Market Report

MULTIFAMILY 2Q/26

Charlotte Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

2026 FORECAST

EMPLOYMENT

9,000 — Jobs will be created

0.6% — Increase Y-O-Y

CONSTRUCTION

10,000 — Units will be added

3.9% — Inventory increase Y-O-Y

VACANCY

5.8% — Vacancy rate

40 — BPS decrease Y-O-Y

RENT

$1,525 — Average effective rent by year-end

0.5% — Increase Y-O-Y

Core Vacancy Tightens While New Supply and Job Access Divide Outer Suburbs

Life sciences bolster infill demand. As job growth and in-migration moderate, Charlotte's apartment recovery should favor close-in submarkets where deliveries are receding and demand remains tied to core job nodes. Uptown-South End and nearby Myers Park posted the market's sharpest vacancy declines over the year ended in March, each falling by at least 70 basis points. The Pearl, a life sciences innovation district in Midtown, will add another tailwind after Phase 1 opened last year. Anchored by the metro's first four-year medical school, an expansion by Wake Forest University, the district is projected to create more than 5,500 on-site jobs and reinforce longer-term renter demand.

Deliveries temper north-side strength. Healthcare and education anchors, Interstate 77 access, and ongoing household growth should support demand across northern suburbs. New supply will be the main constraint, particularly near Wedgewood, Huntersville, and Cornelius, where elevated completions may pressure vacancy. The UNC Charlotte area will likely outperform as slower inventory growth pairs with Atrium Health's planned $168 million expansion. Elsewhere, weaker absorption in Gaston County and Rock Hill-Fort Mill suggests peripheral areas with fewer job catalysts may recover more slowly, despite limited deliveries.

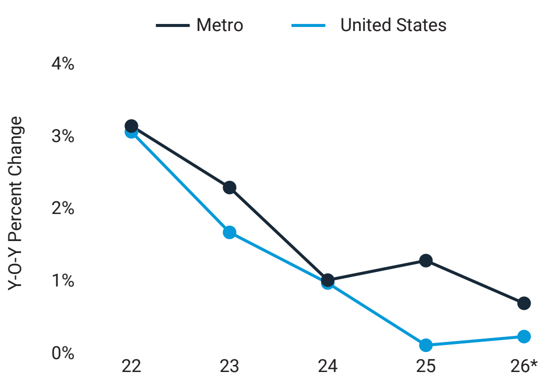
EMPLOYMENT

Hiring is expected to remain soft in 2026 amid macroeconomic headwinds, though Charlotte's job growth is still forecast to run at roughly three times the national pace. The metro added 4,600 jobs through April, with employment gains led by retail trade, construction, and health care, while most other sectors posted minimal gains or losses. If that pattern holds, demand may remain strongest for mid-tier apartments, while softer traditionally office-using hiring could limit upside for Class A demand.

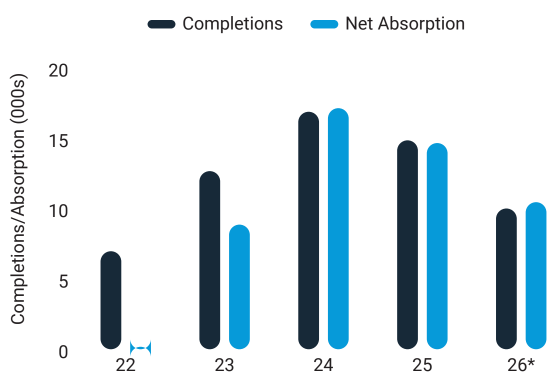
CONSTRUCTION

While the metro's inventory growth will rank as the fastest among major U.S. markets this year, completions will fall to the lowest level since 2022, roughly matching the past decade's average. Southwest Charlotte and Uptown-South End will see the sharpest supply pullbacks, with deliveries down more than 40 percent year-over-year. Supply additions in North Charlotte near Wedgewood will decline just 8 percent year-over-year, while Huntersville-Cornelius completions are expected to rise 70 percent to an all-time high.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



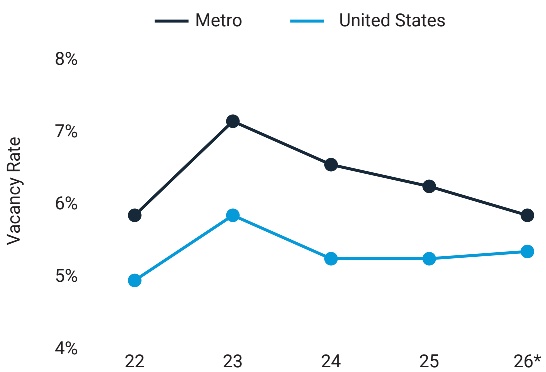
* Forecast

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

VACANCY

Charlotte's vacancy rate is forecast to decline for a third straight year in 2026, though it will remain about 50 basis points above the 10-year average. Class A and B properties may continue to outperform after vacancy held flat or declined over the year ended in March, while Class C vacancy rose 70 basis points. Renters trading up into concession-heavy newer units may explain part of the divergence, as Charlotte's Class C-to-B rent spread was just 13 percent, the fourth smallest gap among major markets.

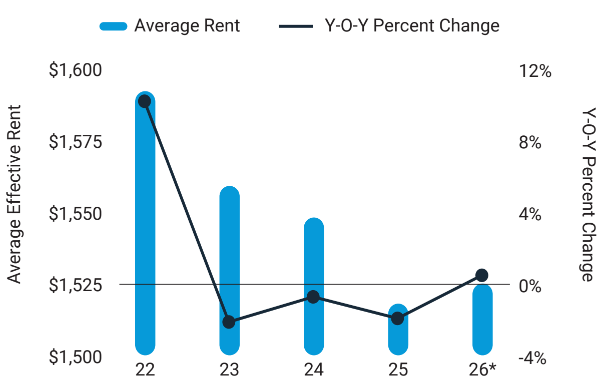
VACANCY TRENDS



RENT

After a three-year slide, rents should firm as vacancy falls and deliveries slow. Gains may be limited, however, as concessions stay elevated across classes, with Class A offering the largest average discount. This segment may face the most strain after rents fell about 2 percent year-over-year, exceeding Class B and C declines. New supply in Huntersville-Cornelius could also weigh on local rents, down nearly 5 percent in the year ended March, while Uptown-South End may outperform after rates fell less than 2 percent.

RENT TRENDS



* Forecast ** Through 1Q

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

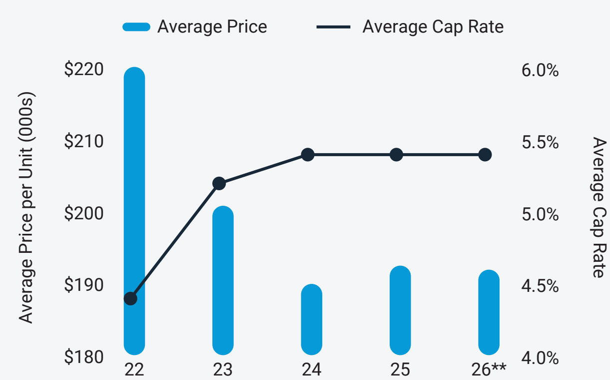
INVESTMENT HIGHLIGHTS

- Sales activity has slowed amid immigration and employment headwinds, and the Iran conflict may keep investors cautious. Private buyers could face the most pressure, with sales down about 30 percent year-over-year through March, while Charlotte's 5.4 percent average cap rate — among the 10 lowest nationally — makes deals harder to pencil. This may reinforce a barbell strategy, with investors favoring lower-basis value-add deals and core assets with steadier income.

- Private investors may stay more active beyond the Interstate 485 beltway, where deals often trade at lower entry points. Mt. Holly and Belmont, east of Downtown Gastonia, have gained appeal from higher average incomes and closer proximity to Charlotte's CBD, which may support steadier tenancy. Likewise, downtown Rock Hill could offer upside as Knowledge Park transforms into a mixed-use node, anchored by The Thread, a 400,000-square-foot adaptive-reuse project with office, retail, and event space.

- As falling deliveries support improving fundamentals, greater institutional activity could return to core submarkets such as Uptown and South End. Larger buyers may also focus on farther-out areas in southwest Charlotte, where assets often trade at a discount to the CBD and face less direct construction exposure. Route 49 just beyond Interstate 485 may remain appealing given its location within the metro's largest industrial base. Projects such as Siemens Energy's $150 million expansion, which is expected to add 475 jobs, should reinforce demand for workforce housing in the area.

SALES TRENDS



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