Yardi Matrix

MULTIFAMILY REPORT

Charlotte Endures

May 2024

Transactions Still Down

T3 Rent Growth Improves

Employment Rate Above US

Yardi Matrix

Charlotte Rents Improve, Investment Still Muted

Charlotte's multifamily fundamentals are staying positive, as seasonal trends have aided rent growth. Rates were up 0.1% on a T3 basis, to $1,584, recovering after a decline that largely mirrored national trends. The average overall occupancy rate in stabilized properties decreased by 80 basis points year-over-year, to 93.6%, indicating that Charlotte remains a desirable market.

Employment in the Queen City expanded by 3.1% as of December 2023, adding a total of 29,900 net jobs. The metro's rate of growth was 110 points above the national average. Leisure and hospitality led gains with 11,400 jobs, an 8.0% growth rate year-over-year. The area's unemployment rate stood at 3.6% as of February, 30 basis points below the U.S. figure, according to preliminary data from the Bureau of Labor Statistics. The education and health services sector could see a further boost from the ongoing development of a medical school campus, which will include a 300,000-square-foot research facility and is slated for completion next year.

First-quarter deliveries in the metro totaled 2,294 units. This was 70 basis points above the national figure and accounted for 1.1% of existing stock. Meanwhile, developers had 37,099 units under construction as of March in Charlotte. Transaction volume in the metro remains limited, as high interest rates continue to deter investors.

Market Analysis | May 2024

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On the cover: Photo by Jeff Yount/iStockphoto.com

Recent Charlotte Transactions

Thornberry

City: Charlotte, N.C.
Buyer: Northland Investment Corp.
Purchase Price: $49 MM
Price per Unit: $171,006

Belmont Heights

City: Belmont, N.C.
Buyer: URS Capital Partners
Purchase Price: $23 MM
Price per Unit: $131,500

The Landings at Steele Creek

City: Charlotte, N.C.
Buyer: Tablerock Capital
Purchase Price: $19 MM
Price per Unit: $161,966

Village Square

City: Gastonia, N.C.
Buyer: Hudson Valley Property Group
Purchase Price: $18 MM
Price per Unit: $121,666

RENT TRENDS

➤ As of March, the average Charlotte rent was up 0.1% on a trailing three-month (T3) basis, to $1,584, while the U.S. figure climbed 0.2%. On a year-over-year basis, rates were down 0.8% as of March, placing the metro's average closer to that of Tampa (-0.6%) and San Francisco (-0.7%).

➤ The average rent in the working-class Renter-by-Necessity segment was up 0.2% as of March, to $1,319. The Lifestyle figure recorded the same rate of improvement, at $1,700. RBN rents have been on a steady decline since October 2023. Meanwhile, the Lifestyle segment saw a more pronounced decline, with rates decreasing through the end of last year, down 0.7% percent by December.

➤ The metro's average overall occupancy rate in stabilized properties stood at 93.6% as of February, an 80-basis-point decrease year-over-year. Lifestyle figures recorded a 90-basis-point decline, to 93.2%. Meanwhile, occupancy in the RBN segment fell to 94.5%, down 40 basis points year-over-year.

➤ Growth was uneven across Charlotte sub-markets on a year-over-year basis. Of the 48 submarkets tracked by Yardi Matrix, rents contracted in more than half. Charlotte's urban core was affected as well, with submarkets such as the Second Ward (down 1.5%) and Uptown (down 2.8%) posting declines.

Charlotte vs. National Rent Growth (Trailing 3 Months)
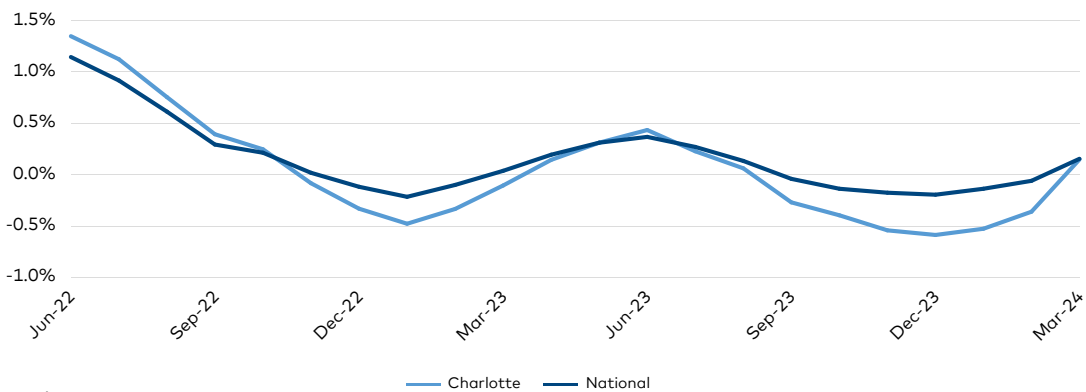
Source: Yardi Matrix

Charlotte Rent Growth by Asset Class (Trailing 3 Months)
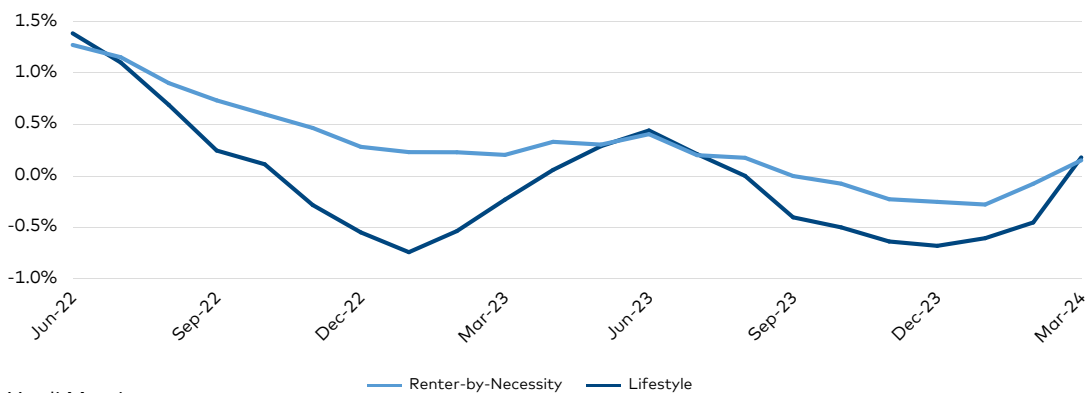
Source: Yardi Matrix

ECONOMIC SNAPSHOT

➤ Charlotte employment expanded by 3.1% in 2023, 110 basis points above the national average. The metro added 29,900 net jobs last year.

➤ The metro's unemployment rate stood at 3.6% as of February, 30 basis points below the U.S. figure, according to preliminary data from the Bureau of Labor Statistics. With the exception of April 2023, when Charlotte's jobless rate was 2.9%, the metro's rate remained within the 3.0% margins, fluctuating throughout the 12 months ending in February.

➤ As one of Charlotte's top employment sectors, leisure and hospitality led gains with 11,400 positions, up 8.0% year-over-year. Another sec-

tor that saw solid expansion was education and health services (11,100 jobs, up 7.9% year-over-year). Four sectors recorded contractions, with a combined 5,500 positions lost by manufacturing, mining, logging and construction, other services and information.

➤ The development of a 14-story campus building in midtown Charlotte is set to further boost the education and health services sector, with construction currently underway. The project will include a medical school and a 300,000-square-foot research facility. The campus is being developed by Atrium Health in partnership with Wexford Science & Technology and is slated for completion in 2025.

Charlotte Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	153	11.2%
65	Education and Health Services	151	11.0%
90	Government	167	12.2%
40	Trade, Transportation and Utilities	289	21.1%
60	Professional and Business Services	230	16.8%
55	Financial Activities	124	9.0%
50	Information	26	1.9%
80	Other Services	48	3.5%
15	Mining, Logging and Construction	74	5.4%
30	Manufacturing	108	7.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

➤ Charlotte's population expanded by 43,406 residents in 2022, marking a 1.6% increase. Growth was boosted by domestic in-migration.

➤ The U.S. population expanded by 0.4% during the same period.

Charlotte vs. National Population

|	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Charlotte	2,545,560	2,595,027	2,625,282	2,668,688

Source: U.S. Census

SUPPLY

➤ Developers brought 2,294 units online through March, accounting for 1.1% of existing stock, 70 basis points above the national figure. All but one property were assets in the Lifestyle segment. The metro's deliveries expanded significantly last year, with 11,078 units delivered, accounting for 5.2% of stock.

➤ Charlotte had 37,099 units under construction and another 87,023 in the planning and permitting stages. Construction was concentrated in upscale projects, which comprised 84.2% of units, while RBN and fully affordable assets accounted for the remaining 15.8%.

➤ Construction starts decreased, with a total of 1,636 units breaking ground in the first three months of 2024. This represents a 67% decline compared to the 4,901 units that started construction during the same period last year. The change is likely due to limited capital availability.

➤ Of the 36 submarkets tracked by Yardi Matrix, 12 had more than 1,000 units under construction. Southside Park–West Blvd led with 4,165 units underway, with Tryon Hills (4,118 units) and Colonial Village–Montclaire (3,969 units) rounding out the top three.

➤ The largest project taking shape in the metro is located in the Belmont submarket. Crescent Communities is developing Westrow, a 701-unit, Class A property. The development is part of The River District, a 500-acre master-planned community.

Charlotte Completions (as of March 2024)
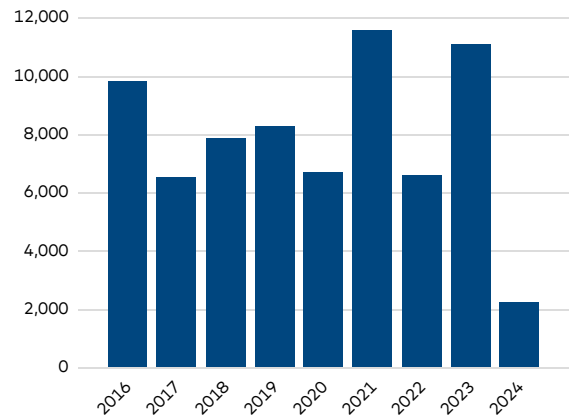
Source: Yardi Matrix

Charlotte vs. National Completions as a Percentage of Total Stock (as of March 2024)


— Charlotte   ■ National
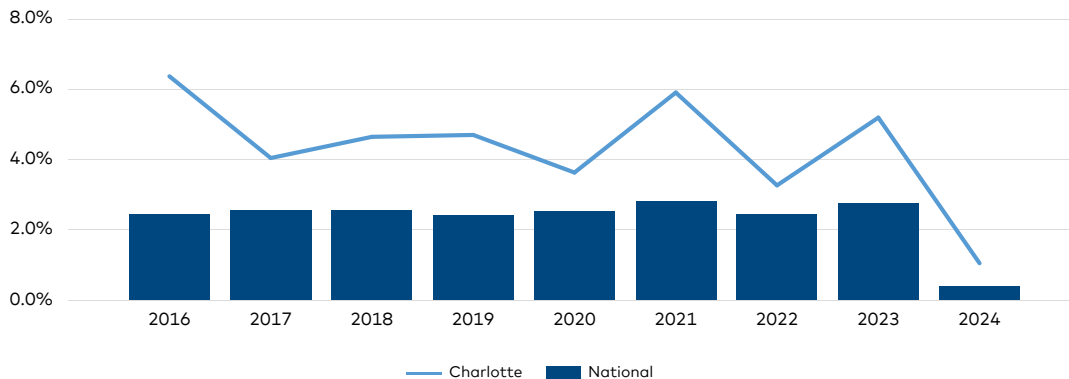
Source: Yardi Matrix

TRANSACTIONS

➤ Transactions in Charlotte reached $135 million in the first three months of the year. Investment volume has been on a downward path since 2023, due to high interest rates. Last year closed with just under $2 billion in total transactions, significantly below Charlotte's prior four-year average, which stood at $4.2 billion.

➤ Investors were mostly focused on RBN assets, which accounted for more than half of the assets that traded in the first three months of

2024. The price per unit fell, as the metro's $152,168 contracted significantly compared to the $223,421 figure recorded in 2023 and was lower than $196,095 U.S. average.

➤ Investors targeted submarkets such as Lancaster County and Concord–West, both exceeding $160 million in transactions. Huntersville rounded out the top three with $145 million.

Charlotte Sales Volume and Number of Properties Sold (as of March 2024)


Source: Yardi Matrix — Number of Properties / Volume in Millions
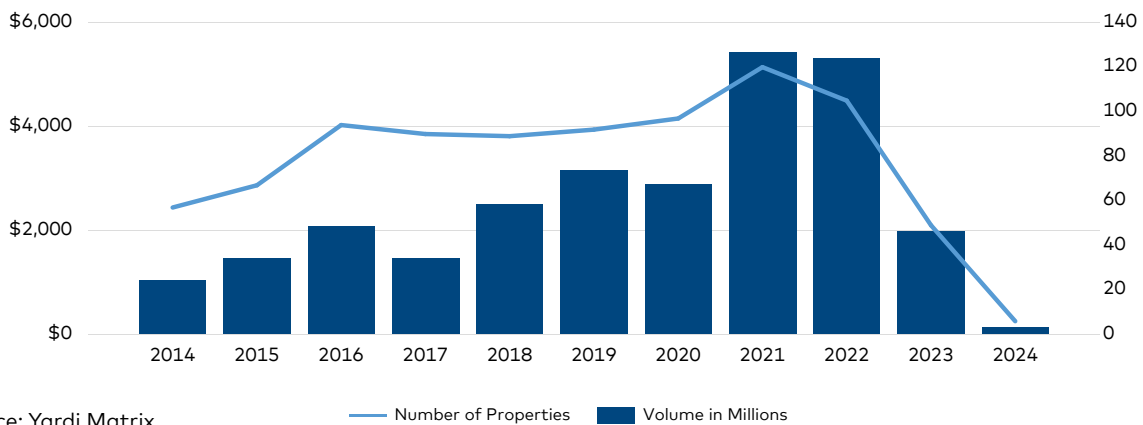
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Lancaster County	169
Concord–West	163
Huntersville	145
Wessex Square	120
Southside Park–West Blvd.	114
Pineville	110
Tryon Hills	107

Source: Yardi Matrix
[1] From April 2023 to March 2024

Charlotte vs. National Sales Price per Unit

Source: Yardi Matrix — Charlotte / National

MHN
MULTI-HOUSING **NEWS**

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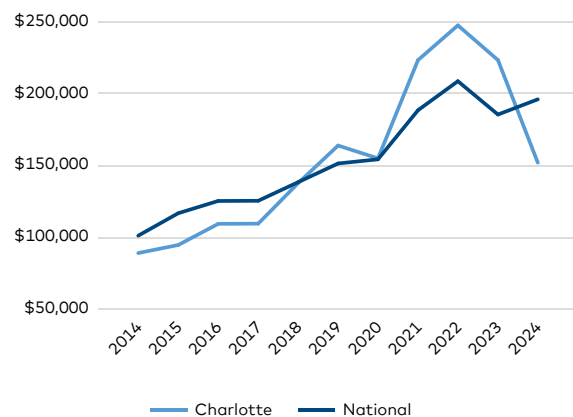
IVI Yardi Matrix

Top Markets for Multifamily Investment in 2023

By Tudor Scolca

Multifamily investment sharply dropped in 2023, after two years of outstanding performance. The high cost of capital led to a pause in activity across the U.S., seriously denting sales volumes. In this context, we're taking a look at what the top markets for multifamily investment were last year, leveraging Yardi Matrix data. On the national level, investors acquired a total of $69.4 billion in multifamily assets last year, which was a drop to less than half from the $206.9 billion recorded in 2022.

Rank	Metro	Price Per Unit	Properties Traded	Units Traded
1	Dallas	$151,108.78	183	40
2	Atlanta	$196,139.81	100	20
3	Phoenix	$289,302.52	51	11
4	Chicago	$207,465.22	73	14
5	Denver	$320,997.13	45	7
6	Boston	$429,169.79	28	5
7	Miami Metro	$266,828.36	48	10
8	Washington DC	$261,684.55	44	10
9	Charlotte	$223,421.00	50	10
10	Tampa–St Petersburg	$197,224.27	50	11

Charlotte, N.C.

Charlotte, N.C., investors closed on 50 transactions—9,545 units—last year for a total of $1.9 billion, down 64.8% year-over-year. The average price per unit was down 9.8% year-over-year, to $223,421. A total of 24 Lifestyle transactions, totaling 6,592 rental units, closed for a total of $1.6 billion in the metro last year. These traded at an average of $259,877 per unit. The remaining 26 transactions—2,953 units—were of RBN properties, amounting to $317.5 million. The average price of RBN properties was at $125,531 per unit.
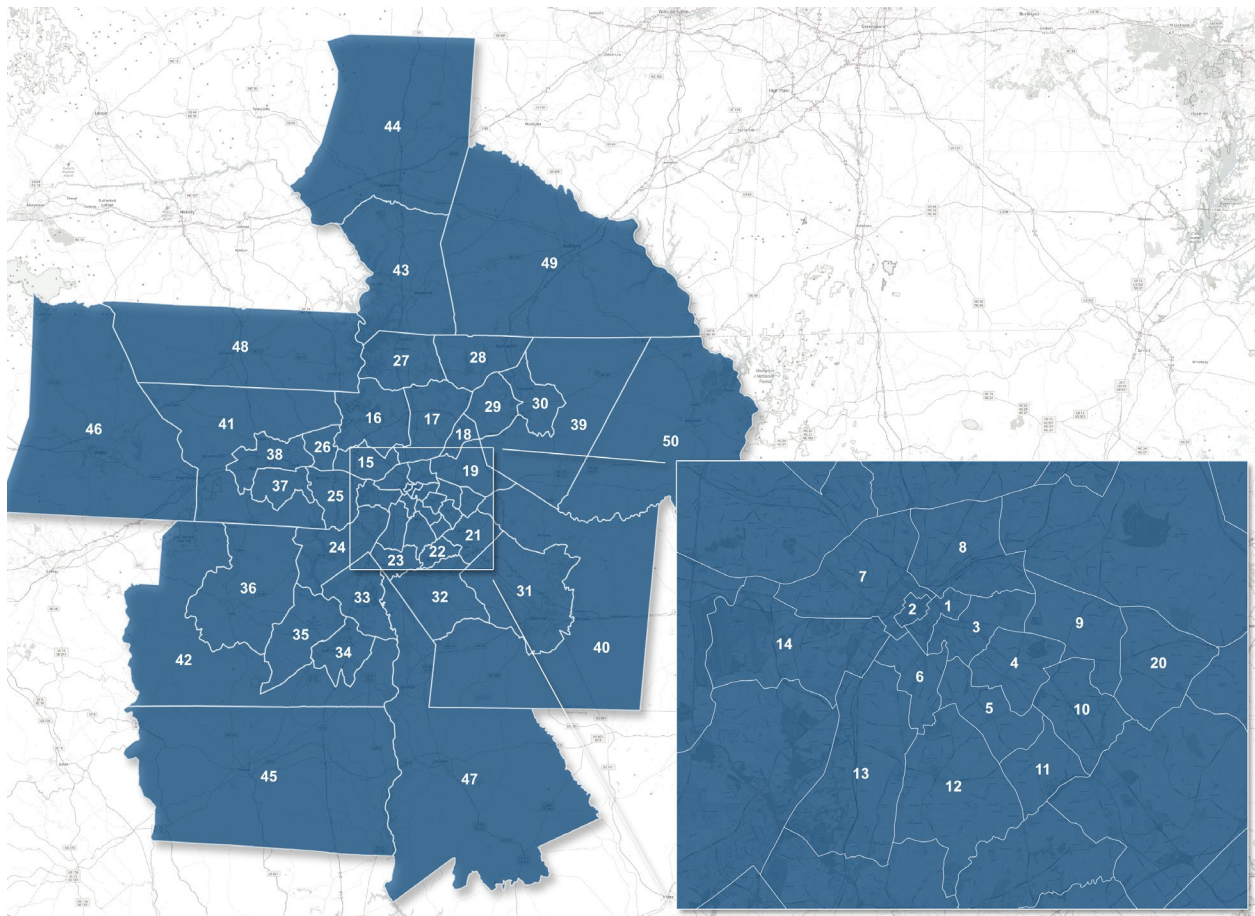
Area No.	Submarket
1	Second Ward
2	Uptown
3	Morningside
4	Briarcreek–Oakhurst
5	Cotswold
6	Myers Park
7	Third Ward–Lakewood
8	Tryon Hills
9	Eastland–Windsor Park
10	Coventry Woods–East Forest
11	Stonehaven–Lansdowne
12	Foxcroft
13	Colonial Village–Montclaire
14	Southside Park–West Blvd.
15	Northwest 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

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.
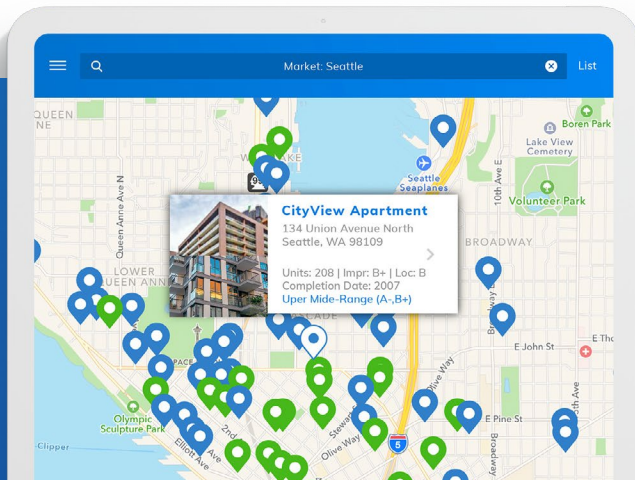
Yardi Matrix

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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

CityView Apartment
134 Union Avenue North
Seattle, WA 98109

Units: 208 | Impr: B+ | Loc: B
Completion Date: 2007
Uper Mide-Range (A-,B+)

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

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