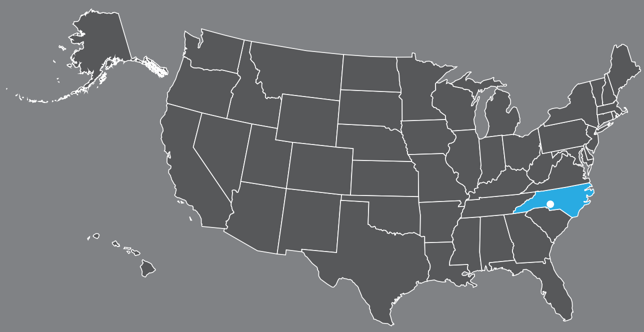
HUD PD&R Housing Market Profiles

Charlotte-Concord-Gastonia, North Carolina-South Carolina

Quick Facts About Charlotte-Concord-Gastonia

- **Current sales market conditions: slightly tight**
- **Current rental market conditions: slightly tight**
- **In 2019, the Charlotte metropolitan area regained the label of the nation's second largest banking center from San Francisco, with $2.3 trillion in assets held by banks headquartered in the area, only behind New York City (S&P Global Market Intelligence).**



By Holi Urbas | As of March 1, 2019

Overview

The Charlotte-Concord-Gastonia (hereafter, Charlotte) metropolitan area, conterminous with the metropolitan statistical area of the same name, consists of seven counties (Cabarrus, Gaston, Iredell, Lincoln, Mecklenburg, Rowan, and Union) in North Carolina and three counties (Chester, Lancaster, and York) in South Carolina. The metropolitan area is recognized as a regional center for transportation, warehousing, and distribution networks because of its access, in 2 hours by plane or 12 hours by truck, to more than one-half of the nation's population. More than 400 corporate headquarters are in the Charlotte metropolitan area, including 15 Fortune 1,000 companies, attracted by the relatively low cost of living, favorable business climate, educated workforce, and proximity to other major east coast cities.

- As of March 1, 2019, the population of the Charlotte metropolitan area was estimated at 2.61 million, reflecting an average annual increase of 48,500, or 2.0 percent, a year since July 2013. Net in-migration accounted for approximately 72 percent of the growth, or an average of 35,100 people a year. By comparison, population growth averaged 36,900 people, or 1.6 percent, annually, from July 2010 through July 2013 as the economy slowly recovered from the effects of the Great Recession; 66 percent of the growth was attributable to net in-migration (Census Bureau estimates).

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- Mecklenburg County (home to the city of Charlotte) and Union County, the two most urbanized counties in the metropolitan area, accounted for 57 percent of all net in-migration to the metropolitan area from 2000 to 2010, but that share has fallen to 51 percent since 2010. The shift toward more suburban areas coincides with the increased cost of living closer to the city center.
- In a 2018 report, the 50 largest metropolitan areas in the country were ranked to identify millennial (people born between 1981 and 1996) boomtowns. For each metropolitan area, the study looked at the change from 2011 to 2016 in the millennial population, labor force participation, unemployment, and wages, and the Charlotte metropolitan area came in 12th on that list, reporting a 9.9-percent increase in the number of millennials living in the area (MagnifyMoney).
- The workforce in the Charlotte metropolitan area is becoming increasingly educated, with 38 percent of adults aged 25 to 64 with a bachelor's degree or higher, up from 34 percent in 2013 (2013 and 2017 American Community Survey, 1-year estimates). The corresponding national rates are 33.2 and 31.1 percent, respectively.

Economic Conditions

Currently, economic conditions in the Charlotte metropolitan area are strong due to average annual job growth of 3.2 percent since 2013, nearly double the national rate of 1.8 percent. The Charlotte metropolitan area, which is considered the second largest banking center in the nation, was hit relatively hard by the Great Recession and financial crisis in the late 2000s, losing jobs at an average annual rate of 2.3 percent from 2008 through 2010, compared with the national rate of 1.9 percent. From 2011 through 2013, however, job growth returned at an average annual rate of 2.6 percent, well above the national rate of 1.5 percent, and the metropolitan area recovered the number of jobs lost during the recession by late 2013.

During the 3 months ending February 2019—

- Nonfarm payrolls increased by 25,700 jobs, or 2.2 percent, from the 3 months ending February 2018. By comparison, from the

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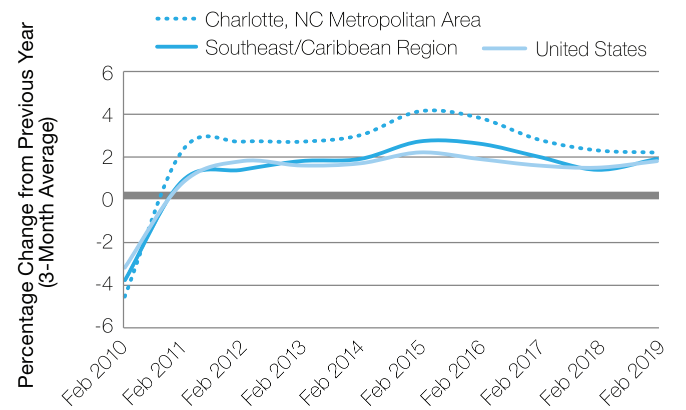
Nonfarm payroll growth in the Charlotte metropolitan area has been consistently above growth in the Southeast/Caribbean region and the nation since mid-2010.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

In the Charlotte metropolitan area, service-providing sectors accounted for 87 percent of year-over-year job growth during the 3 months ending February 2019.

	3 Months Ending		Year-Over-Year Change	
	February 2018 (Thousands)	February 2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,188.3	1,214.0	25.7	2.2
Goods-Producing Sectors	169.9	173.2	3.3	1.9
Mining, Logging, & Construction	62.6	63.0	0.4	0.6
Manufacturing	107.3	110.2	2.9	2.7
Service-Providing Sectors	1,018.4	1,040.8	22.4	2.2
Wholesale & Retail Trade	184.0	184.1	0.1	0.1
Transportation & Utilities	57.5	61.5	4.0	7.0
Information	28.9	29.7	0.8	2.8
Financial Activities	94.0	96.5	2.5	2.7
Professional & Business Services	201.5	207.4	5.9	2.9
Education & Health Services	122.4	126.7	4.3	3.5
Leisure & Hospitality	133.9	139.4	5.5	4.1
Other Services	40.2	41.7	1.5	3.7
Government	155.9	153.9	-2.0	-1.3
	(Percent)	(Percent)		
Unemployment Rate	4.3	3.8		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

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3 months ending February 2017 to the same period in 2018, payrolls increased by 26,400 jobs, or 2.3 percent.

- Payroll gains in the professional and business services sector accounted for nearly 23 percent of all job gains in the metropolitan area. The concentration of corporate headquarters affects this payroll sector the most, which includes the management of companies and enterprises industry. The metropolitan area has two times the national average of people working in headquarters operations, which have an estimated annual economic impact of $67 billion (Charlotte Regional Business Alliance).
- In percentage terms, the transportation and utilities sector was the fastest growing due to increased hiring to support the transportation and logistics industry. In 2018, an estimated 166,000 people in the Charlotte metropolitan area worked in the transportation and logistics industry or supportive occupations, up from an estimated 137,000 in 2016 (Charlotte Regional Business Alliance). Amazon.com, Inc. received final approval to begin construction on a 100-acre, 2.5 million-square-foot distribution center near the Charlotte Douglas International Airport. The capital investment is estimated at $200 million and is expected to add more than 1,500 new jobs.
- The jobless rate declined to 3.8 percent compared with 4.3 percent during the 3 months ending February 2018 because employment growth outpaced growth in the labor force.

The financial activities sector added 2,500 jobs, or 2.7 percent, from the 3 months ending February 2018 to the 3 months ending February 2019, to 96,500 jobs. By comparison, sector payrolls increased by 3,900 jobs, or 4.4 percent, from the 3 months ending February 2017 to the 3 months ending February 2018. Much of the recent job growth is attributable to the emerging, but fast-growing, financial technology—fintech—industry, which leverages new technology to improve and automate the delivery and use of financial services, such as online banking and mobile lending applications. AvidXchange, ServiceMac, and LendingTree, national leaders in the fintech industry and headquartered in the metropolitan area, announced a combined 2,700 new job openings in the fourth quarter of 2018. Additionally, Wells Fargo & Company, with its largest employment hub and east coast operations in Charlotte, has hired 1,200 people in the past year with plans to grow its Charlotte footprint from 6.2 to 6.5 million square feet in the next 3 years with the capacity to add thousands of new jobs. SunTrust Banks, Inc. and BB&T Corporation, two Fortune 500 companies, announced plans to merge and relocate their headquarters to Charlotte from Atlanta, GA and Winston-Salem, NC, respectively. The merger would bring an additional $442 billion worth of assets, pushing the total amount of assets held by Charlotte-area banks to $2.7 trillion.

Largest Employers in the Charlotte Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Atrium Health	Education & Health Services	35,000
Wells Fargo & Company	Financial Activities	24,100
Walmart Inc.	Wholesale & Retail Trade	16,100

Note: Excludes local school districts.
Source: Moody's Analytics

Sales Market Conditions

Sales housing market conditions in the Charlotte metropolitan area are currently slightly tight, with an estimated sales vacancy rate of 1.5 percent, down from 2.8 percent in 2010. Strong job growth, increased net in-migration, and low levels of new home construction have contributed to the absorption of the excess inventory created in the late 2000s. As of February 2019, a 4.0-month supply of homes was available for sale, relatively unchanged from a year ago, and down substantially from a recent high of 8.2-months' worth in February 2014 (Redfin). In January 2019, 1.5 percent of home loans in the metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, and the rate has declined every year since a high of 7.4 percent in February 2010. The current rate is lower than the 1.9-percent rate for North Carolina and the 1.7-percent rate for the nation.

During the 12 months ending January 2019—

- Existing home sales (which includes regular resale and REO home sales) totaled 52,850, reflecting a 2-percent increase from a year ago (CoreLogic, Inc., with adjustments by the analyst).

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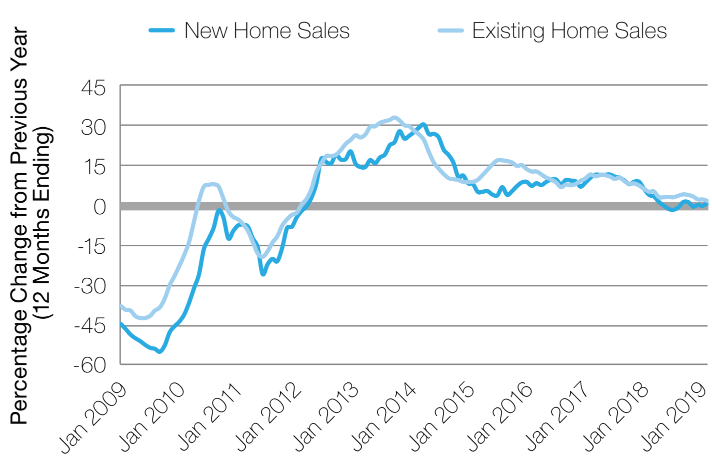
In the Charlotte metropolitan area, new home sales have been relatively flat since early 2018.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

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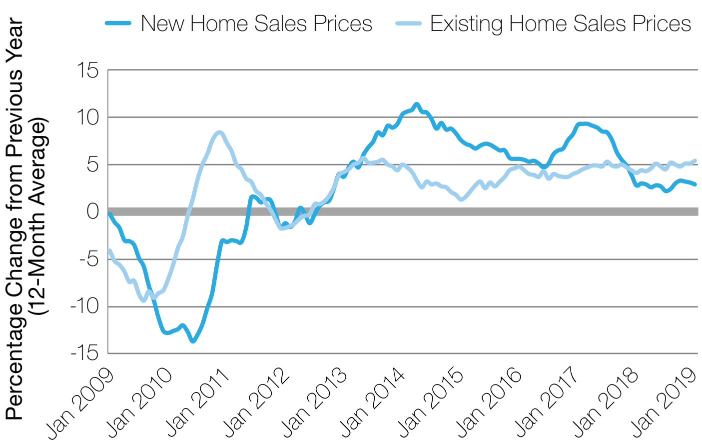
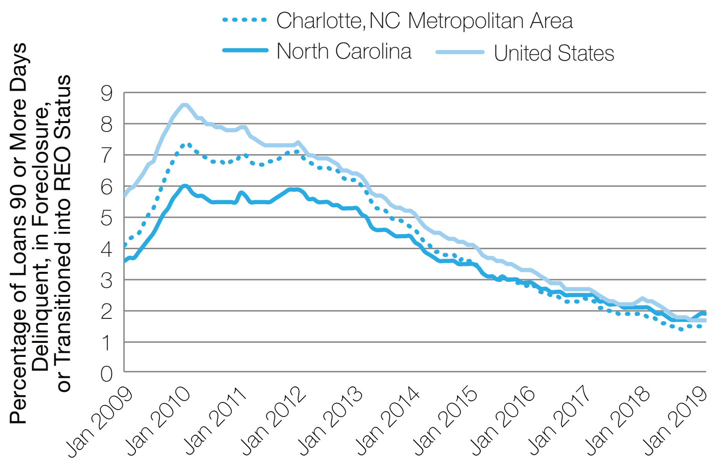
In the Charlotte metropolitan area, existing home sales price growth surpassed the rate of growth in new home sales prices in January 2018, reversing the trend of the previous 5 years.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

The proportion of seriously delinquent loans and REO properties in the Charlotte metropolitan area has been below both the statewide and nationwide rates since the beginning of 2016.



REO = real estate owned.
Source: CoreLogic, Inc.

By comparison, existing home sales increased at an average annual rate of 15 percent from 2012 through 2017.

- The average price of an existing home was $252,200, up 5 percent from a year ago, relatively unchanged from the average annual rate of price growth from 2012 through 2017.
- REO sales accounted for less than 2 percent of existing home sales, relatively unchanged from a year ago, but down from an annual average of 16 percent from 2009 through 2013. The average sales price of an REO home was $156,800 during the 12 months ending January 2019, approximately 38 percent less than the average sales price of a regular resale home.
- New home sales increased less than 1 percent to 11,300 sales compared with a year ago. By contrast, new home sales increased at an average annual rate of 13 percent from 2012 through 2017.
- The average sales price of a new home was $341,700, up 3 percent from the previous 12 months. By comparison, average annual price growth was almost 7 percent from 2012 through 2017.

New single-family home construction, as measured by the number of homes permitted, increased every year from the low-point of the housing market crisis in 2010 through 2017. Recently, however, rising labor, land, and materials costs have suppressed growth in new home construction, and the level of permitting in 2018 was relatively unchanged from 2017, averaging 15,250 new homes a year.

- During the 12 months ending February 2019, permits were issued for 14,700 single-family homes, up 2 percent from the 14,350 permits issued during the 12 months ending February 2018 (preliminary data).
- Current new home production is significantly higher than the average of 5,400 homes permitted annually from 2009 through 2011 during the worst of the housing market crisis, but below the average of 21,200 homes permitted a year from 2002 through 2008 during the build-up to the crash.
- From 2000 through 2009, approximately 53 percent of new home construction was concentrated in Mecklenburg and

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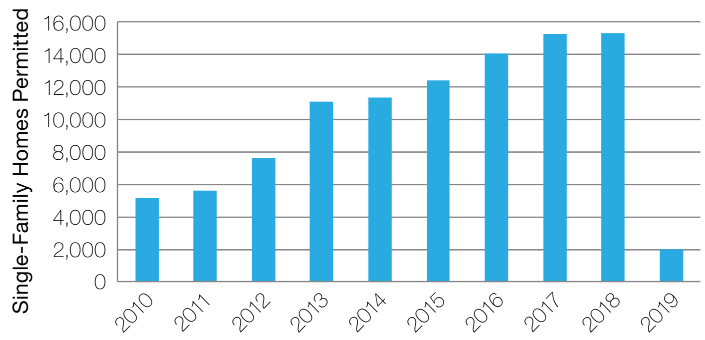
New home construction in the Charlotte metropolitan area has increased significantly since sales market conditions began to improve in 2012.



Note: Includes preliminary data from January 2018 through February 2019.
Source: U.S. Census Bureau, Building Permits Survey

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Union Counties, but since 2009, that share has fallen to 47 percent, similar to population growth trends within the metropolitan area.

- Because of high land costs, single-family developments are rather limited near the city of Charlotte. Approximately 830 townhomes were started in the city of Charlotte in 2018, up 33 percent from 2017 (Metrostudy, A Hanley Wood Company). Most townhome developers are targeting the $300,000 to $400,000 price point but there are a few pockets of luxury townhomes selling for upwards of $600,000.
- Outside of the city of Charlotte, developers have focused on master-planned communities that offer luxury, city-type amenities in a more suburban setting. A current example of the type is Waterside at the Catawba, which began construction in Fort Mill, SC in 2015. Currently, most of the planned 1,100 single-family homes are built and sold, and approximately one-half of the planned 200 townhomes have sold. Prices start at $252,900 and $212,000 for a single-family home and townhome, respectively.

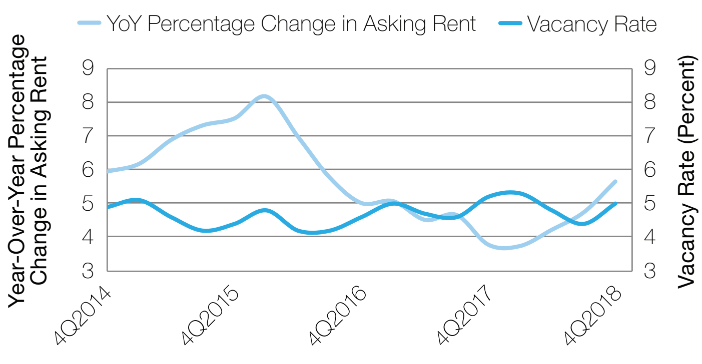
Apartment Market Conditions

Apartment market conditions in the Charlotte metropolitan area have tightened considerably since 2010 when conditions were soft, a result of strong net in-migration and a low inventory of affordable for-sale housing. Demographic changes have also contributed to the strong demand for apartments in the metropolitan area, with millennials postponing homeownership longer than did previous generations. The apartment market is currently slightly tight, with a 5.0-percent vacancy rate during the fourth quarter of 2018, down from 5.2 percent a year ago, despite the addition of nearly 7,550 apartments in the past year (RealPage, Inc.).

During the fourth quarter of 2018—

- Apartment vacancy rates declined or remained stable in 9 of the 15 RealPage, Inc.-defined market areas in the metropolitan area compared with rates during the fourth quarter of 2017. The Gaston County market area had the lowest rate at 2.7 percent, down from 6.3 percent a year ago. The highest rate was in the Uptown/South End market area, which encompasses downtown Charlotte, at 5.7 percent, down from 6.6 percent a year ago, despite the addition of 1,650 new apartments, or roughly 22 percent of all additions in the metropolitan area.
- Asking rents in the metropolitan area increased 6 percent to $1,100 compared with a year ago, like the 6-percent annual rent growth from the fourth quarter of 2013 to the fourth quarter of 2017.
- Rent growth occurred in all market areas during the past year, ranging from a 1-percent increase in the Meyers Park market area in the city of Charlotte to an 8-percent gain in both the Mooresville/Statesville and Concord/Kannapolis/Salisbury market areas. The latter two market areas are located outside of Mecklenburg County.
- The highest asking rent was $1,598 in the Uptown/South End area, up 7 percent from a year ago. Since the fourth quarter of 2013, almost one-fourth of the more than 40,000 new apartments built was in the Uptown/South End area, which is popular with millennials.

The vacancy rate has remained relatively stable in the Charlotte metropolitan area despite a surge in apartment construction since 2014.



4Q = fourth quarter.
YoY = year-over-year.
Source: RealPage, Inc.

Multifamily construction from 2014 through 2018, as measured by the number of multifamily units permitted, was the highest level of permitting during any 5-year period since at least 1980, averaging 7,650 units annually; less than 1 percent were for condominiums. Strong population and job growth and a limited supply of for-sale housing continue to encourage multifamily development in the metropolitan area, but construction activity moderated over the past year. During the 12 months ending February 2019, 8,175 units were permitted, down 11 percent from a year ago (preliminary data). By comparison, multifamily construction totaled 9,225 units during the 12 months ending February 2017, reflecting a 32-percent increase from the previous 12-month period.

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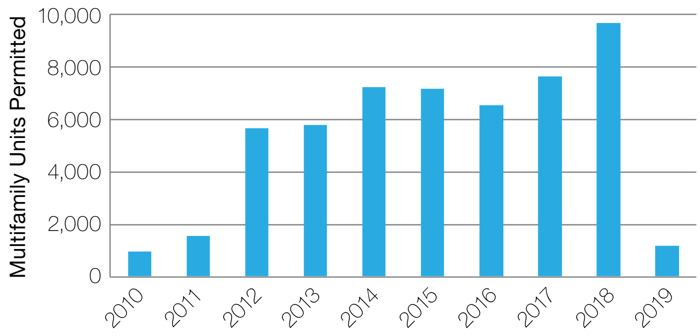
- An average of 4,825 units was permitted annually from 2004 through 2008, during a period of strong economic growth prior to the Great Recession; approximately 25 percent were for condominiums. From 2009 through 2011, construction declined to an average of 1,725 units annually, but increased to an average of 5,700 units annually in 2012 and 2013 as the economy began to recover; condominiums constituted less than 2 percent of multifamily construction during both periods.
- Approximately 8,775 units are currently under construction in the metropolitan area; 85 percent, or 7,500 units, are in the city of Charlotte. Market areas outside of Mecklenburg County, some of which had the fastest rent growth and lowest vacancy rates in the metropolitan area, accounted for approximately 10 percent of apartment construction.
- In the past year, five apartment developments opened in the Uptown/South End area with an average size of 330 units. The largest project, Novel Stonewall Station, opened 432 units in December 2018 with rents starting at $1,330, $1,560, $2,233, and $6,995 for studios, one-, two-, and three-bedroom units, respectively. Seven additional apartment developments are under construction totaling 2,150 units, equivalent to 16 percent of all units under construction in the metropolitan area.
- The $1.2 billion Blue Line light rail extension opened a year ago, connecting the Uptown/South End area to the University of North Carolina (UNC)-Charlotte market area, which fueled development along the route with an estimated $800 million worth of development completed or underway (*Charlotte Observer*). One development, the 377-unit Blu at Northline, opened in the UNC area during the past 12 months, with rents starting at $1,196, $1,130, $1,412, and $1,680 for studios, one-, two-, and three-bedroom units, respectively. Seven additional projects are under construction totaling 1,700 units, all expected to be complete by the end of 2019.

The level of multifamily permitting in the Charlotte metropolitan area in 2018 was the highest on record going back to at least 1980.



Note: Includes preliminary data from January 2018 through February 2019.
Source: U.S. Census Bureau, Building Permits Survey