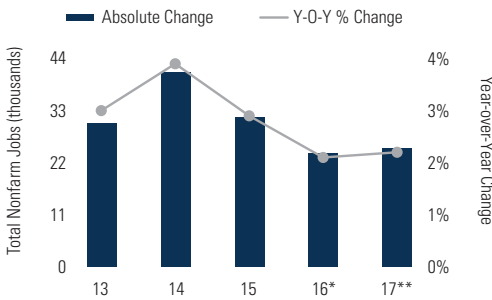


## Favorable Absorption Trends Boost Charlotte's Rental Market; Investors Eager

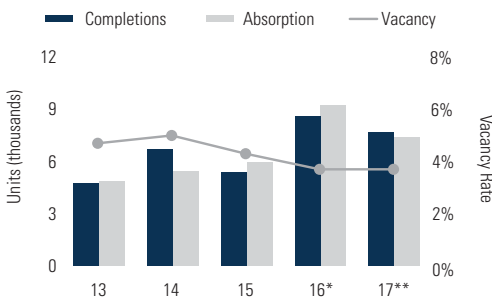
**Higher-wage jobs enter the Queen City, prompting broad demand for apartments.** Charlotte's diverse economic base, well-developed transportation network and skilled labor force continue to attract companies to the area. As new firms arrive and others expand, apartment operators will benefit from another year of solid employment growth that draws job seekers to the metro. Young professionals with incomes above the metro average who prefer an urban lifestyle will support the wave of apartments being completed near downtown as they have a high propensity to rent. The desirable urban core will receive more than a third of the total units coming online in 2017, which may temporarily soften vacancy in some neighborhoods while multiple buildings lease up. Robust rent growth throughout the metro will increase the number of people seeking more affordable units, improving vacancy in Class B/C apartments. Marketwide, apartment demand will keep pace with deliveries, holding vacancy steady while rents post another year of gains well above the national average.

**Surge of Class A assets lures investors to Charlotte's expanding market.** Buyers seeking to place capital in apartment properties along the East Coast will find higher cap rates and lower entry costs in Charlotte than many other major markets nearby. The prolonged wave of luxury Class A construction provides investing opportunities for institutions and funds at initial yields starting in the 5 percent range. Elevated rents in the new units, especially near Uptown Charlotte, will support renter demand for updated Class B/C apartments in these neighborhoods. Improving operations and greater initial yields in these tiers will generate strong buyer interest for Class B/C properties, particularly those with a value-add component. Though the supply of these assets has dwindled, buildings in transforming blocks within Charlotte Center City will provide some buying opportunities for investors.

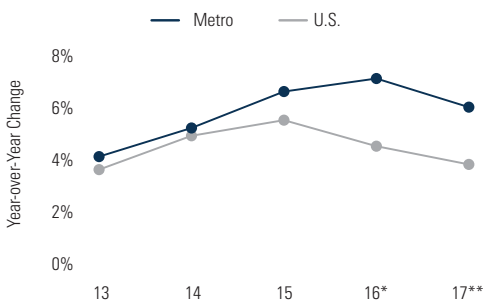
### Employment Trends



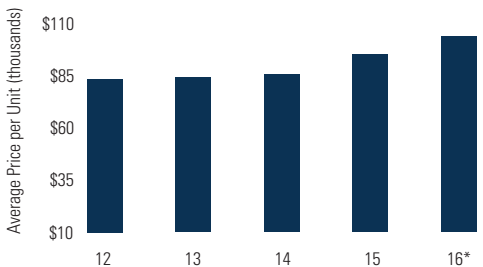
### Supply and Demand



### Effective Rent Trends



### Sales Trends



## 2017 Market Forecast

- NMI Rank**  
 24, up 5 places  
 ↗ Solid household growth helps maintain vacancy, raising Charlotte five rungs.
- Employment**  
 up 2.2%  
 ↗ During 2017, Charlotte employers will create 25,000 jobs, a 2.2 percent expansion. Last year, total employment ticked up 2.1 percent.
- Construction**  
 7,700 units  
 ↘ Builders will complete 7,700 apartments in 2017, down 900 units from last year's pace, which set a 16-year high.
- Vacancy**  
 no change  
 ■ Demand for rentals will keep pace with new inventory additions. As a result, the vacancy rate will remain unchanged at 3.7 percent in 2017. Strong absorption produced a 60-basis-point drop last year.
- Rent**  
 up 6.0%  
 ↗ Sizable tenant demand coupled with a surge of new luxury stock this year will underpin a 6.0 percent climb in the average effective rent to \$1,099 per month. In 2016, a 7.1 percent jump was registered.
- Investment**  
 ● Strong rent growth throughout the market will produce the potential for higher cash flows, luring a wide range of investors to apartment assets.

\* Estimate \*\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics