

Multifamily Metro Outlook:

Charlotte - Q3 2024

Overview:

- Charlotte has maintained its status as a top metro this quarter. With low unemployment, a rising absorption rate over the course of this year, and sustained demand, Charlotte's economy and multifamily housing market has remained stable. The financial services industry has leveled off in terms of job growth, but at the same time, "FinTech" firms have filled that employment gap. Charlotte is clearly establishing itself beyond financial services and into a tech hub, attracting new workers and business investment.
- Charlotte is likely to remain among the stronger growing economies in the country, with rising demand for new apartments and housing overall, but it will probably be entering a period of growth notably slower than what it experienced over the past 20 years. Furthermore, it will still be a growing economy, and developers have been steadily supplying multifamily units for many years. They will likely continue to do so, preventing the apartment market from experiencing breakout performance in terms of real rent growth.

Market Strengths:

- Charlotte's long-term demand fundamentals are favorable for a steady supply of new inventory, with exceptional growth forecasted for the key age 20-34 prime renting cohort. This is driven by Charlotte acting as a post-grad employment hub for students from universities across the Southern U.S. due to its strong presence of professional services firms. The area has also been experiencing robust population growth as a whole: Moody's forecasts that population growth will triple the national average for the foreseeable future as a result of strong immigration.
- In the third quarter of 2024, Charlotte experienced employment growth of 1.8%, which expanded the employment market by around 24,000 jobs. However, the unemployment rate ticked up from last quarter to 4.3%, just under the national average of 4.4%. This is not necessarily a problem, as a too-low unemployment rate can limit job mobility.
- Adding to the existing diverse economy, Eli Lilly has invested \$2 billion in a new plant in the metro, and Atrium Health has officially begun work on a \$1 billion upgrade of its Charlotte health care complex. Both will provide more jobs, and a recent expansion of Medicaid for low-income residents in Charlotte will improve the health care sector's revenues, allowing it to expand its payroll further.

Market Weaknesses:

- Charlotte has struggled in recent quarters to handle large amounts of supply coming online after the post-pandemic boom in construction due to low borrowing costs and high demand. Q3 2024 is no different, with Charlotte offering far more concessions than other major metro areas. One month to six weeks of free rent has become commonplace, especially among Class A properties and new construction apartment buildings opening their doors.
- As a result of the continued high supply, Charlotte's rent growth was negative in the third quarter of 2024, around -1.0%.

Development:

- Apartment deliveries have remained substantial in the metro. CoStar estimates that 17,000 units have been delivered in the past year, nearly one-third more than any previous annual period.
- Per Dodge Data & Analytics, another 23,000 units are underway across Charlotte, with the submarkets of North and Southwest Charlotte being responsible for a large swath — totaling nearly 9,000 units.

Outlook:

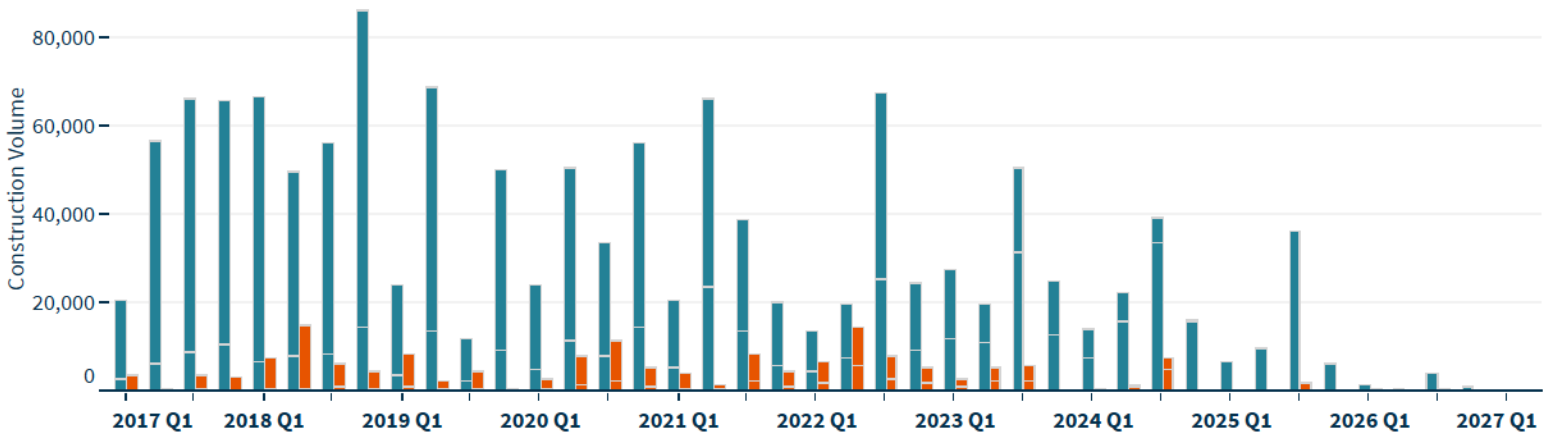
- The metro's for-rent market has dealt with high levels of supply for the first three quarters of 2024. While the vacancy rate of 7.5% is higher than the Southern Atlantic region, it is in line with historical averages. Charlotte has likely seen a peak in the rampant construction that lasted for years as borrowing costs have stymied builders' willingness to take on new projects. CoStar expects rent growth to return to positive levels as early as 2026.
- Charlotte's long-term favorable economic and demographic forecast should allow for healthy expansion of its for-rent market as in-migration continues and service industries continue to develop. The metro's concentration of young professionals, coupled with its strong in-migration trends, will likely present opportunity for new for-rent development to be absorbed over the forecast horizon. While a robust long-term expansion of the local economy is all but certain, volatility associated with industries that still have outsized impact on the local employment market will be present, namely technology and financial services, which are highly vulnerable to monetary policy changes.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

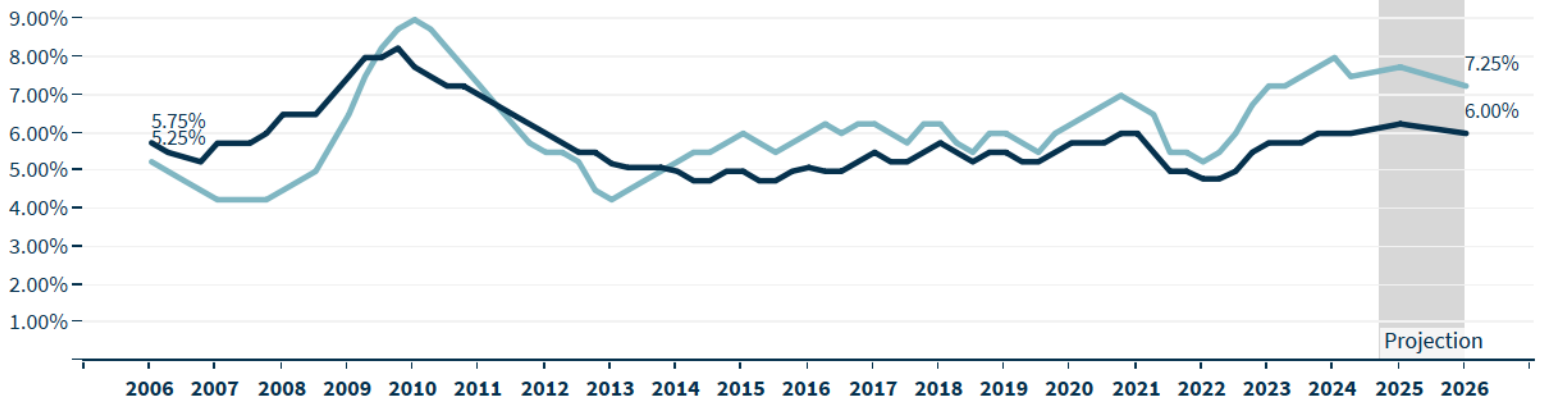
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Charlotte | National

Q3 2024 Vacancy Rate:

7.50%



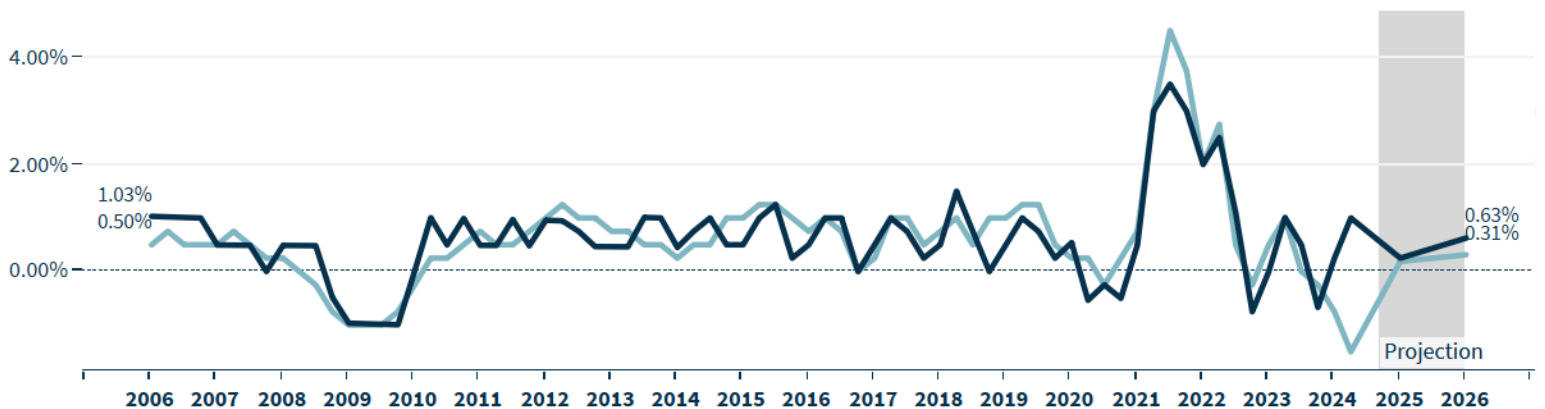
Projection

Asking Rent Growth

Charlotte | National

Q3 2024 Asking Rent:

\$1,370

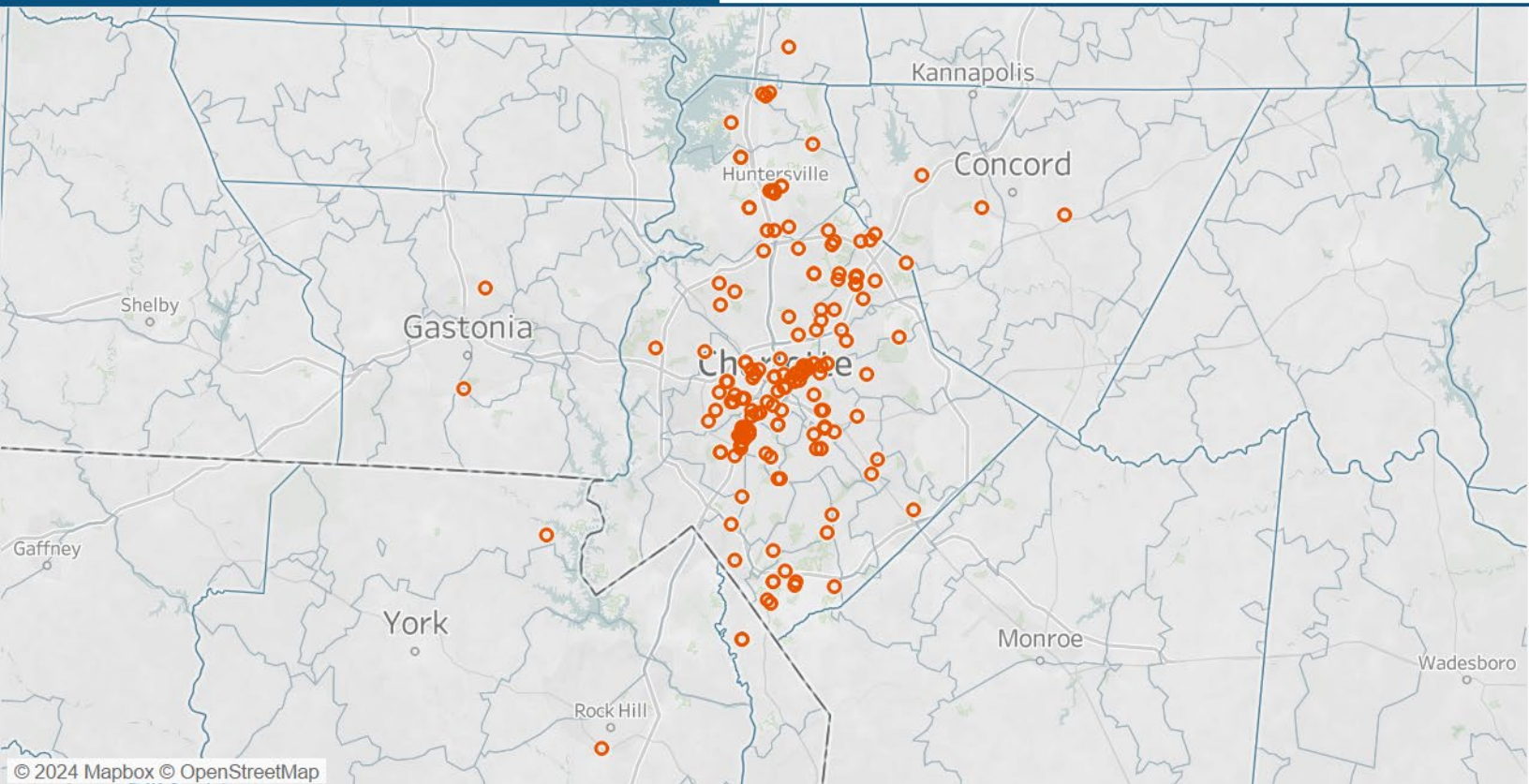


Projection

Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



| MultiHousingSubmarketName | Apartments | Units |
|------------------------------|------------|---------------|
| Ballantyne | 8 | 1,018 |
| Concord/Kannapolis/Salisbury | 3 | 484 |
| East Charlotte | 13 | 803 |
| Far East Charlotte/Mint Hill | 2 | 320 |
| Gaston County | 2 | 320 |
| Huntersville/Cornelius | 21 | 2,444 |
| Matthews/Southeast Charlotte | 2 | 56 |
| Mooresville/Statesville | 1 | |
| Myers Park | 10 | 1,559 |
| North Charlotte | 36 | 4,657 |
| Rock Hill/Fort Mill | 4 | 814 |
| South Charlotte | 6 | 731 |
| Southwest Charlotte | 36 | 4,336 |
| UNC Charlotte | 22 | 2,547 |
| Uptown/South End | 10 | 3,036 |
| Grand Total | 176 | 23,125 |

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Greenstreet
- Dodge Data and Analytics Real Estate Analyzer
- CBRE-Econometric Advisors
- Yardi

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