

An aerial photograph of Charlotte, North Carolina, at dusk. The skyline is dominated by several modern skyscrapers with glass facades, many of which are illuminated from within, casting a warm glow. The buildings vary in height and design, with some featuring curved or stepped tops. In the foreground, a large, well-maintained green park area is visible, with a curved concrete walkway and some trees. The sky is a soft, hazy blue, suggesting the time is either early morning or late evening. The overall scene conveys a sense of a vibrant, modern city.

K | CHASE

**LOOKING AHEAD
TO 2024**

CHARLOTTE

OVERVIEW BY KYLE CHASE K. CHASE & COMPANY

Charlotte's multifamily market heads towards 2024 with a record supply surge, which may restrain rent growth. Despite a demand rebound in 2023, rising vacancies and slower rent increases have been observed, with a negative year-over-year rent growth for the first time in a decade.

Suburban areas are faring better in rent growth compared to urban areas, except for certain high-demand urban neighborhoods with new amenities and transportation options.

However, Charlotte's affordability compared to national averages, combined with population growth and corporate relocations, supports its long-term investment appeal.

CHARLOTTE MARKET REPORT *LOOKING TO 2024*

Investment activity has cooled, with sales volume down 70% due to rising interest rates and cap rates. Transactions that are occurring tend to involve long-term hold properties or properties that are facing some pressure.

We already see a good amount of owners planning to sell in 2024. The investor appetite for multifamily in the Carolinas is still solid, but a healthy debt market will be pivotal in how things shake out.

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CHARLOTTE MARKET HIGHLIGHTS Q3 2023

Average Rent

\$1,562

Asking Rent Growth

-1.9%

Vacancy Rate

10.5%

Units Under Construction

32,291

Delivered Units (trailing 12 months)

12,193

Absorption Units (trailing 12 months)

5,767

MARKET SUMMARY CHARLOTTE

- Charlotte is among the nation's leaders in new construction relative to existing inventory, with current projects representing nearly 15% of current inventory, signaling one of the largest supply expansions ever.
- Vacancies have increased due to the pace of new unit deliveries, causing year-over-year rent growth to turn negative for the first time in a decade.
- Suburban areas are faring better in rent growth compared to urban areas, except for certain high-demand urban neighborhoods with new amenities and transportation options.
- Investment activity has slowed, with a 70% decline in sales volume year-over-year, attributed to rising interest rates and cap rates, along with a bleak short-term outlook for rent growth.
- Despite current challenges, Charlotte's market retains long-term appeal due to its affordability compared to other Southeastern cities and the ongoing influx of new residents and businesses.

VACANCY

Delivered units have pushed Charlotte's vacancy rate to 10.5%

Charlotte's vacancy rate has risen to 10.5% due to an influx of new high-end units, with more than 32,000 under construction. Despite this, absorption has increased in 2023, but not enough to balance out the 12,000 units delivered.

Vacancies in luxury properties are higher than mid-range ones, reflecting the economic pressure on lower-cost housing. Job growth, particularly in finance and tech, keeps attracting young professionals, although recent layoffs may impact future demand. Long-term employment prospects remain positive.

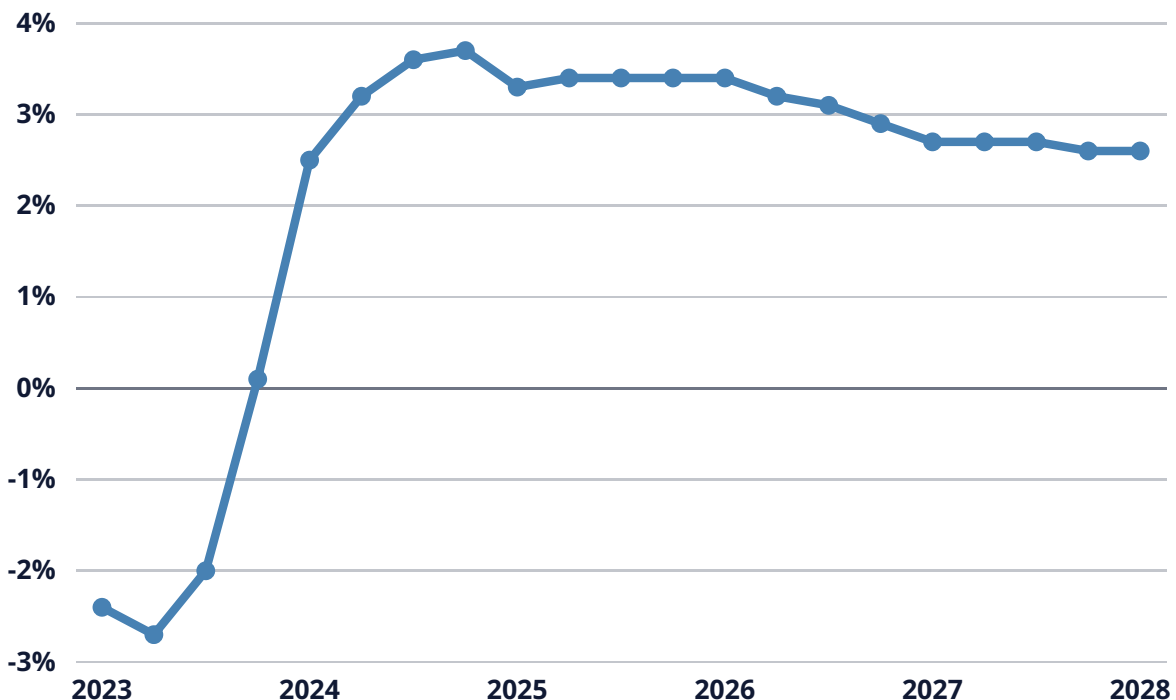
While population and job growth continue to attract renters to Charlotte, demand has not been enough to outweigh the market's supply expansion.



RENT

Asking rents have increased by 24% since 2020, but YOY rent growth is at -1.9%

- Average market rent is currently at \$1,562 - class A properties average \$1,704; class B average \$1,406; class C average \$1,176
- Rent growth in 2023 is at -1.9%, with newer properties at -3.0%, while older properties are still experiencing rent growth of 3.1% on average.
- Rent growth is the highest in high-demand suburban areas, including Gaston County and Union County, while rent declines have been seen in more established urban areas such as South End, Uptown, and South Park.
- With the large supply expansion, competition between new properties is likely to keep rent growth muted through the first half of 2024.
- Rent growth is expected in Charlotte moving forward with a 2.5% increase in 2024 followed by 3.3% (2025) and 3.4% (2026).
- Class B and C properties are expected to see the highest rent growth over the next five years.



Source: CoStar

CONSTRUCTION

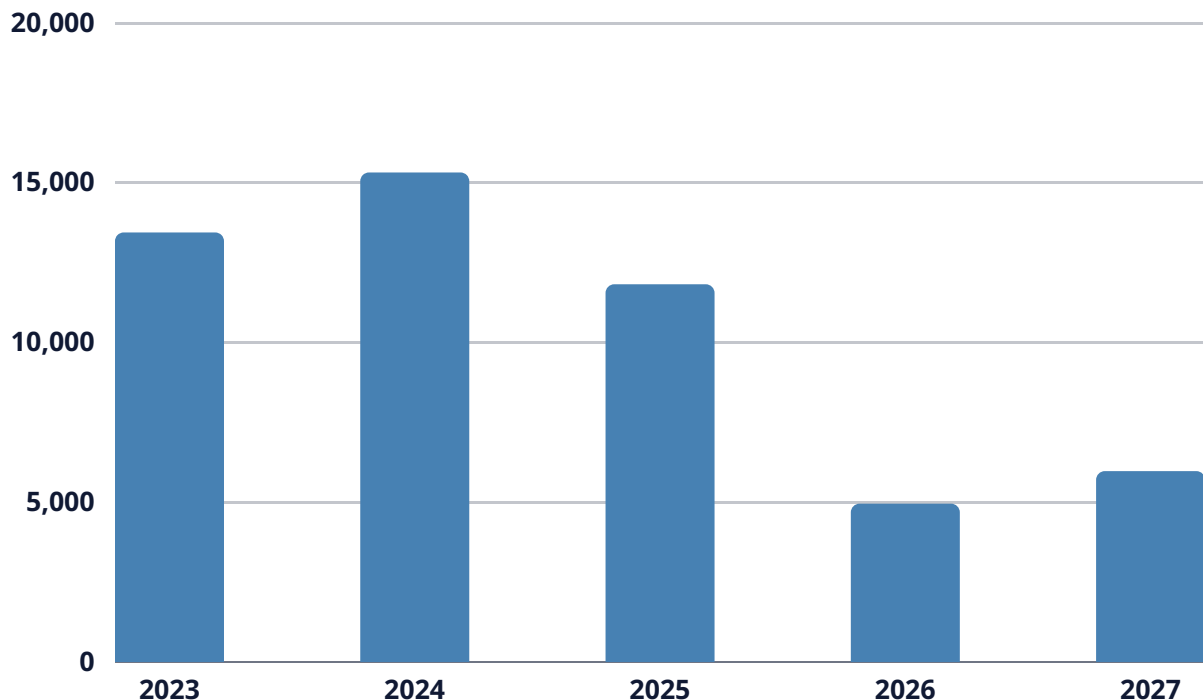
32,291 units are currently under construction equaling 15.2% of inventory in the market

Increased population and household growth have accelerated apartment construction in Charlotte.

A 15.2% inventory increase of 32,291 units is underway - a near record. This puts Charlotte among the top five largest inventory expansions in the US's largest markets.

New deliveries reached 12,193 units in the past year, surpassing net absorption of 5,767 units, altering the supply-demand balance throughout 2023.

New development projects have declined significantly, with just a little more than 7,000 units breaking ground in 2023. This is down significantly compared to 2022, where more than 17,000 units broke ground in the first three quarters of the year. This should help the market absorb the expected units to be delivered in the coming years.



Source: CoStar



Development projects have taken two paths - dense projects along transit nodes or complexes near growing suburban areas

WHERE THE DEVELOPMENT IS HAPPENING

- **Construction continues along the Blue Line**
- **Growing suburban areas around I-485**

Below are submarkets that have the highest concentration of multifamily construction projects:
(total units and % of inventory)

- **South End** (6,592 units - 59.3%): the spot for young grads with lifestyle amenities plentiful and close to jobs
- **LoSo - Lower South End** (2,892 units - 92.7%): units are being developed here as South End expands south along the Blue Line, along with breweries and entertainment
- **West Charlotte** (6,295 units - 40.4%): two areas of focus include the FreeMoreWest area close to Uptown as well as further southwest along I-485
- **NoDa** (4,492 units): an attractive area to live due to the many entertainment and lifestyle amenities in the area including the Blue Line Extension
- **University** (2,668 units - 12.2%): focused around the Blue Line Extension and the area's lifestyle amenities including UNCC

SALES

- Sales activity remains 70% lower than a year prior
- Increases in interest rates have stalled price appreciation



Charlotte's multifamily market saw a significant downturn in 2023, with sales volume dropping over 70% amidst rising interest rates and financing uncertainties, resulting in a rapid decline in price per unit to \$220,000 from early 2022's \$260,000.

Nonetheless, seasoned investors have navigated this landscape successfully with strategic sales, underscoring the robust returns still achievable in savvy deals. The market has narrowed the pricing gap with national averages, proving its resilience and desirability. Institutional interest remains high, which exemplifies the compelling income potential of Charlotte's stable assets.

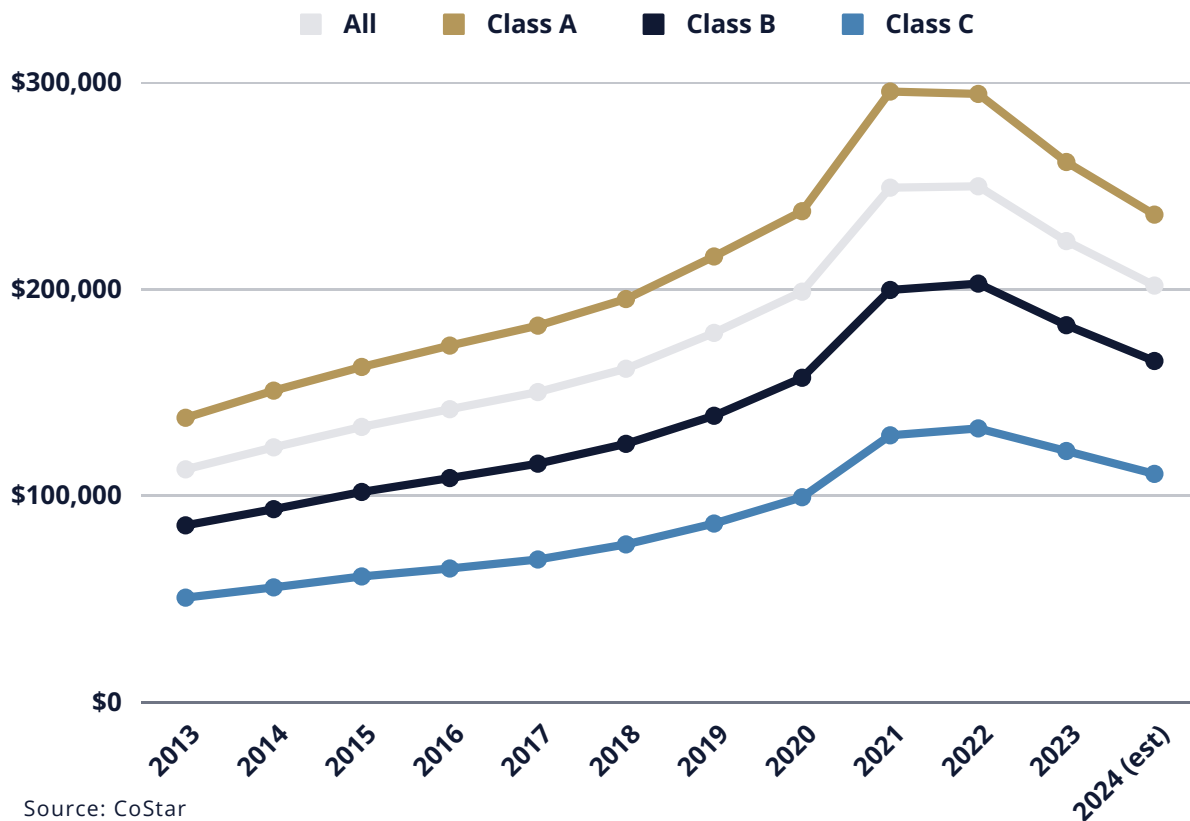
While current sentiment favors caution, the prospects for Charlotte's multifamily sector are bright. The market's fundamental attractiveness—bolstered by a recovering absorption rate and a strong economy—is set to reignite investor activity, ensuring that Charlotte remains a premier investment destination going forward.

- Sales volume has dropped by over 70% from the same period last year.
- Property turnover is currently at only 3.2% throughout Charlotte, or \$1.2 billion. This compares to property turnover between 12-14% yearly since 2015.
- Rising interest rates, uncertain financing environment, and pricing discovery with a large spread between buyers and sellers have slowed deal-making.
- East Charlotte and Gaston County have led the market with the most transactions in the past year.
- Transaction volume is likely to remain muted as financing uncertainty and pricing discovery continues.

SALES TRENDS

Average sales price is not expected to surpass 2022 pricing until 2027.

- Average sales price in Charlotte is currently \$234,651; class A properties average \$275,187; class B average \$191,484; class C average \$127,597.
- The average sales price throughout Charlotte is expected to decrease even further from pre-covid levels in 2024.
- Charlotte is expected to see a decrease in value by nearly 20% from peak pricing levels seen at the beginning of 2022 before interest rates increased.
- Class C properties are expected to have the least impact, while class A properties are expected to have the worst.
- Investors are still willing to pay top dollar for the right asset profiles.
- Pricing is predicted to be relatively stagnant for the next several years, with average sales price not expected to surpass 2022 pricing until 2027.



Source: CoStar

CHARLOTTE'S ECONOMY

The Long-Term Appeal Remains Intact



OVERALL ECONOMY

- Strong growth is expected to continue in Charlotte, but the overall U.S. economy could have a short-term impact.
- Median Household Income is at \$78,238 and is expected to increase by 15.8% over the next five years.
- Unemployment is at 3.6%
- Median home sales price of around \$373,000 is still up 6% this year with just under two months of home inventory on the market.

KEY ANNOUNCEMENTS

- Cedar Fair and Six Flags are merging and will be moving the new company's headquarters to Charlotte.
- Charlotte's first four-year medical school will open to students in fall 2024. The Wake Forest medical school campus will be located on a mixed-use campus in Midtown.
- North Carolina was ranked as the #1 state for business by CNBC for the second year in a row.

POPULATION GROWTH

- The Charlotte MSA has attracted many from across the nation to the area, which has seen a population increase of 20% in the last decade. Total population is now at 2.8 million.
- The area's population is expected to continue to increase strongly over the next five years increasing around 40,000 people per year.

JOB GROWTH

- Total job growth has well outpaced the nation. Payrolls have increased nearly 6% in the last three years, tripling the national average.
- Charlotte has been a relocation magnet for corporate headquarters and now has nine (9) Fortune 500 and eighteen (18) Fortune 1000 companies headquartered here.

LOOKING AHEAD TO 2024

Charlotte is expected to see another tumultuous year with the majority of deliveries expected, which will push vacancy to its peak and mute rent growth. We are in a sideways pattern until the overall economy improves and absorption recovers. But there is reason for hope as Charlotte is still attracting many new residents, businesses, and investors.

LOOKING AHEAD 2024

CHARLOTTE MARKET FORECAST

WHAT TO EXPECT

Population Growth

1.35% or 37,608



Asking Rent Growth (2024)

2.5%



Vacancy Rate (2024 avg)

11.4%



Delivered Units (2024)

15,047

Absorption Units (2024)

12,967

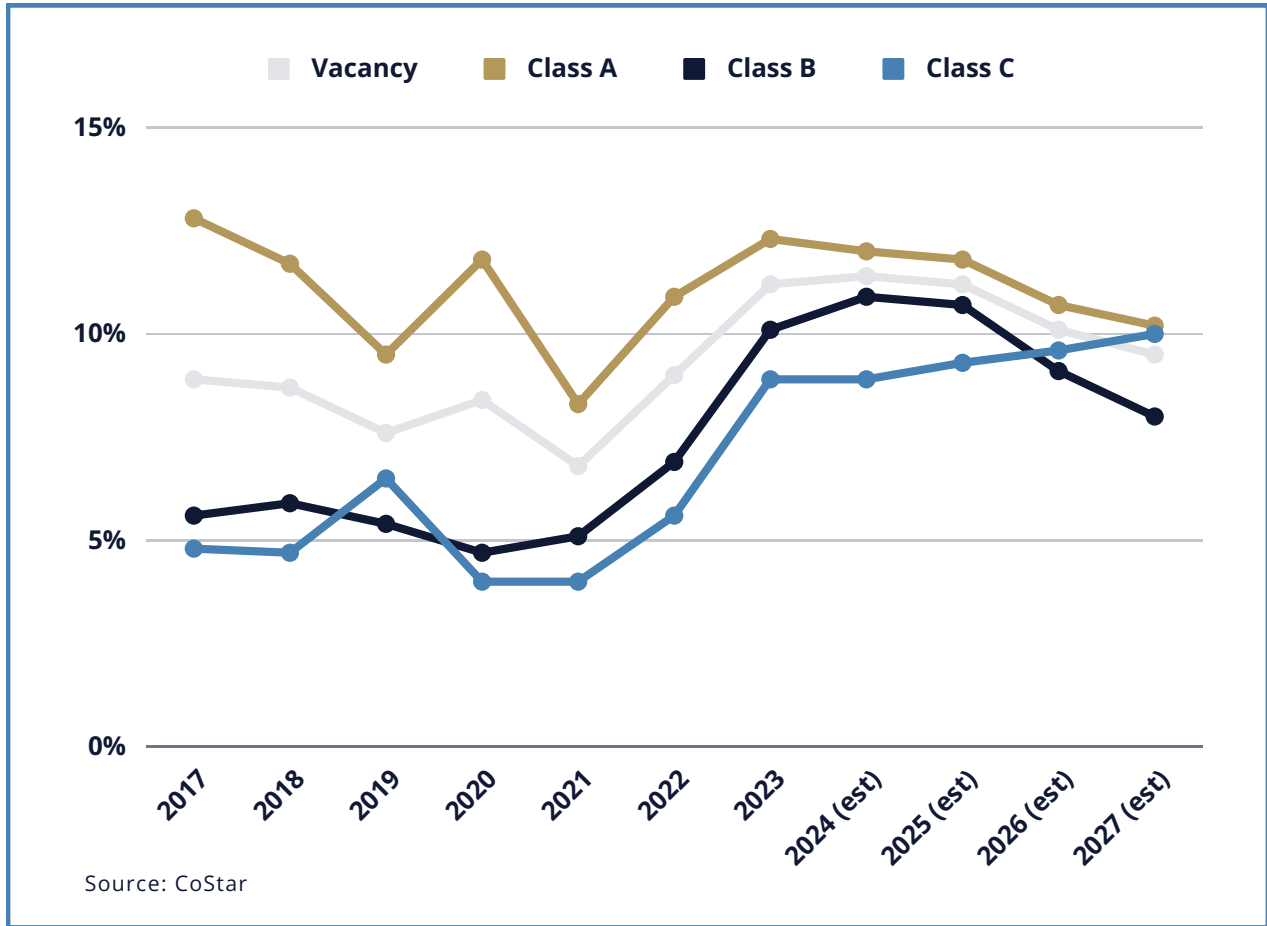
Average Sales Price (\$/unit)

\$202,094 / unit

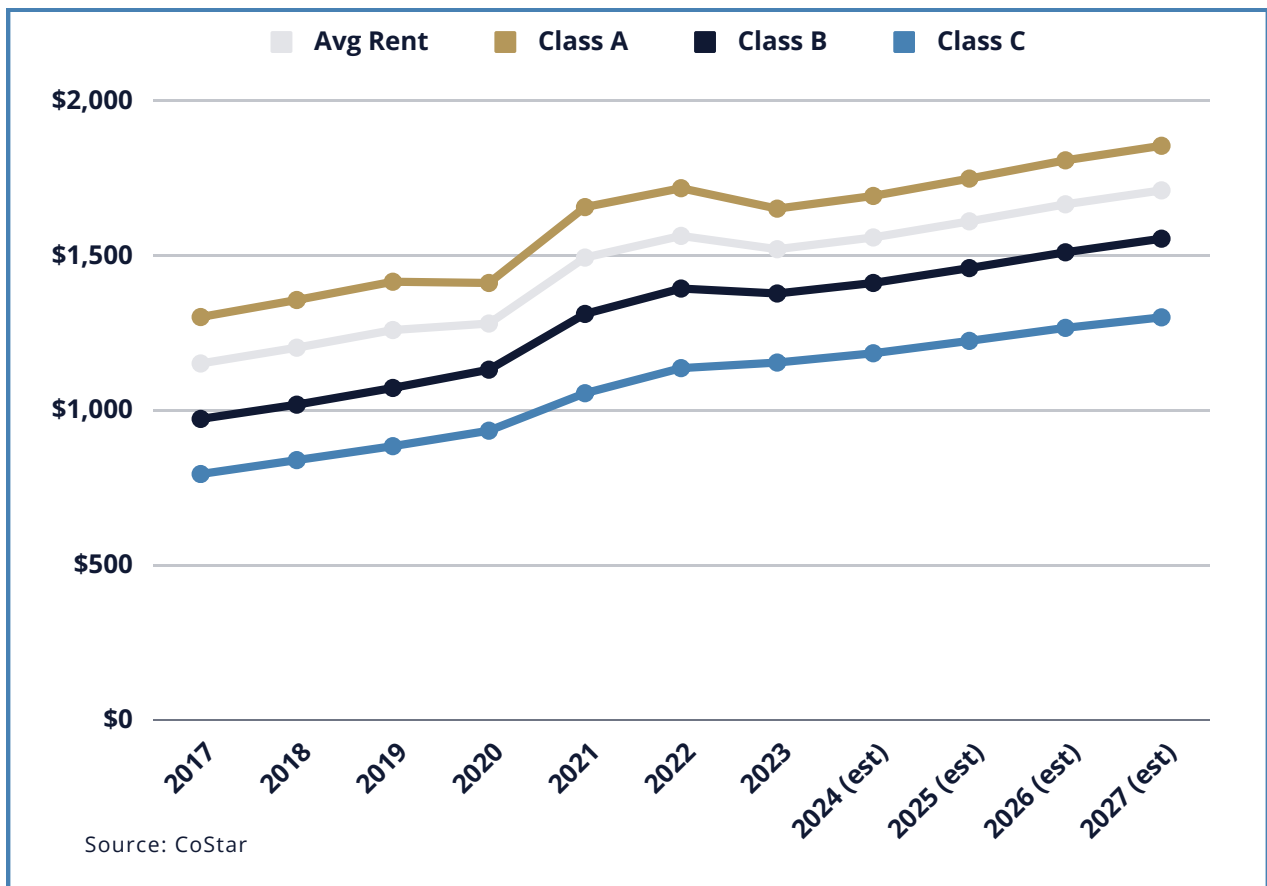


- Charlotte is expected to continue its rapid growth by adding almost 40,000 additional residents.
- Charlotte will see the majority of its construction pipeline deliver in 2024.
- Vacancy is expected to reach its projected peak at 11.4% due to the 15,047 units expected to be delivered.
- Rent growth is expected to rebound from negative territory in 2023 to an increase of 2.5% by year end, followed by rent growth in the coming years above 3%.
- Average sale price is expected to reach its trough with values resetting to pre-covid levels. This equates to a 19% reduction in pricing to Charlotte's peak average sales price, seen at the beginning of 2022.
- Average sale price is not expected to surpass 2022 pricing until 2027.
- Market indicators are showing signs of improvement as 2024 ends, which should make way for a more healthy and beneficial investment future.

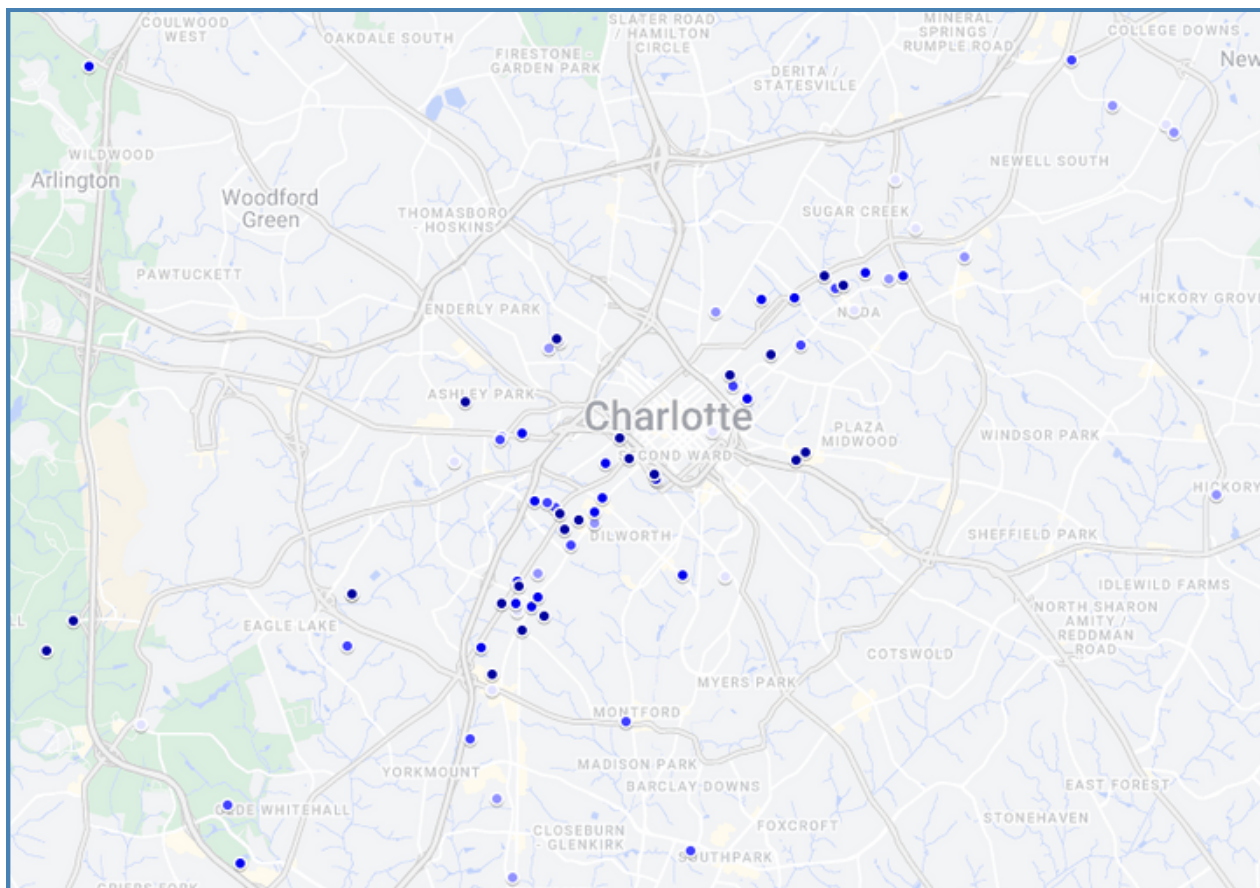
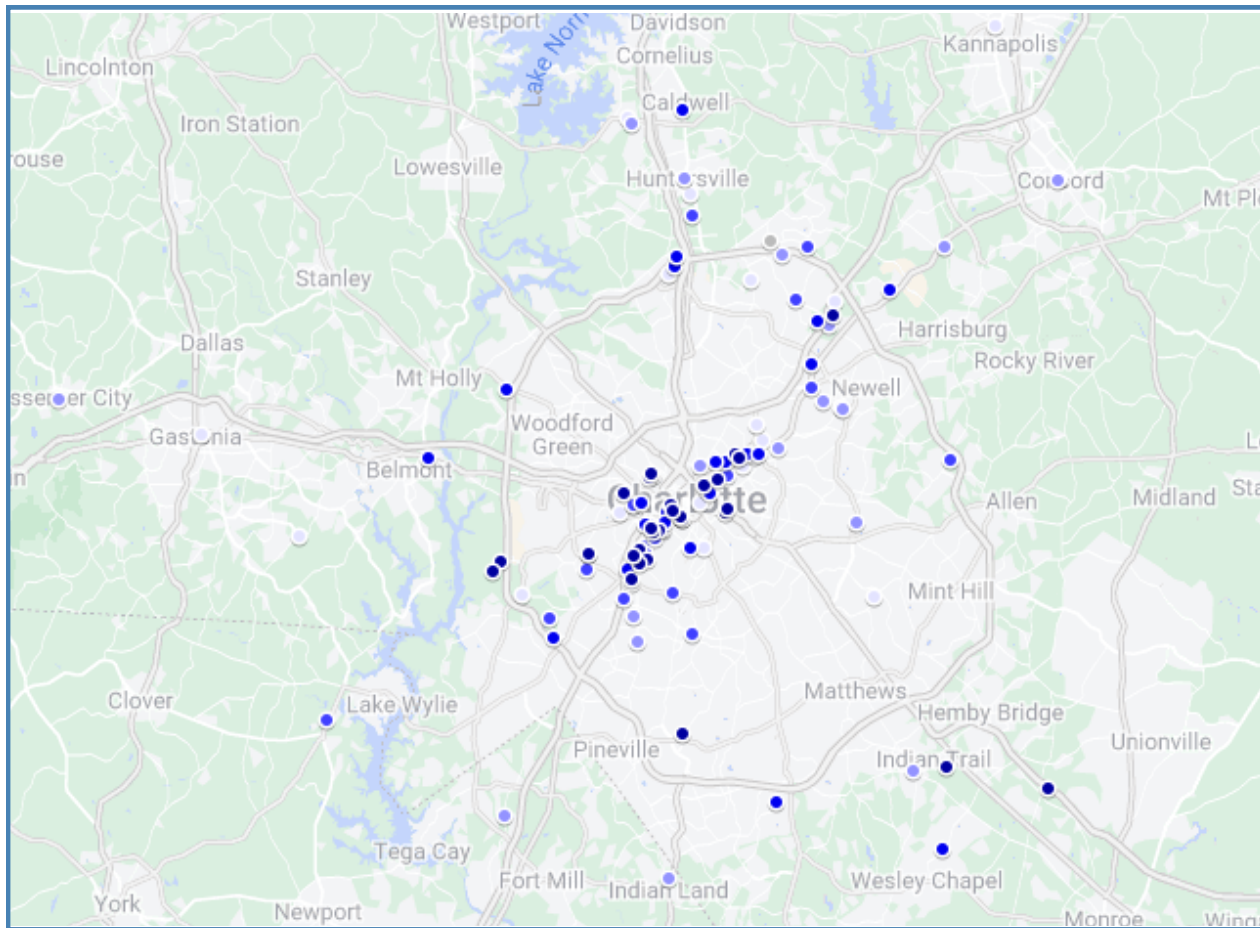
CHARLOTTE: VACANCY



CHARLOTTE: AVERAGE RENT



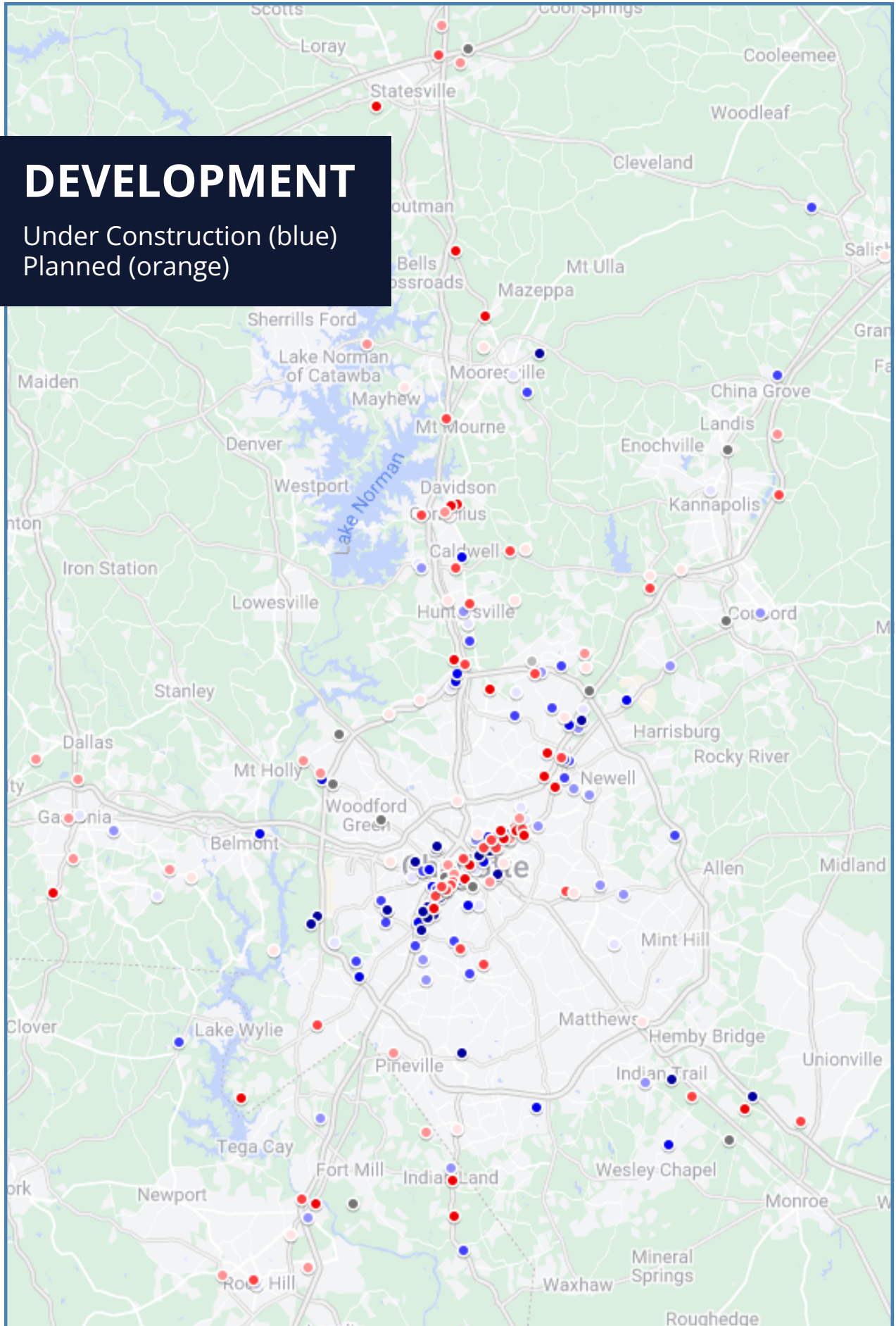
CHARLOTTE MULTIFAMILY DEVELOPMENT MAP: UNDER CONSTRUCTION



CHARLOTTE MULTIFAMILY DEVELOPMENT MAP: UNDER CONSTRUCTION & PLANNED

DEVELOPMENT

Under Construction (blue)
Planned (orange)



LET US KNOW HOW WE CAN HELP *SECURE YOUR FUTURE*

Whether buying
or selling
multifamily, we
are here for you

THINKING OF SELLING

- **REQUEST A FREE VALUATION:**
Let us help you understand the current value of your multifamily asset.
- **DEVELOP A CLEAR PLAN:**
We'll work with you to develop a customized plan to maximize the value of your investment.
- **MAXIMIZE YOUR INVESTMENT:**
We'll use our expertise and personalized service to help you achieve your goals and ensure a successful sale.

[Request Valuation](#)

LOOKING TO BUY

- **COMPLETE INVESTMENT CRITERIA FORM:**
Let us know what you are looking for with your future investments.
- **SCHEDULE A CALL:**
We can get to know your current goals and the best way we can help you.
- **LET US FIND YOUR DEAL:**
You will be on our distribution list and get exclusive deals to get you the deal you want.

[K. Chase Investment Criteria Form](#)



K. CHASE & COMPANY

Multifamily Brokerage in the Carolinas

Multifamily investing can be overwhelming, especially in this market. At K. Chase & Company, we help investors maximize their investment returns so they can secure and enjoy their future.

Located in Charlotte, we are a dedicated multifamily investment sales brokerage firm. Our core focus is assisting clients with the disposition and acquisition of multifamily properties and land across the Carolinas.

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CAROLINA FOCUSED.**

**We are here to help
you navigate the
market, so you can
maximize your
investment returns
to secure your
future.**

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