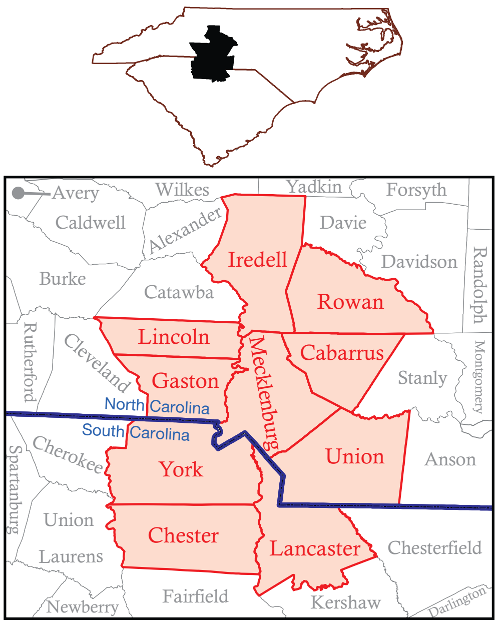
COMPREHENSIVE HOUSING MARKET ANALYSIS

Charlotte-Concord-Gastonia, North Carolina-South Carolina

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of May 1, 2018



Housing Market Area

The Charlotte-Concord-Gastonia Housing Market Area (hereafter, the Charlotte HMA) is coterminous with the Charlotte-Concord-Gastonia, NC-SC Metropolitan Statistical Area, along the border between North Carolina and South Carolina. For purposes of this report, the 10-county HMA is divided into 3 submarkets: (1) the Central submarket comprises Mecklenburg and Union Counties in North Carolina; (2) the North Carolina Suburbs submarket comprises Cabarrus, Gaston, Iredell, Lincoln, and Rowan Counties in North Carolina; and (3) the South Carolina Suburbs submarket comprises Chester, Lancaster, and York Counties in South Carolina.

Summary

Economy

Economic conditions in the Charlotte HMA are strong due to job growth of nearly double the national rate since 2013. Nonfarm payrolls in the HMA averaged 1.19 million during the 12 months ending April 2018, reflecting a 2.9-percent increase compared with the same period a year ago, and the unemployment rate declined from 4.7 to 4.2 percent. Leisure and hospitality led job growth, and every sector added jobs during this period. Job growth is expected to remain strong at an average annual rate of 3.0 percent during the 3-year forecast period.

Sales Market

Sales housing market conditions are currently slightly tight in the HMA with job gains and population growth contributing to increased sales prices and new home construction. During the 12 months ending March 2018, approximately 61,700 homes sold, up 1 percent from a year prior, and the average sales price increased 4 percent to $258,000. Demand is expected for 44,350 new homes during the forecast period (Table 1). The estimated 5,400 units currently under construction will satisfy part of the demand.

Rental Market

The rental housing market in the HMA is currently balanced with an estimated vacancy rate of 5.7 percent, down from 9.3 percent in

Market Details

Table 1. Housing Demand in the Charlotte HMA* During the Forecast Period

	Charlotte-Concord-Gastonia HMA		Central Submarket		North Carolina Suburbs Submarket		South Carolina Suburbs Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	44,350	24,825	18,850	16,050	14,700	5,475	10,800	3,300
Under construction	5,400	10,355	2,850	9,075	1,225	610	1,325	670

** Charlotte-Concord-Gastonia HMA.*

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of May 1, 2018. The forecast period is May 1, 2018, to May 1, 2021.

Source: Estimates by analyst

April 2010. Apartment market conditions are also balanced, with a vacancy rate of 5.4 percent during the first quarter of 2018 compared with 4.9 percent a year ago (RealPage, Inc.). During the forecast period, demand is expected for 24,825 new market-rate rental units in the HMA (Table 1). Approximately 10,355 apartments that are currently under construction and an estimated 9,975 units expected to start construction in the next 3 years will satisfy a large part of the demand.

Economic Conditions

The Charlotte HMA, which is considered the third largest banking center in the nation, was hit relatively hard by the economic downturn in the late 2000s but experienced a strong recovery that began in 2011. The HMA lost an average of 23,000 jobs, or 2.3 percent of total nonfarm payrolls each year from 2008 through 2010, more than the national rate of 1.9 percent during the period. During the recession, the manufacturing and mining, logging, and construction sectors accounted for nearly three-fourths of total jobs lost. From 2011 through 2013, however, the HMA added an average of 25,000 jobs, or 2.6 percent, annually, well above the national rate of 1.5 percent, and recovered all jobs lost during the recession by late 2013. The professional and business services and the leisure and hospitality sectors led job growth, which was broad-based during this time. As the economic recovery transitioned into an economic expansion, payroll growth accelerated, increasing by an average of 38,100 jobs, or 3.5 percent, each year from 2014 through 2017, more than double the national rate during the period; professional and business services and leisure and hospitality remained the leading growth sectors. During the 12 months ending April 2018, nonfarm payrolls averaged 1.19 million jobs, an increase of 33,800 jobs, or 2.9 percent, following an increase of 35,500 jobs, or 3.2 percent, during the 12 months ending April 2017 (Table 2). The unemployment rate in the HMA declined to 4.2 percent during the past 12-month period, compared with 4.7 percent during the

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Charlotte HMA* by Sector

	12 Months Ending April 2017	12 Months Ending April 2018	Absolute Change	Percent Change
Total nonfarm payroll jobs	1,158,500	1,192,300	33,800	2.9
Goods-producing sectors	165,500	168,800	3,300	2.0
Mining, logging, & construction	61,000	62,500	1,500	2.5
Manufacturing	104,500	106,300	1,800	1.7
Service-providing sectors	992,900	1,023,500	30,600	3.1
Wholesale & retail trade	185,500	187,600	2,100	1.1
Transportation & utilities	52,600	55,300	2,700	5.1
Information	27,500	28,100	600	2.2
Financial activities	89,500	92,600	3,100	3.5
Professional & business services	197,500	202,200	4,700	2.4
Education & health services	118,500	122,300	3,800	3.2
Leisure & hospitality	132,000	138,200	6,200	4.7
Other services	39,200	40,500	1,300	3.3
Government	150,600	156,700	6,100	4.1

** Charlotte-Concord-Gastonia HMA.*

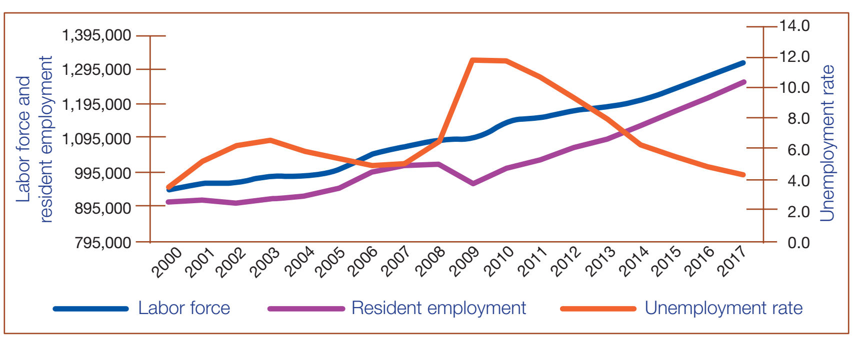
Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through April 2017 and April 2018.

Source: U.S. Bureau of Labor Statistics

12 months ending April 2017, and less than one-half of the peak of 11.9 percent in 2009 (Table DP-1 at the end of this report). The national rate was also 4.2 percent during the past 12 months, down from 4.7 percent a year ago and the peak of 9.6 percent in 2010. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate from 2000 through 2017.

The leisure and hospitality sector added the most jobs during the 12 months ending April 2018, increasing by 6,200 jobs, or 4.7 percent, to 138,200 jobs. The sector has been the second fastest growing sector since the economic recovery began, averaging a gain of 5,000 jobs, or 4.3 percent, annually, from 2011 through 2017 and has benefited from strong economic conditions in the HMA and the nation. Additionally, the opening of the NASCAR Hall of Fame in mid-2010 and increased efforts to highlight the sport in general have contributed to job growth in the sector. Despite relying heavily on consumer spending, the sector proved to be relatively resilient, losing an average of 500 jobs, or 0.5 percent, annually from 2008 through 2010 as a result of the recession. In percentage terms, the transportation and utilities sector was the fastest growing sector in the HMA during the 12 months ending April 2018, increasing by an average of 2,700 jobs, or 5.1 percent, to 55,300 jobs compared

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Charlotte HMA*, 2000 Through 2017

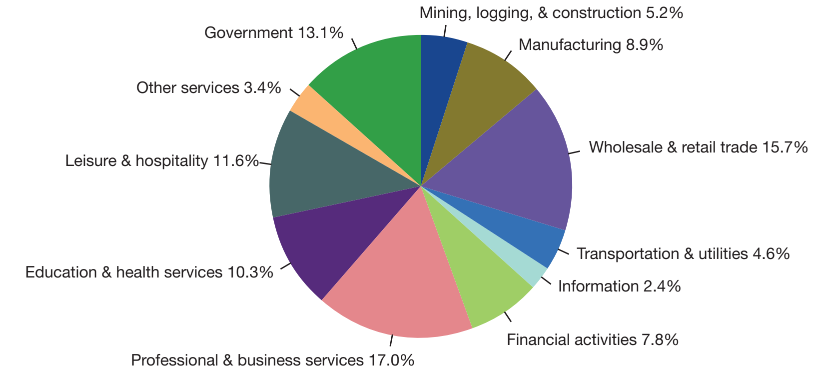


** Charlotte-Concord-Gastonia HMA.*

Source: U.S. Bureau of Labor Statistics with an increase of 2,200 jobs, or 4.4 percent, during the 12 months ending April 2017. More than 90 percent of payrolls in the sector are in the transportation and warehousing industry. With an established and efficient system of roads and freeways situated within 650 miles of more than one-half of the total population of the nation, the HMA is an attractive location for transportation, warehousing, and distribution networks. The completion of Interstate 485 in mid-2015, a 68-mile loop encircling the city of Charlotte, only improved its appeal. Since economic recovery began in 2011, the transportation and utilities sector has been the second fastest growing sector (tied with the mining, logging, and construction sector), in percentage terms, adding an average of 2,000 jobs, or 4.4 percent, annually, through 2017. During the economic downturn from 2008 through 2010, sector payrolls fell by an average of 1,400 jobs, or 3.2 percent, annually, and did not recover all jobs lost until 2014.

The HMA is a regional center for finance, energy, health care, trade, and tourism. As previously mentioned, with access to more than one-half of the country's total population within 650 miles, the HMA is an attractive location for corporations and is home to more than 400 headquarters operations, of which 14 are Fortune 1,000 companies—including Bank of America Corporation, Lowe's Companies, Inc., and Duke Energy Corporation—and the east coast operations center for Wells Fargo & Company (Charlotte Chamber of Commerce [CCC]). As a result, the professional and business services sector, which includes the management of companies and enterprises, administrative, support, and waste management industries, is currently the largest in the HMA. During the 12 months ending April 2018, the sector expanded by 4,700 jobs, or 2.4 percent, to 202,200 jobs, comprising 17 percent of total nonfarm payrolls in the HMA (Figure 2). The sector recorded only 1 year of job losses during the recession and began adding jobs a year sooner than most other sectors in the HMA. After declining by 11,800 jobs, or 7.8 percent, in 2009, the sector added 6,800 jobs, or 4.9 percent, in 2010. From 2011 through 2017, the professional and business services sector added the most jobs of any payroll sector in the HMA, increasing an average of 8,000 jobs, or 4.7 percent, annually, and surpassed the wholesale and retail trade sector in size in 2014. As previously mentioned, the HMA is recognized as the third largest banking center in the country, as measured by the value of loans and other assets held by banks headquartered in the city. In 2017, an estimated $2.26 trillion in assets were held by banks headquartered in the Charlotte HMA, $13 billion less than in San Francisco and compared with $8.45 trillion in New York City (Charlotte Observer). This was also the year that the HMA lost its second-place ranking which was held since the mid-1990s. Although a significant amount of money flows through the HMA on account of banking operations, the financial activities sector accounts for less than 8 percent of total nonfarm payrolls in the HMA.

Figure 2. Current Nonfarm Payroll Jobs in the Charlotte HMA* by Sector



** Charlotte-Concord-Gastonia HMA.*
Note: Based on 12-month averages through April 2018.
Source: U.S. Bureau of Labor Statistics

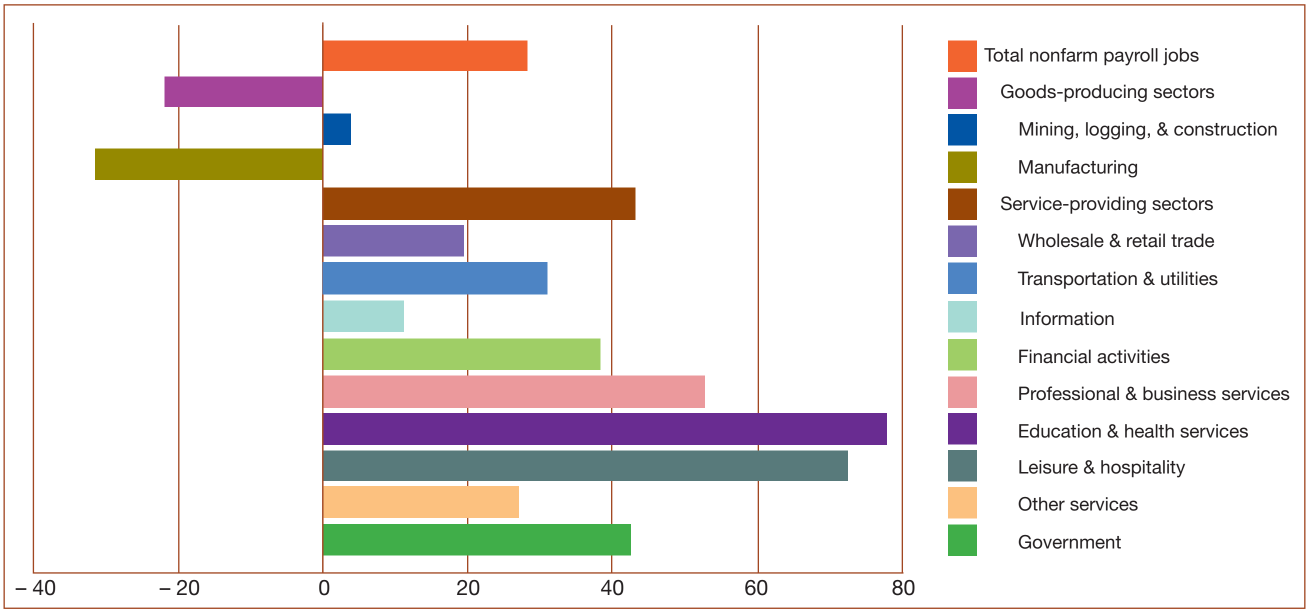
In total, headquarters operations had an estimated economic impact of $67 billion in the Charlotte HMA in 2014 (CCC). A significant amount of that impact occurs through spending that supports the wholesale and retail trade sector, which was the largest sector in the Charlotte HMA from 2000 to 2014 (the analysis in this report considers only activity since 2000). During the 12 months ending April 2018, nonfarm payrolls in the sector averaged 187,600 jobs, an increase of 2,100 jobs, or 1.1 percent, from the previous 12 months. The sector increased by an average of 3,600 jobs, or 2.3 percent a year from 2011 through 2013, before accelerating to an average annual increase of 4,600 jobs, or 2.6 percent, from 2014 through 2017. During the recession, sector payrolls fell by an average of 4,200 jobs, or 2.5 percent, a year from 2008 through 2010, as the recession caused significant strain on household finances and spending plummeted. Of the 10 largest employers in the HMA, 4 are in the wholesale and retail trade sector (Table 3).

Table 3. Major Employers in the Charlotte HMA*

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
Bank of America Corporation	Financial activities	15,000
American Airlines, Inc.	Transportation & utilities	11,500
Food Lion LLC	Wholesale & retail trade	10,859
Novant Health Inc.	Education & health services	11,000
Lowe's Companies, Inc.	Wholesale & retail trade	8,500
Duke Energy	Transportation & utilities	8,487
Ruddick Corporation	Wholesale & retail trade	8,239

** Charlotte-Concord-Gastonia HMA.*
Note: Excludes local school districts.
Source: Moody's economy.com

Figure 3. Sector Growth in the Charlotte HMA*, Percentage Change, 2000 to Current



** Charlotte-Concord-Gastonia HMA.*
Note: Current is based on 12-month averages through April 2018.
Source: U.S. Bureau of Labor Statistics

The education and health services sector has been the fastest growing sector in the HMA since 2000 (Figure 3) and is the only sector to have added jobs each year during the period. Anchored by Atrium Health (formerly Carolinas HealthCare System), the largest employer in the HMA, the sector accounted for 122,300 jobs during the 12 months ending April 2018, an increase of 3,800 jobs, or 3.2 percent, from the 12 months ending April 2017. From 2000 through 2017, the sector expanded by an average of 3,100 jobs, or 3.4 percent, annually, as population growth generated increased demand for health care. The health services industry has accounted for more than 80 percent of the job growth in the sector since 2000 due, in part, to several notable hospital openings and expansions during the period. In 2013, Atrium Health created nearly 800 new jobs by doubling the size of its medical center in the city of Pineville, which cost an estimated $300 million. More recently, Novant Health opened the first phase of a $60 million renovation and addition to its existing Charlotte Orthopedic Hospital. Phase two will include renovating 85,000 square feet of existing space for an outpatient surgical center scheduled for completion in November 2018.

During the 3-year forecast period, nonfarm payroll growth is expected to remain strong at an average of 35,800 jobs, or 3.0 percent, annually. Job gains will likely be broad-based, with notable growth in the education and health services, financial activities, professional and business services, and transportation and utilities sectors expected to support gains in the leisure and hospitality, the mining, logging, and construction, and the wholesale and retail trade sectors. Two major medical expansions are currently under way in the HMA; Atrium Health is investing $1 billion during a 7-year period to expand and renovate existing infrastructure (specific plans and estimated job growth have not been released), and Novant Health Mint Hill Medical Center, a $90 million investment, is scheduled to open in November 2018 adding 400 jobs. The Charlotte-Douglas International Airport (CLT), with an annual economic impact on the HMA of $9.7 billion (University of North Carolina-Charlotte [UNC Charlotte]), is under way with a 10-year, $2.5 billion capital plan to expand and modernize the facility. The expansion is currently supporting thousands of jobs in the construction industry and, on completion in 2021, is expected to positively affect job growth in all sectors of the economy. American Airlines, based in Charlotte, has already added approximately 1,000 jobs since the renovation and expansion of CTL began in 2015. In addition, Amazon.com, Inc. recently announced plans to build 2.5 million square feet of warehouse space near to CLT, a $200 million investment that is expected to add 1,500 jobs, with completion scheduled for 2019. The company has another distribution center currently under construction in the city of Kannapolis, an $85 million investment that is expected to add 600 new jobs on completion in 2019.

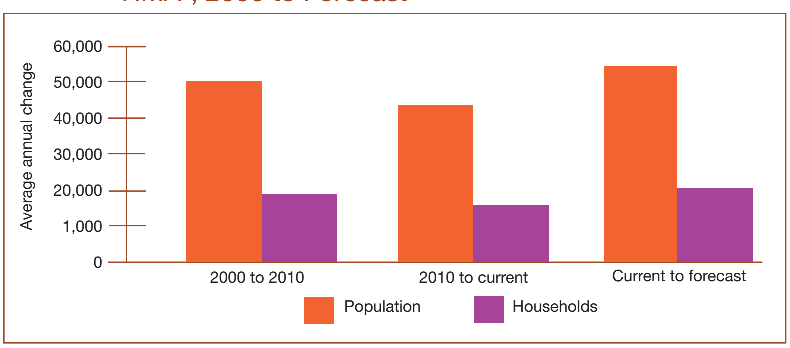
Population and Households

The Charlotte HMA encompasses 21 percent of the total population of North Carolina and 8 percent of the total population of South Carolina. As of May 1, 2018, the estimated population of the HMA is 2.57 million, reflecting an average annual increase of 43,550, or 1.8 percent, since 2010, with net in-migration accounting for nearly 72 percent of the increase (Figures 4 and 5). Recently, however, population growth has accelerated in stride with the economy and, from 2014 to the current date, growth has averaged 50,300 people, or 2.1 percent, annually, and the share of growth attributable to net in-migration increased to 76 percent. Despite a more prolonged period of economic expansion, the current rate of population growth remains well below that recorded during the economic expansion prior to the Great Recession. From 2003 to 2008, the population increased by an average of 62,050 people, or 3.2 percent, annually, with net in-migration comprising three-fourths of the increase. Weak economic conditions limited population growth to an average of 35,700, or 1.6 percent, from 2008 to 2010, with net in-migration comprising only 55 percent of the increase.

The population of the Central submarket, which includes the city of Charlotte, is currently estimated at 1.33 million. Population growth in the submarket has averaged 26,000 people, or 2.1 percent, annually, since 2010, and net in-migration was responsible for 63 percent of the increase. By contrast, population growth averaged 36,700 people, or 3.8 percent a year, from 2003 to 2008, and net in-migration accounted for 71 percent of the increase. The economic decline from 2008 to 2010 caused net in-migration to fall sharply, and population growth averaged 21,850 people, or 2.0 percent, a year; only 50 percent of the growth was a result of net in-migration. Historically, the Central submarket has received a large portion of total net in-migration into the HMA, but that share is shifting as housing costs continue to rise relative to those of the two suburban submarkets. The Central submarket captured 57 percent of total net in-migration in the HMA from 2000 to 2010 and 64 percent from 2010 to 2014. Since 2014, however, the housing cost differential has only been exacerbated and, as a result, the Central submarket captured only 44 percent of net in-migration to the HMA.

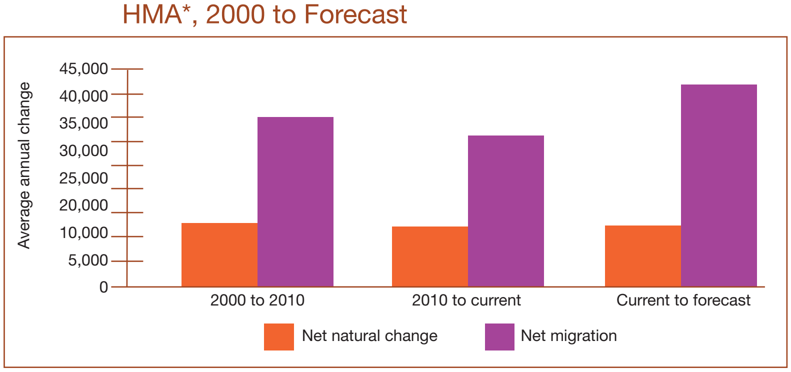
An estimated 837,200 people live in the North Carolina Suburbs submarket, reflecting an average annual increase of 9,525 people, or 1.2 percent, since 2010, with net in-migration accounting for 83 percent of the increase. Recently, however, population growth in the submarket has accelerated, averaging a gain of 13,200 people, or 1.6 percent, a year since 2014 with net in-migration comprising 88 percent of the increase. During the previous economic expansion from 2003 to 2008, a period in which suburban growth was more prevalent, population increased by an average of 15,700 people, or 2.2 percent, annually, and net in-migration was

Figure 4. Population and Household Growth in the Charlotte HMA*, 2000 to Forecast



** Charlotte-Concord-Gastonia HMA.*
Notes: The current date is May 1, 2018. The forecast date is May 1, 2021.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Charlotte HMA*, 2000 to Forecast



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Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

responsible for 80 percent. The economic downturn from 2008 to 2010 dampened population growth, which averaged 7,225 people, or 1.0 percent, a year, and net in-migration accounted for only 56 percent of the increase. From 2000 to 2010, the North Carolina Suburbs submarket comprised 26 percent of all net in-migration to the HMA, compared with 19 and 31 percent during the 2010-to-2014 and 2014-to-current periods, respectively.

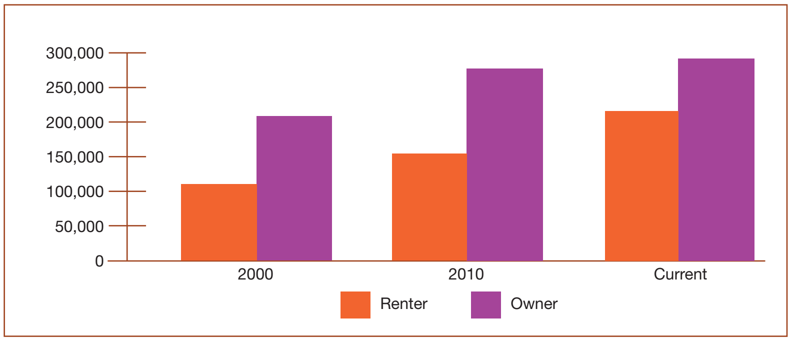
The South Carolina Suburbs submarket has been the fastest growing of the two suburban submarkets, in percentages terms, since 2000, partially because relatively low taxes in the state have attracted new residents from North Carolina. The population of the submarket is currently estimated at 401,000 people, an average annual increase of 8,050, or 2.2 percent, since 2010; net in-migration accounted for 86 percent of the increase. Population growth averaged 9,675, or 3.3 percent, annually, from 2003 to 2008, before declining to an average annual increase of 6,675 people, or 2.0 percent, from 2008 to 2010. The respective share of growth attributable to net in-migration was 83 and 74 percent. Approximately 17 percent of all net in-migration to the HMA went to the submarket from 2000 to 2010, compared with 18 and 25 percent from 2010 to 2014 and 2014 to the current date, respectively.

During the next 3 years, the population of the Charlotte HMA is estimated to increase by an average of 54,000, or 2.1 percent, annually, reaching 2.73 million by May 1, 2021, with net in-migration comprising 77 percent of the increase. An estimated 42 percent of total net in-migration to the HMA is expected to go to the Central submarket and 31 and 27 percent to the North Carolina Suburbs and South Carolina Suburbs submarkets, respectively. The population of the Central submarket is expected to increase by an average of 27,000, or 2.0 percent, a year, reaching 1.41 million by the end of the forecast period, with 65 percent of the increase because of net in-migration. Population in the North Carolina Suburbs submarket is estimated to increase by an average of 14,500, or 1.7 percent, annually, to 880,700; almost 90 percent of the increase will stem from net in-migration. The most significant increase in population growth is expected to occur in the South Carolina Suburbs submarket, where the population is estimated to expand by an average of 12,400, or 3.0 percent, a year, to 438,200, with 91 percent coming from net in-migration.

Household growth in the HMA remains below the average growth rate from 2000 to 2010 but has increased since the late 2000s. As of May 1, 2018, an estimated 977,800 households reside in the Charlotte HMA, reflecting an average annual increase of 15,950, or 1.8 percent, since 2010 compared with average annual growth of 19,000, or 2.6 percent, from 2000 to 2010. The Central submarket has added an average of 9,500 households, or 2.1 percent, since 2010. The number of households has increased in the North Carolina Suburbs submarket at an average annual rate of 1.2 percent, or 3,600, and in the South Carolina Suburbs submarket at an average annual rate of 2.1 percent, or 2,850. By comparison, from 2000 to 2010, the Central submarket increased by an average of 11,350 households, or 3.1 percent, annually; the North Carolina Suburbs submarket added an average of 4,550 households, an increase of 1.7 percent, annually; and the South Carolina Suburbs submarket increased by an average of 3,125 households, or 2.8 percent, annually. Foreclosure rates in the HMA are down to rates seen in the early 2000s, but prolonged effects from the housing market crisis have resulted in declining homeownership rates in all three submarkets since 2010. Homeownership rates in the Central, North Carolina Suburbs, and the South Carolina Suburbs submarkets are currently estimated at 57.7, 66.3, and 70.5 percent, down from 63.9, 71.3, and 73.3 percent in 2010, respectively.

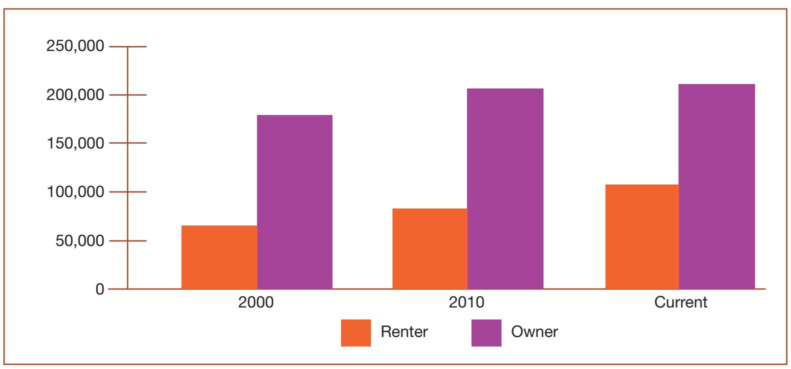
During the next 3 years, household growth in the HMA is expected to average 20,750, or 2.1 percent, a year, reaching 1.04 million by May 1, 2018. Household growth in the Central submarket is projected to average 10,650, or 2.1 percent, annually. The North Carolina Suburbs submarket is anticipated to increase by an average of 5,525 households, or 1.7 percent each year of the forecast. Households are expected to increase by an average of 4,450, or 2.9 percent, a year, in the South Carolina Suburbs submarket, the fastest rate in the HMA. Figures 6, 7, and 8 show the number of households by tenure in each submarket from 2000 to the current date.

Figure 6. Number of Households by Tenure in the Central Submarket, 2000 to Current



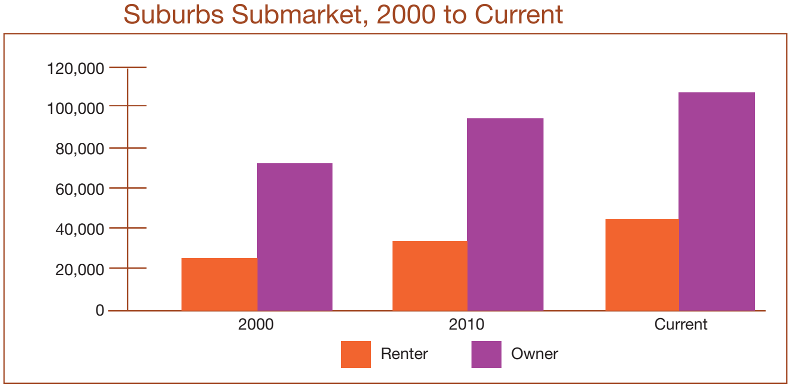
Note: The current date is May 1, 2018.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 7. Number of Households by Tenure in the North Carolina Suburbs Submarket, 2000 to Current



Note: The current date is May 1, 2018.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 8. Number of Households by Tenure in the South Carolina Suburbs Submarket, 2000 to Current



Note: The current date is May 1, 2018.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Sales Market—Central Submarket

The sales housing market in the Central submarket is currently slightly tight as 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 May 1, 2018, the sales vacancy rate is estimated at 2.0 percent, down from 3.1 percent in 2010 (Table DP-2 at the end of this report). An estimated 1.9-month supply of for-sale inventory exists in Mecklenburg County and a 2.7-month supply exists in Union County as of April 2018, down from a 2.2- and 2.8-month supply, respectively, in April 2017 (CoreLogic, Inc., with adjustments by the analyst).

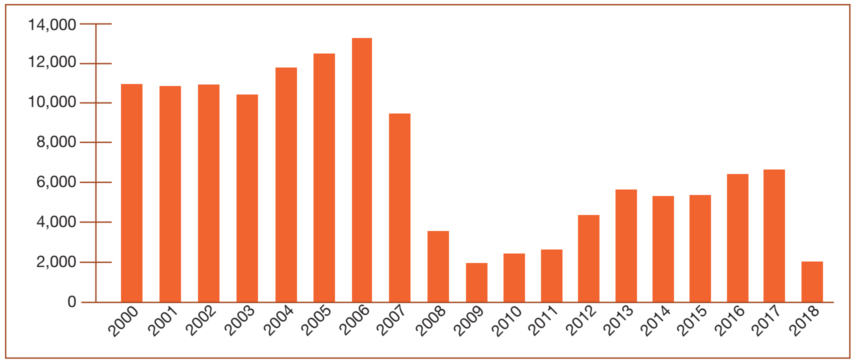
Limited new home construction in the Central submarket since 2008 has resulted in significant improvements in the market for existing homes since the end of 2012, however, more recently declining inventory has slowed the rate of growth in existing home sales. Approximately 28,550 existing homes sold in the submarket during the 12 months ending April 2018, up 5 percent from the number of existing homes sold during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). By comparison, 27,050 homes sold during the 12 months ending April 2017, reflecting a 14-percent increase from the same period a year prior. The number of home sales during the most recent 12-month period marks the most home sales since the peak of 30,800 in 2006. Because of the national recession and housing market collapse, home sales declined at an average annual rate of 20 percent from 2007 through 2011, to a low of 9,850 homes. As the economic recovery gained traction, home sales started to increase, and from 2012 through 2016, increased at an average annual rate of 20 percent. Existing home price growth has been relatively modest in the submarket, and even from 2002 through 2006, prior to the recession and housing market collapse, year-over-year price growth averaged 6 percent, compared with the national average annual growth rate of 9 percent. During the 12 months ending April 2018, the average sales price of an existing home increased 3 percent to $276,200, the same rate of price growth during the 12 months ending April 2017. Because price growth was fairly modest prior to the recession, the decline was not as extreme as in many other metropolitan areas across the country. Home sales prices declined at an average annual rate of almost 5 percent from 2008 through 2009, followed by an increase of 11 percent in 2010, and a 2-percent decline in 2011. By comparison, the recession caused national home sales prices to decline from 2007 through 2009 at an average annual rate of nearly 8 percent. Homes sales prices in the submarket increased at an average annual rate of 3 percent, from 2012 through 2016, compared with the national average of 6 percent during the same period. The relatively affordable home prices in the HMA and submarket have contributed greatly to the high levels of net in-migration to the HMA and all its submarkets.

Distressed home sales (real estate owned [REO] and short sales) accounted for less than 2 percent of all existing home sales in the Central submarket during the past 12 months compared with 6 percent during the 12 months ending April 2017 and a peak of 28 percent in 2010 (CoreLogic, Inc., with adjustment by the analyst). Furthermore, the percentage of home loans in the submarket that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status has been below the national rate since May 2007 and peaked at 11.1 percent in January 2012, more than a full percentage point less than the high of 12.2 percent for the nation, which occurred in January 2011. As of April 2018, the rate in the submarket was 1.9 percent, down from 2.5 percent a year ago. The national rate declined from 3.4 to 2.9 percent during the period.

The number of new home sales in the Central submarket has stabilized since the national recession but remains well below the peak levels of the mid-2000s. In addition, the two suburban submarkets are capturing an increasing share of net in-migration which has resulted in a shift in new home production away from the Central submarket. From 2012, when the housing market began to recover, through 2014, approximately 50 percent of all single-family home construction, as measured by the number of single-family homes permitted, occurred in the Central submarket, compared with only 45 percent from 2015 through 2017. New homes sales in the submarket decreased 3 percent during the 12 months ending April 2018 to 5,025. By comparison, an average of 13,550 new homes sold each year from 2005 through 2007 and declined at an average annual rate of 30 percent from 2008 through 2011 to a low of 3,025 homes sold. As economic growth returned, new home sales increased, averaging 4,525 a year from 2012 through 2016. Although growth in new home sales has not been robust, new home sales prices have increased substantially as economic growth has returned and demand has increased. During the 12 months ending April 2018, the average sales price of a new home increased 4 percent to $367,000, 29 percent higher than the prerecession peak of $284,900 in 2008. By comparison, the average sales price increased 14 percent during the 12 months ending April 2017. New homes sales prices increased an average of 7 percent annually from 2003 through 2008. The recession that followed caused the demand for new homes to fall, and the price response was negative. From 2009 through 2011, new home sales prices declined at an average annual rate of 7 percent to a low of $241,800. Subsequently, new home prices increased an average of 8 percent annually from 2012 through 2016, surpassing the prerecession peak in 2014.

Single-family home construction in the Central submarket has generally trended upward in the submarket since the end of 2010 but remains below the historically high levels reached during the housing boom during the mid-2000s (Figure 9). During the 12 months ending April 2018, 7,100 single-family homes were permitted, a 5-percent increase from the 6,800 homes during the previous 12 months (preliminary data). An

Figure 9. Single-Family Homes Permitted in the Central Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through April 2018.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

average of 5,175 single-family homes were permitted each year from 2012 through 2015, up from an average of 2,600 homes each year from 2008 through 2011 but below the average of 11,250 homes each year from 2000 through 2007.

New, single-family home construction in the city of Charlotte is somewhat constrained due to the limited amount of land available, and the single-family construction that does occur tends to be high-end custom homes to help offset some of the high land costs. An example of the type is Cramer's Pond, a 36-custom home development approximately 3 miles east of downtown Charlotte that has 12 lots left, with homes starting at $860,000 for three bedrooms and 2,425 square feet. Increased density is another way to offset some of the high land costs, such as Costswold City Homes, an 18-unit luxury townhouse development in downtown Charlotte. Of the 18 townhomes, only 6 are still for sale, starting at $634,000 for a two-bedroom, 2,700-square-foot home. Still in the city of Charlotte, but approximately 12 miles from downtown, is the Chapel Cove development with 13 new homes for sale with prices starting at $342,000 for homes ranging in size from 2,125 to 3,750 square feet. Land constraints are not as big of an issue in Union County, approximately 15 miles southeast of downtown Charlotte, where new homes start in the mid-$200,000 range, although luxury developments are not uncommon given the county's relative proximity to downtown. The Bonterra Village subdivision in the city of Indian Trail has more than 20 new homes for sale starting at $275,000 for three bedrooms and 2,450 square feet. By contrast, several new home subdivisions in the affluent city of Weddington have new homes for sale starting at $550,000 for four bedrooms and 3,000 square feet.

Based on current and anticipated economic growth, and the currently slightly tight sales market conditions in the Central submarket, demand is estimated for 18,850 new homes during the next 3 years (Table 1). The 2,850 homes currently under construction will meet part of the demand. Demand is anticipated to be greatest for single-family homes priced from $250,000 to $349,000 (Table 4).

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Central Submarket During the Forecast Period

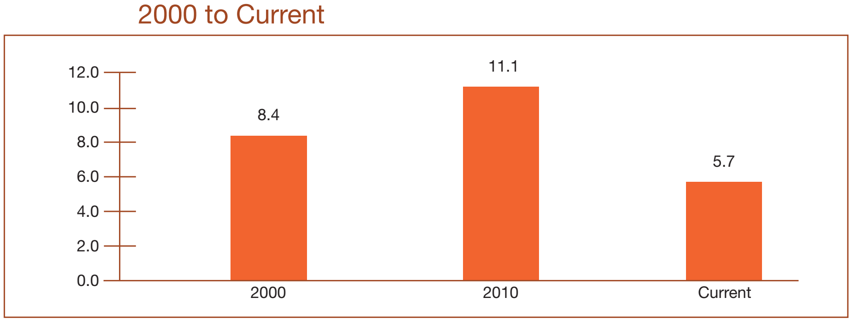
Price Range ($)		Units of Demand	Percent of Total
From	To		
150,000	199,999	1,500	8.0
200,000	249,999	1,875	10.0
250,000	299,999	3,200	17.0
300,000	349,999	3,400	18.0
350,000	399,999	2,275	12.0
400,000	449,999	2,075	11.0
450,000	499,999	1,325	7.0
500,000	and higher	3,200	17.0

Notes: Numbers may not add to totals because of rounding. The 2,850 homes currently under construction in the submarket will likely satisfy some of the forecast demand.
Source: Estimates by analyst

Rental Market—Central Submarket

Rental housing market conditions in the Central submarket are currently balanced, with an overall estimated vacancy rate of 5.7 percent, down from 11.1 percent in 2010 (Figure 10). Relatively slow multifamily construction in the late 2000s and increased rental household growth spurred by the housing crisis contributed to declining vacancy rates and tight rental market conditions from 2012 through 2016. For context, from 2010 to the current date, renter household growth has averaged 4.1 percent, annually, compared with owner household growth of 0.8 percent. Recently, however, rental market conditions have become more balanced than tight, in large part due to the more than 16,000 apartment units completed in the submarket since the beginning of 2015 (RealPage, Inc.).

Figure 10. Rental Vacancy Rates in the Central Submarket, 2000 to Current



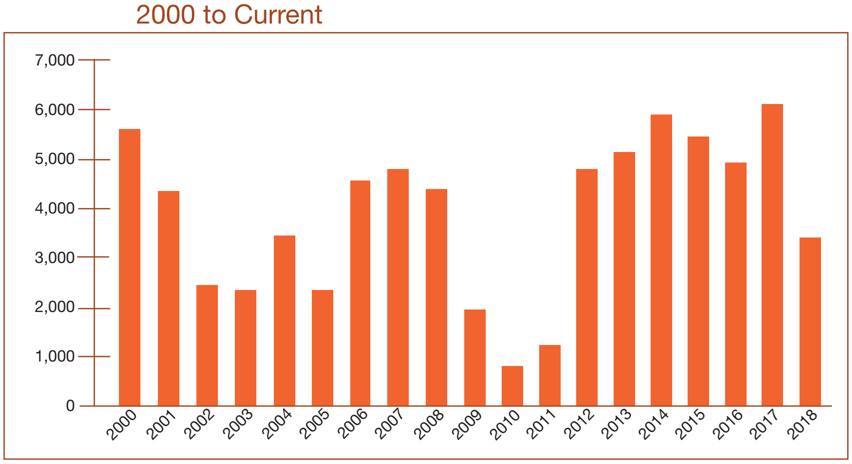
Note: The current date is May 1, 2018.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

During the first quarter of 2018, the apartment market in the Central submarket was also balanced. Within the 11 RealPage, Inc.-defined market areas in the Central submarket, the apartment vacancy rates ranged from a high of 6.0 percent in the Meyers Park market area, up from 4.8 percent during the first quarter of 2017, to a low of 4.7 percent in the East Charlotte market area, up from 3.9 percent a year ago. Five of the 11 market areas recorded declining vacancy rates, with the largest decline occurring in the South Charlotte market area, from 5.8 percent during the first quarter of 2017 to 5.3 percent during the first quarter of 2018. The largest increase in vacancy rate during the past year occurred in the UNC Charlotte market area, partially because of the 280 units completed in the market area during the past year. Conversely, no units were added to the inventory in the South Charlotte market area in the past year. The vacancy rate was relatively unchanged in the Uptown/South End market area, which encompasses downtown Charlotte, with a rate of 5.5 percent during the first quarter of 2018, compared with 5.6 percent a year ago, despite more than 1,875 units completed during the period. Vacancy rates have fluctuated slightly from 2013 through 2016, but only one market area, Far East Charlotte/ Mint Hill, recorded a vacancy rate above 7 percent during the period. The remaining market areas were relatively stable, with vacancy rates ranging from 3.5 to 6.0 percent.

Rent growth occurred in 8 of the 11 market areas in the submarket from the first quarter of 2017 to the first quarter of 2018, ranging from a high of 7 percent in the East Charlotte market area, which also reported the lowest vacancy rate in the submarket, to a 0.2-percent increase in the Uptown/South End market area. Three market areas reported declining rents during the past year, from a 0.6-percent decline in the Meyers Park market area to a 3-percent decline in the South Charlotte market area. The highest average asking rent was $1,538 in the Uptown/South End market area. Average asking rents by unit type were $1,197 for a studio unit, $1,353 for a one-bedroom unit, $1,783 for a two-bedroom unit, and $3,006 for a three-bedroom unit. The lowest average asking rent was $903 in the Far East Charlotte/Mint Hill market area, which has relatively few Class-A apartment developments, unlike the Uptown/South End market area which is composed of approximately 97 percent Class-A developments. Rent by unit type in the Far East Charlotte/Mint Hill market area averaged $648, $825, $918, and $1,089 for studios and one-, two-, and three-bedroom units, respectively. Average rent growth was greater in the submarket from 2013 through 2016 when market conditions were tight. Except for the UNC-Charlotte market area, which reported average annual rent growth of 4 percent during the period, all other market areas in the submarket recorded average annual rent growth in excess of 5 percent.

Builders responded to the tight rental market conditions since 2012 with record levels of multifamily construction (Figure 11). During the 12 months ending April 2018, 8,225 multifamily units were permitted, up 86 percent from 4,425 units during the 12 months ending April 2017. An average of 5,225 units were permitted, annually, from 2012 through 2016, the highest level of multifamily permitting in the submarket during a 5-year period since at least the mid-1980s. By comparison, an average of 4,575 units were permitted each year from 2006 through 2008 and an average of 1,325 units were permitted each year from 2009 through 2011. Nearly all recent multifamily construction in the submarket occurs in Mecklenburg County and is concentrated in the city of Charlotte.

Figure 11. Multifamily Units Permitted in the Central Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through April 2018.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

According to Business Insider, Charlotte, which ranked second in a list of the top 10 cities where millennials are moving, added nearly 11,000 in 2015 (most recent data available). This cohort of people is driving the particularly active multifamily construction boom in the Uptown/South End market area (which geographically includes the downtown core). Approximately 2,200 apartments units have been completed since the first quarter of 2017 and more than 3,025 additional units are currently under construction in the Uptown/South End market area. An example of large-scale developments is the 300-unit, 33-story Ascent Uptown which opened in August 2017 with rents ranging from $1,485 to $2,450 for studios, $1,925 to $3,320 for one-bedroom units, and $2,980 to $4,640 for two-bedroom units. Centric Gateway, a 297-unit development also in the Uptown/South End market area, opened in February 2018, with rents starting at $1,334, $1,399, and $1,829, for studio and one- and two-bedroom units, respectively with specials of up to 2 months free rent on select unit types. Examples of recent, large-scale developments in other market areas throughout the submarket include the 275-unit Solis Berewick which opened in December 2017 in the Southwest Charlotte market area, with rents starting at $913, $1,408, and $1,916, for one-, two-, and three-bedroom units, respectively, and The Abbey in the Myers Park market area, with 260 units that opened in November 2017 and rents starting at $1,079, $1,199, $1,749, and $2,514 for studios and one-, two-, and three-bedroom units, respectively.

Demand is expected to increase each year of the 3-year forecast period and total 16,050 new rental units (Table 1). The 9,075 units currently under construction and 8,425 units expected to begin construction in the next 3 years will meet all anticipated demand during the next 3 years. Table 5 shows the forecast demand for new market-rate rental housing in the Central submarket by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Central Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand
1,140 to 1,339	1,275	1,350 to 1549	6,425	1,850 to 2,049	4,350	2,500 to 2,699	1,450
1,340 or more	320	1,550 or more	1,600	2,050 or more	480	2,700 or more	160
Total	1,600	Total	8,025	Total	4,825	Total	1,600

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 9,075 units currently under construction will likely satisfy some of the estimated demand. The forecast period is May 1, 2018, to May 1, 2021.

Source: Estimates by analyst

Sales Market—North Carolina Suburbs Submarket

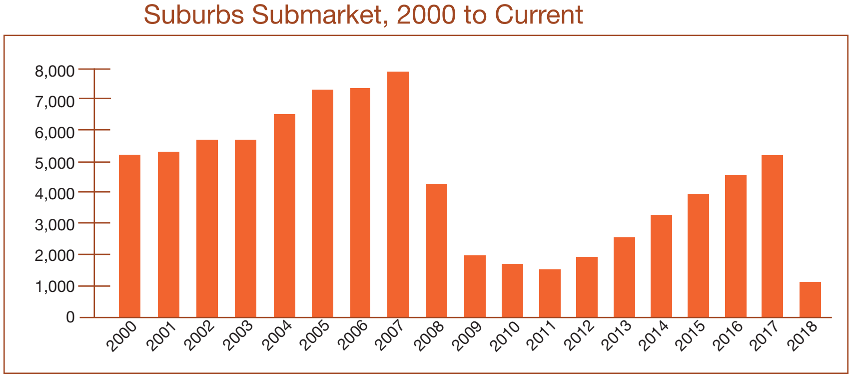
Sales housing market conditions in the North Carolina Suburbs submarket have improved significantly since 2010 and are currently tight, with an estimated vacancy rate of 1.9 percent, down from 2.6 percent in 2010 (Table DP-3 at the end of this report). The submarket covers 41 percent of the land area of the Charlotte HMA, including Lake Norman, a popular location for second homes, and several areas that sit on the edge of commuting distance to the city of Charlotte. As a result, the submarket had more speculative home construction than the other two submarkets prior to the housing crisis. The North Carolina Suburbs submarket has benefitted from a substantial amount of investment during the recovery, however. As of April 2018, available housing inventories in the submarket ranged from a 2.4-month supply in Gaston County to a 5.2-month supply in Iredell County. By comparison, available for-sale housing inventories in the submarket ranged from a 3.0-month supply in Cabarrus County to a 5.9-month supply in Rowan County during April 2017.

Existing home sales trends in the North Carolina Suburbs submarket are similar to those in the Central submarket, in that low levels of new home construction since the housing collapse allowed the market to absorb the excess inventory generated during the housing bubble in the mid-2000s, and market conditions improved beginning in 2012. The number of existing homes sold in the submarket totaled 15,000 during the 12 months ending April 2018, up 2 percent from a year ago. The current level of existing home sales is close to the average of 15,050 homes sold a year from 2004 through 2007, prior to the housing market crisis. The North Carolina Suburbs submarket had a more prolonged period of declining home sales than the Central submarket, but with a less dramatic decline. Although 2007 was part of the 3-year peak in home sales prior to the recession, it is also the year homes sales started to decline. From 2007 through 2011, existing home sales in the North Carolina Suburbs submarket declined at an average annual rate of almost 6 percent, to a low of 6,550. From 2012 through 2016, existing home sales increased at an average annual rate of 17 percent. During the 12 months ending April 2018, the average sales price of an existing home increased 4 percent to $192,400, approximately 17 percent higher than the prerecession peak, and 30 percent less than the average sales price in the Central submarket. By comparison, the average sales price was $185,600 during the 12 months ending April 2017, up 5 percent from the previous 12-month period. Existing home sales prices increased at an average annual rate of 5 percent from 2003 through 2007, before declining an average of 6 percent annually from 2008 through 2009 because weak economic conditions during the period suppressed housing demand. The 2-year decline in existing home sales prices was followed by an average annual increase of 4 percent from 2010 through 2016.

Distressed sales in the submarket have declined and accounted for less than 4 percent of existing home sales in the North Carolina Suburbs submarket during the past 12 months, compared with 7 percent during the 12 months ending April 2017 and an average of 25 percent from 2009 through 2012. Also improving was the percentage of home loans in the submarket that were seriously delinquent or had transitioned into REO status, which was 2.0 percent as of April 2018, down from 2.5 percent in April 2017 and the peak of 7.0 percent in January and February of 2012.

New home sales and prices have generally increased since the economic recovery began, however, because of limited inventory, the number of new home sales declined 10 percent during the 12 months ending April 2018, to 2,850, compared with 3,150 a year earlier. By comparison, during the leadup to the housing crisis from 2003 through 2007, new home sales averaged 4,950. New home sales declined at an average annual rate of 26 percent from 2007 through 2011, bottoming out at 1,325. From 2012 through 2016, new home sales increased an average of 19 percent, annually. During the 12 months ending April 2018, the average sales price of a new home in the submarket increased 3 percent to $286,600, approximately 14 percent greater than the prerecession high, and 22 percent less than the average in the Central submarket. New home prices declined an average of 6 percent a year from 2008 through 2010 and increased at an average annual rate of slightly more than 4 percent from 2011 through 2016.

Figure 12. Single-Family Homes Permitted in the North Carolina Suburbs Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through April 2018.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Single-family home construction, as measured by the number of single-family homes permitted, has increased each year in the North Carolina Suburbs submarket since the end of 2012, but like the Central submarket, remains well below the historically high levels prior to the housing crisis (Figure 12). During the 12 months ending April 2018, 4,200 single-family homes were permitted, a 14-percent increase from the 3,675 homes during the 12 months ending April 2017 (preliminary data). An average of 3,600 single-family homes were permitted from 2013 through 2016, up from an average of 1,800 from 2009 through 2012, but significantly less than the average of 7,525 homes permitted each year during a 3-year peak from 2005 through 2007. The share of new home construction in the HMA occurring the North Carolina Suburbs submarket has increased from more than 25 percent from 2012 through 2014, to more than 33 percent from 2015 through 2017.

With lower land costs than the Central submarket, it is more financially feasible for developers to build entry-level homes in the North Carolina Suburbs submarket. Numerous subdivisions are currently under construction in the submarket, with a concentration in Gaston and Cabarrus Counties along their respective borders with Mecklenburg

County. Niblock Homes, a custom homebuilder, has 12 lots and 12 floorplans available in the Bedford Farms subdivision in Concord, the county seat of Cabarrus County. Prices and sizes range from $300,000 to $400,000 and from 2,126 to 3,210 square feet. Also in Cabarrus County along the border with Mecklenburg County is Cedarvale Farm with 14 homes available with prices starting at $320,000 for a three-bedroom, 2,340-square-foot home. In Gaston County, close to the Mecklenburg County line, 28 homes are for sale in the Morgan's Branch subdivision. Prices range from $267,000 to $325,000 for homes sized between 1,660 to 3,125 square feet.

During the 3-year forecast period, demand is expected for 14,700 new homes (Table 1). The 1,225 homes currently under construction will meet part of the demand. Demand is estimated to be greatest for single-family homes priced from $250,000 to $399,999 (Table 6).

Table 6. Estimated Demand for New Market-Rate Sales Housing in the North Carolina Suburbs Submarket During the Forecast Period

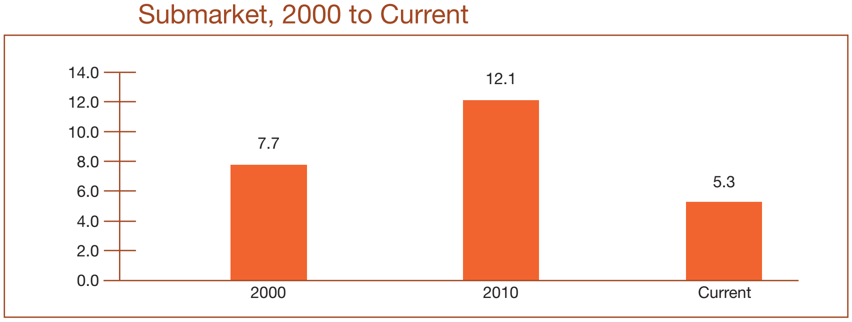
Price Range ($)		Units of Demand	Percent of Total
From	To		
150,000	199,999	2,350	16.0
200,000	249,999	2,050	14.0
250,000	299,999	2,800	19.0
300,000	349,999	3,375	23.0
350,000	399,999	2,500	17.0
400,000	449,999	880	6.0
450,000	and higher	730	5.0

Notes: Numbers may not add to totals because of rounding. The 1,325 homes currently under construction in the submarket will likely satisfy some of the forecast demand.
Source: Estimates by analyst

Rental Market—North Carolina Suburbs Submarket

Overall rental housing market conditions in the North Carolina Suburbs submarket are balanced, with an estimated vacancy rate of 5.3 percent, down from 12.1 percent in 2010 (Figure 13). Similar to the Central submarket, rental market conditions tightened sharply as the housing crisis resulted in increased renter household growth. From 2010 to the current date, renter household growth has averaged more than 3 percent, annually, compared with 0.3 percent owner household growth.

Figure 13. Rental Vacancy Rates in the North Carolina Suburbs Submarket, 2000 to Current

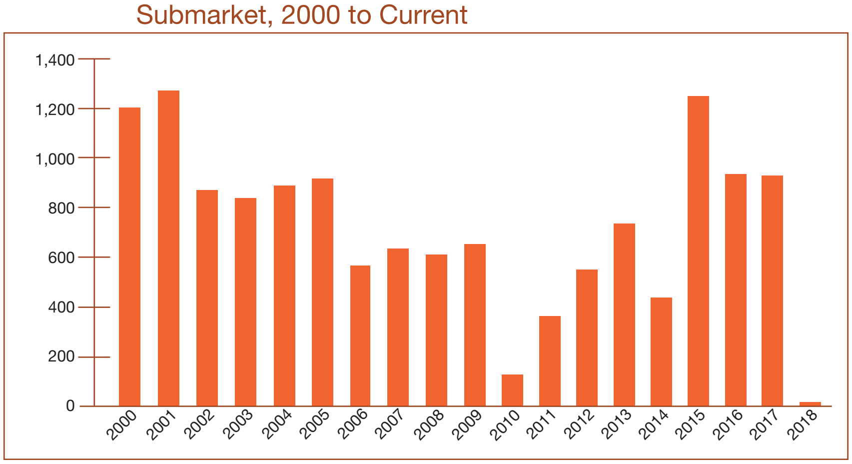


Note: The current date is May 1, 2018.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Single-family homes comprise approximately 50 percent of the rental market in the North Carolina Suburbs submarket (2012–2016 American Community Survey [ACS] 5-year estimates), and the vacancy rate for apartments is notably lower in two of the three RealPage, Inc.-defined market areas that comprise the submarket. Apartment vacancy rates ranged from 5.4 percent in the Gaston County market area, down from 6.4 percent during the first quarter of 2017, to a low of 4.3 percent, up from 4.2 percent a year ago, in the Concord/Kannapolis/Salisbury market area. Vacancy rates have dropped considerably in all three market areas since the first quarter of 2013, however, when rates ranged from 8.8 percent in the Gaston County market area to 6.3 percent in the Concord/Kannapolis/Salisbury market area. Average asking rent trends in the North Carolina Suburbs submarket range from an 8-percent increase in the Gaston County market area, to $877, to a 2-percent decline in the Mooresville/Statesville market area, to $893.

Multifamily construction, as measured by the number of multifamily units permitted, In the North Carolina Suburbs submarket was relatively low from 2006 through 2014, averaging 520 units each year, but increased significantly in 2015 as net in-migration increased and existing inventory was absorbed (Figure 14). From 2015 through 2016, an average of 1,100 units was permitted, annually, more than double the average annual rate from 2006 through 2014. During the 12 months ending April 2018, 750 multifamily units were permitted, compared with 730 units during the 12 months ending April 2017 (preliminary data). From the first quarter of 2013 to the first quarter of 2017, the Mooresville/Statesville market area, which includes Lake Norman, accounted for more than 40 percent of the apartment construction in the submarket. During the past year, however, more construction has occurred in the Concord/Kannapolis/Salisbury market area, which is improving its public transportation infrastructure in an effort to better connect residents with downtown Charlotte. Currently under construction with an expected completion date in May 2018, is the Station at Poplar Tent in the city of Concord, comprising 312 units with monthly rents of $1,040 to $1,134 for one-bedroom units, $1,299 to $1,430 for two-bedroom units, and $1,600 to $1,644 for three-bedroom units.

Figure 14. Multifamily Units Permitted in the North Carolina Suburbs Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through April 2018.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Recently completed developments in the North Carolina Suburbs submarket include Legacy Concord, a 348-unit development that opened in April 2017 in the city of Concord. Rents start at $1,040, $1,225, and $1,341 for one-, two-, and three-bedroom units, respectively. The 229-unit Legacy Village and the 203-unit Sorrel Morrison Plantation both opened in August 2017 in the city of Mooresville. Asking rents at Legacy Village start at $950, $1,185, and $1,410, for one-, two-, and three-bedroom units. At Sorrel Morrison Plantation, rents range from

$1,028 to $1,390, $1,151 to $2,023, and $1,304 to $2,200, for one-, two-, and three-bedroom units, respectively.

Demand is expected for 5,475 new rental units in the North Carolina Suburbs submarket during the 3-year forecast period (Table 1). Demand is anticipated to increase each year of the forecast as the submarket captures a larger share of net in-migration. The 610 units currently under construction and additional 975 units anticipated to begin construction in the next 3 years will meet part of the forecast demand. Table 7 shows the forecast demand for new market-rate rental units in the North Carolina Suburbs submarket by rent level and number of bedrooms.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the North Carolina Suburbs Submarket During the Forecast Period

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand
1,050 to 1,249	1,325	1,350 to 1,549	2,325	1,430 to 1,629	880
1,250 or more	330	1,550 or more	410	1,630 or more	220
Total	1,650	Total	2,750	Total	1,100

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 610 units currently under construction will likely satisfy some of the estimated demand. The forecast period is May 1, 2018, to May 1, 2021.

Source: Estimates by analyst

Sales Market—South Carolina Suburbs Submarket

The sales housing market in the South Carolina Suburbs submarket is currently tight, with an estimated sales vacancy rate of 1.8 percent, down from 2.4 percent in 2010 (Table DP-4 at the end of this report). As of April 2018, available housing inventories in the submarket ranged from a 2.2-month supply in York County to a 3.1-month supply in Lancaster County. A year prior, for-sale inventory ranged from a 2.5-month supply in York County to a 2.9-month supply in Lancaster County.

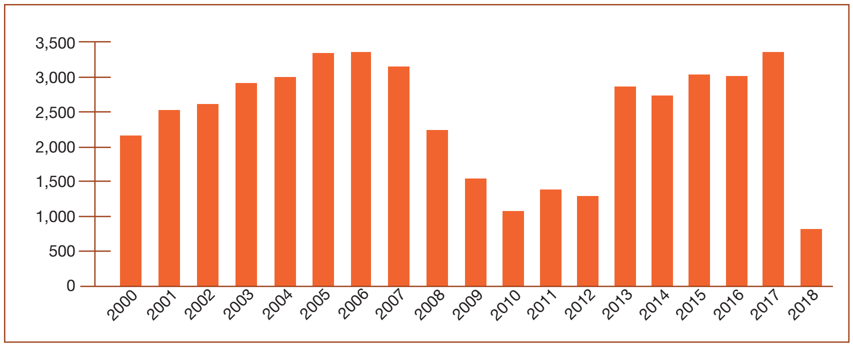
After 5 consecutive years of decline that began in 2007, the number of existing home sales in the South Carolina Suburbs submarket has increased each year since 2012. During the 12 months ending April 2018, existing home sales totaled 7,350, up 6 percent from the number of homes sold during the same period a year ago. By comparison, an average of 7,450 existing homes sold each year during a 3-year peak from 2005 through 2007. Existing home sales declined at an average annual rate of 13 percent from 2007 through 2011 to a low of 3,825. The average sales price of an existing home in the South Carolina Suburbs submarket increased 8 percent to $219,400, during the 12 months ending April 2018, the largest gain in percentage terms among the three submarkets that comprise the HMA. The current average sales price in the South Carolina Suburbs submarket is 21 percent less than that in the Central submarket and 14 percent higher than that of the

North Carolina Suburbs submarket. Despite declining home sales from 2007 through 2011, the average sales price in the South Carolina Suburbs submarket only declined twice during the period: once in 2009 by 12 percent to a low of $143,900, and again in 2011 by 3 percent. Since 2011, however, sales prices have increased every year. From 2011 through 2016, the average sales price increased at an average annual rate of 6 percent. The percentage of home loans in the submarket that were seriously delinquent or had transitioned into REO status was 1.6 percent during April 2018, down from 2.2 percent during April 2017 and well below the high of 6.8 percent in January 2012 (CoreLogic, Inc.). REO home sales accounted for 4 percent of existing sales during the most recent 12 months, down from 7 percent during the 12 months ending April 2017 and an average of 18 percent from 2010 through 2014.

The number of new home sales in the South Carolina Suburbs submarket has generally increased since market conditions began improving in 2012 but remains well below the peak levels during the mid-2000s. During the 12 months ending April 2018, new homes sales totaled 5,000, down 3 percent from a year ago. By comparison, an average of 5,175 new homes sold during the 12 months ending April 2017, reflecting a 13-percent increase from the previous period. From 2001 through 2006, new home sales in the submarket averaged 12,050, before declining at an average annual rate of 27 percent to a low of 3,025 home sales in 2011. New home sales increased an average of 10 percent, annually, from 2012 through 2016. New home development has been concentrated in the more expensive parts of the submarket and, since 2014, average sales have exceeded the prerecession high. During the 12 months ending April 2018, the average sales price of a new home increased 4 percent to $367,000. Although new home sales declined for 5 years, the average sales price only declined for 3, at an average annual rate of 10 percent from 2009 through 2011, to a low of $231,400. From 2012 through 2016, the average sales price increased an average of 8 percent annually.

Single-family home construction, as measured by the number of single-family homes permitted, has increased greatly in the South Carolina Suburbs submarket since 2012, and recently surpassed permitting levels from the mid-2000s. Additionally, the share of new home construction occurring in the submarket is increasing; from 2000 through 2009, approximately 15 percent of new home construction in the HMA occurred in the submarket, compared with nearly one-fourth from 2010 through 2017, consistent with the submarket capturing a larger share of net in-migration to the HMA during the period. During the 12 months ending April 2018, 3,400 single-family homes were permitted, up 7 percent from a year ago (preliminary data). From 2005 through 2007 during the height of the housing boom, an average of 3,275 homes were permitted, annually, compared with an average of 3,150 homes permitted, annually, from 2015 through 2017 (Figure 15). Although 2007 was part of the 3-year peak in single-family home construction, it was also the year in which the decline began. From 2007 through 2010, the number of single-family homes permitted declined at an average

Figure 15. Single-Family Homes Permitted in the South Carolina Suburbs Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through April 2018.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

annual rate of 30 percent, to a low of 1,075 homes permitted.

Most single-family home construction is occurring in the northern part of the South Carolina Suburbs submarket in York County, which is directly southwest of the Central submarket making it a popular location for residents commuting to the city of Charlotte for work. Developers have focused on master-planned communities that provide luxury, city-type amenities in a more suburban setting, and the business model has been successful. Waterside at the Catawba, a master-planned community in Fort Mill that began construction in 2015, has 800 of the planned 1,100 homes built and sold, with 36 homes currently for sale. Prices start at $218,000 for a two-bedroom, 1,580-square-foot home, up to $424,000 for a four-bedroom, 5,650-square-foot home. Riverwalk, a master planned community in Rock Hill that began construction in 2010, will include 850 homes, 250 townhomes, and 1,250 apartments when completed. Approximately 300 homes have sold and, 10 new homes are currently listed for sale, with prices starting in the low $300,000s for a three-bedroom, 1,700-square-foot home, according to their website. New, smaller subdivisions are also being developed, such as McCullough, also in Fort Mill, with more than 30 homes for sale ranging from $260,000 to $450,000 and 1,300 to 3,500 square feet.

During the next 3 years, demand is expected for 10,800 new single-family homes (Table 1). The 1,325 homes currently under construction will meet a portion of the demand. Demand is anticipated to be greatest for single-family homes priced from $250,000 to $399,000 (Table 8).

Table 8. Estimated Demand for New Market-Rate Sales Housing in the South Carolina Suburbs During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
150,000	199,999	540	5.0
200,000	249,999	970	9.0
250,000	299,999	2,050	19.0
300,000	349,999	2,275	21.0
350,000	399,999	1,725	16.0
400,000	449,999	1,175	11.0
450,000	499,999	860	8.0
500,000	and higher	1,175	11.0

Notes: Numbers may not add to totals because of rounding. The 1,325 homes currently under construction in the submarket will likely satisfy some of the forecast demand. The forecast period is May 1, 2018, to May 1, 2021.

Source: Estimates by analyst

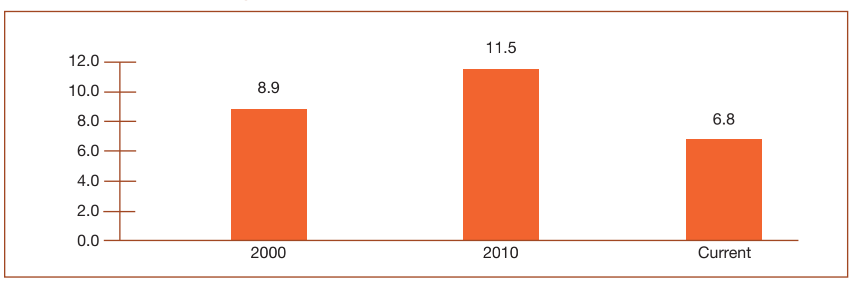
Rental Market—South Carolina Suburbs Submarket

The rental housing market in the South Carolina Suburbs submarket is currently balanced, with an estimated overall vacancy rate of 6.8 percent, down from 11.5 percent in 2010 (Figure 16). Like the North Carolina Suburbs submarket, single-family homes comprise a significant portion of the rental market in the South Carolina Suburbs submarket, estimated at 52 percent (2012–2016 ACS 5-year estimates).

The apartment market vacancy rate is less than the overall rental vacancy rate because slow multifamily construction in the late 2000s allowed for much of the available apartment inventory to be absorbed. The RealPage, Inc.-defined Rock Hill/Fort Mill market area, the only market area which has data available in the submarket, had a vacancy rate of 6.3 percent during the first quarter of 2018, up from 5.0 percent during the first quarter of 2017 and 4.5 percent during the first quarter of 2016. The uptick in the vacancy rate is a result of relatively high levels of apartment construction during the past 2 years when an average of 1,325 units were competed each year. By comparison, an average of 400 units were added annually to the inventory the 3 years prior. Average asking rents in the market area increased 4 percent to $975 from the first quarter of 2017 to the first quarter of 2018. By comparison, rent growth averaged 6 percent a year from the first quarter of 2014 through the first quarter of 2016. During the first quarter of 2018, rent by unit type averaged $625 for a studio, $853 for a one-bedroom unit, $987 for a two-bedroom unit, and $1,170 for a three-bedroom unit.

Beginning in 2012, builders responded to tightening rental market conditions by increasing apartment construction, as measured by the number of multifamily units permitted, but it was not until 2014 that multifamily permitting increased significantly (Figure 17). During the 12 months ending April 2018, approximately 820 multifamily units were permitted in the submarket, compared with 840 units permitted during the previous 12-month period (preliminary data). By comparison, the 3,125 units permitted during the 3-year period from 2014 through 2016, an average of 1,050 a year, was the highest 3-year period of multifamily permitting activity in the submarket since at least 1980. An average of 190 multifamily units were permitted annually from 2008 through 2013, compared with an

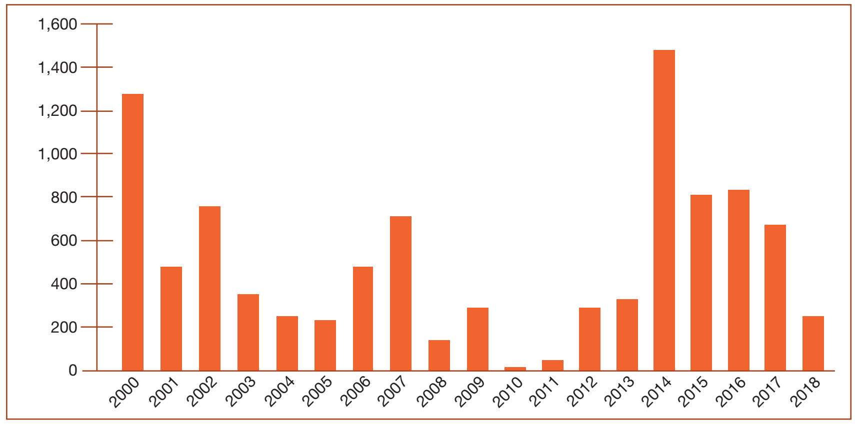
Figure 16. Rental Vacancy Rates in the South Carolina Submarket, 2000 to Current



Note: The current date is May 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 17. Multifamily Units Permitted in the South Carolina Suburbs Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through April 2018.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

average of 470 units each year from 2001 through 2007. Multifamily construction in the submarket has been concentrated in the cities of Rock Hill and Fort Mill, which combined to account for almost 50 percent of all multifamily construction in the submarket since 2000.

Among several recently completed apartment developments in the submarket are the 260-unit Evolve at Tega Cay, with rents of 1,025, $1,325, and $1,500 for one-, two-, and three-bedroom units, respectively, and the 238-unit Kingsley Apartments, with respective unit rents starting at $1,030, $1,375, and $1,750; both developments opened in Fort Mill in April 2018. Additionally, The Anderson, an 89-unit development in Rock Hill opened in April 2018 with rents starting at $900 for a one-bedroom unit and $1,300 for a two-bedroom unit. As part of their master plans, both Riverwalk and Waterside at the Catawba include a multifamily component. Among several apartment options in the Riverwalk community is Riverwalk Apartments, with 165 of 307 units finished and available for lease, and the remaining units scheduled to be completed in the fall of 2018. Rents start at $899 for a one-bedroom apartment up to $1,650 for a three-bedroom unit. The master-planned community of Waterside at Catawba is expected to have several hundred to 1,000 apartment units on completion.

During the 3-year forecast period, demand is estimated for 3,300 market-rate apartments in the South Carolina Suburbs submarket (Table 1). Demand is expected to increase each year of the forecast period. The 670 units currently under construction and the 575 additional planned completions during the period will meet a portion of the forecast demand. Table 9 shows the forecast demand for new market-rate rental units in the HMA by rent level and number of bedrooms.

Table 9. Estimated Demand for New Market-Rate Rental Housing in the South Carolina Suburbs Submarket During the Forecast Period

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand
900 to 1,099	690	1,000 to 1,199	1,225	1,350 to 1,549	490
1,100 or more	300	1,200 or more	410	1,550 or more	160
Total	990	Total	1,650	Total	660

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 670 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profiles

Table DP-1. Charlotte HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	907,432	1,007,365	1,272,000	1.1	3.2
Unemployment rate	3.4%	11.7%	4.2%		
Nonfarm payroll jobs	930,400	954,200	1,192,000	0.3	3.1
Total population	1,717,372	2,217,012	2,569,000	2.6	1.8
Total households	658,711	848,745	977,800	2.6	1.8
Owner households	456,635	575,908	611,100	2.3	0.7
Percent owner	69.3%	67.9%	62.5%		
Renter households	202,076	272,837	366,700	3.0	3.7
Percent renter	30.7%	32.1%	37.5%		
Total housing units	707,177	936,452	1,046,000	2.8	1.4
Owner vacancy rate	2.0%	2.8%	1.9%		
Rental vacancy rate	8.2%	11.5%	5.7%		

** Charlotte-Concord-Gastonia HMA.*

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through April 2018. Median Family Income is for 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Central Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total population	819,131	1,120,920	1,331,000	3.2	2.1
Total households	316,806	430,077	506,800	3.1	2.1
Owner households	205,330	274,738	292,500	3.0	0.8
Percent owner	64.8%	63.9%	57.7%		
Renter households	111,476	155,339	214,300	3.4	4.1
Percent renter	35.2%	36.1%	42.3%		
Total housing units	338,475	471,380	536,700	3.4	1.6
Owner vacancy rate	2.3%	3.1%	2.0%		
Rental vacancy rate	8.4%	11.1%	5.7%		

Notes: Numbers may not add to totals because of rounding. Median Family Incomes are for 1999, 2009, and 2016. The current date is June 1, 2018.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. North Carolina Suburbs Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total population	638,208	760,227	837,200	1.8	1.2
Total households	244,796	290,231	319,400	1.7	1.2
Owner households	179,197	207,048	211,800	1.5	0.3
Percent owner	73.2%	71.3%	66.3%		
Renter households	65,599	83,183	107,600	2.4	3.2
Percent renter	26.8%	28.7%	33.7%		
Total housing units	263,305	323,488	346,100	2.1	0.8
Owner vacancy rate	1.7%	2.6%	1.9%		
Rental vacancy rate	7.7%	12.1%	5.3%		

Notes: Numbers may not add to totals because of rounding. The current date is May 1, 2018.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-4. South Carolina Suburbs Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total population	260,033	335,865	401,000	2.6	2.2
Total households	97,109	128,437	151,550	2.8	2.1
Owner households	72,108	94,122	106,800	2.7	1.6
Percent owner	74.3%	73.3%	70.5%		
Renter households	25,001	34,315	44,750	3.2	3.3
Percent renter	25.7%	26.7%	29.5%		
Total housing units	105,397	141,584	163,000	3.0	1.8
Owner vacancy rate	2.0%	2.4%	1.8%		
Rental vacancy rate	8.9%	11.5%	6.8%		

Notes: Numbers may not add to totals because of rounding. The current date is May 1, 2018.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 5/1/2018—Estimates by the analyst
Forecast period: 5/1/2018–5/1/2021—Estimates by the analyst

The metropolitan statistical area definition noted in this report is based upon the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Charlotte_Concord_GastoniaNC_SC_18.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.