

Multifamily Metro Outlook:

Charlotte - Q1 2022

Overview:

- Prior to the COVID-19 outbreak, Charlotte's rental market was poised to ease modestly, as a large wave of new supply was to be added to a generally strong economy. But like most markets in the country, the outbreak upended economic conditions. The apartment market saw a strong rebound in rent growth and vacancy compression in 2021 and into early 2022, though this will likely ease somewhat in the next several quarters.
- Charlotte should quickly return to being one of the stronger growing economies in the country, with growing demand for new apartments, but it may 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, and they will continue to do so, likely preventing the apartment market from experiencing breakout performance.

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. Furthermore, the area has been experiencing robust population growth: in 2021, the population expanded +1.3%, compared to +0.3% nationally. Moody's Analytics forecasts that population growth through 2026 will be well above the national average at +1.2% per year.
- Charlotte recovered all the jobs it lost in the Great Recession and saw strong growth until the onset of COVID-19. In 2019, the area added nearly +34,800 jobs growing +2.4%, compared to +1.4% nationally and through Q1 2022 it has recovered all of the jobs initially lost due to the pandemic. Forecasts indicate that the area will have above average job growth through 2026, though near-term volatility related to the financial industry's job concentration is possible.

Market Weaknesses:

- Apartment development is on the rise in Charlotte. Completions will likely hit near-record levels in the next year or two. There are currently 15,500 apartments underway and 34,200 completed since 2017.
- Charlotte's economy is in the midst of a long-term change. Formerly a manufacturing city, it is still transitioning into a service-economy city; it has coped well while its exceptionally large banking entities navigate through a period of industry change and consolidation, which has benefitted the metro. Given the volatility of financial markets (and the metro's concentration of banking jobs), the metro is likely headed for a moderating growth period once the current recession subsides, relative to its more recent exceptional growth, though still considerably better than national averages.

Development:

- Since the beginning of 2006, around 15,800 condo units were completed in Charlotte, but fewer than 1,300 are underway and scheduled to be completed through mid-2023. Although most of the earlier development entered the rental market in the luxury segment, this potential stock of shadow supply bears watching.

Outlook:

- The metro's for-rent market has been rebounding recently but it is probably due for some brief easing as a large volume of new supply enters the market. Vacancies may rise for brief periods and rent levels will grow at more typical rates, as the market stabilizes from the recent large jumps in rent. But compared to other markets around the country, Charlotte is well positioned to quickly return to its prior growth path once national economic conditions further improve. Its modern service economy can probably restart rapidly, especially compared to its more-manufacturing focused history.
- Charlotte's long term favorable economic and demographic forecast will allow for healthy expansion of its for-rent market if or when COVID-19 is history. The metro's concentration of young people (it has a large age 20-34 cohort), coupled with its strong in-migration trends should 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, the metro's economy is likely to see significant, and somewhat volatile, peaks and valleys along the way.

Five Year Metro Area Growth Forecast

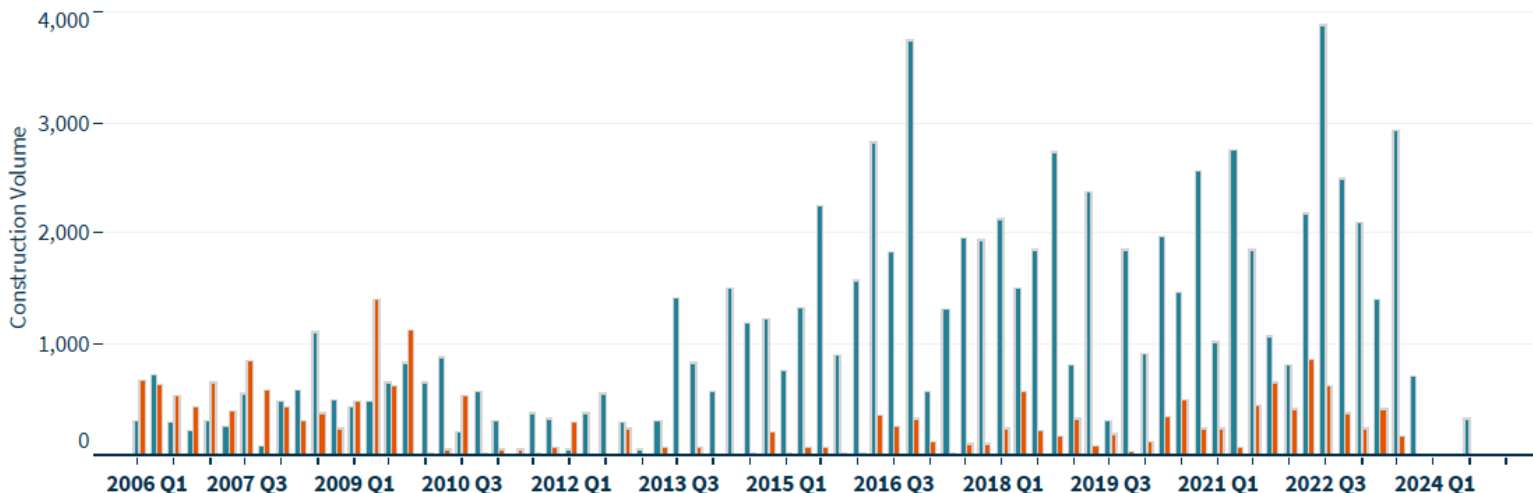
	Q4 2021	Q4 2026	Charlotte (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	2,686	2,854	1.22%	0.47%
Households (000s)	1,043	1,159	2.13%	0.90%
Renting Cohort (Ages 20-34) (000s)	556	583	0.93%	-0.30%
Total Employment (000s)	1,235	1,321	1.37%	1.08%
Median Household Income	\$66,146	\$77,131	3.12%	3.30%
Median SF Home Price	\$360,006	\$353,276	-0.38%	1.93%
Net Migration	26,424	23,739		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



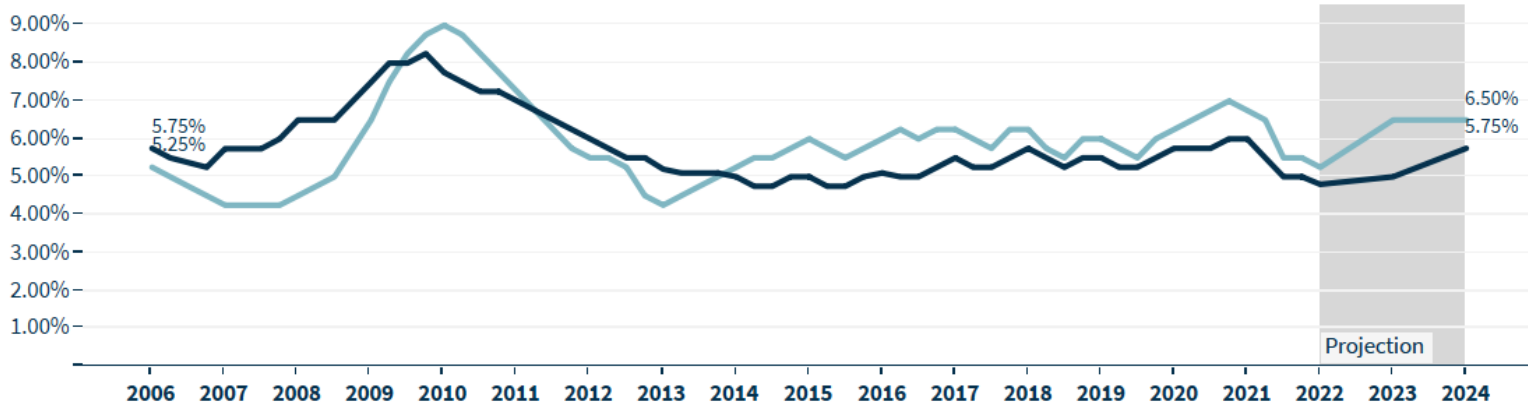
Vacancy & Rent Composite Estimates

Vacancy Rates

Charlotte | National

Q1 2022 Vacancy Rate:

5.25%

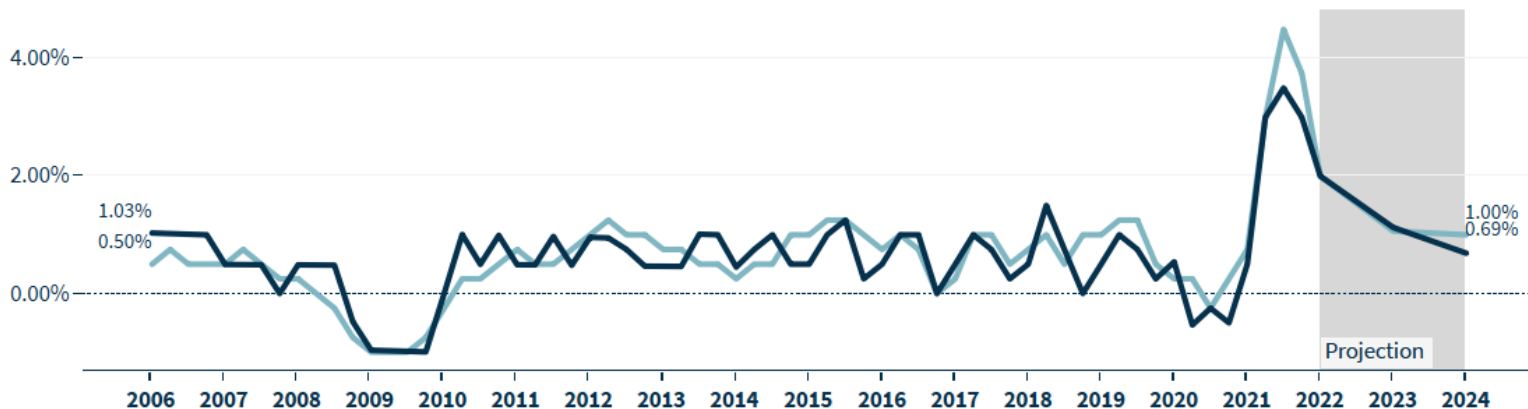


Asking Rent Growth

Charlotte | National

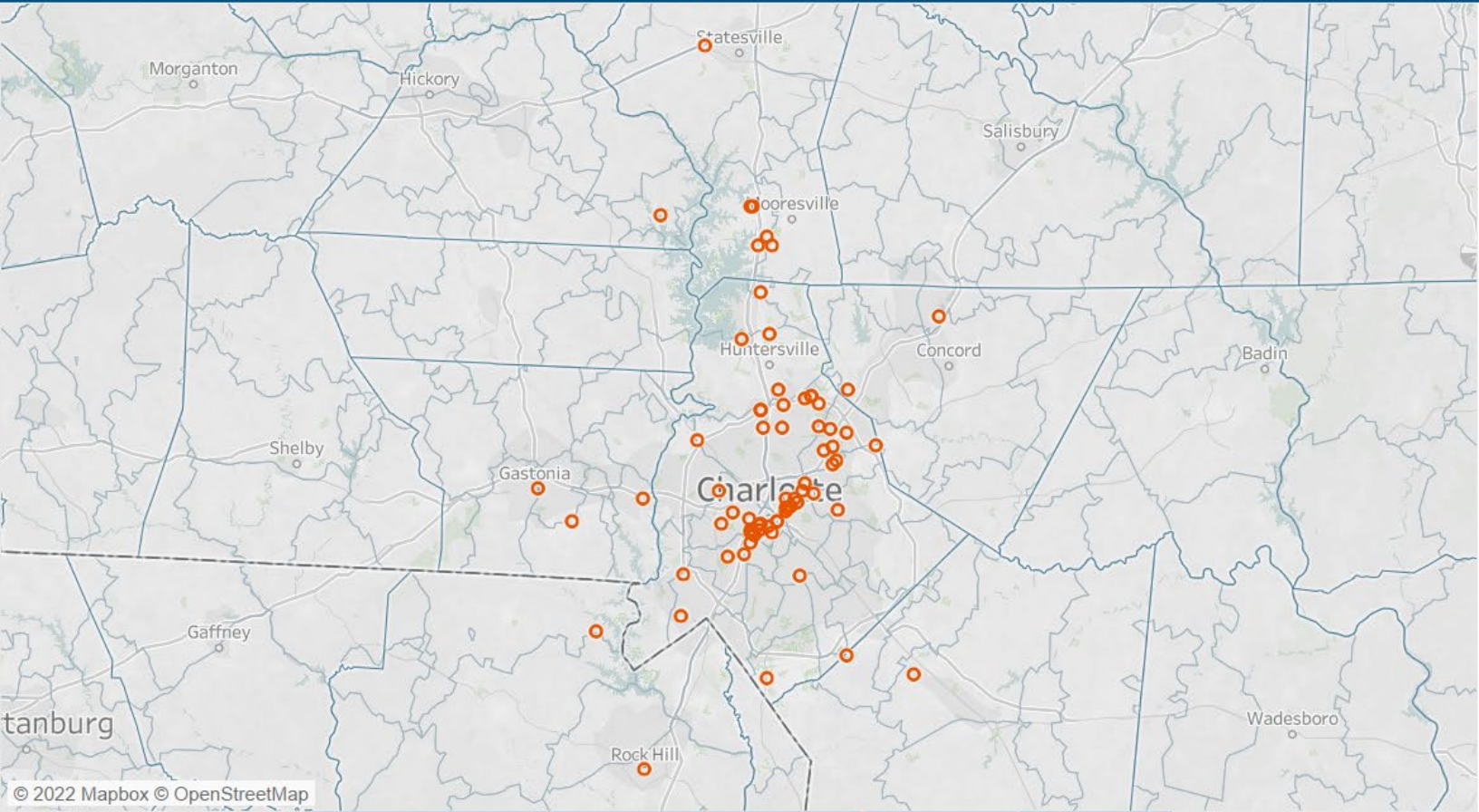
Q1 2022 Asking Rent:

\$1,360



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>	<i>Building Area SF</i>
Ballantyne	1	455	0.40M
Concord/Kannapolis/Salisbury	2	347	0.35M
East Charlotte	3	723	0.72M
Far East Charlotte/Mint Hill	1	255	0.23M
Gaston County	3	496	0.54M
Huntersville/Cornelius	5	1,196	1.33M
Matthews/Southeast Charlotte	2	466	0.61M
Mooresville/Statesville	7	269	0.30M
Myers Park	1	581	0.58M
n/a	1	24	0.04M
North Charlotte	15	3,029	3.35M
Rock Hill/Fort Mill	2	412	0.45M
Southwest Charlotte	9	1,896	2.07M
UNC Charlotte	10	2,392	2.57M
Uptown/South End	11	2,971	3.09M
Grand Total	73	15,512	16.64M

Multifamily: ESR Team

We welcome your feedback! Please give us a call or send an email with any comments, suggestions, or insight you may have or information you'd like covered in future editions.

Multifamily Metro Outlook: Charlotte Q1 2022

Multifamily Economics and Market Research Team

Tim Komosa, Economic and Strategic Research - Economics – Senior Manager

Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

Opinions, analyses, estimates, forecasts, and other views of Fannie Mae's Economic and Strategic Research (ESR) Group included in these materials should not be construed as indicating Fannie Mae's business prospects or expected results, are based on a number of assumptions, and are subject to change without notice. How this information affects Fannie Mae will depend on many factors. Although the ESR Group bases its opinions, analyses, estimates, forecasts, and other views on information it considers reliable, it does not guarantee that the information provided in these materials is accurate, current, or suitable for any particular purpose. Changes in the assumptions or the information underlying these views could produce materially different results. The analyses, opinions, estimates, forecasts, and other views published by the ESR Group represent the views of that group as of the date indicated and do not necessarily represent the views of Fannie Mae or its management.