

Multifamily Metro Outlook:

Charlotte - Q2 2024

Overview:

- Charlotte has maintained its status as a top metro this quarter. With low unemployment, its highest absorption rate since 2022, and sustained demand, Charlotte's economy and multifamily housing market have remained stable. The financial services industry has leveled off in terms of job growth, but at the same time, financial technology (or FinTech) firms have filled that employment gap. Charlotte is establishing itself beyond financial services and into a tech hub, likely 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 slower growth than what it experienced over the past 20 years. It will still be a growing economy, and developers have been steadily supplying multifamily units for many years. As they continue to do so, they will likely prevent 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 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. In addition, the area has been experiencing robust population growth as a whole: this quarter, the population expanded by 1.4%. Moody's forecasts that population growth through 2027 will continue to be well above the national average.
- In the second quarter of 2024, Charlotte experienced an annual employment growth of 1.8%, slightly higher than the national average of 1.4%, compared to this time last year. Moreover, Charlotte's unemployment rate of around 3.4% remains below national averages, a positive sign for rental demand.

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. Q2 2024 is no different, with Charlotte offering far more concessions than other major metro areas. Offering one month to six weeks of free rent has become commonplace, especially among Class A properties, and new construction buildings are opening their doors.
- As a result of the continued high supply, Charlotte's rent growth was negative in the second quarter 2024, around -1.5%.

Development:

- Apartment development has remained high in Charlotte. Completions will likely hit near-record levels in the next year or two. CoStar estimates there are currently 26,000 units underway, with about half set to deliver in the next four quarters.
- 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 their Charlotte health care complex. Both will provide more jobs, and the recent expansion of Medicaid in Charlotte for low-income residents will improve the health care sector's revenues, allowing it to expand its payroll further.

Outlook:

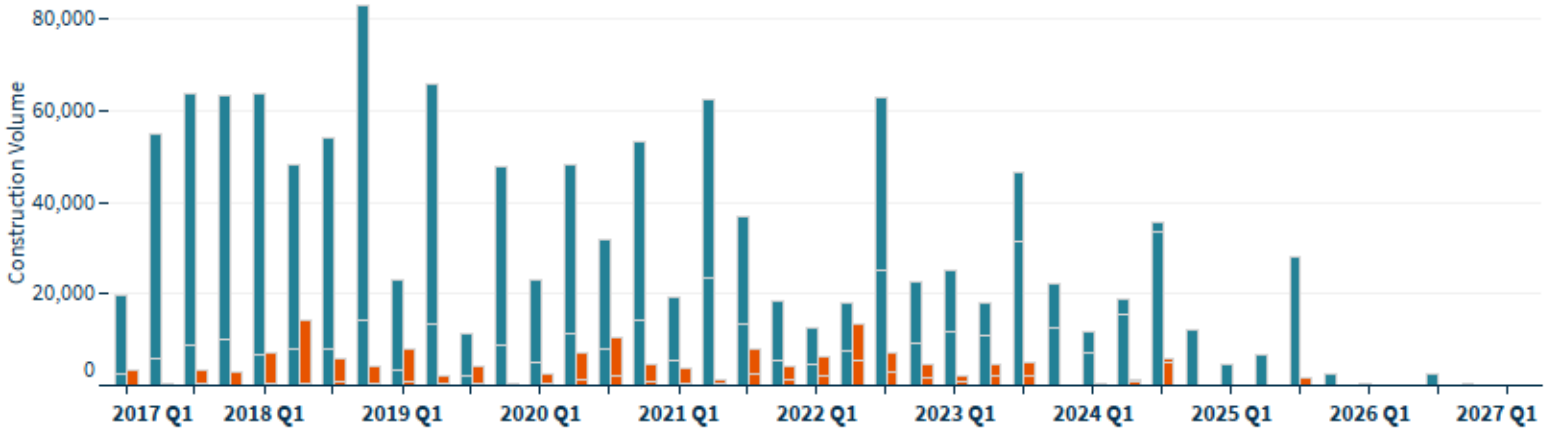
- The metro's for-rent market experienced a large amount of supply in Q1 2024, and this continued in Q2 2024. While the vacancy rate of 7.5% is higher than the Southern Atlantic region, it is in-line with historical averages. Charlotte has likely seen a peak in the rampant construction that has lasted 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. Additionally, this quarter has seen strong absorption of around 12,000 units, and this trend is expected to stick around.
- 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 opportunities 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

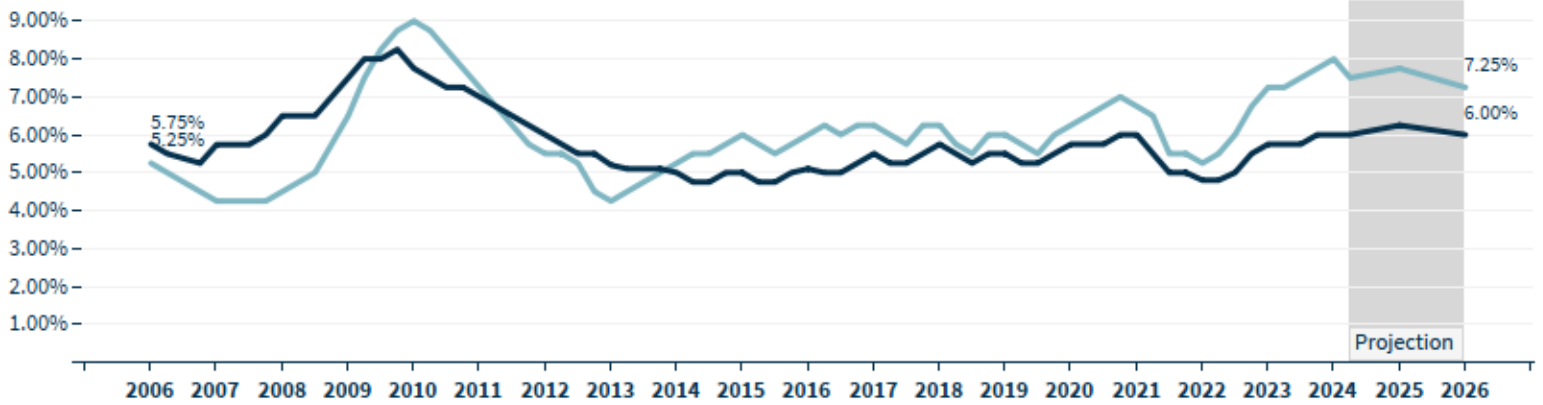
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Charlotte | National

Q2 2024 Vacancy Rate:

7.50%

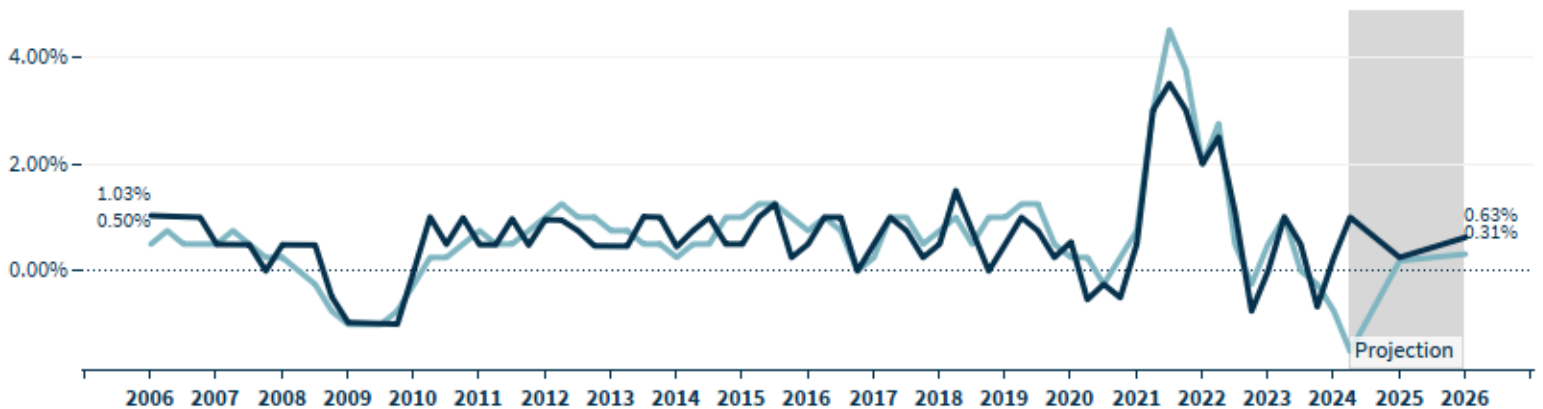


Asking Rent Growth

Charlotte | National

Q2 2024 Asking Rent:

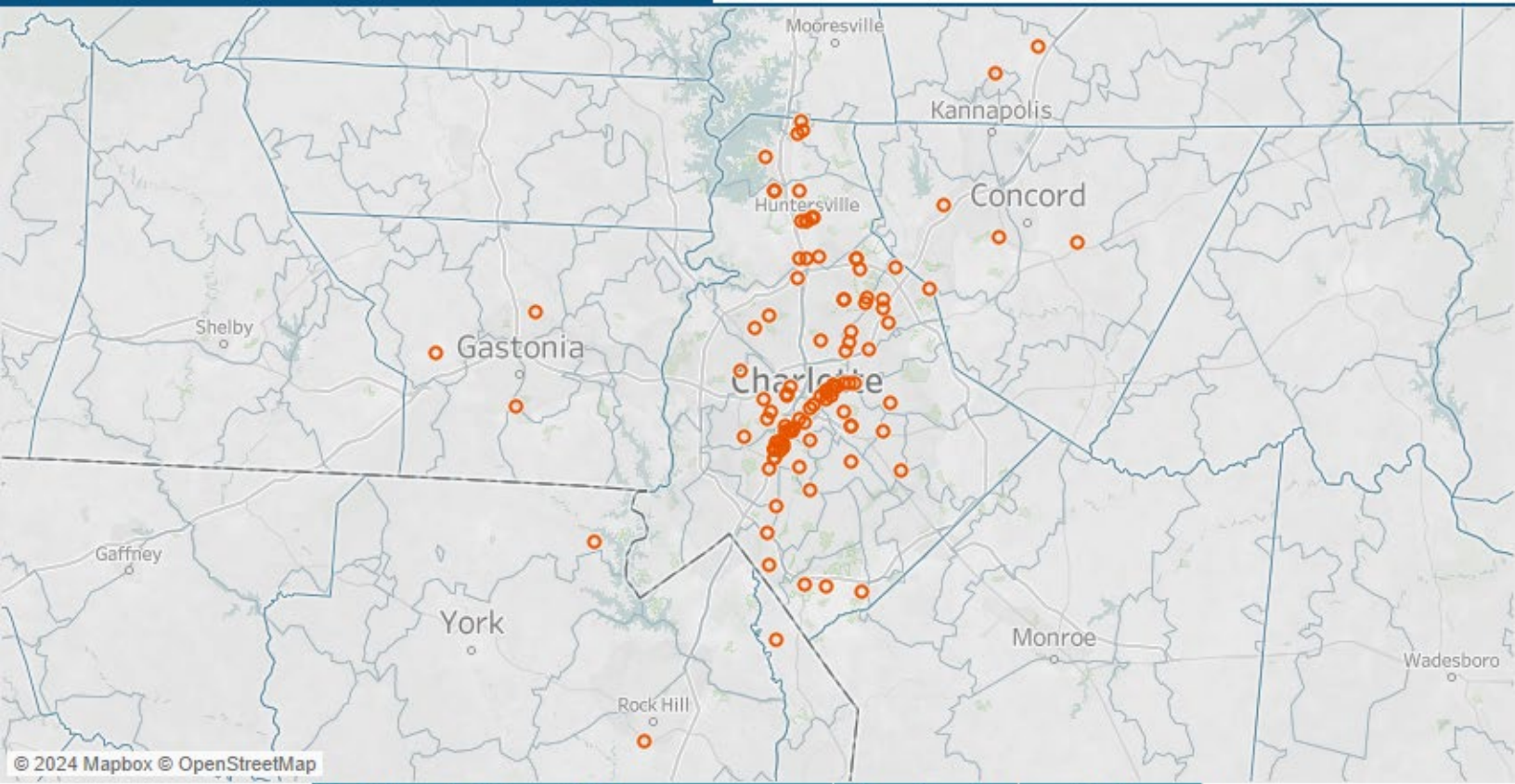
\$1,380



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Ballantyne	3	955
Concord/Kannapolis/Salisbury	5	753
East Charlotte	6	749
Far East Charlotte/Mint Hill	1	168
Gaston County	3	459
Huntersville/Cornelius	15	1,920
Myers Park	5	985
North Charlotte	26	3,709
Rock Hill/Fort Mill	3	660
South Charlotte	3	264
Southwest Charlotte	18	3,720
UNC Charlotte	10	2,006
Uptown/South End	10	3,273
Grand Total	108	19,621

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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