

# Charlotte 1Q 2024 Market Report

## MARKET SNAPSHOT



AVERAGE RENT  
**\$1,541 1Q 2024**



1Q 2024 RENT CHANGE  
**-2.9%**



OCCUPANCY RATE  
**91.7% 1Q 2024**



ANNUAL OCCUPANCY CHANGE  
**-140 BASIS POINTS**



TOTAL OPERATING EXPENSE ANNUAL CHANGE  
**9.8% (FEB 2024)**



NET OPERATING INCOME ANNUAL CHANGE  
**3.7% (FEB 2024)**

\* Please note that these employment figures have been adjusted for seasonal variations and are based on Moody's Analytics forecast as of January 1, 2024.

\*\* Please note that these unemployment rates are estimates that have not been adjusted for seasonal variations, and they are derived from Moody's Analytics forecast as of January 1, 2024.

## KEY TAKEAWAYS

- **Demand Picking Up Steam:** After 2,292 units were absorbed in the first quarter in Charlotte, projections indicate demand will exceed 10,000 units by year-end, well above the market's historical annual absorption rate.
- **High Construction Activity:** Although absorption is projected to grow steadily this year, it will not keep pace with the 14,000 units expected to come online during this period, adding pressure on operators of premium and luxury properties.
- **Strong Pricing Growth in Peripheral Suburbs:** Exurban submarkets like Rowan and Chester Counties, known for limited housing options and their appeal to budget-conscious renters, continue to see the most substantial rent increases in the Charlotte area, with rents rising by 1.8% and 1.7%, respectively. This growth is driven by less competition among lower-cost units.

## Supply & Demand

1Q 2024

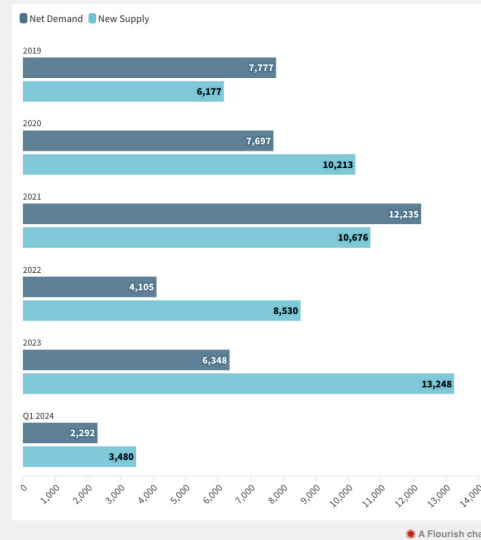


**2,292 Units**  
QUARTERLY DEMAND



**3,480 Units**  
QUARTERLY COMPLETIONS

## Annual Demand Vs Completions



### Demand Trends

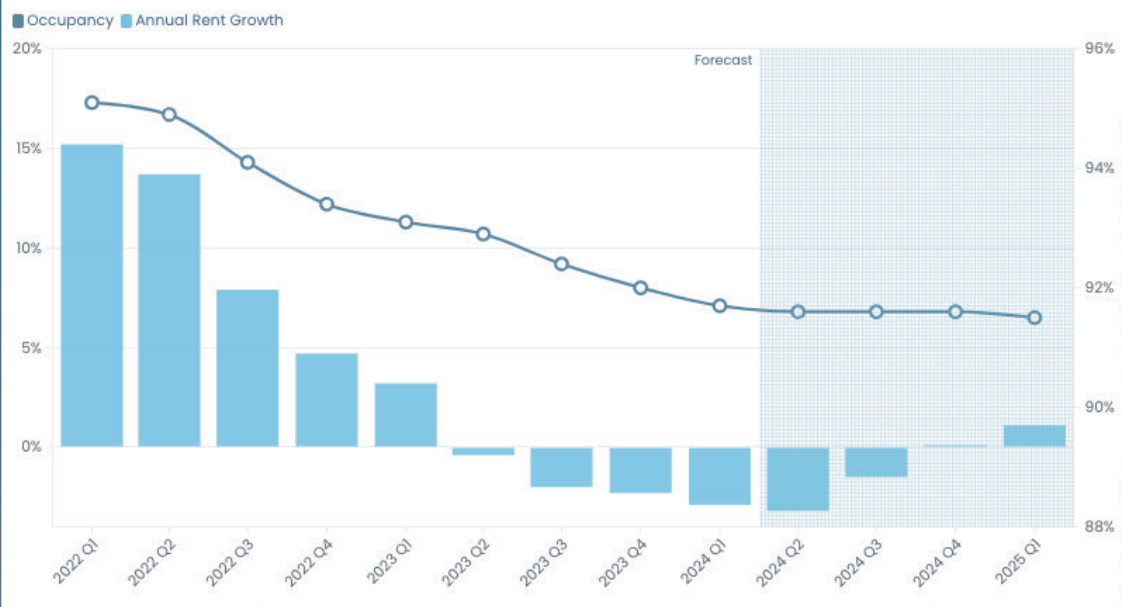
As the Charlotte market emerges from the typically slower winter leasing season, the demand for apartments continues to show resilience across South Central North Carolina. In the first quarter alone, the market saw the absorption of approximately 2,292 units, culminating in a total of 7,266 units absorbed over the past 12 months. This marks four consecutive quarters of positive absorption. A notable surge in demand was observed in West Charlotte, where a predominantly blue-collar population is drawn to more affordable housing due to its proximity to Charlotte Douglas International Airport.

### Construction Trends

Developers are rapidly expanding Charlotte's apartment inventory, positioning the metro as one of the U.S. markets with the highest ratio of new units to existing stock. This rapid growth presents challenges for current property owners and operators. In 2023, a new record was set for apartment deliveries, and this upward trend is projected to continue through at least 2025. In the first quarter of 2024 alone, nearly 3,500 new units became available, with around 15,000 of the 29,000 units under construction expected to be delivered within the year. The 29,000 units under construction will increase the market's inventory by 13.2%, positioning the Charlotte market as having the largest construction pipeline relative to existing stock in the U.S., surpassing even Miami and Austin.



# Occupancy & Rent Trends



## OCCUPANCY TRENDS

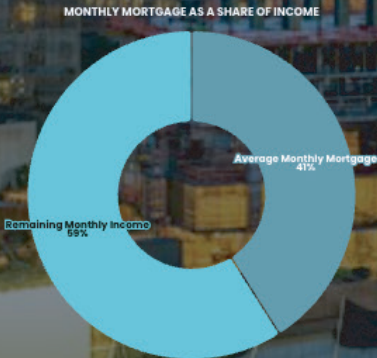
As the 2024 spring leasing season begins, demand for apartments in Charlotte remains historically robust. However, the metro's apartment inventory expanded by 6.0% over the past year, outpacing absorption rates and causing average occupancy to decline by 140 basis points annually to settle at 91.7% at the end of the first quarter. However, the quarterly decline in occupancy rates has slowed, dropping by only 30 basis points from the fourth quarter of 2023 to the first quarter of 2024, compared to a 40-basis-point decrease between the third and fourth quarters of last year. This suggests that a modest degree of stability may be returning to the Charlotte market.

Despite supply induced challenges, six out of 19 submarkets saw quarter-over-quarter occupancy improvements, and more than half reported above historical average occupancy rates. Lancaster and Gaston Counties exceeded 94.0%, while South Park had the lowest rate despite improving by 10 percentage points. The Lower South End submarket, a growing entertainment district near Charlotte's central business district, showed the strongest year-over-year increase in occupancy. Demand in this area remains strong due to its affordability compared to other upscale urban neighborhoods, such as Uptown, South End, and South Park, making it an increasingly attractive location for new developments.

## RENT TRENDS

The Charlotte rental market has observed a cooling in rent growth amid intense competition from newly developed properties. For four consecutive quarters, the market has experienced negative growth in rent, largely attributed to a substantial influx of new housing supply. Over the last year, effective rents for new leases declined by 2.9%. It is anticipated that the influx of new, premium units will persist in driving down rents and tempering growth prospects throughout the remaining months of the year.

Notably, while prime urban neighborhoods like South Park, South End, and Uptown can command rents exceeding \$1,800 per month for high-end units, luxury properties have seen the sharpest rent declines, with drops of over 3 percentage points and greater discounts compared to other options. Conversely, exurban submarkets such as Rowan and Chester Counties, which have limited housing and cater to budget-conscious renters, continue to experience the most significant rent increases in the Charlotte area at 1.8% and 1.7%, respectively, due to lower-cost units facing less competition.



\$2,407

Average Monthly Mortgage Payment



\$1,541

Average Monthly Rent

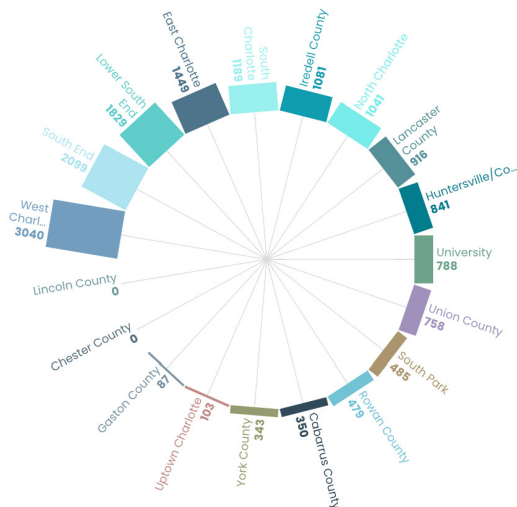


# Submarket Rent & Occupancy

Submarket	Q1 2024 Occupancy	Annual Occupancy Change	Q1 2024 Effective Annual Rent Growth	Q1 2024 Effective Annual Rent/Unit
Cabarrus County	92.2%	-2.2%	-0.5%	\$1,479
Chester County	88.7%	-1%	1.7%	\$465
East Charlotte	91.2%	-2.8%	-1.9%	\$1,412
Gaston County	94%	-0.6%	-1%	\$1,343
Huntersville/Cornelius	92.9%	-1.2%	-2%	\$1,608
Iredell County	93.3%	0.4%	-0.7%	\$1,477
Lancaster County	94.1%	-0.6%	0.5%	\$1,529
Lincoln County	92.5%	0.2%	-2.9%	\$1,285
Lower South End	91.9%	1.9%	-1.1%	\$1,617
North Charlotte	91.3%	-1.6%	-3.4%	\$1,472
Rowan County	92.1%	-0.8%	1.8%	\$1,265
South Charlotte	91.6%	-1.7%	-2.2%	\$1,531
South End	93.2%	-1.4%	-3.6%	\$2,012
South Park	88%	-3.2%	-3.3%	\$1,847
Union County	89.7%	0.3%	-2.3%	\$1,520
University	90.2%	-0.8%	-2.3%	\$1,463
Uptown Charlotte	91.4%	-1.6%	-3.1%	\$1,961
West Charlotte	93.1%	-0.1%	-3.7%	\$1,456
York County	92.6%	-0.7%	-2.6%	\$1,459

# Submarket Construction Pipeline

Units UC Delivering in the Next 4 Quarter



Submarket	Units UC Delivering in the Next 4 Quarters	Under Construction Units	% of Total Market Wide UC
Cabarrus County	350	396	1.3%
Chester County	0	0	0%
East Charlotte	1,449	1,543	5%
Gaston County	87	580	1.9%
Huntersville/Cornelius	841	1,335	4.3%
Iredell County	1,081	1,796	5.8%
Lancaster County	916	917	3%
Lincoln County	0	0	0%
Lower South End	1,829	3,039	9.9%
North Charlotte	1,041	3,695	12%
Rowan County	479	480	1.6%
South Charlotte	1,189	1,196	3.9%
South End	2,099	6,260	20.3%
South Park	485	488	1.6%
Union County	758	760	2.5%
University	788	2,389	7.8%
Uptown Charlotte	103	105	0.3%
West Charlotte	3,040	5,434	17.6%
York County	343	393	1.3%
Total	16,878	30,806	100%

# Sales Activity

Preliminary data from MSCI reveals that transaction volume for conventional single-asset multifamily properties in Charlotte reached roughly \$136.3 million in the first quarter of 2024, a 50% decrease from the same period last year. This quarter's volume is the lowest in the past decade, with only five properties changing hands. Rising capital costs and stricter lending standards appear to have limited larger transactions. Although Charlotte is evolving into a more institutional market, institutional investment has generally decreased since early 2023, leaving private buyers to dominate current transactions. Nevertheless, institutions and REITs remain the primary players in the larger deals that do occur in Charlotte.

▲ Most Active Buyers (Previous 24 Months)

- Southwood Realty/Triangle
- West Shore Equity
- MAA REIT

▲ Most Active Sellers (Previous 24 Months)

- Greystar
- PGIM Real Estate
- Starwood Capital

\*Most Active Buyers and Sellers are based on the sale volume of apartment units.

TRANSACTION VOLUME

**\$136.3M**

YTD Transaction Volume

**-50%**

Y-O-Y Change

**5 YTD**

Individual Transaction Count

**\$209.4k\***

Price Per Unit

**-23.2%**

Annual PPU Change

\* Trailing 4Q average PPU

\* Preliminary Data from RCA - Individual transaction \$2.5M +

# Income & Expense Analysis

Please note that the income and expense data presented in this section is sourced from third-party providers. Our firm does not provide any warranty or guarantee as to the accuracy or reliability of this information. We recommend that users exercise their own discretion and professional judgment when interpreting and utilizing this data.

## Income & Expenses

— Operating Income Metrics

Income Assumptions	Value / Unit	Year Change (%)
Rental Income / Occupied Unit	\$1,473.27	7.2%
Recoverable Expenses / Occupied Unit	\$68.00	5.8%
Other Income / Occupied Unit	\$77.71	5.9%
<b>Total Income / Occupied Unit</b>	<b>\$1,618.98</b>	<b>7.1%</b>
Rental Income	\$1,351.42	6.2%
Recoverable Expenses	\$62.37	4.8%
Other Income	\$71.27	4.9%
<b>Total Income</b>	<b>\$1,485.07</b>	<b>6.1%</b>

— Operating Expense Metrics

Operating Expenses	Value / Unit	Year Change (%)
Payroll	\$138.43	5.0%
Repairs & Maintenance	\$47.24	8.8%
Leasing	\$60.34	4.4%
General	\$30.85	0.6%
Marketing & Advertising	\$23.54	9.6%
Repairs & Maintenance	\$96.17	10.8%
Cleaning	\$15.88	14.9%
Roads & Grounds	\$19.12	5.1%
General	\$61.16	11.7%
Administrative	\$47.85	13.3%
Security	\$5.95	8.3%
General	\$41.90	14.0%
Management Fees	\$44.41	3.6%
Utilities	\$81.85	5.3%
Electric	\$18.06	11.2%



# Income & Expense Analysis

Please note that the income and expense data presented in this section is sourced from third-party providers. Our firm does not provide any warranty or guarantee as to the accuracy or reliability of this information. We recommend that users exercise their own discretion and professional judgment when interpreting and utilizing this data.

Gas	\$1.05	-9.8%
Water/Sewer	\$62.74	4.0%
Real Estate & Other Taxes	\$142.08	14.6%
Insurance	\$38.15	22.9%
Other Operating Expenses	\$2.23	
<b>Total Operating Expense</b>	<b>\$614.69</b>	<b>9.8%</b>

## Net Operating Income

	Value / Unit	Year Change (%)
<b>Net Operating Income</b>	<b>\$870.37</b>	<b>3.7%</b>

## Market Outlook

Apartment demand in Charlotte remains strong as the 2024 spring leasing season begins, even amid a growing supply-demand mismatch. In the past year, around 13,000 new units were delivered, nearly double the net absorption of 7,400 units. The supply surge is set to peak soon, with 29,000 units currently under construction. Over 14,000 of these are due for completion this year, leading to a 13.3% inventory increase, one of the largest construction pipelines in the nation.

Despite these challenges, Charlotte's appeal continues to rise, driven by expanding opportunities in financial services and technology, and its status as a hub for post-college talent in the Southeast. The surge in population and job growth, along with major expansions at Charlotte Douglas International Airport, is expected to further boost regional demand for rental units.

Sources: Yardi Matrix, Costar, MSCI

TO GAIN FURTHER INSIGHTS INTO THE CHARLOTTE MARKET PLEASE REACH OUT TO OUR LOCAL TEAM



**Alex Blagojevich**  
Executive Managing Director /  
Co-Founder

[alex.blagojevich@mmgrea.com](mailto:alex.blagojevich@mmgrea.com)



**Michael Sullivan**  
Executive Managing Director /  
Co-Founder

[michael.sullivan@mmgrea.com](mailto:michael.sullivan@mmgrea.com)



**Nate Ulepich**  
Director of Revenue  
Operations and National Team  
Coordinator

[nate.ulepich@mmgrea.com](mailto:nate.ulepich@mmgrea.com)



**Brett Meinzer**  
Managing Director

[brett.meinzer@mmgrea.com](mailto:brett.meinzer@mmgrea.com)



**David Huey**  
Senior Director

[david.huey@mmgrea.com](mailto:david.huey@mmgrea.com)



**Kendall Adams**  
Senior Director

[kendall.adams@mmgrea.com](mailto:kendall.adams@mmgrea.com)



**Ryan Carter**  
Associate Advisor

[ryan.carter@mmgrea.com](mailto:ryan.carter@mmgrea.com)



**Brett Sanchez**  
Associate Advisor

[brett.sanchez@mmgrea.com](mailto:brett.sanchez@mmgrea.com)



**Thomas Skevington**  
Senior Advisor

[thomas.skevington@mmgrea.com](mailto:thomas.skevington@mmgrea.com)



**Kyle Winston**  
Senior Advisor

[kyle.winston@mmgrea.com](mailto:kyle.winston@mmgrea.com)



**Chris Wilson**  
Associate Advisor

[chris.wilson@mmgrea.com](mailto:chris.wilson@mmgrea.com)

