

# Market Insights

Charlotte Multifamily 4Q 2021



## Construction Activity



13,553

Units under construction

9,578

Units delivered (YTD)

## Market Fundamentals



4.1%

Vacancy

-60bps

Year over year change

\$1,490

Asking Rent

+19.3%

Year over year change

## Transaction Activity



\$218,000

Median sales price per unit (YTD)

# Sales Activity Spikes Amid Elevated Buyer Demand

## Highlights

- The Charlotte market closed out the year in growth mode as employers added jobs and developers brought more units online. The outlook for 2022 calls for continuation of most of the trends that prevailed in the prior year.
- Multifamily asking rents in Charlotte spiked 19.3 percent in 2021, ending the year at \$1,490 per month. Rents gained 2.1 percent in the fourth quarter.
- Sales of apartment properties continued to rise during the fourth quarter. Sales velocity rose more than 50 percent from 2020 to 2021. With activity picking up, prices increased. The median price spiked over 23 percent in 2021, reaching approximately \$218,000 per unit. Cap rates compressed to 3.5 percent in the fourth quarter, down 120 basis points year over year.
- Vacancy ticked higher at the end of 2021, after reaching its lowest point of the past decade in the third quarter. Despite the recent rise, the local vacancy rate still ended the year at 4.1 percent, 60 basis points lower than at the end of 2020.

## Charlotte Multifamily Market Overview

The Charlotte multifamily market closed a very strong 2021, as ongoing renter demand drove robust absorption, pushing developers to move thousands of units into the pipeline. Area asking rents trended higher throughout the year, with the strongest growth during the middle of the year. The local vacancy rate inched higher at the end of the year, following seven consecutive quarterly declines; the rate ended 2021 about 100 basis points lower than the market's five-year average. Elevated renter demand is being fueled by a strengthening local labor market, as companies continue to either relocate to the region or expand existing operations.

Strengthening property fundamentals were reflected in the investment market, as the number of properties changing hands increased in each quarter. The fourth quarter surge in activity was most evident in the sales of larger assets. Transactions of at least \$75 million accounted for over 30 percent of all sales during the final few months of the year. While the median sales price for all of 2021 was about \$218,000 per unit, there were a handful of properties that traded significantly higher in the fourth quarter, including a few that closed at over \$500,000 per unit. These high-end deals generally involved newer mid-rise buildings located near the central business district.

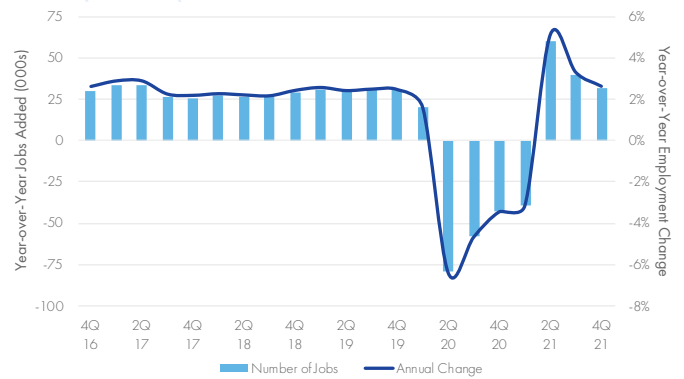
## Employment

- Employers in Charlotte added back workers at a steady pace in 2021. In the past 12 months, approximately 32,000 jobs were added in the market, an increase of nearly 2.7 percent. This net increase of jobs matches the historical average from 2015 through 2019 when employers added an average of 31,800 jobs per year.
- More than 10 percent of total jobs added back to the Charlotte labor market in 2021 have been in the education and health services sector. This industry has expanded by 4,000 jobs in the past year, a gain of nearly 3.3 percent. At the current pace of expansion, this sector will surpass its pre-COVID peak in early 2022.
- Honeywell officially opened its new global headquarters in uptown Charlotte in December. The company expects to add 500 new jobs—including several senior management roles—over the next five years. The move is expected to build on the 250 jobs Honeywell already had in the area.
- **Forecast:** The pace of employment growth is anticipated to accelerate as the economy gathers momentum in 2022. Charlotte employers are forecast to add 42,000 jobs in the year ahead, an annual growth rate of approximately 3.4 percent.



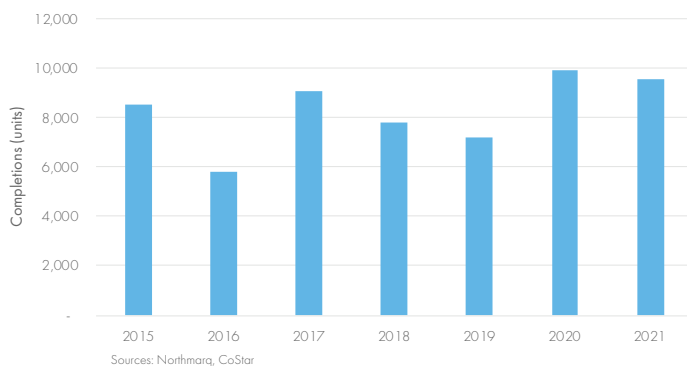
In the past 12 months, approximately 32,000 jobs were added.

### Employment Overview



Projects totaling approximately 13,550 units are under construction.

### Development Trends



## Development and Permitting

- During the fourth quarter, developers brought more than 1,400 units online. For the year, nearly 9,600 units were delivered, down slightly from the 2020 total but up 25 percent from the average total inventory growth from 2015 through 2019.
- Projects totaling approximately 13,550 units are under construction throughout the Charlotte region, a slight decline compared to levels at the end of 2020. Current projects are underway in nearly every submarket.
- Developers pulled permits for more than 10,000 multifamily units in 2021, the highest figure in the past decade. Activity gained momentum in the second half of the year when permits for 6,400 units were issued.
- **Forecast:** Developers in Charlotte will remain active in the coming years, bringing new projects to market to meet heightened demands. In 2022, completions are forecast to reach approximately 10,300 units.

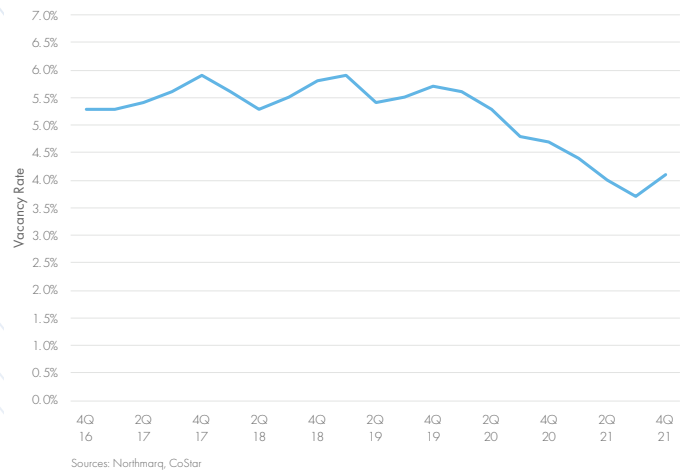
## Vacancy

- After tightening in each of the past seven quarters, vacancy rose at the end of 2021. During the fourth quarter, the local vacancy rate crept up 40 basis points, reaching 4.1 percent.
- Vacancy in Charlotte fell 60 basis points in 2021, despite inching higher during the fourth quarter. The market vacancy rate has been below 5 percent in each of the past six quarters.
- Renter demand for multifamily units reached an all-time high in 2021 with net absorption totaling nearly 13,000 units. In recent years, absorption has averaged approximately 7,850 units.
- **Forecast:** With the pace of hiring likely to accelerate, demand for rental housing is expected to remain elevated throughout 2022. The apartment vacancy rate in Charlotte is forecast to dip 10 basis points in 2022, ending the year at 4 percent.



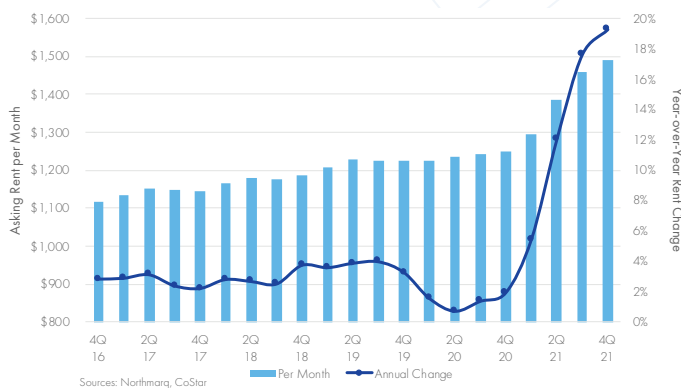
In 2021, net absorption totaled nearly 13,000 units.

### Vacancy Trends



Rents in Charlotte advanced 19.3 percent for the full year in 2021.

### Rent Trends



## Rents

- Asking rents in Charlotte continued to post gains through the end of 2021, increasing by 2.1 percent in the fourth quarter to \$1,490 per month. Rents posted their greatest increases in the middle part of 2021, when the release of pent-up demand caused absorption levels to spike.
- Apartment rents in Charlotte advanced 19.3 percent for the full year in 2021. This is the largest annual growth on record in the region. Rents rose nearly \$250 per month during the past year.
- Rents advanced at rapid paces across all property classes in 2021. In Class A properties, asking rents spiked 17.5 percent on average, ending the year at \$1,720 per month.
- **Forecast:** Rent growth in Charlotte surged in 2021 and should post further gains in the year ahead. Local asking rents are forecast to rise approximately 7 percent in 2022, reaching nearly \$1,600 per month.

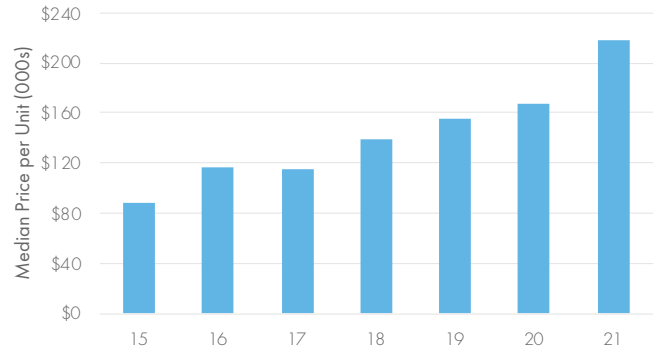
## Multifamily Sales

- Sparked by a flurry of activity in the final few weeks of the year, total transaction activity spiked by 80 percent from the third quarter to the fourth quarter. Sales velocity for the full year rose more than 50 percent from 2020 levels.
- The median sales price in 2021 was roughly \$218,000 per unit, an increase of 30 percent from the median price in 2020. There were several properties trading considerably higher than the median price. Approximately 25 percent of properties that sold during the fourth quarter closed at or above \$300,000 per unit.
- The rapid rent growth and intensifying investor demand for area properties drove cap rates lower in 2021. During the fourth quarter, cap rates averaged approximately 3.5 percent, 120 basis points lower than one year earlier.



The median sales price in 2021 was roughly \$218,000 per unit.

### Investment Trends



Sources: NorthMarq, CoStar

## Recent Transactions

### Multifamily Sales Activity

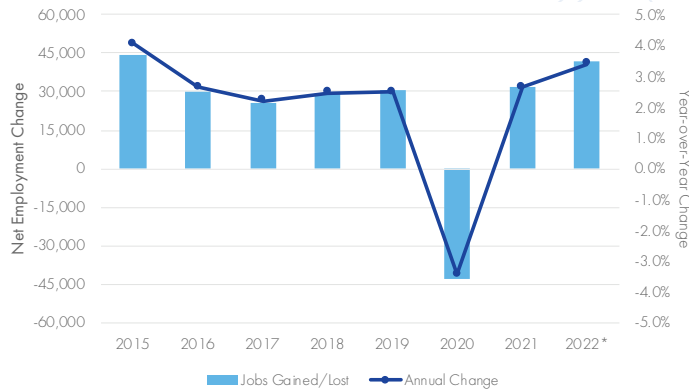
Property Name	Street Address	Units	Sales Price	Price/Unit
The Atherton	2100 South Blvd., Charlotte	346	\$176,000,000	\$508,671
The Abbey	1415 Abbey Pl., Charlotte	260	\$100,100,000	\$385,000
Country Club Apartments	2332 Dunlavin Way, Mooresville	454	\$75,000,000	\$165,198
Timbercrest	2025 Timber Oaks Ln, Charlotte	282	\$65,000,000	\$230,496
Palmetto Place Apartment Homes	6000 Palmetto Pl., Fort Mill	184	\$36,784,200	\$199,914

## Looking Ahead

The Charlotte multifamily market is forecast to post strong performance in 2022, continuing an extended period of elevated demand and rising rents. Demand growth is being fueled by the ongoing flow of companies into the Charlotte area, particularly among businesses bringing high-wage professional and financial jobs. This year, demand for apartment units is likely to closely track the pace of new construction, resulting in a fairly steady vacancy rate and continued gains in rents. The local vacancy rate is at one of its lowest points of the past decade and is forecast to remain near 4 percent in the year ahead.

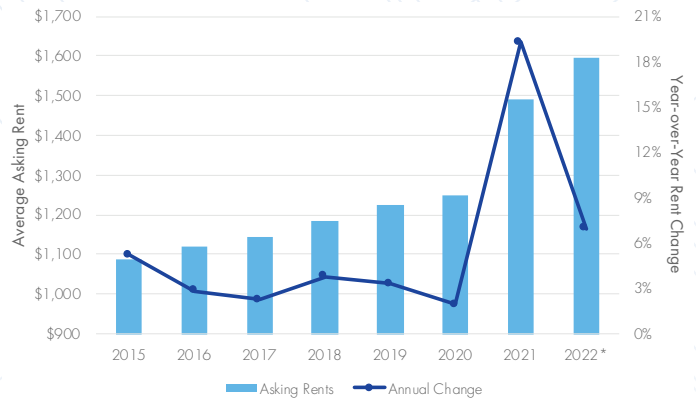
Following a year of significant activity, highlighted by a spike in transaction volume in the fourth quarter, the investment market is likely to remain competitive in 2022. Buyers are expected to continue to place capital into the high-growth Charlotte market. With development of new projects likely to remain elevated for a third consecutive year, investors will monitor the pace of lease-up and the rental rates achieved as new projects come online. Assuming these developments become stabilized fairly quickly, the prevailing market sentiment is likely to remain positive, sparking additional investment activity.

### Employment Forecast



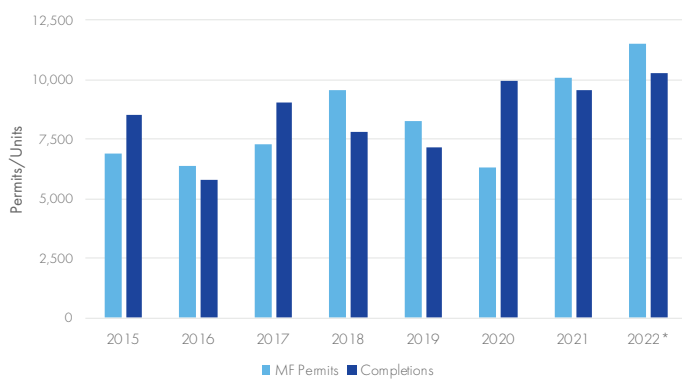
\* Year End Forecast  
Sources: Northmarq, Bureau of Labor Statistics

### Rent Forecast



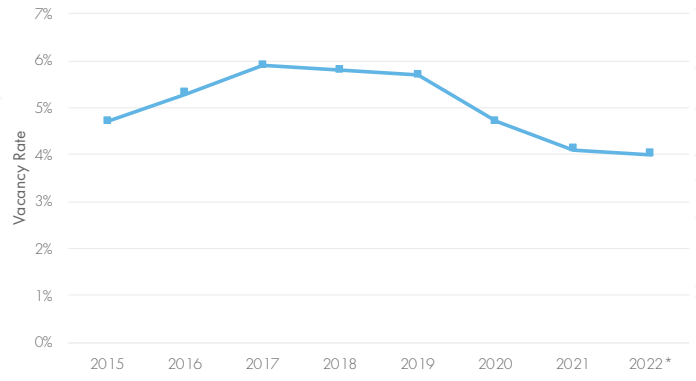
\* Year End Forecast  
Sources: Northmarq, CoStar

### Construction & Permitting Forecast



\* Year End Forecast  
Sources: Northmarq, Census Bureau, CoStar

### Vacancy Forecast



\* Year End Forecast  
Sources: Northmarq, CoStar



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## About Northmarq

Northmarq offers real estate investors access to experts in debt, equity, investment sales and loan servicing. We combine industry-leading capabilities with an open, flexible structure, allowing our team of seasoned professionals to do the best work on behalf of clients and lenders. Our solid foundation and innovative approach have led to substantial growth, with more than 700 employees, loan servicing volume approaching \$70 billion, and \$30+ billion in transaction volume.