

# MARKET REPORT

Multifamily  
Charlotte Metro Area

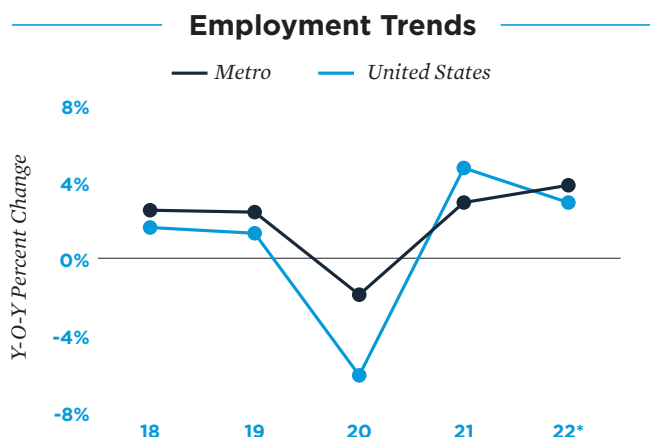
IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

3Q/22

## Southwest Industrial Boom Ignites Demand; Rising Home Prices Spur Multifamily Builds

**Rental demand surges in Southwest Charlotte.** A net of 6,800 apartments were absorbed across the metro area during the 12-month interval ending in June. Roughly 40 percent of these units were in Southwest Charlotte, where demand has grown precipitously alongside economic expansion. During March and April, four companies were responsible for absorbing 1.2 million square feet of industrial space in the area. These move-ins bolstered manufacturing-related job creation, supporting an elevated level of apartment demand that lowered local vacancy rates across all rental tiers. Plans by retailers like Home Depot and AS Colour to expand logistical operations in Southwest Charlotte next year suggest that rental demand in the area will remain strong in the near term.

**Apartment construction accelerates in submarket duo.** Rental inventory expanded at the third-fastest pace in the nation over the yearlong span ending in June. Projects are moving forward in response to 23,800 new households formed during the span and rising barriers to homeownership. Over the past year, the median home price increased at a pace that outstripped income growth, leading many residents to consider apartments as a cost-conscious option. Builders have taken notice, and are most active in areas with robust demand for rentals, such as Southwest and UNC Charlotte. Multifamily net absorption has surged in each area, with Southwest's industrial expansion and UNC Charlotte's record-level university enrollment providing substantial demand tailwinds.



\* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

## Multifamily 2022 Outlook



**48,000  
JOBS**

*will be created*

### EMPLOYMENT:

Charlotte's job count expands by 3.8 percent in 2022, led by a rallying leisure and hospitality sector, and increased investment in its professional services and financial sectors. Combined, these industries added 18,900 positions in the first half of the year.



**8,200  
UNITS**

*will be completed*

### CONSTRUCTION:

Development moderates slightly on an annual basis. Still, rental inventory expands by 3.7 percent this year. This is highlighted by the delivery of 275 units at Farmington, a master-planned community in East Charlotte.



**80  
BASIS POINT**

*increase in vacancy*

### VACANCY:

Availability rises to 3.7 percent, marking the first annual increase since 2017. Still, year-end vacancy will be 110 basis points below the trailing five-year average, largely supported by tight conditions in the Class C sector.



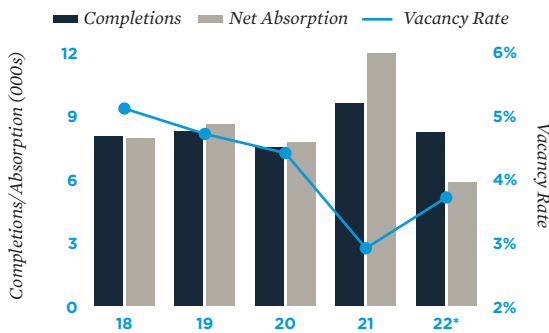
**13.6%  
INCREASE**

*in effective rent*

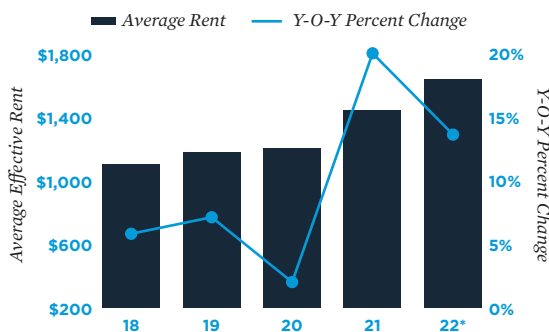
### RENT:

After growing rapidly through 2021, rent growth will somewhat temper in 2022, lifting the average effective rate to \$1,640 per month. This expected growth will place the two-year gain at 36 percent, eclipsing the combined gain from the prior six years.

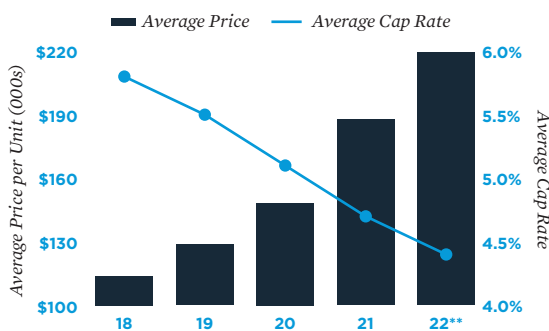
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Price: \$250

## 2Q 2022 - 12-Month Period

### CONSTRUCTION

**7,847 units completed**

- Nearly 8,000 apartments were completed during the 12-month span ending in June, expanding inventory by 3.5 percent year-over-year. About one-third of these units were delivered in the Southwest Charlotte submarket.
- Entering July, Southwest Charlotte had the largest active pipeline at 5,100 doors, followed by UNC Charlotte and Uptown-South End at 4,500 each.

### VACANCY

**0 basis point change in vacancy Y-O-Y**

- Spanning the first three months of this year, vacancy held at a historically low 2.9 percent. During the subsequent quarter, unit availability rose 100 basis points to 3.9 percent in June.
- Over the recent 12-month period, Class A vacancy contracted the most out of any subsector, compressing 110 basis points to 4.1 percent.

### RENT

**19.3% increase in the average effective rent Y-O-Y**

- Charlotte's average effective rent climbed to \$1,539 per month, as vacancy reached its lowest figure to-date in March.
- Both Class A and Class C rents grew at a record pace, posting respective improvements of 21.2 percent and 17.2 percent through the four quarters preceding July. Class B rent also posted significant growth at 19.1 percent.

## Investment Highlights

- Ranking among the nation's top 10 major markets for population growth, Charlotte is attracting more institutional capital. Trading activity during the 12-month interval ending in June reflects this, with a 35 percent surge in overall activity recorded. Institutional buyers that target assets in excess of \$20 million have been notably aggressive, often acquiring 200- to 500-unit complexes. Over half of these larger-scale trades were for newly-built Class A assets, however, Class B trades were also prominent for apartment communities in excess of 400 units.
- Acquisitions priced above \$20 million have been most frequent in South Charlotte and UNC Charlotte, locales that boast some of the metro's lowest rents. Buyers targeting these areas anticipate demand improvements in the near term, as residents pursue lower-cost apartments in response to rising rents and persistent inflation.
- The Gaston County area had the highest number of trades over the past year, with buyers attracted to its vacancy rate, which is the lowest in the metro among submarkets with at least 10,000 units of inventory. Additionally, low barriers to entry are facilitating more transactions, with the locale hosting the metro's lowest average price point at \$119,000 per unit.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.