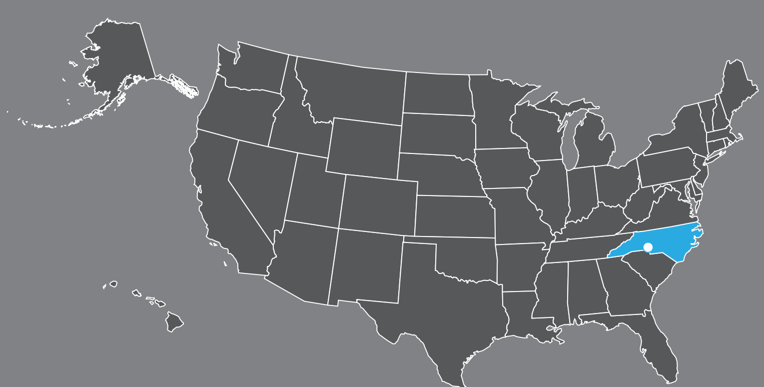
HUD PD&R Housing Market Profiles

Charlotte-Concord-Gastonia, North Carolina-South Carolina

Charlotte, North Carolina

Quick Facts About Charlotte-Concord-Gastonia

- **Current sales market conditions: very tight**
- **Current apartment market conditions: tight**
- **The Charlotte metropolitan area is the second largest banking center in the nation, with $2.3 trillion in assets held by banks headquartered in the area, behind only New York City (Charlotte Regional Business Alliance).**



By Holi Urbas | As of November 1, 2021

Overview

The Charlotte-Concord-Gastonia (hereafter, Charlotte) metropolitan area is conterminous with the metropolitan statistical area of the same name. It 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. In addition to being a significant national financial center, the metropolitan area is a regional center for transportation, warehousing, and distribution networks because of its access—2 hours by plane or 12 hours by truck—to more than one-half of the national population. More than 400 corporate headquarters are in the Charlotte metropolitan area, including 19 Fortune 1000 companies, attracted by the relatively low cost of living, favorable business climate, educated workforce, and proximity to other major east coast cities. The economy in the Charlotte metropolitan area continues to recover from the loss of 153,300 jobs during the recession in March and April 2020 due to countermeasures taken to slow the spread of COVID-19; on a monthly basis, in October 2021, payrolls totaled 1.24 million, approximately 1 percent below the prerecession peak in February 2020 (not seasonally adjusted).

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A prolonged shortage of for-sale housing, coupled with historically low interest rates, has contributed to very tight sales market conditions. The apartment market in the metropolitan area is tight; all 14 Moody's Analytics REIS-defined submarket areas had year-over-year rent growth during the third quarter of 2021, ranging from 8 to 20 percent, and vacancy rates declined in all but three areas.

- The population of the Charlotte metropolitan area is currently estimated at 2.70 million, reflecting an average annual increase of 44,400, or 1.8 percent, since 2013; net in-migration accounted for 71 percent of the increase. Of the 52 metropolitan areas in the nation with populations over 1 million, Charlotte was the tenth fastest growing from 2013 to 2019 (U.S. Census Bureau).
- The metropolitan area has a median age below that of the nation and a more educated populace, partly due to the presence of more than 30 higher education institutions. In 2019, the median age in the metropolitan area was 37.7, compared with 38.5 for the nation; 36.2 percent of the metropolitan area population 25 years and older held a bachelor's degree or higher, compared with 33.1 percent for the nation (American Community Survey 1-year data).
- Approximately 93,000 people in the metropolitan area work in the finance and insurance industry, which expanded 32 percent from 2014 through 2019, the fastest rate of growth in the industry among the largest 50 metropolitan areas in the nation (Charlotte Regional Business Alliance). Jobs in this sector are generally high paying, with average salaries ranging from $92,952 for direct property and casualty insurance to $220,049 for portfolio management; both professions had respective employment totals of 4,126 and 5,996 in the metropolitan area in 2020.
- In the Charlotte metropolitan area, an average of 77,550 homes sold during the 12 months ending August 2021, up 12 percent from a year ago, and the average sales price was up 17 percent, to $345,500 (CoreLogic, Inc., with adjustments by the analyst). Nationally, sales increased 7 percent year over year; the average sales price was up 19 percent, to $369,100.

Economic Conditions

Nine consecutive years of job growth in the metropolitan area, which averaged 2.9 percent annually from 2011 through 2019, ended with the onset of the COVID-19 pandemic. Economic conditions are improving following the sharp decline in jobs during the recession in March and April 2020; however, payrolls during the 3 months ending October 2021 were 1.4 percent below the level during the 3 months ending October 2019, before the pandemic. Nationally, payrolls are 2.9 percent below the rate during the 3 months ending October 2019. The unemployment rate in the Charlotte metropolitan area averaged 3.8 percent during the 3 months ending October 2021 compared with 6.8 percent a year ago but was higher than the 3.3-percent rate during the 3 months ending October 2019.

During the 3 months ending October 2021—

- Payrolls totaled 1.23 million, up by 39,000 jobs, or 3.3 percent, from a year ago compared with a year-over-year loss of 56,700 jobs, or 4.5 percent, during the 3 months ending October 2020.
- The largest payroll gains in numeric and percentage terms occurred in the leisure and hospitality sector, which added 13,300 jobs, or 11.6 percent, from a year ago, to 128,200 jobs; despite these gains, sector payrolls remain 12.2 percent below levels during the 3 months ending October 2019, before the pandemic.
- Payroll gains in the professional and business services sector accounted for nearly one-third of all job gains in the metropolitan area; the 220,000 jobs surpassed the level of payrolls during the 3 months ending October 2019 by more than 2 percent. 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 corporate headquarters; since 2019, three Fortune 1000 companies have relocated to the metropolitan area: Dentsply Sirona Inc., Honeywell International Inc., and Truist Financial Corporation (Charlotte Regional Business Alliance).
- The advantageous geographic location of the metropolitan area supported a gain of 2,400 jobs, or 3.6 percent, in the transportation and utilities sector, to 69,800 jobs, which is more than 14 percent greater than the level of payrolls during the 3 months ending October 2019. Jobs in this sector have grown at an average annual rate of 5.7 percent in the metropolitan area since 2013 compared with 3.2 percent for the nation.

As the second largest banking center in the country, the Charlotte metropolitan area has a large concentration of jobs in the financial activities sector, accounting for more than 9 percent of total payrolls, compared with 6 percent for the nation. The financial

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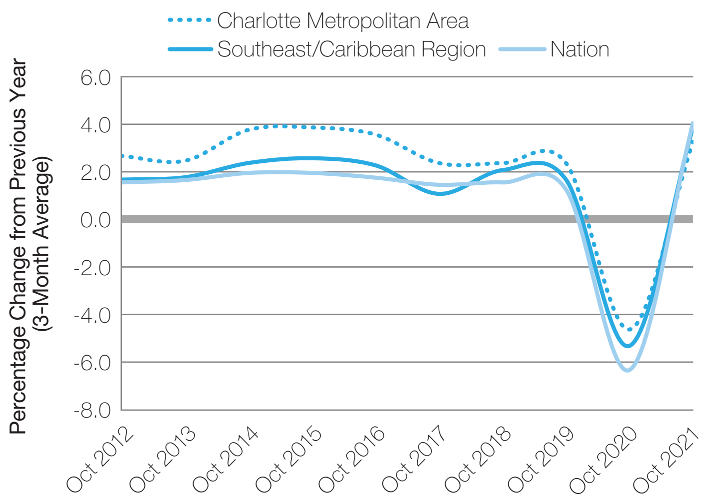
All payroll sectors added jobs year over year in the Charlotte metropolitan area during the 3 months ending October 2021, compared with all but two sectors contracting a year ago.

	3 Months Ending		Year-Over-Year Change	
	October 2020 (Thousands)	October 2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,189.3	1,228.3	39.0	3.3
Goods-Producing Sectors	170.8	173.1	2.3	1.3
Mining, Logging, & Construction	68.6	70.8	2.2	3.2
Manufacturing	102.2	102.3	0.1	0.1
Service-Providing Sectors	1,018.5	1,055.2	36.7	3.6
Wholesale & Retail Trade	180.0	181.6	1.6	0.9
Transportation & Utilities	67.4	69.8	2.4	3.6
Information	22.7	23.8	1.1	4.8
Financial Activities	110.0	112.4	2.4	2.2
Professional & Business Services	207.3	220.0	12.7	6.1
Education & Health Services	121.5	123.0	1.5	1.2
Leisure & Hospitality	114.9	128.2	13.3	11.6
Other Services	42.7	44.1	1.4	3.3
Government	152.1	152.3	0.2	0.1
Unemployment Rate	6.8%	3.8%		

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

activities sector added 2,400 jobs, or 2.2 percent, year over year during the 3 months ending October 2021, to 112,400 jobs, surpassing payrolls during the 3 months ending October 2019 by nearly 8 percent. For context, sector payrolls increased by 5,600 jobs, or 5.4 percent, year over year during the 3 months ending October 2020. The financial activities sector and the transportation and utilities sector were the only two sectors to add jobs during this period, mainly because most finance-related jobs can be performed remotely; also, a swing toward online shopping resulted in high demand for transportation and delivery services. Much of the recent job growth in the financial activities sector is attributable to the emerging, fast-growing financial technology—or 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. Several national leaders in the fintech industry are headquartered in the metropolitan area, including AvidXchange Holdings, Inc.; ServiceMac, LLC; and LendingTree, Inc., each employing between 1,000 and 3,000 workers; in May 2021, the United Services Automobile Association (USAA) and Credit Karma, LLC announced plans to expand their fintech operations in downtown Charlotte by year-end (msn.com). USAA plans to add up to 750 jobs in the next few years; Credit Karma plans to invest $13 million to open its east coast headquarters operations in Charlotte, creating 600 jobs with a minimum wage of $156,000. Retirement Clearinghouse, LLC; Robinhood Financial LLC; and Intercontinental Capital Group, Inc. announced a combined 1,200 job openings during the third quarter of 2021 (Charlotte Regional Business Alliance).

The rate of job losses during the recession in March and April 2020 was less severe in the Charlotte metropolitan area than in the region or nation.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Charlotte Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Atrium Health	Education & Health Services	38,320
Wells Fargo & Company	Financial Activities	27,500
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 very tight, with an estimated sales vacancy rate of 1.5 percent, down from 2.8 percent in 2010. A limited supply of for-sale inventory with strong population and economic growth before the pandemic resulted in increased demand for sales housing and contributed to the vacancy rate decline. The inventory of homes for sale has been less than 6 months (typically indicative of balanced market conditions) since 2016, and as of October 2021, a 1.5-month supply of homes was available for sale compared with 1.9 months of supply a year before (Redfin, a national real estate brokerage).

The percentage of home loans in the Charlotte metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into real estate owned (REO) status fell to 2.3 percent in August 2021 from 3.9 percent in August 2020 but is elevated compared with the 1.1-percent rate in February 2020, before the pandemic (CoreLogic, Inc.). The current rate is below the 2.4-percent rate for North Carolina and the 2.7-percent rate for the nation; the rise in the rate since the onset of the pandemic partly reflects an increase in the number of loans in forbearance, as the economic contraction during the COVID-19 pandemic made it more difficult for some homeowners to stay current on their mortgage payments. Despite the increase in the percentage compared with prepandemic levels, the rate in the metropolitan area has been decreasing nearly every month since reaching a high of 3.9 percent from August through October 2020.

During the 12 months ending August 2021—

- Existing home sales totaled 63,900, up 14 percent from a year ago, following an 8-percent increase during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst); by comparison, an average of 53,750 homes sold annually from 2016 through 2019.
- The average sales price of an existing home increased 21 percent, to $337,800, compared with an 8-percent increase a year ago and compared with average annual growth of 5 percent from 2016 through 2019 (CoreLogic, Inc., with adjustments by the analyst).
- Approximately 13,700 new homes sold, up 2 percent from a year ago—the slowest annual growth rate since the sales housing market recovered from the Great Recession. Supply-side constraints, particularly increasing construction costs brought on by pandemic-induced supply chain disruptions, likely limited the inventory of new homes, impeding otherwise faster growth in new home sales.
- New home sales prices increased an average of 8 percent, to $381,700, the swiftest annual price growth since 2016, indicating that demand remains strong despite slow growth

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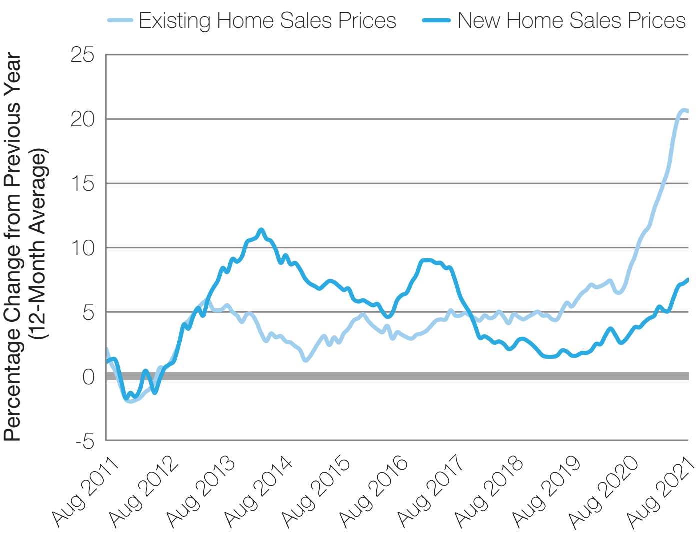
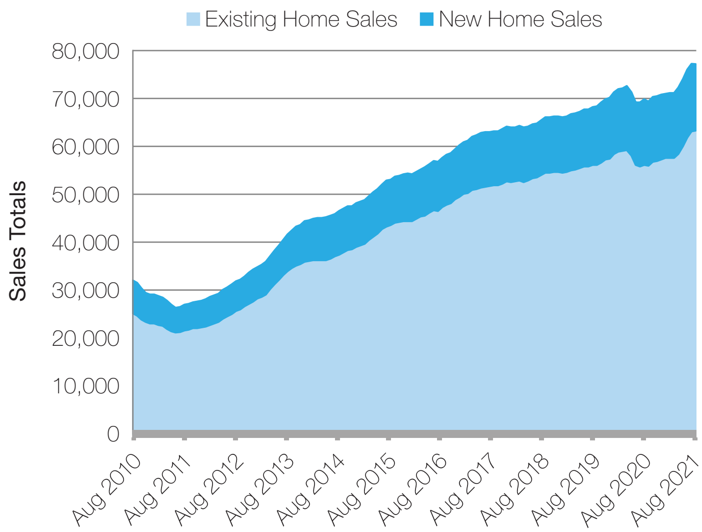
Existing home sales price growth in the Charlotte metropolitan area surpassed that of new homes in 2017, and that trend has accelerated since the onset of the pandemic.



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

New home sales in the Charlotte metropolitan area have been fairly steady, accounting for slightly less than 20 percent of home sales since 2012.



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

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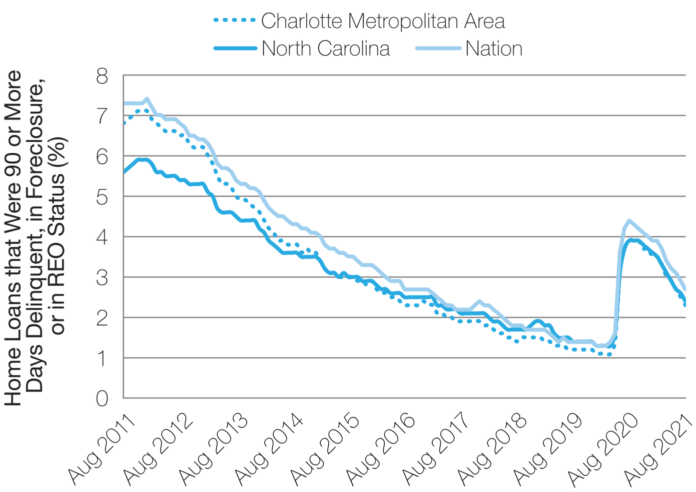
in new home sales during the period; by comparison, the average sales price of a new home increased at an average annual rate of 5 percent from 2016 through 2019.

Increased demand for new homes, evidenced by price growth and increasing sales, caused builders to increase new home construction, as measured by the number of single-family homes permitted, during the past 12 months; however, current production is well below levels before the Great Recession.

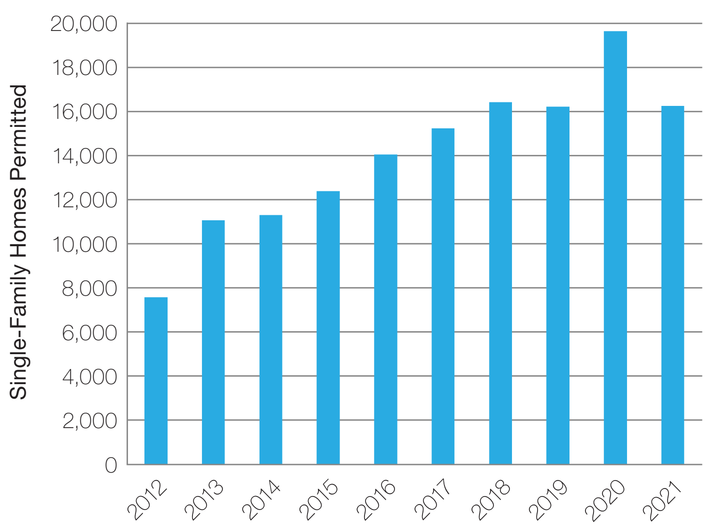
- During the 12 months ending October 2021, approximately 19,200 single-family homes were permitted, up 12 percent from the 17,050 homes permitted during the same 12-month period a year ago (preliminary data); for context, new home construction averaged 11,900 annually from 2013 through 2015 and increased to an average of 15,500 homes permitted through 2019.
- New home production is significantly higher than the average of 5,950 homes permitted annually from 2009 through 2011, when population growth slowed and mortgage financing was particularly hard to obtain because of the Great Recession. Conversely, new home construction is subdued compared with an average of 21,200 homes permitted annually from 2002 through 2007, during the economic expansion and buildup to the housing market collapse.
- Year-to-date, the largest concentration of new home sales was in the MillBridge subdivision in Waxhaw, an approximately 45-minute drive from Charlotte, where 180 new homes were sold at a median price of $395,700 (Zonda). Approximately 120 new homes were sold in The Reserve at Canyon Hills in Charlotte, where the median sales price was $269,000.

The proportion of seriously delinquent home loans and REO properties in the Charlotte metropolitan area increased substantially in mid-2020, following more than 8 years of steady declines.



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

Single-family home construction in the Charlotte metropolitan area has generally increased since 2012.



Note: Includes preliminary data from January 2021 through October 2021.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

Apartment market conditions in the Charlotte metropolitan area are currently tight compared with balanced conditions a year ago and considerably tighter than in 2010, when market conditions were soft. An increase in the number of renter households—a result of strong net in-migration and a low inventory of for-sale housing—has generally outpaced apartment construction since 2010, contributing to the tight market conditions. A population younger than average also contributed to the strong demand for apartments in the metropolitan area, as younger generations typically postpone homeownership longer than did previous generations.

During the third quarter of 2021—

- The apartment vacancy rate was estimated at 5.1 percent, down from 5.7 percent a year ago and the lowest third quarter vacancy rate since 2017 (Moody's Analytics REIS). The decline in the vacancy rate reflects a sharp drop in apartment completions during the past year while absorption

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remained strong; fewer than 700 units were completed during the current quarter while 2,775 units were absorbed, compared with 1,475 units completed during the third quarter of 2020, with corresponding absorption of 1,725 units.

- Average rents increased more than 13 percent year over year to $1,340; by comparison, rents increased an average of 1 percent from the third quarter of 2019 to the third quarter of 2020, whereas third quarter rent growth averaged 5 percent annually from 2013 through 2019.
- Apartment vacancy rates declined from a year ago in all but 3 of the 14 Moody's Analytics REIS-defined market areas in the metropolitan area. Vacancy rates ranged from a high of 11.6 percent in the Downtown market area, up from 8.6 percent a year ago—partly because 370 units were completed during the period and are still in lease up—to a low of 3.3 percent in the Harris Boulevard/Mallard Creek Church Road market area—home to the University of North Carolina (UNC)-Charlotte—down slightly from 3.4 percent a year ago.
- Asking rents increased in all 14 market areas from a year ago, ranging from 8 to 20 percent. The Downtown market area had average rent growth of 8 percent, to $2,050, compared with less than 1 percent a year before and despite an elevated vacancy rate; rents increased nearly 20 percent, to $1,336, in the Iredell County market area, which has the least amount of apartment inventory among the 14 market areas.
- Enrollment at UNC-Charlotte is approximately 29,600, and the vacancy rate for student housing (defined as market-rate properties within 5 miles of the campus that are directly marketed to students or in which 50 percent of the tenants are students) was 1.7 percent during the 2021–2022 academic year compared with 0.9 percent a year earlier, and the average rent per unit increased 16 percent, to $1,064.

Multifamily construction in the metropolitan area, as measured by the number of units permitted, increased during the past year and has generally been at very high levels since the mid-2010s. Multifamily construction from 2015 through 2019 was the highest level of permitting during any consecutive 5-year period since at least 1980, averaging 7,900 units annually; less than 1 percent were for condominiums. Subsequently, multifamily construction fell 18 percent in 2020 because builders paused during the recession in March and April 2020.

- Builder confidence in the apartment market has returned; during the 12 months ending October 2021, 10,100 units were permitted, up almost 60 percent from a year earlier and nearly 9 percent higher than the level of permitting during the 12 months ending October 2019. Mecklenburg County, home to the city of Charlotte, accounted for 77 percent of multifamily homes permitted during the past 12 months, compared with 73 and 87 percent during the respective 12-month periods in 2020 and 2019.
- An average of 4,825 units were permitted annually from 2004 through 2008, during a period of strong economic growth before the Great Recession; approximately 25 percent were for condominiums. From 2009 through 2011, construction

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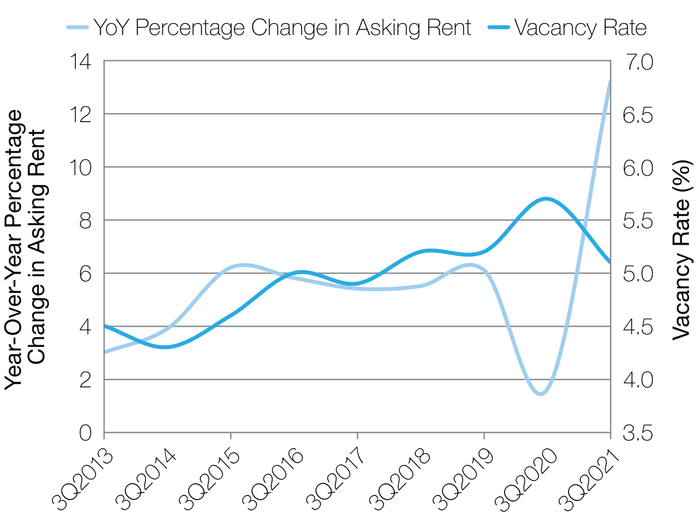
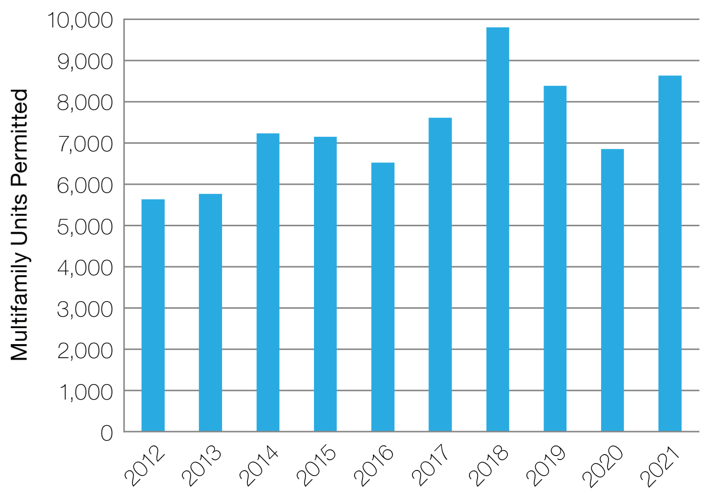
Rent growth in the Charlotte metropolitan area during the third quarter of 2021 was the fastest year-over-year third quarter growth since at least 2000.



3Q = third quarter. YoY = year-over-year.
Source: Moody's Analytics REIS

Multifamily construction in the Charlotte metropolitan area has been at very high levels since 2014.



Note: Includes preliminary data from January 2021 through October 2021.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

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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 12,300 units are under construction in the metropolitan area; 72 percent, or 8,875 units, are in Mecklenburg County.
- Transit-oriented developments have increased in recent years, spurred by the $1.2 billion Blue Line light rail extension, which opened in 2018, connecting the Downtown market area to UNC-Charlotte. One of the most recently completed developments is the 309-unit Lumeo, which opened near campus and the new light rail station in 2021; the unit mix consists of studios and one-, two-, and three-bedroom units, with rents ranging from $1,207 to $2,034. In addition, Verde at McCullough Station opened 278 units in 2020, with rents ranging from $1,192 to $1,937 for studios and one- and two-bedroom units.