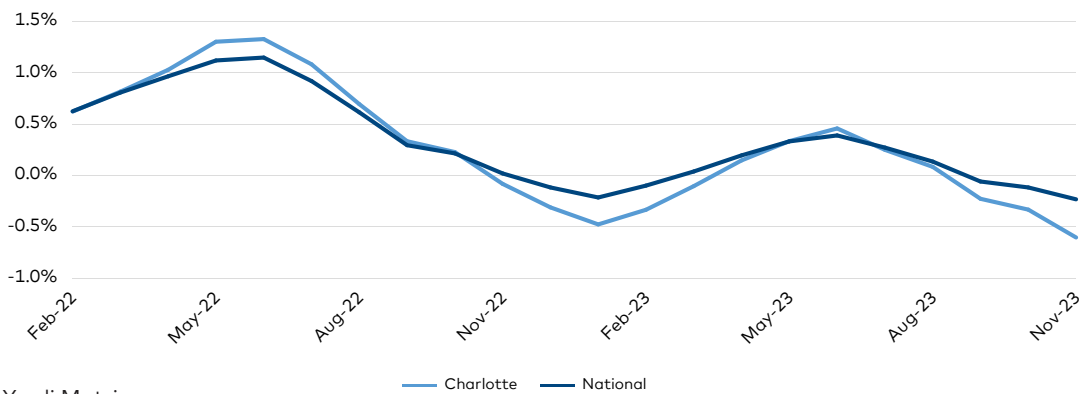


City: Charlotte, N.C.  
Buyer: Continental Realty Corp.  
Purchase Price: \$52 MM  
Price per Unit: \$281,845

## RENT TRENDS

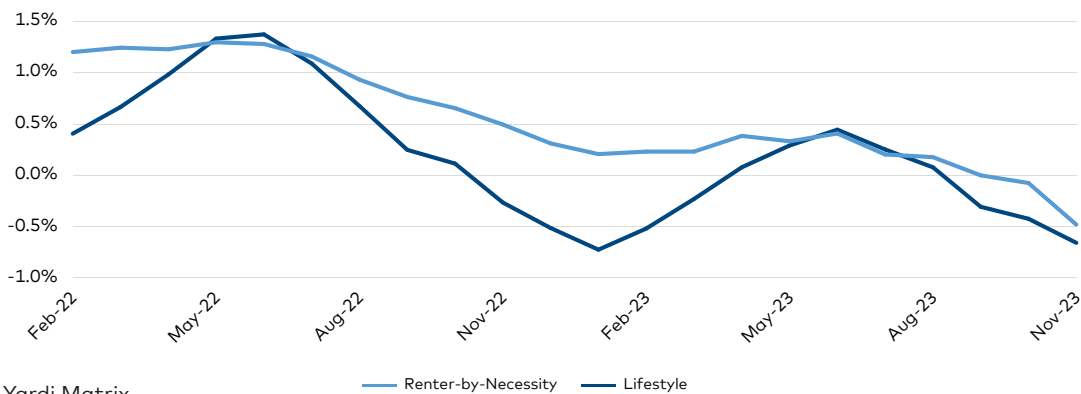
- ▶ Charlotte rents were down 0.6% on a trailing three-month (T3) basis as of November, to an average of \$1,581. Meanwhile, the national rate clocked in at \$1,713, a 0.2% decline. Year-over-year, rents in the metro slid 1.6%, mainly impacted by the large influx of new supply in the past three years. Since 2021, almost 26,000 units have come online in the Queen City.
- ▶ Rents in the Lifestyle segment contracted the most—0.7% on a T3 basis, to \$1,703—while rates in the working-class Renter-by-Necessity segment declined 0.5%, to \$1,306. Month-over-month, Charlotte (down 0.9% in Lifestyle and 1.1% in RBN) and Raleigh (down 1.1% in Lifestyle and 1.3% in RBN) recorded the most significant declines in both segments across all large U.S. metros.
- ▶ Even with negative rent movement, multifamily performance in the metro should stay strong due to housing demand still exceeding supply. Occupancy in stabilized properties was 94.1% as of October, 80 basis points below the national rate and a 40-basis-point slide over 12 months.
- ▶ Year-over-year through November, rent performance was negative in 33 of the 48 submarkets that Yardi Matrix tracks, with contractions most pronounced in two neighboring southern areas of the metro: Pineville (-5.6% to \$1,543) and Fort Mill (-4.8% to 1,697). The best-performing submarket was Monroe, where rents grew by 10.6%, to \$1,408. However, urban core areas such as Uptown (\$2,252) and Myers Park (\$2,172) remained the most expensive despite rates sliding 3.8% and 0.5%, respectively.

### 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 stood at 3.2% in October—70 basis points below the U.S. figure—according to preliminary BLS data. Except for a 2.9% blip in April, the metro's jobless rate has been hovering between 3.0% and 4.0% since September 2021.
- ▶ Leisure and hospitality led employment growth in the 12 months ending in September, accounting for 18,700 of the total 45,000 jobs added. The sector expanded 13.5% year-over-year, followed by education and health services (6.3% or 8,800 jobs). Even though the Charlotte region is mostly known as a banking center and fintech hub, the industrial sector has been rapidly growing lately. In November, Stonemont

Financial Group completed a three-building industrial campus totaling 702,250 square feet in Kannapolis, N.C., and Trinity Capital Advisors delivered an 876,587-square-foot industrial park in Gastonia, N.C., last summer.

- ▶ Meanwhile, capacity enhancement projects at Charlotte Douglas International Airport continue. Most recently, a 34,000-square-foot, \$50 million, concourse expansion opened, while work is underway at the facility's \$1 billion fourth parallel runway project. Since 2015, Charlotte Douglas has seen more than \$3.1 billion in capital investments, including several concourse renovations and the addition of The Plaza, a dining and retail space for passengers.

### Charlotte Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	157	11.5%
65	Education and Health Services	148	10.9%
40	Trade, Transportation and Utilities	279	20.5%
90	Government	166	12.2%
60	Professional and Business Services	232	17.0%
55	Financial Activities	124	9.1%
15	Mining, Logging and Construction	75	5.5%
80	Other Services	48	3.5%
50	Information	26	1.9%
30	Manufacturing	109	8.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ Between mid-2021 and mid-2022, about 113 people moved to the Charlotte region per day, per CLT Alliance analysis of Census data.
- ▶ In the decade ending in 2021, the metro had the second-largest demographic expansion in N.C.—16.8%—behind only Raleigh (21.9%).

### 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

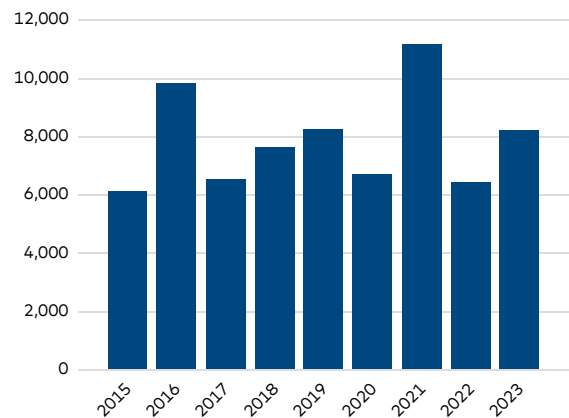
Source: U.S. Census

## SUPPLY

- ▶ Following its weakest year for deliveries since 2015—only 6,450 units came online in 2022—Charlotte's multifamily inventory expanded by 8,238 units last year through November. That accounted for 3.9% of existing stock and nearly double the 2.1% national average. Along with Austin and Nashville, Charlotte had the greatest number of completions as a percentage of total stock across the top 30 metros that Yardi Matrix tracks.
- ▶ With 35,258 apartments under construction as of November, the metro's construction pipeline remained robust. Roughly 85.0% were in market-rate developments and the rest were part of fully or partially affordable projects. Another 93,894 units were in the planning and permitting stages.
- ▶ Even though multifamily investors are still bullish on Charlotte due to its strong demographics, high interest rates and decelerating rent growth have thrown a wrench in some developers' plans to launch new projects. In the first 11 months of 2023, construction starts decreased to 13,633 units, from 17,363 apartments in the same period of 2022.
- ▶ Of the 37 submarkets that Yardi Matrix tracks, 11 had more than 1,000 units under construc-

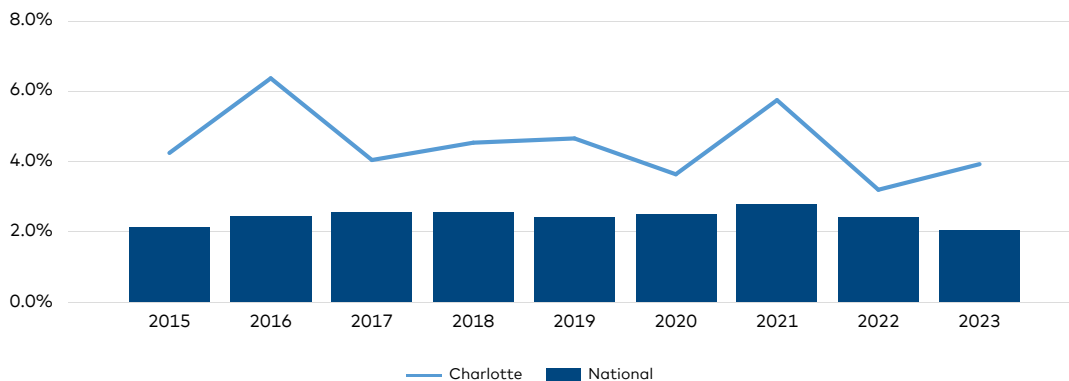
tion as of November. Tryon Hills stood out, with 4,734 apartments, followed by Southside Park-West Boulevard with 3,944 units. The largest property underway was Savona Residences, a 650-unit development that Portman Holdings broke ground on in late 2022. Located in the metro's historic West End, the project is part of a master-planned, 27-acre, mixed-use redevelopment of a former mill, with plans also calling for creative office and retail spaces.

**Charlotte Completions** (as of November 2023)



Source: Yardi Matrix

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

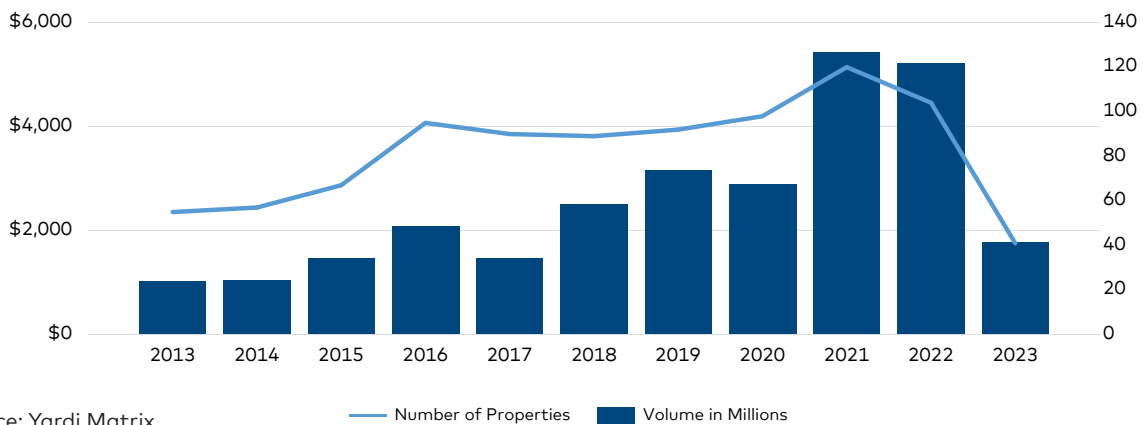


Source: Yardi Matrix

## TRANSACTIONS

- ▶ Some \$1.8 billion in multifamily assets changed hands last year through November. That was significantly below the \$5.3 billion average of the previous two years, when transaction activity peaked following the pandemic. In 2023, prolonged monetary tightening upset investment markets nationwide, with Charlotte not immune to the Federal Reserve's policy decisions.
- ▶ Investor appetite was fairly balanced between asset classes. The per-unit price clocked in at \$234,476, well above the \$186,300 national figure, but in line with the prior two-year average of \$235,207.
- ▶ In the 12 months ending in November, investors were most active in Southwest Charlotte, with the submarket accounting for \$210 million of the \$1.8 billion total transaction volume. However, the top five deals by volume were spread across the metro. Sterling Equities paid \$138 million for the 300-unit Ascent Uptown, marking the largest sale last year.

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



Source: Yardi Matrix

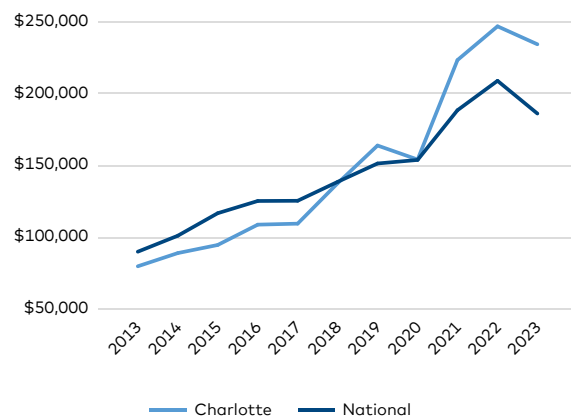
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Southwest Charlotte	210
Concord — West	163
Lancaster County	157
Huntersville	145
Uptown	138
Tryon Hills	107
Wessex Square	104

Source: Yardi Matrix

<sup>1</sup> From December 2022 to November 2023

### Charlotte vs. National Sales Price per Unit



Source: Yardi Matrix

## Top 10 Markets for Multifamily Deliveries in H1 2023

By Anda Rosu

Multifamily demand remained elevated in 2023 despite major economic headwinds, although the sector was underperforming compared to 2022 during the first six months of the year. According to Yardi Matrix data, 154,366 units came online nationwide between January and June 2023. The volume of multifamily deliveries accounts for a 60-basis-point increase from the 153,314 units that were delivered last year during the same period.

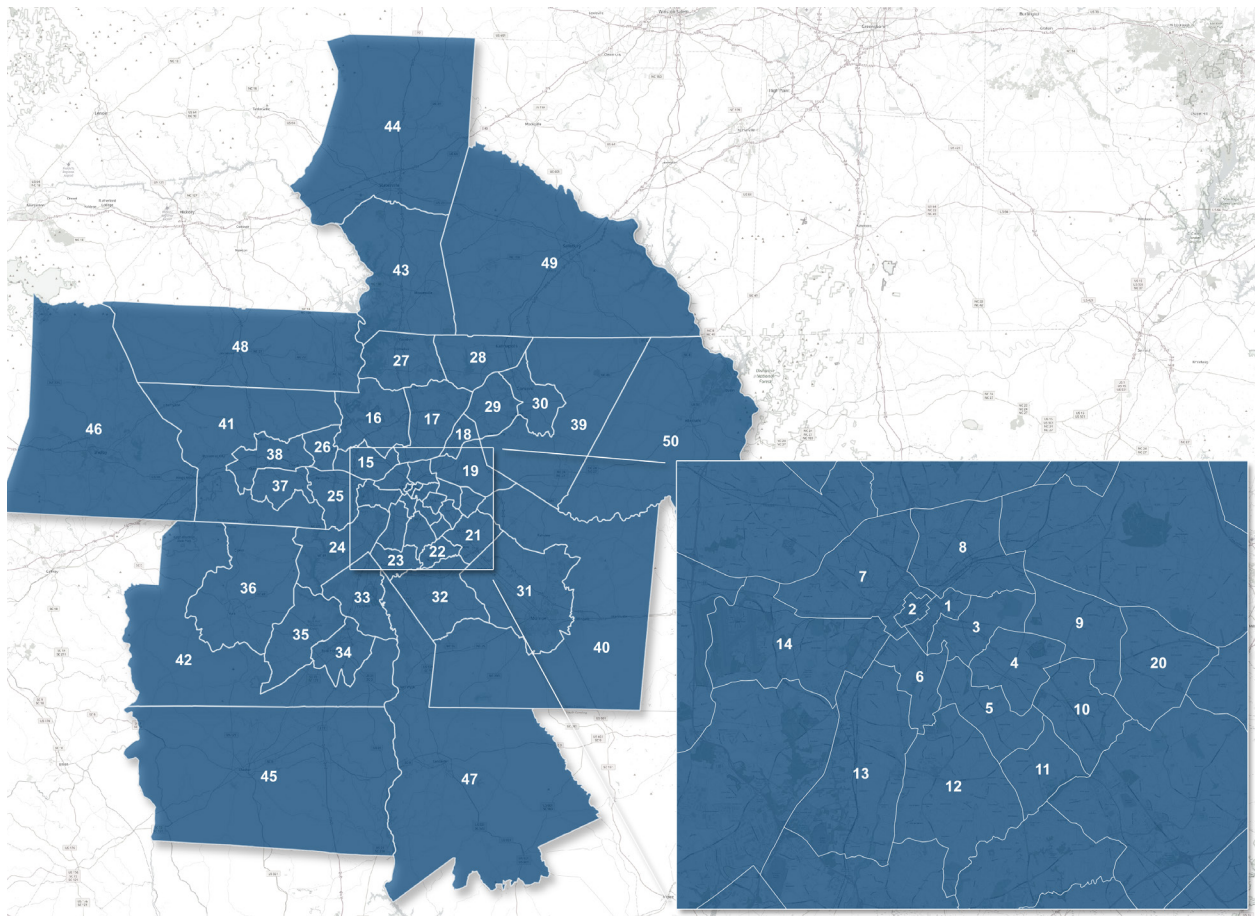
Rank	Metro	Projects Delivered 2023 H1	Number of Units Delivered 2023 H1	Construction Starts 2023 H1 Units
1	Phoenix	36	8,062	10,886
2	Washington, D.C.	25	6,333	5,288
3	Atlanta	29	6,178	10,380
4	Austin	23	5,473	11,220
5	Dallas	20	5,133	15,747
6	Miami	22	5,109	9,969
7	Charlotte	21	4,595	6,441
8	Orlando	19	4,445	5,437
9	Denver	23	4,270	6,046
10	Houston	17	3,910	6,562

### Charlotte

New supply is blooming in Charlotte due to strong in-migration as well as capital investment from new employers. A total of 4,595 units were added in the first six months of 2023, representing 3.0% of total stock and a roughly 33% increase from the 3,458 units delivered during the same period in 2022. Of the new inventory, 88.6% were in Lifestyle units, with the remaining 11.4% in Renter-by-Necessity projects.



# 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.

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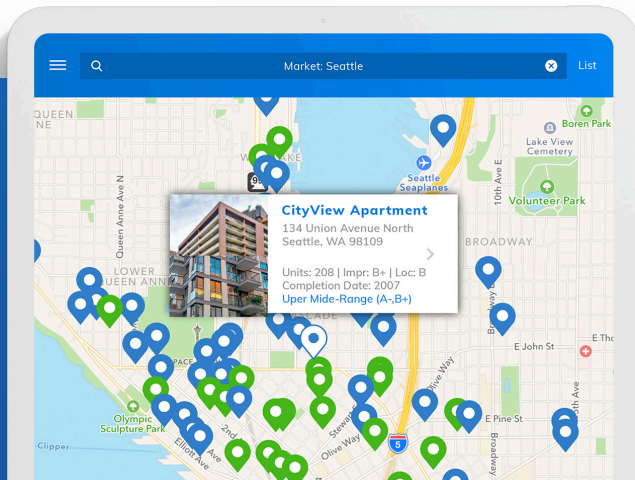
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- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
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