

Multifamily Metro Outlook:

Charlotte - Q1 2024

Overview:

- Charlotte has maintained its status as a top metro this quarter. With low unemployment, great absorption rates, and rising demand, Charlotte's economy and multifamily housing market has remained stable. The financial services industry continues to boost employment, and Charlotte, along with other southern metros, is establishing itself as a tech hub, attracting new workers and business investment.
- Charlotte is likely to remain among the stronger growing economies in the country, with growing 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, 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: this quarter, the population expanded +1.8%. Moody's Analytics forecasts that population growth through 2028 will continue to be above the national average.
- In the first quarter of 2024, Charlotte experienced an annual employment growth of +3.3%, a slight decrease from last quarters growth at 4.5% yet still higher than the national average.

Market Weaknesses:

- Charlotte's economy is experiencing 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.

Development:

- Apartment development is on the rise in Charlotte. Completions will likely hit near-record levels in the next year or two. There are currently 23,000 units underway and 54,738 have been completed since 2017.
- Single-family development has lightly improved from last quarter, with nearly 20,150 permits issued this quarter. This is an improvement from the 18,917 permits that were issued at the same time last year. In addition, there were 20,132 homes completed during the quarter, an increase from 19,553 homes completed last quarter.

Outlook:

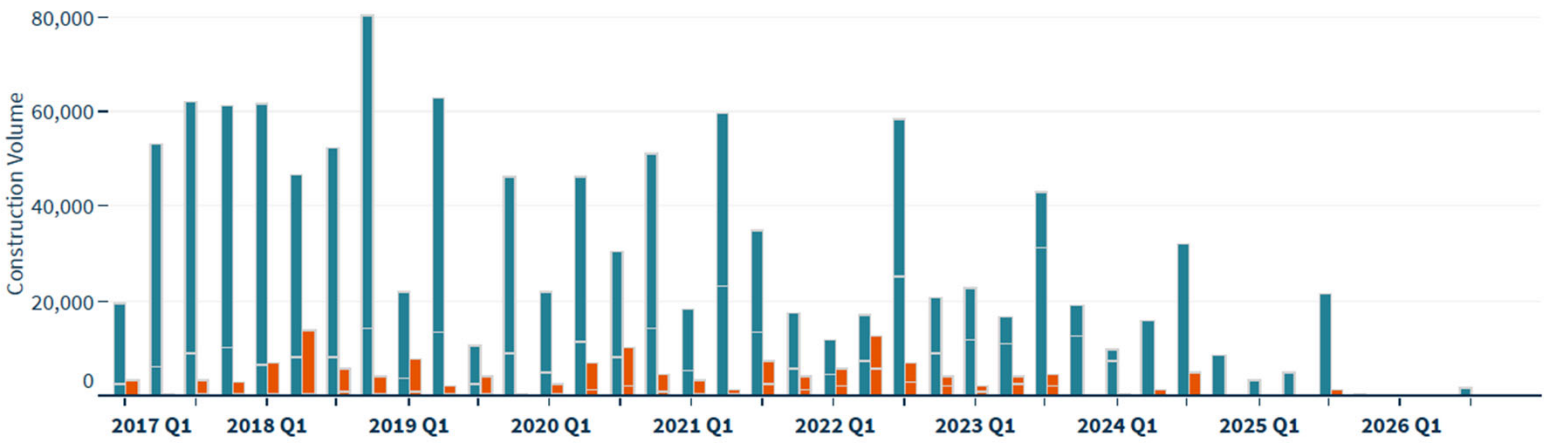
- The metro's multifamily for-rent market has experienced a large amount of supply last quarter continuing this quarter. With the increase in supply, vacancies have also increased to 8.0% this quarter. However, Charlotte is likely well positioned to quickly return to its prior growth path once national economic conditions further stabilize and improve.
- 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 people (it has a large age 20-34 cohort), 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, the metro's economy is likely to see significant, and somewhat volatile, peaks and valleys along the way.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

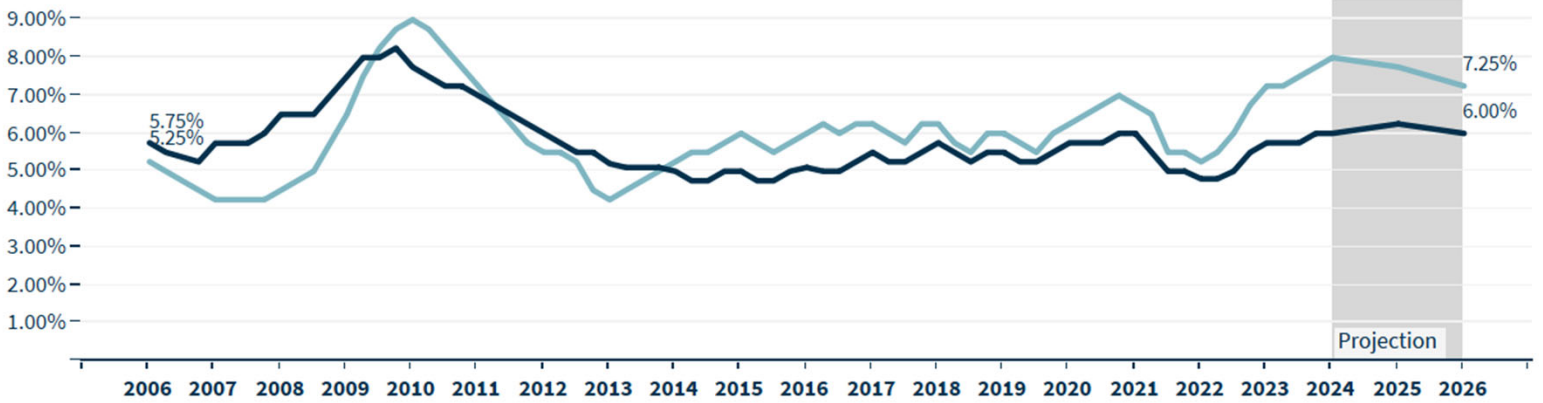
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Charlotte | National

Q1 2024 Vacancy Rate:

8.00%



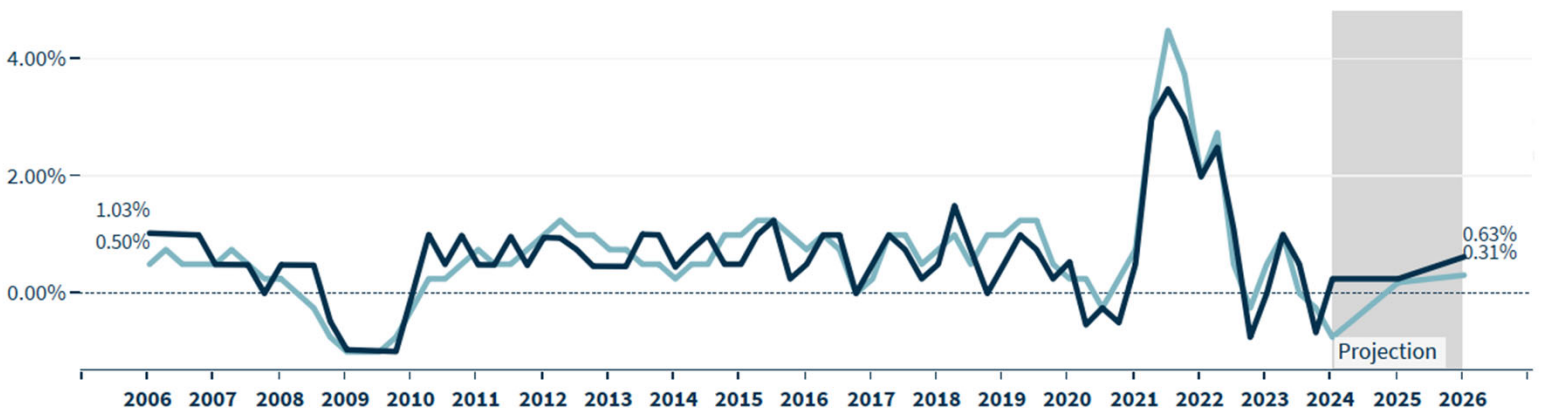
Projection

Asking Rent Growth

Charlotte | National

Q1 2024 Asking Rent:

\$1,400

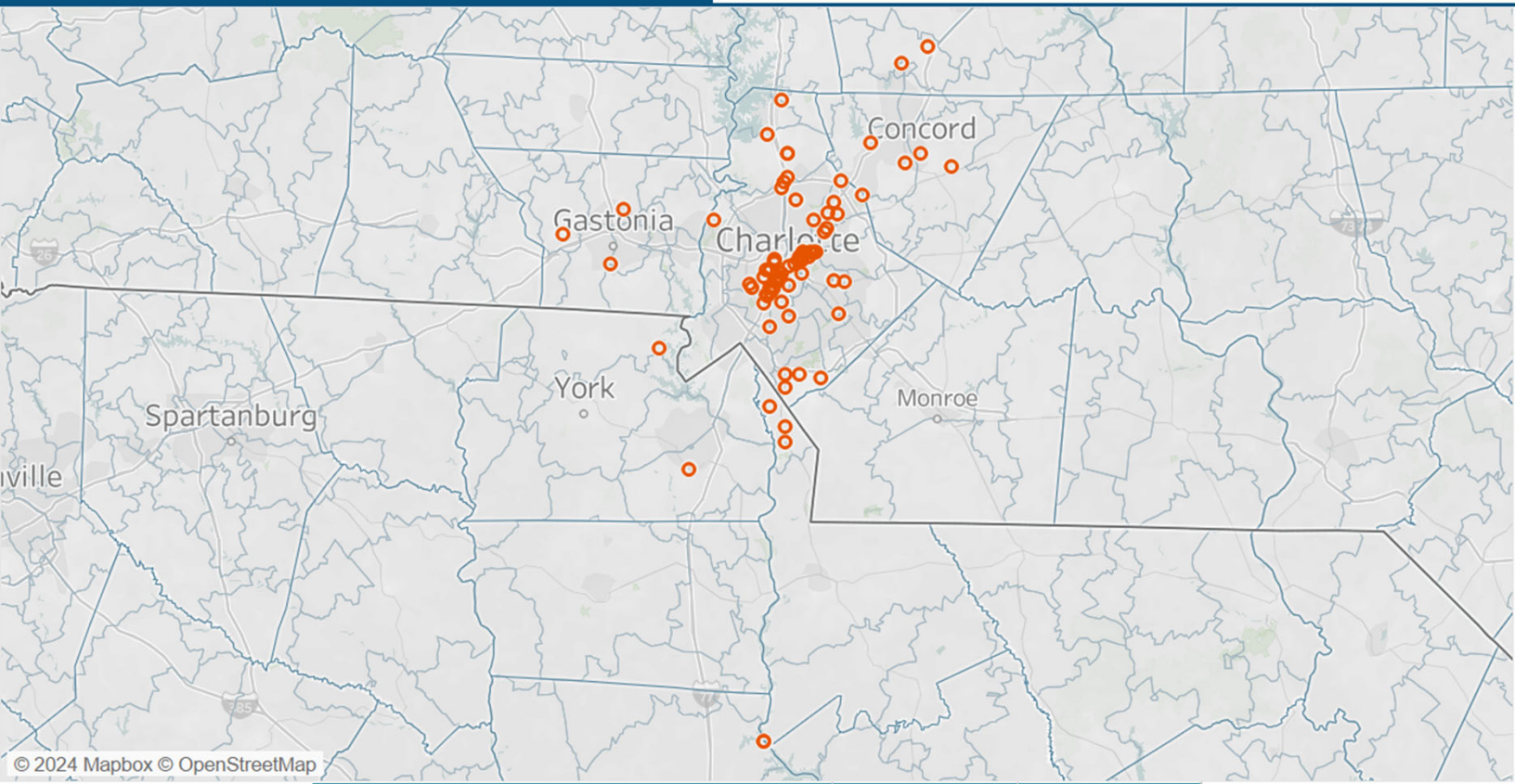


Projection

Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Ballantyne	4	1,300
Concord/Kannapolis/Salisbury	6	1,047
East Charlotte	6	1,506
Gaston County	3	459
Huntersville/Cornelius	6	1,381
Myers Park	3	969
NA	2	424
North Charlotte	12	3,832
Rock Hill/Fort Mill	5	1,636
South Charlotte	1	239
Southwest Charlotte	17	5,041
UNC Charlotte	9	2,531
Uptown/South End	9	2,692
Grand Total	83	23,057

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 SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

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