



MULTIFAMILY REPORT

Charlotte: On The Mend

August 2024

Employment Growth Above US Average

Demand One Step Behind Strong Supply

Short-Term Rent Movement Turns Positive

CHARLOTTE MULTIFAMILY



Charlotte Mostly Stable Amid New Supply Boom

Charlotte fundamentals were encouraging going into the third quarter. Average advertised asking rents were up 0.1% on a trailing three-month basis as of June, to \$1,583. The metro's rent movement turned positive in April, after a longer period of contractions, in line with overall U.S. trends. Year-over-year advertised asking rents were still in negative territory, down 2.3%. And while occupancy slid 90 basis points in a year, to 93.5%, as of May, healthy demand levels are slowly catching up with booming supply.

In the 12 months ending in April, Charlotte employment expanded 1.6%, outperforming the U.S. average, which stood at 1.4%. The government sector led job growth with 7,800 new positions, or a 4.7% expansion, followed by education and health services (6,600). Charlotte unemployment was 60 basis points lower than the national average of 4.0% in April. The metro's diversified economy continues to attract developers. Asana Partners and MRP Realty are gearing up to start developing the metro's first office-to-mixed-use conversion, dubbed Brooklyn & Church. The partners expect to complete the \$250 million project by the end of 2026.

In the first half of 2024, Charlotte deliveries totaled 6,116 units. Growth was more than double the national pace. In addition, the metro had 34,543 units under construction as of June. Yardi Matrix expects 2024 completions to reach 17,359 units, which would be by far Charlotte's strongest year in the past decade.

Market Analysis | August 2024

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Recent Charlotte Transactions

Avana Matthews



City: Matthews, N.C.
Buyer: Greystar
Purchase Price: \$67 MM
Price per Unit: \$159,524

The Maxwell at Highland Creek



City: Charlotte, N.C.
Buyer: Fairfield Residential
Purchase Price: \$65 MM
Price per Unit: \$191,272

Thornberry



City: Charlotte, N.C.
Buyer: Northland
Purchase Price: \$49 MM
Price per Unit: \$171,007

Radbourne Lake

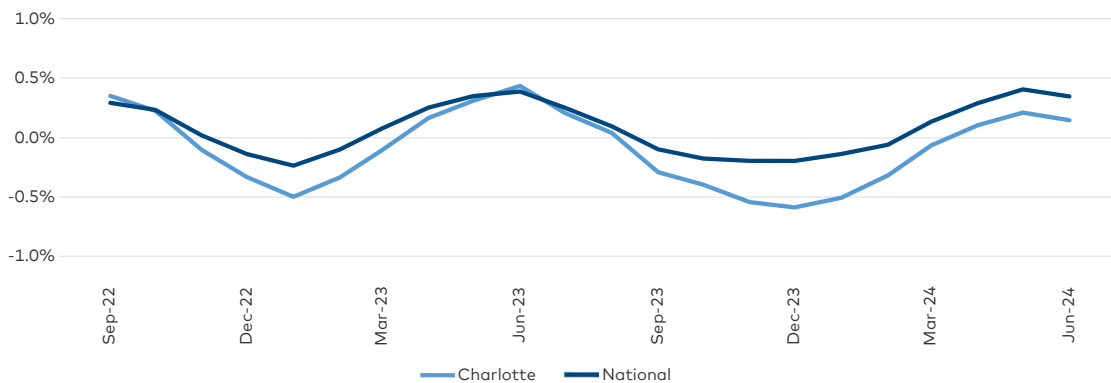


City: Charlotte, N.C.
Buyer: Lion Real Estate Group
Purchase Price: \$39 MM
Price per Unit: \$174,444

RENT TRENDS

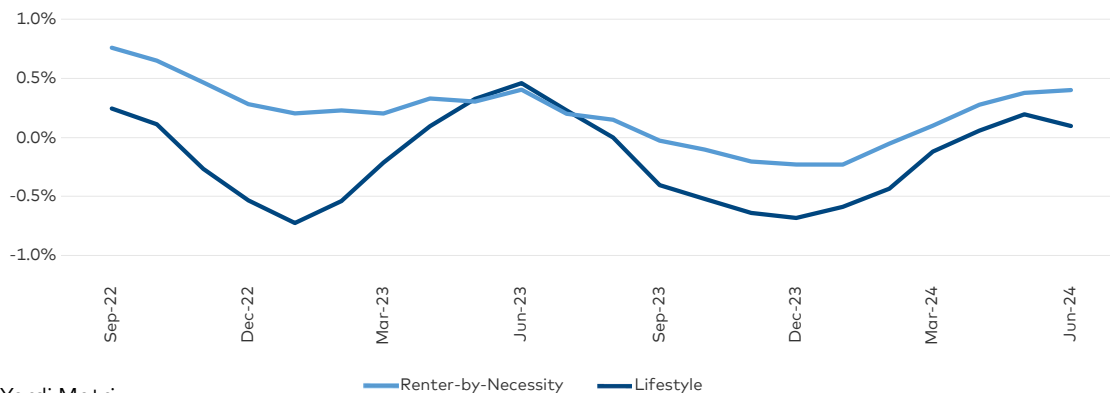
- ▶ Charlotte advertised asking rents increased 0.1% on a trailing three-month (T3) basis as of June, to an average of \$1,583. Meanwhile, the national figure settled at \$1,739, after a 0.3% uptick. Year-over-year movement remained negative in Charlotte, with the figure down 2.3%. New supply is a big part of that, as some 35,000 units were delivered across the metro since the beginning of 2021.
- ▶ The working-class Renter-by-Necessity segment performed better than the overall market, with advertised asking rents increasing 0.4% on a T3 basis, to \$1,332. Meanwhile, the upscale segment saw a 0.1% increase, to \$1,690. On an annual basis, the difference between quality segments was more pronounced, with RBN up 0.8% and Lifestyle down 3.3%.
- ▶ Occupancy in stabilized properties was 93.5% as of May. This marked a 90-basis-point drop year-over-year and was 100 basis points below the national average of 94.5%. RBN properties performed better, with occupancy down 60 basis points to 94.4%, while Lifestyle occupancy marked a 100-basis-point contraction, to 93.2% as of May.
- ▶ Despite the overall decline, 16 of the 52 submarkets tracked by Yardi Matrix registered positive rent movement year-over-year as of June. The Northwest Charlotte submarket led gains, up 5.1%, to \$1,246. Uptown remained Charlotte's costliest submarket, even as advertised asking rents dropped 4.1%, to \$2,224.

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

- ▶ As of May, Charlotte's unemployment rate stood at 3.4%, according to the Bureau of Labor Statistics. This was 60 basis points lower than the national average. The metro maintained a lower unemployment rate than the U.S. during the past 12 months, with the difference ranging between 20 and 80 basis points.
- ▶ Charlotte added 18,600 net jobs in the 12 months ending in April. This amounted to a 1.6% expansion, 20 basis points above the 1.4% U.S. figure. Government was one of the metro's top employment sectors, adding 7,800 positions. In contrast, four sectors recorded losses, with professional and business services shedding the most positions, down 2,700 jobs.
- ▶ Asana Partners and MRP Realty are one step closer to converting the former Duke Energy Corp. headquarters into a mixed-use destination with 448 residential units, 55,000 square feet of retail space and a pedestrian plaza. The \$250 million project in Uptown marked the metro's first office-to-mixed-use conversion. The developers coordinated the demolition timeline with the reconstruction plan for a seamless conversion, pending acquisition of all necessary permits. Work on the tower is expected to begin in the fall and Brooklyn & Church is scheduled to come online in late 2026.

Charlotte Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
90	Government	174.9	12.8%
65	Education and Health Services	145.6	10.7%
70	Leisure and Hospitality	149.9	11.0%
55	Financial Activities	121.4	8.9%
80	Other Services	55.3	4.1%
15	Mining, Logging and Construction	78.1	5.7%
50	Information	25.3	1.9%
30	Manufacturing	108.4	8.0%
40	Trade, Transportation and Utilities	273.6	20.1%
60	Professional and Business Services	229.9	16.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Charlotte saw significant population growth in 2022, adding 43,406 residents. This represented a 1.7% increase, more than four times the national growth rate.
- ▶ The metro has been expanding rapidly, having added a whopping 1 million people since 2010.

Charlotte vs. National Population

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

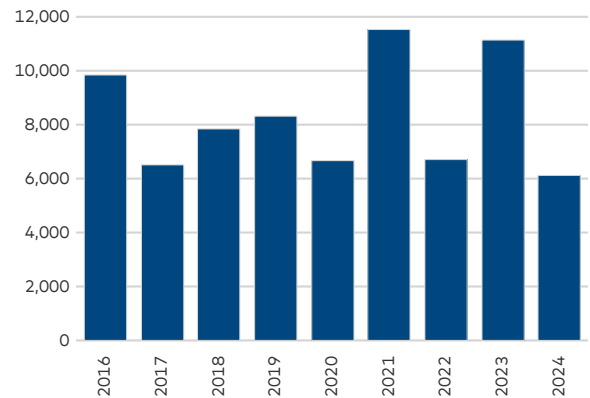
Source: U.S. Census

SUPPLY

- ▶ Developers brought 6,116 units online in the first half of 2024. This accounted for 2.8% of existing stock, more than double the national average of 1.1%. Yardi Matrix expects 17,359 units to come online in 2024, followed by some 15,000 apartments in 2025. The figures are expected to eclipse the 8,884-unit yearly average of the last five years.
- ▶ Charlotte had 34,543 units under construction as of June. Most of the under-construction pipeline encompassed upscale projects, which accounted for almost 90% of units underway. RBN assets made up less than 2% and fully affordable accounted for the remaining roughly 10%. The metro had an additional 90,000 units in the planning and permitting stages.
- ▶ Of the 52 submarkets tracked by Yardi Matrix, 13 had more than 1,000 units under construction, with the top three exceeding 3,500 units each. The Colonial Village–Montclair submarket led construction activity with 3,966 units underway, followed by Southside Park–West Blvd. (3,881 units) and Tryon Hills (3,528 units). Northwest Charlotte, the submarket leading year-over-year rent growth, had 771 apartments in the planning stage.

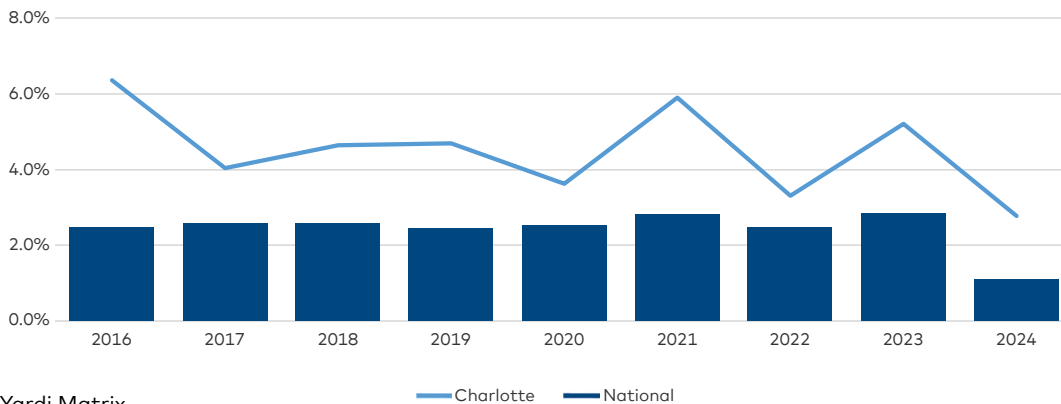
- ▶ The 434-unit 5Line is the largest community underway in Colonial Village–Montclair, the metro's busiest area. Developed by Kairoi Residential, the four-building property is expected to come online in early 2025. PNC Bank provided a \$89.3 million construction loan for the project. The developer plans to build a 357-unit property in the same submarket and has three additional prospective projects totaling 1,315 units across metro Charlotte.

Charlotte Completions (as of June 2024)



Source: Yardi Matrix

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



Source: Yardi Matrix

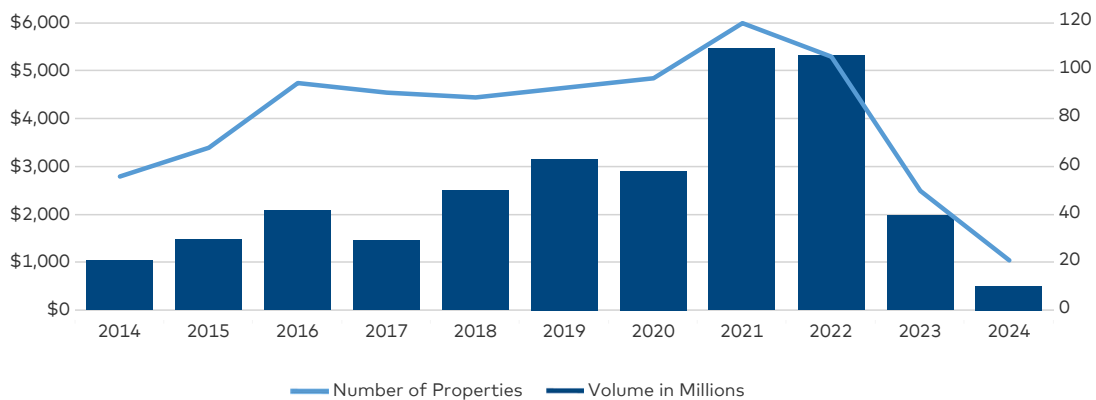
TRANSACTIONS

- Multifamily transactions in Charlotte totaled \$502 million in the first half of this year. Investment volume has been on a downward trend since 2023, mirroring the U.S. and the real estate market at large. Last year, total transactions closed at just under \$2 billion. This was already significantly lower than standout years 2021 and 2022, when transaction activity across metro Charlotte reached a whopping \$10.8 billion.
- Investors showed significant interest in value-add plays, with RBN assets accounting for 80%

of sales closed in the first half of the year. The metro's price per unit stood at \$139,891, below the \$180,183 U.S. figure.

- Greystar's acquisition of the 420-unit Avana Matthews marked the highest single-asset sale in Charlotte in 2024 through June. Greystar paid \$67 million, or \$159,524 per unit, to Cortland for the 1989-completed property. Berkeley Capital Partners provided a \$46.9 million, five-year Freddie Mac loan for the acquisition.

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



Source: Yardi Matrix

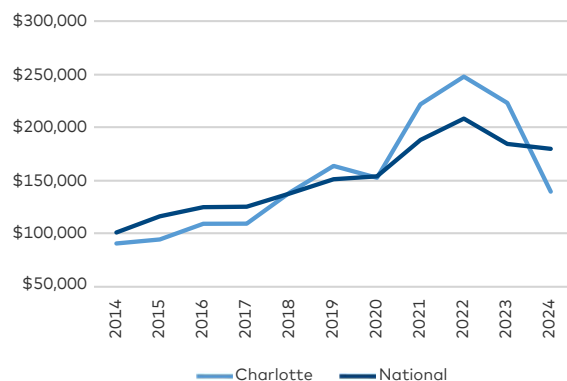
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
North Charlotte	194
Pineville	148
Huntersville	145
Southside Park–West Blvd.	114
Tryon Hills	107
Monroe	106
Coventry Woods–East Forest	90

Source: Yardi Matrix

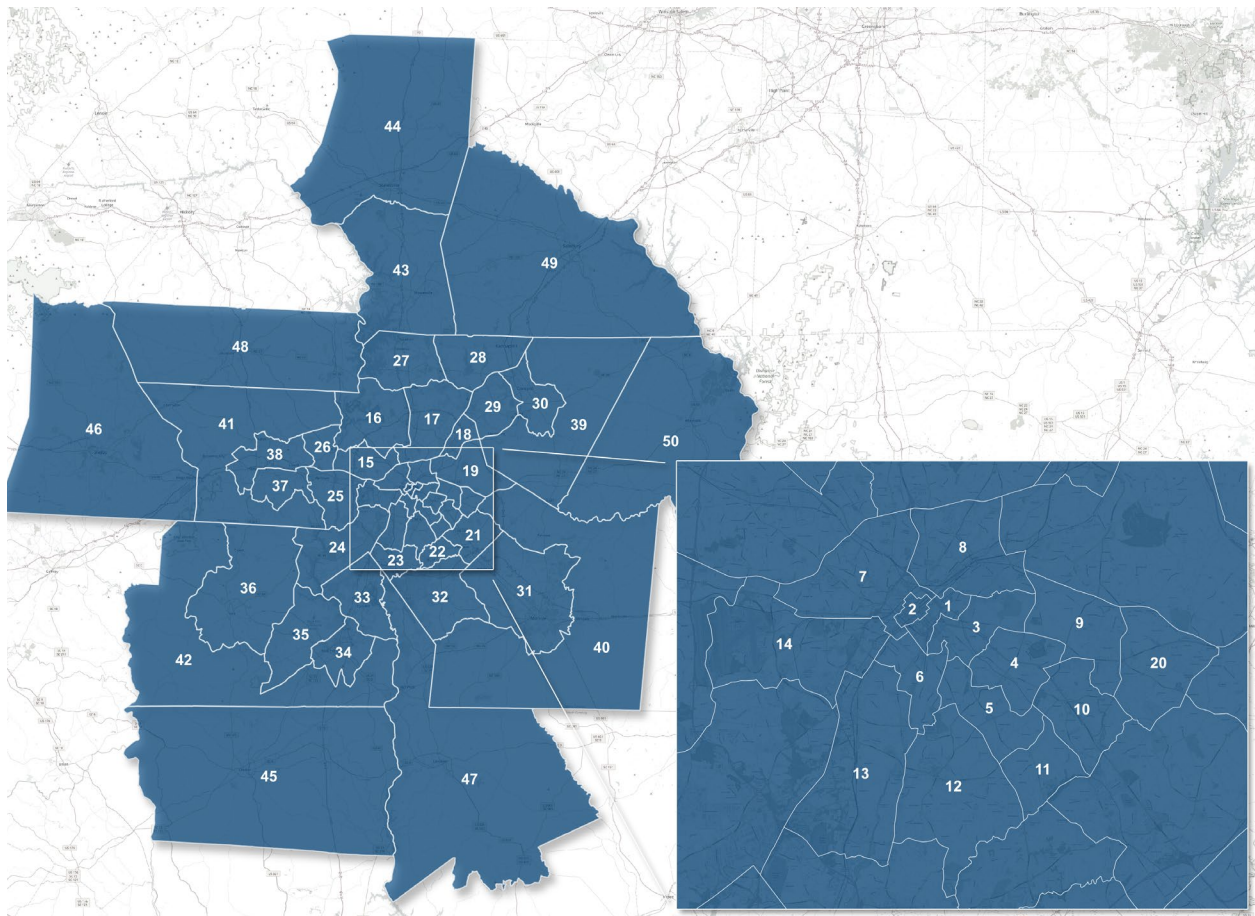
¹ From July 2023 to June 2024

Charlotte vs. National Sales Price per Unit



Source: Yardi Matrix

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	Mooreville
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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