

Absorption surges, but vacancy still ticks higher

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **29,041**

UNITS DELIVERED (YTD) **3,416**

MARKET FUNDAMENTALS



VACANCY RATE **7.8%**

YEAR-OVER-YEAR CHANGE **+120bps**

ASKING RENTS **\$1,594**

YEAR-OVER-YEAR CHANGE **-0.6%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$166,900**

HIGHLIGHTS

- The Charlotte multifamily market posted a mixed performance during the first quarter, as rent growth rebounded but the vacancy rate continued to rise. Development activity has remained elevated, with developers delivering projects totaling more than 3,400 units with an additional 29,000 units currently under construction.
- Vacancy conditions have softened for three consecutive quarters, as supply growth has outpaced accelerating renter demand. The vacancy rate trended higher by 50 basis points during the fourth quarter to 7.8 percent. Year over year, area vacancy is up 120 basis points.
- Asking rents advanced in recent months after declining in the previous two quarters. Local rents rose 1 percent during the first quarter to \$1,594 per month. Despite the recent advance, area rents are down 0.6 percent from one year ago.
- Following a solid second half of 2023, transaction volume was light in the early months of the year. Total sales during the first quarter lagged levels recorded in the same period of last year by 33 percent. The median price to this point in the year is \$166,900 per unit.

CHARLOTTE MULTIFAMILY MARKET OVERVIEW

The rapid pace of multifamily deliveries in Charlotte continued during the first quarter, with further completions on the way. The influx of supply is in correlation with the region's rapidly expanding population and strong labor pool. Population in the Charlotte metro area has expanded by 5 percent since 2020, with Lancaster County and Mecklenburg County expanding by 12 percent and 4 percent, respectively, during that time frame. Population growth has resulted in significant expansion in the local labor market and strong renter demand. Absorption during the last year was double levels recorded in the prior 12-month period. Additionally, renter demand in recent periods was strong enough to mitigate downward pressure on rents, which were relatively steady in the past year.

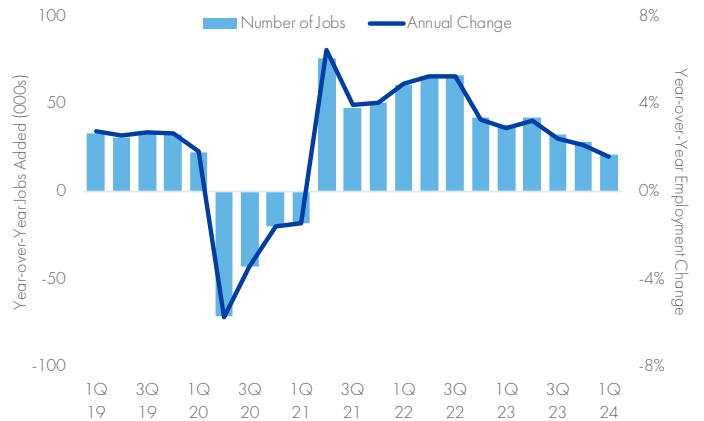
Transaction volume in the Charlotte multifamily investment market was limited during the first quarter after building some momentum in the second half of 2023. Total sales to start 2024 lagged levels recorded in the same period of last year by 33 percent. In the transactions that have occurred to this point in 2024, sales have been for Class B and Class C properties built in either the 1990s or early 2000s. Last year, newer properties accounted for a larger share of the total, with roughly half of all sales being properties built within the past decade. With older properties being the only ones that have sold, pricing dipped to a median of \$166,900 per unit. Cap rates ticked higher in the last three months, averaging 5.5 percent, up 25 basis points from the previous quarter.

EMPLOYMENT

- Job additions in the local labor market remained steady in the early months of 2024. Year over year, total employment in the Charlotte area increased by 21,100 positions, rising 1.6 percent.
- The education and health services sector has fueled growth across the local economy during the past year. The sector has expanded by 5.2 percent year over year with the addition of 7,200 net new jobs.
- Siemens Energy recently announced plans to expand their Charlotte workforce. The company plans to hire more than 450 workers by the end of 2028, adding to an existing local workforce of 1,200.
- **FORECAST:** Employment growth should continue in the region after a strong start to the year. Area employers are forecast to hire 20,000 new workers in 2024, an annual increase of 1.5 percent. More than 28,400 positions were added in 2023.

Year over year, total employment increased by 21,100 positions.

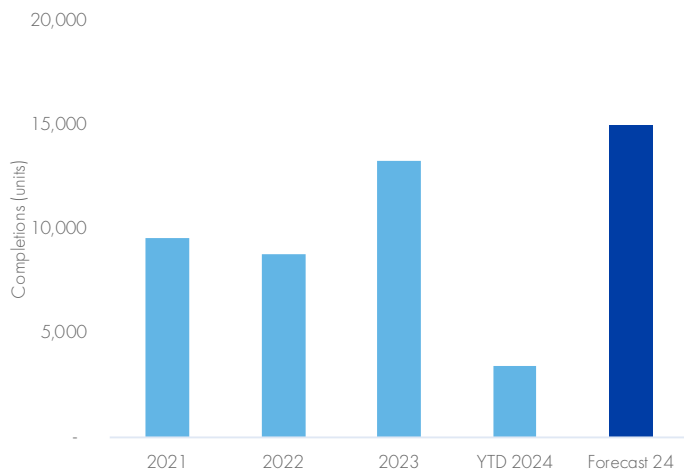
EMPLOYMENT OVERVIEW



Sources: Northmarq, Bureau of Labor Statistics

More than 3,400 units came online during the first quarter.

DEVELOPMENT TRENDS



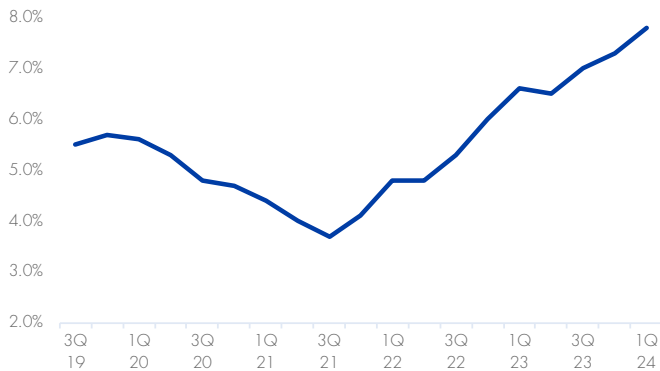
Sources: Northmarq, CoStar

DEVELOPMENT & PERMITTING

- The pace of multifamily deliveries continued to accelerate in the early months of 2024, as more than 3,400 units were added to inventory during the first quarter. Completions were dispersed throughout the market, but the North Charlotte and West Charlotte submarkets both had multiple projects come online.
- Projects totaling more than 29,000 units are currently under construction throughout the Charlotte region, down 6 percent from the 2023 peak. There are nearly two dozen future projects in the South End submarket, with the West Charlotte, University, and North Charlotte submarkets also recording solid levels of development.
- Permitting was light to start 2024 after reaching a cyclical high in 2023. Developers pulled permits for roughly 950 units during the first quarter, down from more than 2,400 units in the preceding quarter.
- **FORECAST:** Multifamily projects will likely continue to be added to inventory at an elevated pace through the end of the year before the pace of deliveries slows in 2025. Projects totaling 15,000 units are forecast to come online in 2024, up 13 percent from last year.

Year over year, the vacancy rate is up 120 basis points.

VACANCY TRENDS



Sources: Northmarq, CoStar

VACANCY

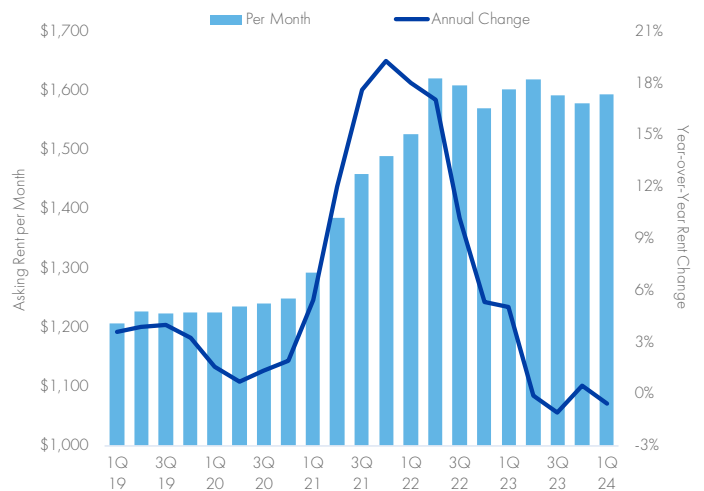
- Vacancy conditions continued to soften at the start of 2024, with the rate pushed higher as new units came online. Vacancy in Charlotte rose 50 basis points during the first quarter to 7.8 percent. Year over year, the vacancy rate is up 120 basis points.
- The vacancy rate trended higher in most submarkets during the past year, with the West Charlotte submarket being one of the few to post improvements. The vacancy rate in the submarket ticked lower by 20 basis points during the past 12 months to 6.8 percent.
- Despite vacancy rising in recent periods, renter demand has been strong. Net absorption has averaged more than 2,000 units per quarter during the past 12 months. During the first quarter, net absorption reached nearly 2,400 units.
- **FORECAST:** The vacancy rate will likely continue to trend higher as projects come online, but persistent renter demand should help to mitigate rises in the immediate future. Area vacancy is projected to close 2024 at 8 percent, up 70 basis points for the full year.

RENTS

- Rent growth in Charlotte began to rebound at the onset of 2024 after modest declines during the second half of 2023. Asking rents rose 1 percent in the first quarter to \$1,594 per month. Year over year, asking rents inched lower by 0.6 percent.
- Asking rents for Class A properties are currently \$1,819 per month, down 2.8 percent in the past year. Despite operators for top-tier assets giving back some recent rent gains, Class A rents are up 16 percent since the beginning of 2021.
- Rents dipped 3.8 percent year over year to \$2,143 per month in the development-heavy, rapidly growing South End submarket. The submarket has recorded a 13 percent increase in inventory since the beginning of 2023, increasing competition for renters. Operators have responded by trimming rents in the near term.
- **FORECAST:** With renter demand expected to remain healthy, rent growth should continue at a modest pace in 2024. Annual growth is forecast to return closer to historical norms after minor gains last year. Asking rents are projected to advance 2.5 percent annually, finishing 2024 at \$1,618 per month.

Asking rents rose 1 percent during the first quarter.

RENT TRENDS



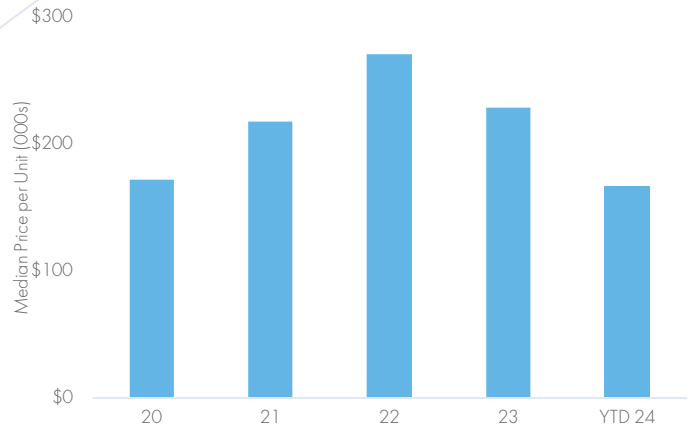
Sources: Northmarq, CoStar

MULTIFAMILY SALES

- Transaction volume in the Charlotte multifamily market was light to start 2024 after some momentum had been building in the preceding quarters. Total sales during the first quarter were down 33 percent from levels recorded in the same period of last year.
- Pricing has trended lower to this point in 2024, as no sales greater than \$50 million have occurred and the properties that have traded are 1990s- and 2000s- vintage Class B and Class C assets. The median price through the first quarter is \$166,900 per unit.
- Cap rates averaged 5.5 percent during the first quarter, after ranging from 5 percent to 5.5 percent during the preceding quarter.

The median price through the first quarter is \$166,900 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

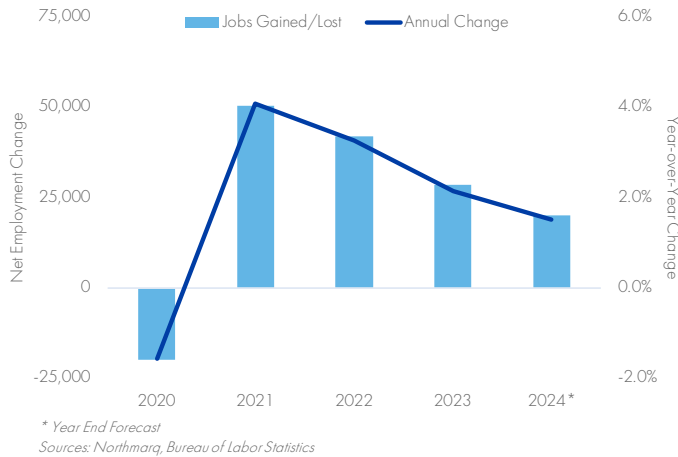
PROPERTY NAME	STREET ADDRESS	UNITS	SALES PRICE	PRICE/UNIT
Thornberry Apartment Homes	9920 Brickleberry Dr., Charlotte	288	\$49,250,000	\$171,007
Belmont Heights	199 Belmont Mt Holly Rd., Belmont	176	\$23,144,000	\$131,500
Swan Run Apartments	4600 Swan Meadow Ln., Charlotte	92	\$15,350,000	\$166,848

LOOKING AHEAD

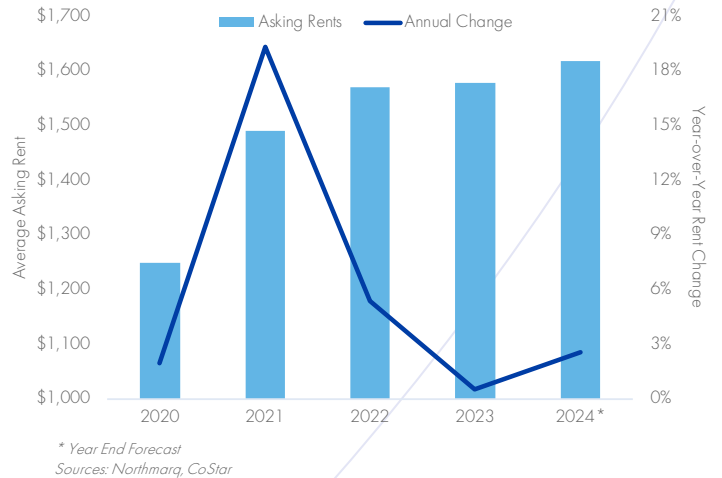
The supply-demand trends that took shape at the start of the year are likely to continue in the coming quarters. The delivery of new units is forecast to remain elevated while demand maintains a healthy pace. Nonetheless, with completions being projected to reach a cyclical high in 2024, vacancy conditions will likely soften. Projects totaling approximately 15,000 units are set to come online in 2024, up just 13 percent from levels posted last year, and higher than any annual figure recorded in the preceding decade. While the influx of new supply will push vacancies higher, the local economy and renter demand should be strong enough to support rent growth. Asking rents are expected to continue to rise at a modest pace through the end of 2024.

Sales activity in the Charlotte multifamily market should pick up through the remaining months of the year, mirroring trends recorded in 2023. Elevated construction activity will likely create some additional opportunities in the local investment market in the years to come as many of the new builds will trade once leased-up. Investors continue to demonstrate interest in area assets, and projects that are listed for sale will likely trade, although the volume of listed inventory is limited. Total sales in 2024 will likely closely track levels recorded last year. Cap rates are forecast to continue pushing higher in the coming quarters before leveling off at around 5.75 percent towards the end of the year.

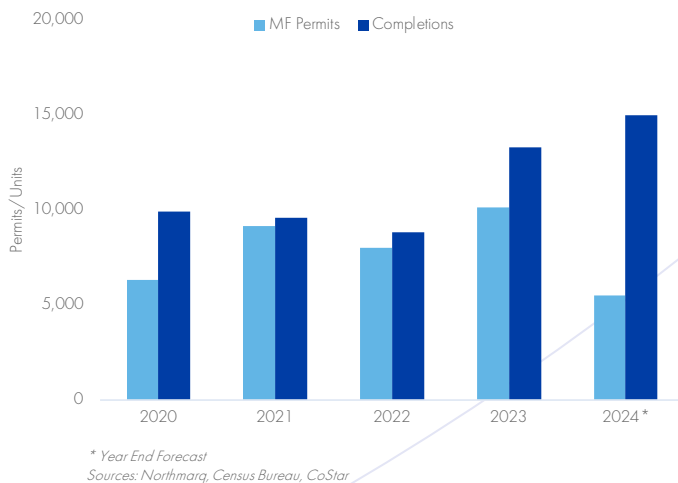
EMPLOYMENT FORECAST



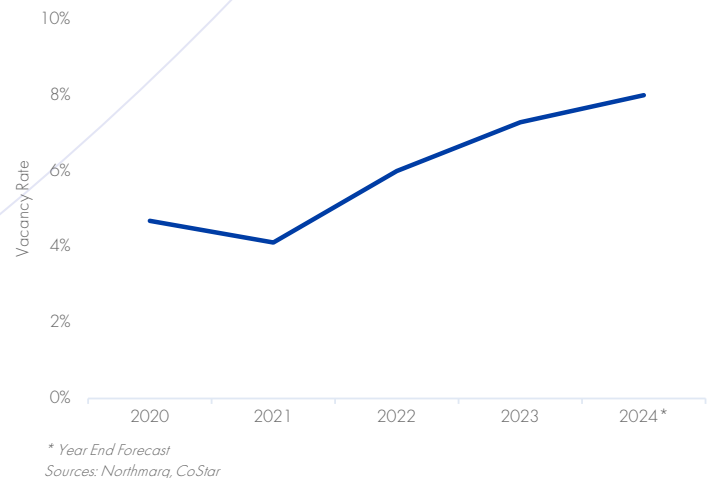
RENT FORECAST



CONSTRUCTION & PERMITTING FORECAST



VACANCY FORECAST





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