

Absorption elevated, closely tracking supply growth

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **21,299**

UNITS DELIVERED (YTD) **13,613**

MARKET FUNDAMENTALS



VACANCY RATE **8.2%**

YEAR-OVER-YEAR CHANGE **+0bps**

ASKING RENTS **\$1,570**

YEAR-OVER-YEAR CHANGE **-1.3%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$225,600**

CHARLOTTE MULTIFAMILY Q3 2025

HIGHLIGHTS

- Operating conditions in the Charlotte multifamily market softened during the third quarter following a strong second quarter. Asking rents declined and vacancy trended higher during the past three months, while new projects continue to come online at a rapid clip.
- After improving throughout the previous nine months, area vacancy trended higher during the third quarter. In the past three months, vacancy rose 50 basis points to 8.2%. The current vacancy rate is identical to levels recorded one year ago.
- Apartment rents dipped in recent months. Area rents trended lower by 1.3% during the third quarter to \$1,570 per month. Year over year, rents are down 1.3%.
- While properties continue to change hands, sales activity in Charlotte is lagging historical norms. Total sales to this point in the year are down 20% compared with the region's trailing 10-year average for the same period. Cap rates have averaged roughly 5.0% throughout 2025.

CHARLOTTE MULTIFAMILY MARKET OVERVIEW

After showing signs of improvement during the first half of 2025, asking rents have declined and the vacancy rate has trended higher in recent months. Heightened renter demand had offset robust inventory growth for several quarters, but ongoing deliveries ultimately led to an eventual rise in vacancy. The vacancy rate rose 50 basis points during the third quarter to 8.2%. Despite the increase, vacancy is flat year over year. Year to date, projects totaling more than 13,600 units have come online, while apartments recorded net move-ins for more than 11,500 units during the same timeframe. The South End posted the strongest absorption in Charlotte in recent quarters, keeping pace with an inventory expansion of roughly 25% during the past year. Since the third quarter of 2024, South End apartments in Charlotte have absorbed more than 2,500 units. Overall asking rents are down 1.3% year over year, as maintaining occupancy amid elevated new supply has taken precedence over rental growth.

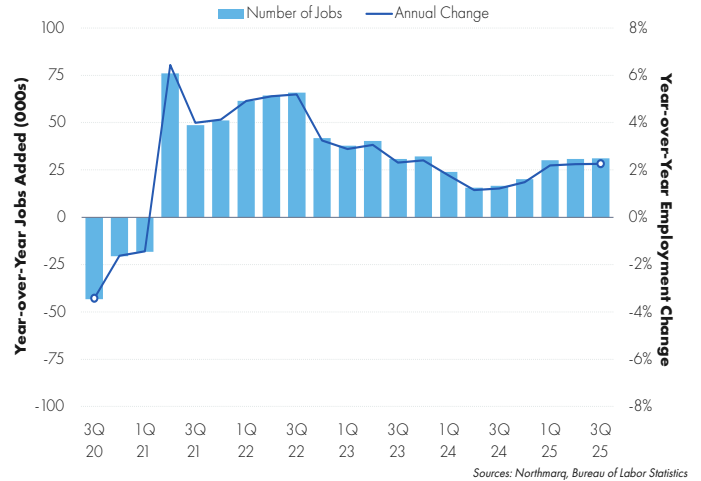
The pace of sales in the Charlotte multifamily investment market has declined to this point in 2025 after returning to trend last year. Total sales during the past nine months are below levels recorded in the same period of 2024 by 16%. While activity is down, pricing has trended higher. The median sale price is \$225,600 per unit year to date, up 28% from last year. Although the recent increase is steep, last year's median price remained below recent norms. The transaction mix has shifted towards newer properties, with 2020s vintages now accounting for more than 45% of year-to-date sales. These new builds are predominantly selling in the University, South Charlotte, and East Charlotte submarkets. The uptick in transactions for new builds in the University area has created momentum for the submarket. Total sales in the University submarket year to date in 2025 nearly match the combined totals for this area from 2023 and 2024.

EMPLOYMENT

- Since accelerating at the beginning of the year, employment growth has steadied in Charlotte. Year over year, employers expanded payrolls by 31,200 positions, an increase of 2.3%. On average, employment has grown by 2.6% annually since 2014.
- Employers in the professional and business services sector have regained the jobs lost in 2023 and 2024. During the past 12 months, this sector added 9,600 positions, expanding by 4.3%.
- Sofi Technologies was recently approved for a \$2.3 million grant to support the expansion of its Charlotte workforce. The company plans to open a new office in Ballantyne, where it expects to add 225 jobs by the end of 2030. Currently, SoFi employs 130 people in North Carolina.
- **FORECAST:** Employment growth for the full year is expected to outpace the lighter levels recorded in 2024. Total employment is forecast to increase by 28,000 positions in 2025, rising by 2.0% for the full year. Last year, employers expanded payrolls by 20,200 workers.

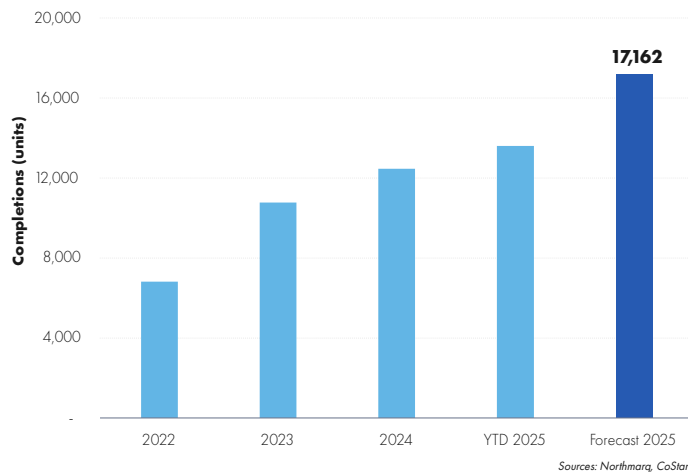
Employers expanded payrolls by 31,200 positions.

EMPLOYMENT OVERVIEW



Nearly 21,300 units are currently under construction.

DEVELOPMENT TRENDS

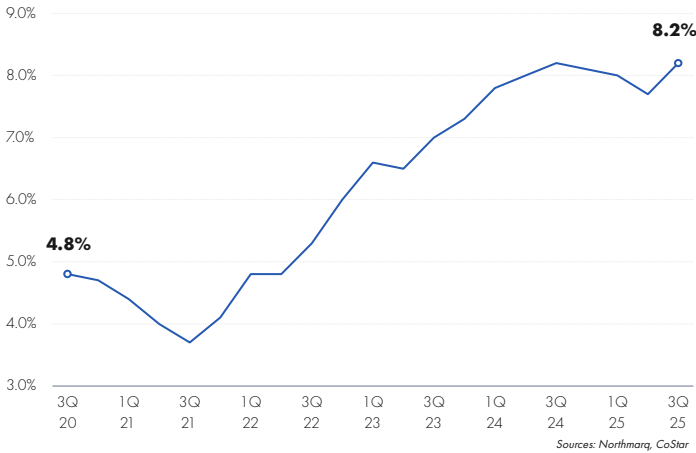


DEVELOPMENT & PERMITTING

- The pace of multifamily deliveries in Charlotte has accelerated to this point in the year, adding to the supply growth of 2024. Projects totaling more than 13,600 units have been completed year to date, up 48% from the same period of last year.
- The construction pipeline has thinned substantially during the past year. Projects totaling nearly 21,300 units are currently under construction, down 30% from one year ago. Development is concentrated in North Charlotte, which accounts for nearly 20% of the pipeline.
- Multifamily permitting has been modest in recent periods. Permits for roughly 1,150 units were issued during the third quarter, closely tracking levels recorded in the preceding three months. From 2020 to 2024, developers pulled permits for an average of approximately 2,000 units per quarter.
- **FORECAST:** New projects are expected to continue to come online in the coming months, closing a strong year for completions. Projects totaling 17,162 units are slated for delivery in 2025, down 3% from the region's peak recorded last year.

Current vacancy remains flat year over year.

VACANCY TRENDS



VACANCY

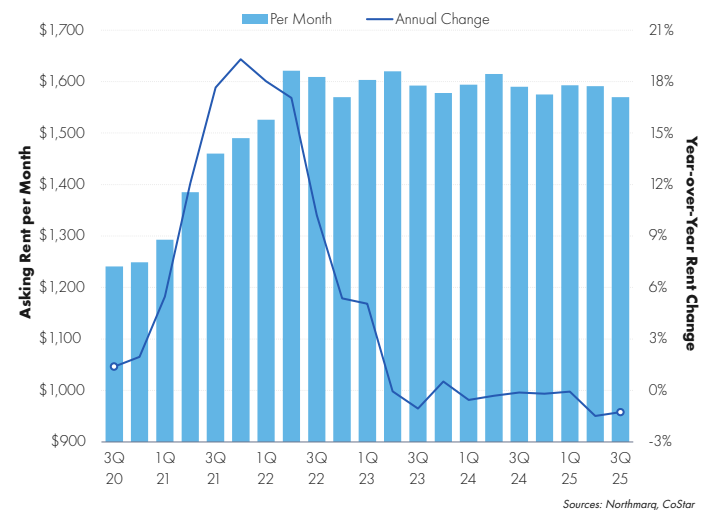
- After trending lower in the preceding three quarters, the vacancy rate in Charlotte increased by 50 basis points during the past three months to 8.2%. Current vacancy remains flat year over year, reflecting steady demand relative to new supply.
- Vacancy improved significantly in Gaston County as supply growth has tapered off in the area. During the past year, the rate in Gaston County declined 200 basis points to 6.8%. Additionally, renter demand has trended higher as this submarket recorded net move-ins of more than 500 units during the past 12 months, outpacing levels recorded in the preceding 12 months by 80%.
- Vacancy performance among Class A properties has reflected the overall market trend in recent periods. The vacancy rate for top-tier assets rose 60 basis points during the third quarter, reaching 8.3%. Despite the recent uptick, current levels remain closely aligned with the rate from one year ago.
- FORECAST:** The vacancy rate is forecast to push higher through year-end, as elevated supply growth continues into the final months of 2025. Area vacancy is projected to finish the year at 8.5%, up 40 basis points annually.

RENTS

- Asking rents in Charlotte declined in recent months after little movement was recorded in the previous quarter. Local rents fell 1.3% during the third quarter to \$1,570 per month. During the past 12 months, rents are down 1.3%.
- York County was the only submarket to post positive rent growth during the past year. Year over year, asking rents in this submarket have advanced by 1.6% to \$1,538 per month. Operations in York County have been aided by more stable supply growth during the past few years.
- During the past 12 months, apartment rents for top-tier properties declined at a similar pace to the overall market. Class A rents closed the third quarter at \$1,872 per month, down 1.4% from levels recorded one year ago.
- FORECAST:** Apartment rents are expected to finish 2025 at \$1,575 per month, in line with levels recorded at the end of 2024. Rent growth should begin to pick up in 2026 as the pace of multifamily deliveries slows and the recent supply growth continues to be absorbed.

Local rents fell 1.3% during the third quarter.

RENTS TRENDS

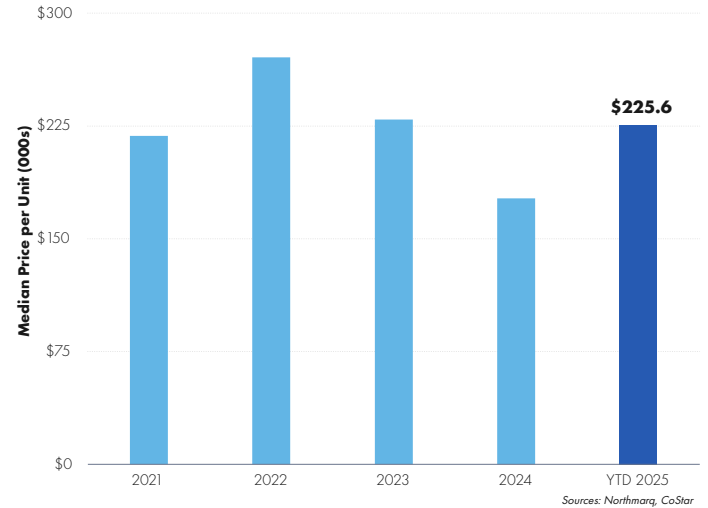


MULTIFAMILY SALES

- The Charlotte multifamily investment market has posted a steady pace of activity to this point in 2025, but total sales are lagging levels recorded last year. Sales velocity since the beginning of 2025 is below the pace set last year by 16%.
- Year to date, pricing has trended higher after declining in 2023 and 2024. The median sale price is \$225,600 per unit through the third quarter of 2025, up 28% from levels recorded last year.
- Cap rates averaged around 5.0% during the third quarter, tracking levels recorded during the first half of 2025. Cap rates are down slightly from levels recorded in 2024. Last year, rates averaged between 5.25% and 5.5%.

The median sale price is \$225,600 per unit.

INVESTMENT TRENDS



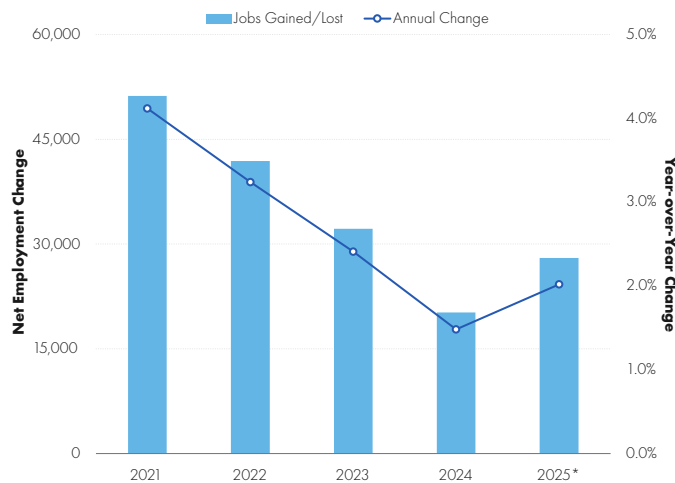
RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Avanna Creek	13211 Crescent Springs Dr., Charlotte	1996	264	\$38,900,000	\$147,500
Woodford Estates Apartments	4630 Central Ave., Charlotte	1985	228	\$32,200,000	\$141,228
Rise Sunridge	2000 Arrowcreek Dr., Charlotte	1988	200	\$31,000,000	\$155,000
Hyde Glen	11110 Hyde Pointe Ct., Charlotte	2020	65	\$12,300,012	\$189,231
Flats at 87Ten	8710 Research Dr., Charlotte	2023	96	\$9,700,000	\$145,500
Steele Creek Apartments	10615 Steele Creek Rd., Charlotte	2022	36	\$7,450,000	\$206,944
The Grove Apartments	4540 Tantilla Dr., Charlotte	1985	36	\$3,500,000	\$97,222

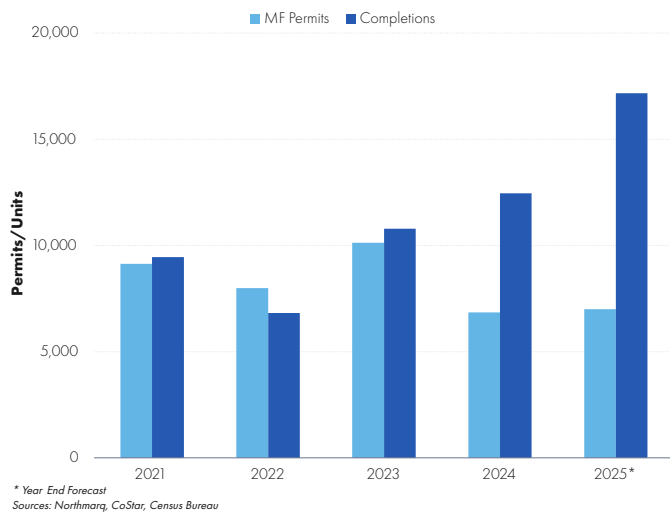
LOOKING AHEAD

New development is expected to continue through the end of the year, and completions this year are expected to top 2024 levels by 38%. Additional supply growth is expected to place upward pressure on the vacancy rate, although trends will remain mixed across submarkets in the coming quarters. Development has tapered off in areas like East Charlotte, West Charlotte, North Charlotte, and South End, which may contribute to faster recoveries in these areas. In contrast, the South Charlotte and University submarkets are still experiencing significant growth, with pipelines up 37% and 51% year over year, respectively. Despite increases in a few areas in Charlotte, the overall construction pipeline has contracted significantly in recent periods. Development should slow in 2026, providing operators with some breathing room following this year's elevated activity. Absorption rates are projected to remain elevated as employment growth continues.

EMPLOYMENT FORECAST

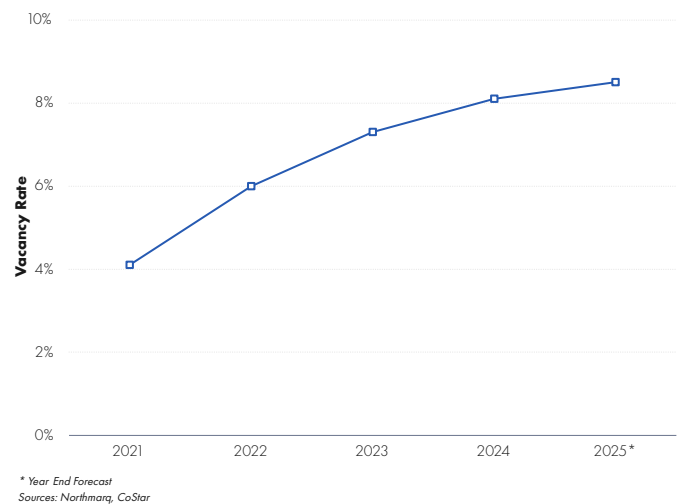


CONSTRUCTION & PERMITTING FORECAST

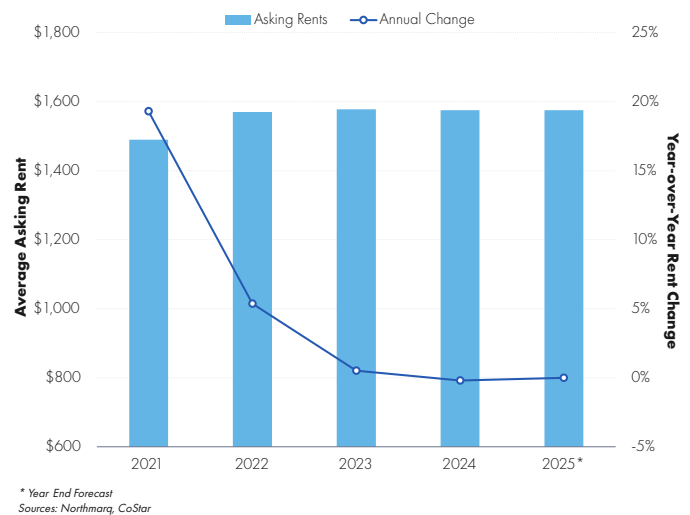


Sales activity in the Charlotte multifamily investment market should accelerate to close 2025, though sales for the full year are projected to remain below last year's levels and long-term trends. Properties built within the past few years should continue to change hands through the end of 2025 and into the coming years. Many of these new builds have sold a few years following completion, with properties delivered between 2020 and 2023 accounting for the bulk of the newer assets changing hands. Heightened inventory growth during the past two years should present investment opportunities through the end of the decade. Sales activity will likely resume in Gaston County. After a handful of properties changed hands in this area in 2024, none have done so in 2025. The vacancy rate in Gaston County is below the overall market level and has improved significantly during the past year. Additionally, rents in this area are flat year over year.

VACANCY FORECAST



RENTS FORECAST





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