

MARKET REPORT

Multifamily
Charlotte Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

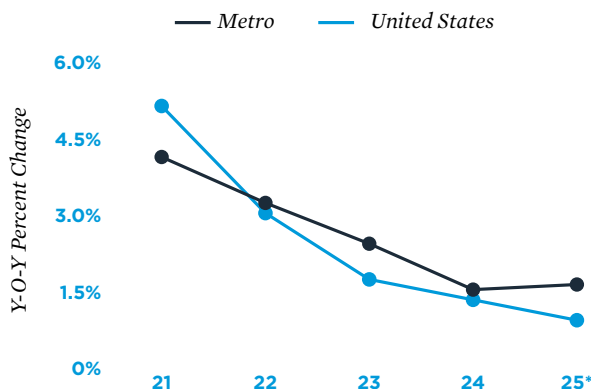
2Q/25

Charlotte Navigates a Supply Surge Amid Evolving Demand Factors

Supply pressures remain elevated. Multifamily construction in Charlotte has surged to unprecedented levels. Over 4,700 units were delivered in the first quarter of 2025 — more than three times the average since 2000. This wave of deliveries will continue in the near term, with over 10,700 additional units to be completed this year. Elevated deliveries could begin pressuring vacancy, particularly in the Huntersville and Cornelius areas, where total inventory is on track to expand more than 20 percent by year-end. Looking beyond 2025, however, the metro's completions are expected to taper as developers have already begun pulling back, reflected in a steady decline in construction starts since their 2022 peak.

Record net absorption offsets deliveries. Despite heightened levels of new supply, demand has kept pace across the metro, leading to overall vacancy declines throughout the past three quarters. Strength in the employment market has helped fuel net absorption. Charlotte also ranked second nationally for inbound U-Haul moves in 2024, highlighting the metro's continued population growth. Coupled with elevated barriers to homeownership and a slowing delivery pipeline, these factors should continue to support a resilient rental market. Mid-tier properties remain well positioned, posting the sharpest vacancy declines and smallest rent drops last year. Still, upper-end leasing activity holds strong, which should help rents in this segment return to growth by year-end.

Employment Trends



* Forecast

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

Multifamily 2025 Outlook



**22,000
JOBS**

will be created

EMPLOYMENT:

Charlotte added over 10,000 jobs in the first quarter of 2025, driven by strong gains in the professional and business services sector. Changing trade and other public policies could slow momentum going forward.



**15,500
UNITS**

will be completed

CONSTRUCTION:

Development will lift inventory by 6.4 percent this year. Roughly half of all new units slated for completion in 2025 will open in the Southwest Charlotte, Uptown-South End and Huntersville-Cornelius submarkets.



**40
BASIS POINT**

increase in vacancy

VACANCY:

After three consecutive quarters of declining vacancy, the trend is expected to reverse over the remainder of 2025 as renter demand moderates. The measure is projected to reach 6.9 percent by year-end.



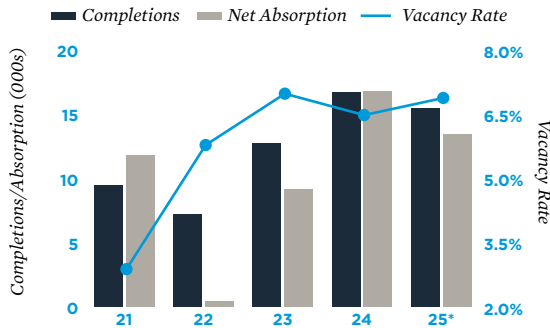
**1.2%
INCREASE**

in effective rent

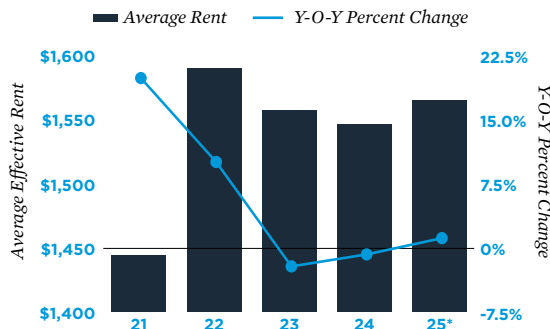
RENT:

The average concession amount declined in the first quarter of 2025. With peak deliveries in the rear view, rent growth should regain momentum, pushing the mean effective rate up to \$1,565 per month.

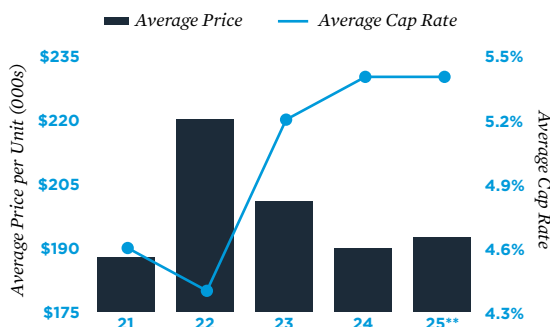
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

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

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1Q 2025 – 12-Month Period



CONSTRUCTION

17,914 units completed

- Over the past year ended in March, completions averaged nearly 4,500 apartments per quarter – well above the 1,800-unit average since 2010.
- The urban core and Southwest Charlotte led inventory growth. Each welcomed more than 3,500 apartments over the past four quarters, followed by North Charlotte with roughly 2,700 new units.



VACANCY

80 basis point decrease in vacancy Y-O-Y

- Although the metro experienced rapid inventory growth over the past year, net absorption still exceeded additions by an average of nearly 200 units per quarter, leading to a metrowide decline to 6.3 percent in March.
- The central business district was the only submarket to see a year-over-year rise in vacancy – up 150 basis points – primarily due to new supply.



RENT

0.6% decrease in the average effective rent Y-O-Y

- The average effective rent in Charlotte ended March at \$1,540 per month, which is its lowest point since the first quarter of 2022.
- Heightened vacancy in the urban core drove a 6.5 percent year-over-year rent decline – the largest among all submarkets. Meanwhile, rents in Mint Hill and Gaston County each rose by over 3 percent.

Investment Highlights

- Transaction activity held steady in the first quarter of 2025 after a strong end to 2024, with sales velocity during the fourth quarter reaching its highest level since the same period in 2021. After two years of decline, the average sale price per unit for the 12-month period ended in the first quarter of 2025 rose year over year, which suggests pricing may have bottomed out and is recovering with transaction activity.
- Class B and C properties accounted for over 70 percent of trades in the metro over the past year ended in March. During the same period, rent in Class A declined by 2 percent – the steepest drop among all asset classes – reflecting ongoing concessions and supply pressure in higher-end units.
- With a declining rate of growth in individuals ages 20 to 34 and an elevated vacancy rate in the urban core, investors have shifted their attention toward suburban markets with stronger demographic momentum and tighter fundamentals. Investment in Gastonia has accelerated, particularly in the first quarter of 2025, when all deals in this area fell under \$4 million. Gastonia also boasts the lowest vacancy rate of all metro submarkets, which should continue to attract investors to the area.

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 guarantee 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.

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