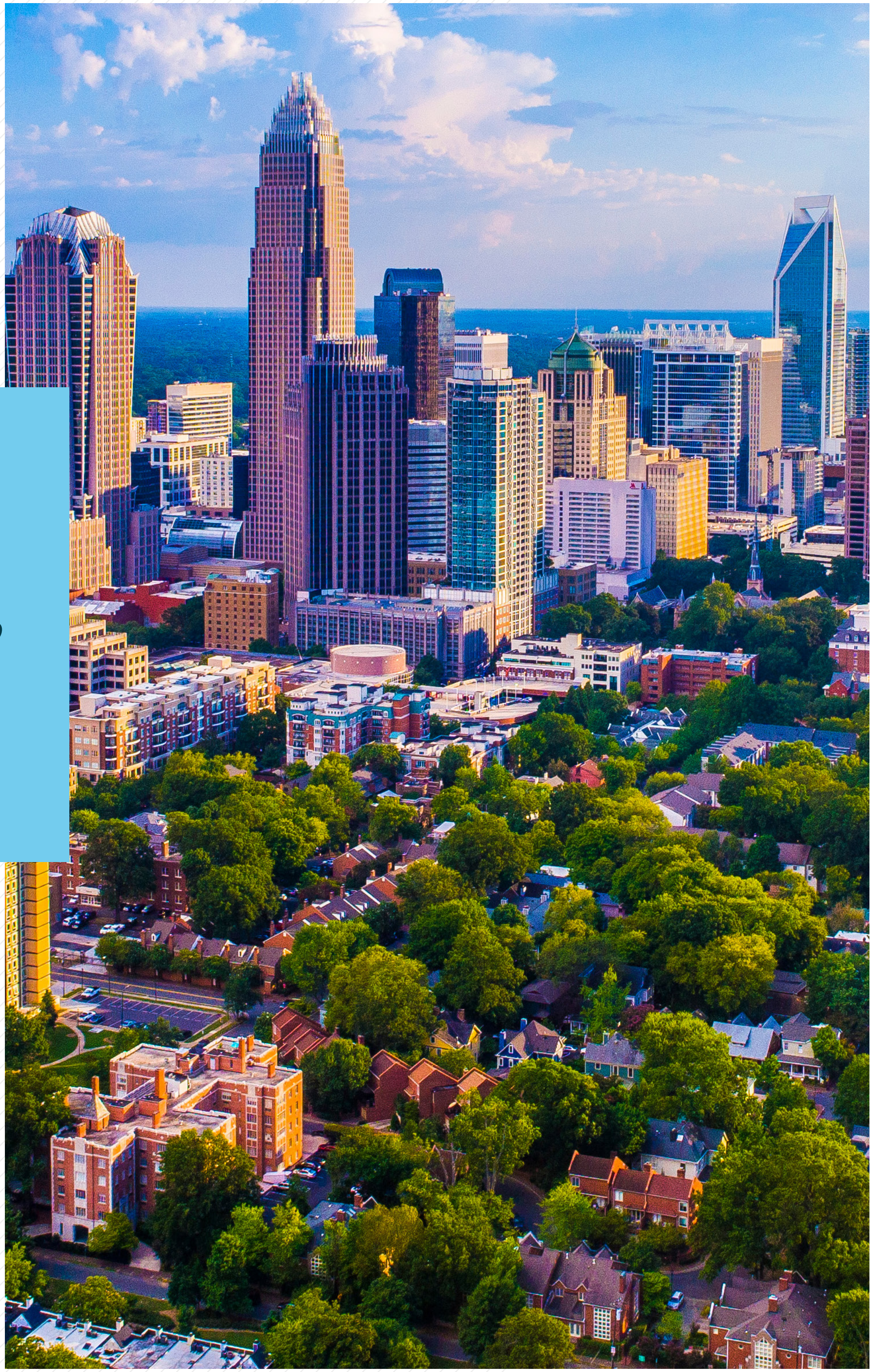
COMPREHENSIVE HOUSING MARKET ANALYSIS

Charlotte-Concord-Gastonia, North Carolina-South Carolina



U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of April 1, 2023

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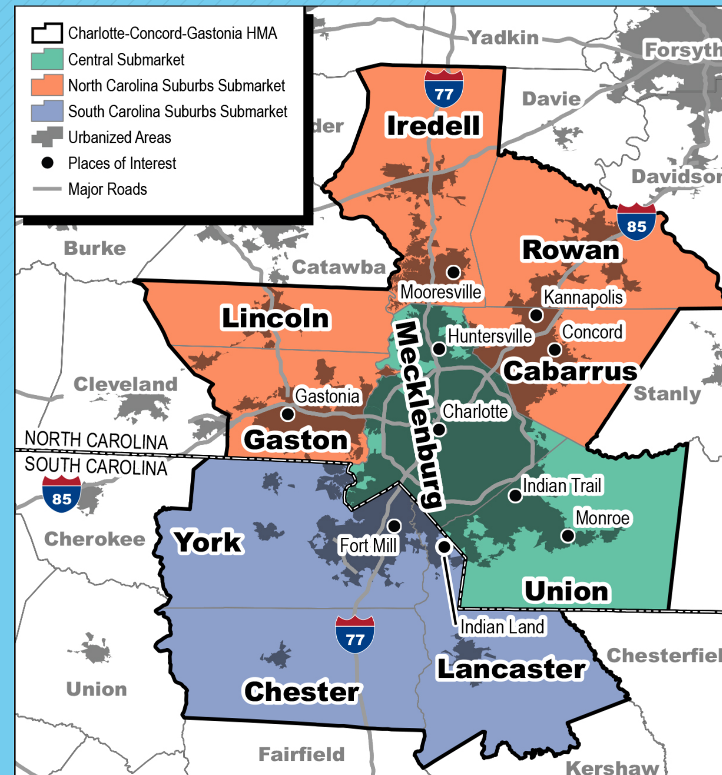
Executive Summary

Housing Market Area Description

The Charlotte-Concord-Gastonia Housing Market Area (hereafter, Charlotte HMA) is coterminous with the metropolitan area of the same name and includes 10 counties. The HMA is on the North Carolina and South Carolina border and is the largest metropolitan area in both states. For purposes of this analysis, the HMA is divided into three submarkets: (1) the Central submarket, consisting of Mecklenburg and Union Counties in North Carolina; (2) the North Carolina Suburbs submarket, consisting of Cabarrus, Gaston, Iredell, Lincoln, and Rowan Counties in North Carolina; and (3) the South Carolina Suburbs submarket, consisting of Chester, Lancaster, and York Counties in South Carolina. The Central submarket includes Charlotte, the largest city in the HMA, whereas the other two submarkets are a mix of suburban and rural areas.

The current population of the HMA is estimated at 2.77 million.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Strong: During the 12 months ending March 2023, nonfarm payrolls increased by 52,900, or 4.2 percent, to 1.32 million.

Nonfarm payroll jobs in the Charlotte HMA increased during the past 2 years and are currently 5.5 percent above pre-COVID-19 levels. All 11 nonfarm payroll sectors grew during the 12 months ending March 2023, led by an increase of 12,800 jobs, or 9.9 percent, in the leisure and hospitality sector. The unemployment rate decreased from 4.1 to 3.4 percent during the same period, because growth in resident employment outpaced gains in the labor force. The unemployment rate is currently lower than during any year from 2000 to 2021. Nonfarm payrolls are expected to continue increasing during the 3-year forecast period at an average annual rate of 2.1 percent.

Sales Market

Slightly Tight: The HMA had a 1.8-month supply of homes for sale during March 2023, up from a 1.0-month supply during March 2022 but below the 3.1-month supply during March 2019 before the COVID-19 pandemic (Redfin, a national real estate brokerage).

The sales vacancy rate in the HMA is estimated at 1.3 percent as of April 1, 2023, down from 2.8 percent in April 2010. New and existing home sales prices increased 13 percent to an average of $416,000 during the 12 months ending March 2023, following a 16-percent increase during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). Due to the limited inventory of homes for sale, increasing home prices, and rising interest rates, the number of home sales fell 24 percent to 62,400 homes during the 12 months ending March 2023 after increasing 11 percent in the preceding 12 months. During the next 3 years, demand is expected for 47,050 additional homes. The 5,900 homes under construction are expected to meet a portion of that demand during the first year of the forecast period.

Rental Market

Slightly Soft: The rental vacancy rate is currently estimated at 9.0 percent, a decline from 11.5 percent in April 2010 when conditions were soft.

The rental market softened during the past year, because a historically high number of rental units came online. As of the first quarter of 2023, the apartment vacancy rate increased to 9.4 percent from 6.6 percent during the same period in 2022, and 10,450 apartments entered the market, the most in any first quarter since 2010. During the first quarter of 2023, the average monthly rent increased 4 percent from a year earlier to $1,578, following 15-percent annual rent growth as of the first quarter of 2022. During the 3-year forecast period, demand is expected for an additional 22,050 rental units. The supply of 22,850 units currently under construction in the HMA is expected to exceed the demand in the Central submarket during the next 3 years but will meet only part of the demand in the suburban submarkets.

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3-Year Housing Demand Forecast

	Sales Units				Rental Units			
	Charlotte HMA Total	Central Submarket	North Carolina Suburbs Submarket	South Carolina Suburbs Submarket	Charlotte HMA Total	Central Submarket	North Carolina Suburbs Submarket	South Carolina Suburbs Submarket
Total Demand	47,050	20,050	16,550	10,450	22,050	14,600	4,350	3,100
Under Construction	5,900	2,725	2,050	1,125	22,850	18,950	2,275	1,625

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2023. The forecast period is April 1, 2023, to April 1, 2026.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Professional and Business Services

The professional and business services sector was the third largest source of job gains from 2020 through 2022, leading job growth during every period of economic expansion from 2004 through 2019.

Primary Local Economic Factors

The Charlotte HMA has the fifth highest number of jobs of the HUD-defined Southeast region metropolitan areas. The HMA is a national business and financial center with 17 Fortune 1000 companies' headquarters. Three companies have relocated to the HMA since 2016: retailer Lowe's Companies, Inc., Bank of America Corporation, and steel manufacturer Nucor Corporation, each among the 100 largest companies in the nation. The professional and business services and the financial activities sectors include many corporate headquarter and financial institution jobs, accounting for a respective share of nonfarm payrolls that are 2.4 and 3.4 percentage points greater than the national average.

The concentration of relatively well-paying, white-collar jobs in the HMA supports higher average wages and lower poverty rates than in North Carolina, South Carolina, and the nation. The median annual earnings for workers in the HMA was $41,400 compared with $37,218, $35,987, and $40,260 in North Carolina, South Carolina, and the nation, respectively (2021 American Community Survey [ACS] data). Approximately 10.7 percent of the population of the HMA lives in poverty compared with 13.4 percent in North Carolina, 14.6 percent in South Carolina, and 12.8 percent in the nation.

Current Conditions—Nonfarm Payrolls

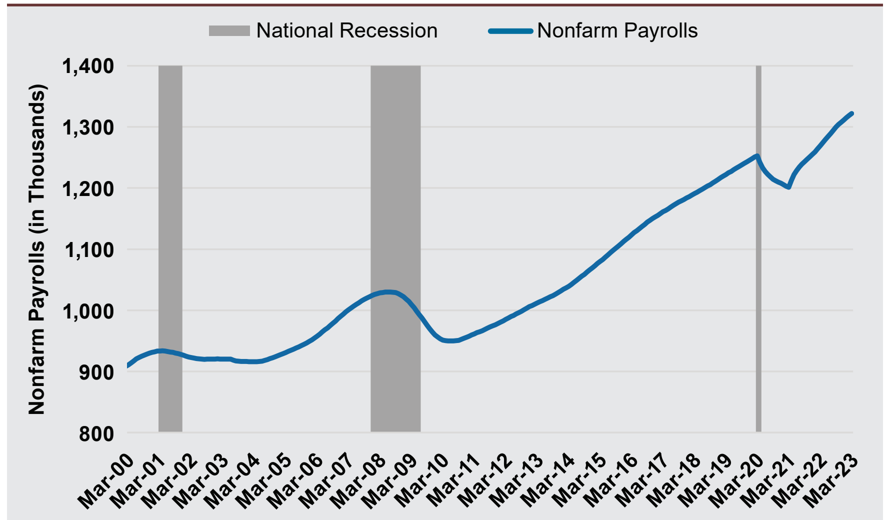
Total nonfarm payrolls in the HMA averaged 1.32 million jobs during the 12 months ending March 2023, up by 52,900 jobs, or 4.2 percent, from the preceding 12 months when the number of jobs increased by 67,700, or 5.6 percent, from a year earlier (Table 1). Nonfarm payrolls are currently 5.5 percent higher than during the 12 months ending March 2020, the period before the pandemic-related downturn (Figure 1). During the 12 months ending March 2021, the number of jobs decreased by 51,200, or 4.1 percent.

Table 1. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Charlotte-Concord-Gastonia HMA, by Sector

	12 Months Ending March 2022	12 Months Ending March 2023	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	1,269.1	1,322.0	52.9	4.2
Goods-Producing Sectors	178.8	184.9	6.1	3.4
Mining, Logging, & Construction	71.5	74.3	2.8	3.9
Manufacturing	107.2	110.6	3.4	3.2
Service-Providing Sectors	1,090.3	1,137.1	46.8	4.3
Wholesale & Retail Trade	191.6	197.9	6.3	3.3
Transportation & Utilities	76.7	77.0	0.3	0.4
Information	24.4	26.2	1.8	7.4
Financial Activities	115.2	120.8	5.6	4.9
Professional & Business Services	219.2	228.4	9.2	4.2
Education & Health Services	132.4	138.7	6.3	4.8
Leisure & Hospitality	128.7	141.5	12.8	9.9
Other Services	45.1	47.9	2.8	6.2
Government	157.0	158.6	1.6	1.0

Notes: Based on 12-month averages through March 2022 and March 2023. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

Figure 1. 12-Month Average Nonfarm Payrolls in the Charlotte-Concord-Gastonia HMA



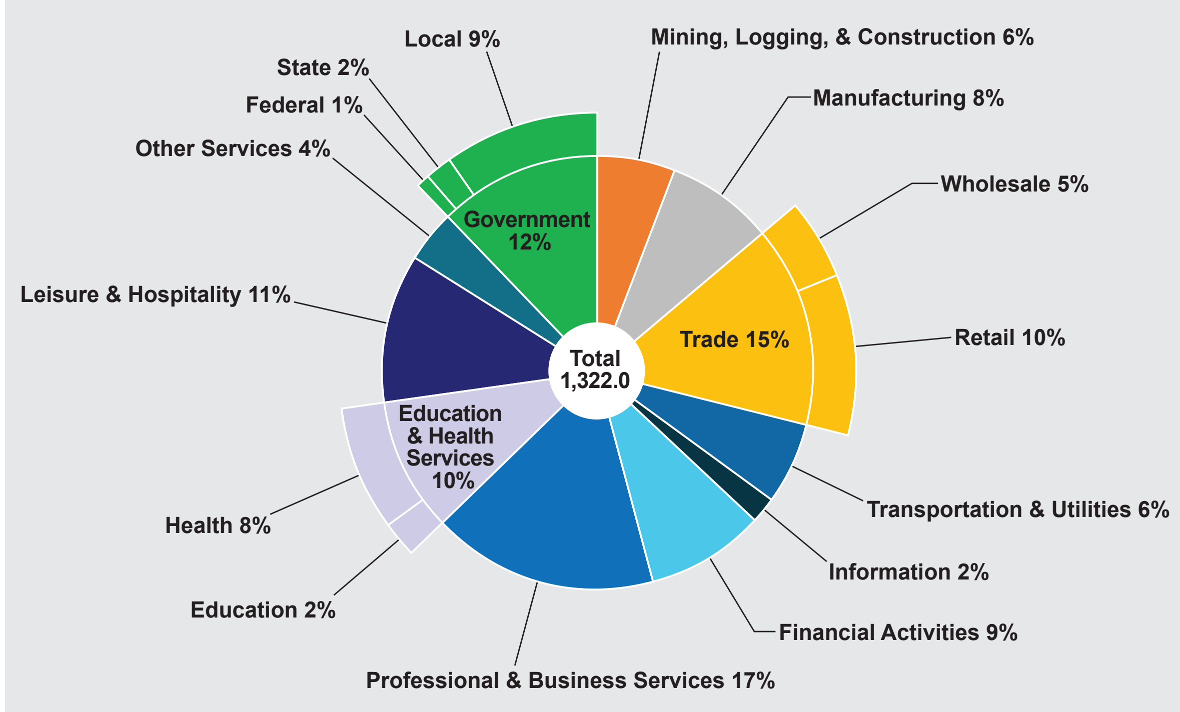
Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

All but two nonfarm payrolls sectors—the leisure and hospitality and the government—have fully recovered from COVID-19-associated job losses because of recent strong job growth.

Payroll growth occurred across all nonfarm sectors during the past year. The leisure and hospitality sector added the most jobs, increasing by 12,800 jobs, or 9.9 percent, following growth of 17,700, or 16.0 percent, during the preceding 12-month period. During the 12 months ending March 2021, 33,500 jobs were lost in the sector—more than four times any other economic sector due to public health measures to combat COVID-19. Despite rapid growth during the past 2 years, the number of jobs in the sector remains 2.1 percent below the number of sector payrolls during the 12 months ending March 2020. The reliance on relatively lower wage workers in the leisure and hospitality sector, rising wages, and a tight labor market limited job recovery in the HMA, because many of these workers found higher paying jobs in other sectors.

The largest economic sector in the HMA, the professional and business services (Figure 2), added the second highest number of jobs, expanding by 9,200 jobs, or 4.2 percent, to 228,400 jobs during the 12 months ending March 2023, following growth of 12,400 jobs, or

Figure 2. Share of Nonfarm Payroll Jobs in the Charlotte-Concord-Gastonia HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through March 2023.
Source: U.S. Bureau of Labor Statistics

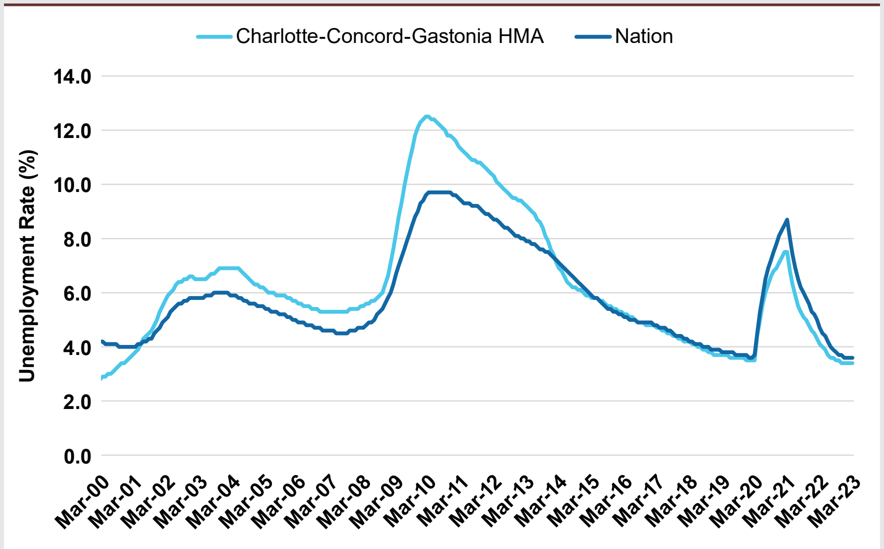
6.0 percent, during the previous 12 months. Many of the jobs in this sector can be performed remotely, and as a result, sector payrolls declined only by 7,200 jobs, or 3.4 percent, during the 12 months ending March 2021, a lower rate than nonfarm payrolls as a whole. The education and health services sector added 6,300 jobs, or 4.8 percent, during the 12 months ending March 2023, following 6.0-percent growth, or 7,600 jobs, during the previous year. The education and health services sector has been the most consistent source of job growth in the HMA since 2000, adding jobs every year except 2020.

Economic Periods of Significance—Unemployment

The unemployment rate fell in the past 2 years and is lower than the national average. The unemployment rate in the HMA was 3.4 percent during the 12 months ending March 2023, down from 4.1 percent during the 12 months ending March 2022 (Figure 3), because the 3.6-percent growth in resident employment outpaced the 3.0-percent expansion in the labor force. The unemployment rate reached a high of 7.5 percent during the 12 months ending March 2021 because of the COVID-19-related economic downturn. The unemployment rate in the HMA was lower than the North Carolina and national unemployment rate of 3.6 each but was higher than the South Carolina unemployment rate of 3.2 percent during the past 12 months.

Before the 2020 economic downturn, the average unemployment rate in the HMA had declined throughout the 2010s. Due to job losses incurred during the Great Recession, the unemployment rate in the HMA was 12.3 percent in 2009, up from 5.4 percent in 2007 and higher than the national rate of 9.3 percent in 2009. By 2019, the unemployment rate in the HMA had declined to 3.5 percent, which was below the 3.7-percent national rate.

Figure 3. 12-Month Average Unemployment Rate in the Charlotte-Concord-Gastonia HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance—Nonfarm Payrolls

Expansion—2004 Through 2007

Job growth in the HMA was strong prior to the Great Recession. From 2004 through 2007, nonfarm payrolls increased by an average of 27,100 jobs, or 2.8 percent, annually. During this period, job growth was fastest in the leisure and hospitality sector, adding an average of 5,000 jobs, or 5.5 percent, annually. The professional and business services sector added the most jobs, expanding by an average of 6,100 jobs, or 4.5 percent, annually. Nearly all job growth occurred in the service-providing sectors. In contrast, job growth was weak in the goods-producing sectors, because jobs in the manufacturing sector decreased by 3,300, or 2.6 percent, annually, mostly offsetting the average annual growth of 3,400 jobs, or 5.4 percent, in the mining, logging, and construction sector. Manufacturing job losses were concentrated in the textile industry, which was a major presence historically but has declined in size and importance since the early 1990s.

The Great Recession and Local Economic Downturn—2008 Through 2010

Nonfarm payrolls in the HMA declined by an average of 22,900 jobs, or 2.3 percent, annually from 2008 through 2010 during the Great Recession and national housing crisis. Approximately 74 percent of the job losses from 2008 through 2010 occurred in the goods-producing sectors, although these sectors accounted for only 18 percent of all nonfarm payrolls in 2007. Job losses primarily occurred in the mining, logging, and construction and the manufacturing sectors, declining by averages of 8,500 and 8,400 jobs, or 13.7 and 7.8 percent, annually, respectively. The government and the education and health services were the only sectors that added jobs, increasing by annual averages of 3,800 and 2,200 jobs, or 2.9 and 2.3 percent, respectively.

Economic Recovery and Expansion—2011 Through 2019

Job growth resumed in the HMA in 2011, with the number of nonfarm payrolls increasing by an average of 25,200, or 2.6 percent, annually from 2011 through 2013, with payrolls exceeding prerecession levels in 2013. During this period, the manufacturing sector gained jobs for the first time since 1998, adding an average of 2,400 jobs, or 2.6 percent, annually due to the sector transitioning from textiles to higher value manufacturing. The professional and business services and the leisure and hospitality sectors led job growth, adding an average of 6,300 and 4,100 jobs annually, or 4.1 and 3.9 percent, respectively.

From 2014 through 2016, job growth accelerated in the HMA, with payrolls increasing by an average of 40,400 jobs, or 3.8 percent, annually. From 2011 through 2016, every nonfarm payroll sector added jobs. The professional and business services and the leisure and hospitality sectors continued adding the most jobs, expanding by averages of 10,300 and 5,600 jobs annually, or 5.8 and 4.7 percent, respectively. Strong job growth in the mining, logging, and construction sector from 2014 through 2016 averaged 3,900 jobs, or 7.3 percent, annually because of increased residential and commercial construction.

Job growth slowed from 2017 through 2019, with an average of 30,900 jobs, or 2.6 percent, added annually. The professional and business services and the leisure and hospitality sectors continued leading job growth, increasing by averages of 4,900 and 4,300 jobs, or 2.4 and 3.2 percent, respectively. The education and health services sector was also a major source of job gains, adding an average of 4,300 jobs, or 3.5 percent, annually.

Sectors of Significance

Financial Activities

The HMA is the second largest banking center in the country, as measured by total assets under management (Charlotte Regional Business Alliance), following only New York City, and has the fifth highest concentration of financial activities sector jobs among the 50 largest metropolitan areas in the nation. From 2011 through 2019, the number of jobs in the sector increased by an average of 3,000, or 3.4 percent, annually, surpassing the total 3.0-percent annual nonfarm job growth rate. The second largest employer in the HMA (Table 2), Wells Fargo & Company, added more than 3,000 employees during this period. The emerging financial technology (hereafter, fintech) industry, which uses technology to streamline and modernize financial services, also contributed to sector growth. Better Mortgage Corporation, AvidXchange, Inc., and LendingTree, Inc. each have approximately 1,000 employees in the HMA, most of whom are estimated to have been added from 2010 to 2019. From 2020 through 2022, job growth in the sector accelerated, adding an average of 5,800 jobs, or 5.4 percent, annually, the second highest rate of growth among all sectors in the HMA. Expansions at USAA, International Credit, Inc., and Credit Karma, Inc. supported growth, each adding at least 500 employees. During the 12 months ending March 2023, payrolls

Table 2. Major Employers in the Charlotte-Concord-Gastonia HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Atrium Health	Education & Health Services	37,000
Wells Fargo & Company	Financial Activities	30,300
Bank of America	Financial Activities	15,000
Novant Health, Inc.	Education & Health Services	11,700
American Airlines Group, Inc.	Transportation & Utilities	11,000
Harris Teeter Supermarkets Inc.	Wholesale & Retail Trade	8,250
Duke Energy Corp	Transportation & Utilities	7,900
Lowe's Companies, Inc.	Wholesale & Retail Trade	7,800
Daimler Trucks North America LLC	Manufacturing	6,800
Walmart Inc.	Wholesale & Retail Trade	4,725

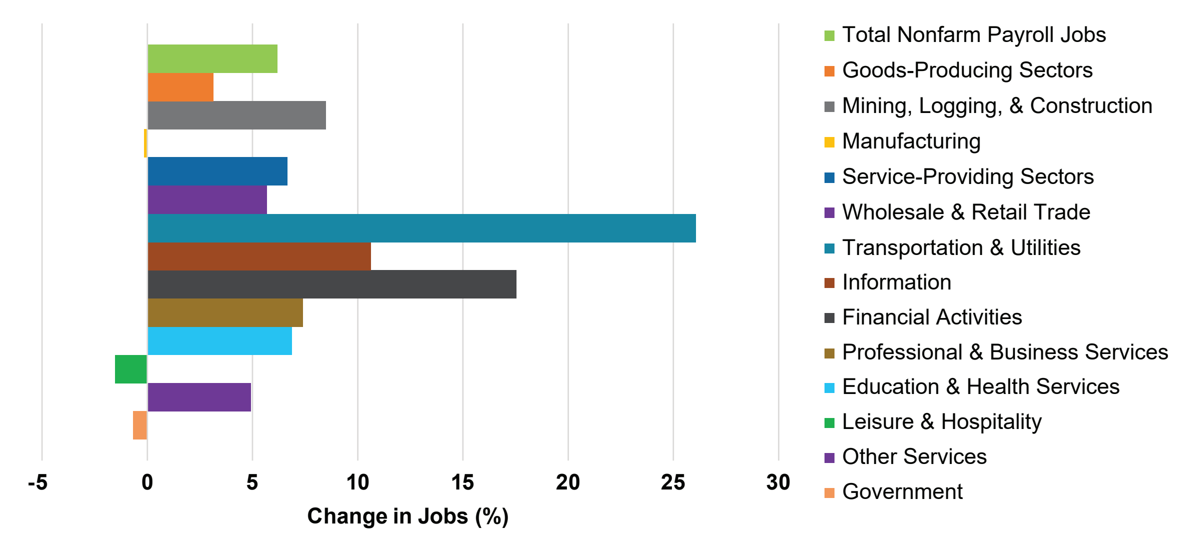
Note: Excludes local school districts and governments.
Source: Charlotte Regional Business Alliance, 2023

in the financial activities sector averaged 120,800 jobs, up by 5,600 jobs, or 4.9 percent, compared with the previous 12-month period.

Transportation and Utilities

The HMA is centrally located on the east coast and served by four interstate highways, two of the top five rail networks in the nation, and one of the 10 busiest airports in the world. The transportation and utilities sector payrolls are 1.0 percentage point greater than the national average because of these infrastructure and geographic factors. From 2011 through 2019, the transportation and utilities sector added an average of 2,300 jobs, or 4.6 percent, annually and was the fastest growing along with the mining, logging, and construction sector. The expansion of e-commerce and creation of several fulfillment centers supported job growth in the transportation and utility sector, contributing to job growth at FedEx Corporation and United Parcel Service, Inc., which currently have 2,500 and 1,600 employees in the HMA, respectively. Job growth in the sector accelerated after the onset of the COVID-19 pandemic because of increased reliance on e-commerce, adding an average of 5,600 jobs, or 8.4 percent, annually from 2020 through 2022. The transportation and utilities and the financial activities were the only two sectors that added jobs each year from 2020 through 2022. From the fourth quarters of 2020 through 2022, e-commerce sales in the nation increased an average of 21 percent annually compared with an average 8-percent annual sales growth at brick-and-mortar stores (U.S. Census Bureau Quarterly Retail E-Commerce Sales Report). Amazon.com, Inc. opened five logistic and distribution centers in the HMA. Chewy, Inc. and Ross Stores, Inc. also opened distribution centers, creating approximately 1,200 and 700 jobs, respectively. The number of transportation and utilities jobs increased by 300, or 0.4 percent, year over year, to average 77,000 jobs during the 12 months ending March 2023, which is 26 percent above prepandemic levels, representing the largest increase compared with before the pandemic in any sector (Figure 4).

Figure 4. Sector Growth in the Charlotte-Concord-Gastonia HMA, 2020 to Current



Note: The current date is April 1, 2023.
Source: U.S. Bureau of Labor Statistics

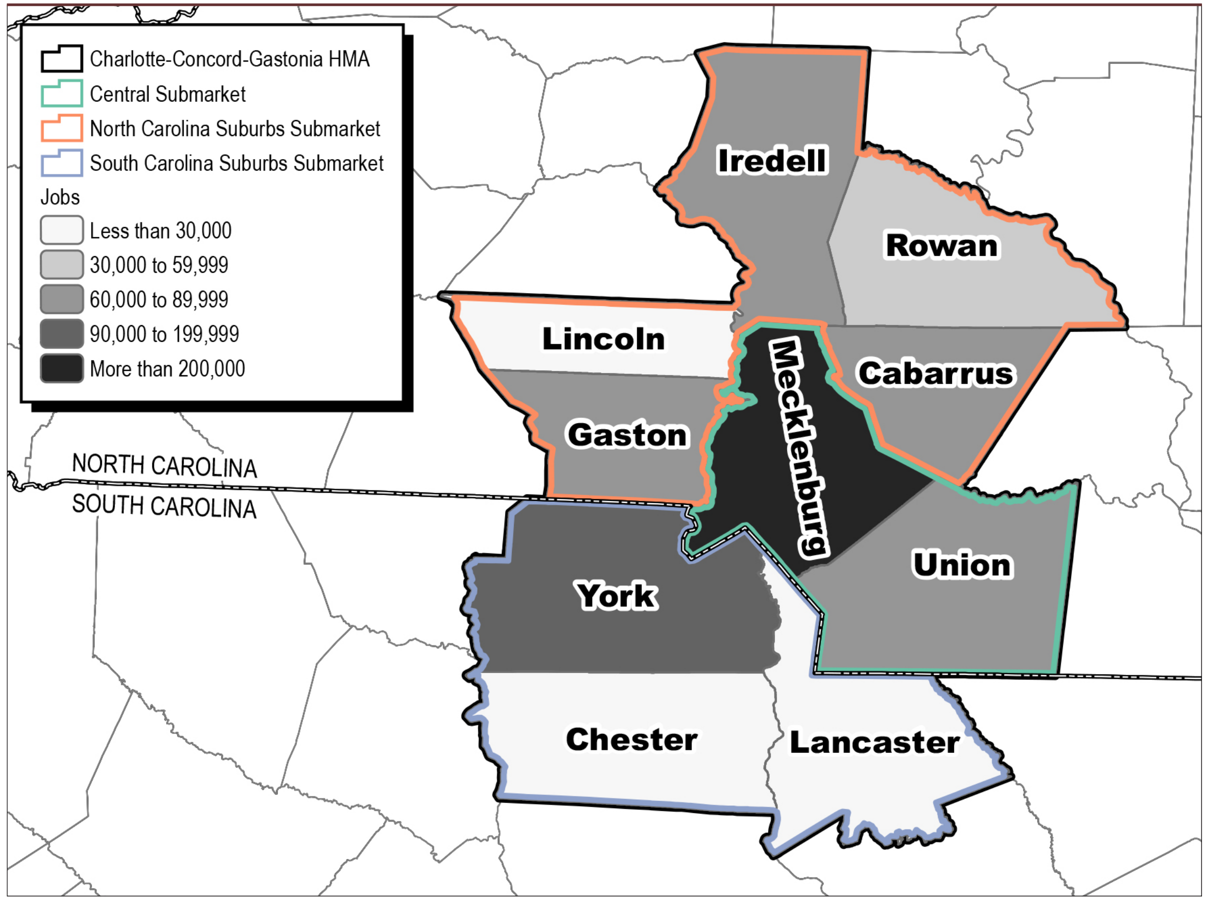
Commuting Patterns

Almost two-thirds of jobs in the HMA are located in the Central submarket, with 735,500 jobs in Mecklenburg County alone (Map 1). During 2020, the Central submarket had approximately 802,200 workers, 33 percent higher than the number of workers who live there (Census Bureau OnTheMap data), which implies that approximately 197,200 workers commuted into the Central submarket for work. Conversely, the North Carolina and South Carolina Suburbs submarkets accounted for 302,100 and 139,900 workers, or 22 and 23 percent fewer than the 388,700 and 181,000 workers living in the submarkets, respectively.

Forecast

During the 3-year forecast period, the economy in the HMA is expected to expand, with nonfarm payroll jobs increasing an average of 2.1 percent annually. The professional and business services sector is expected to continue being a large source of job growth in the HMA. The transportation and utilities sector is also expected to continue expanding. A $584 million, 1.4 million-square-foot Macy's, Inc. distribution center is under construction in Rowan County in the North Carolina Suburbs submarket, which is expected to open in mid-2024 and add 2,800 jobs. The financial activities sector is also expected to contribute to growth. The Bank of London, a fintech firm, is opening a U.S. headquarters and technology center that is expected to bring 350 jobs to the HMA by 2026.

Map 1. Jobs by County in Charlotte-Concord-Gastonia, North Carolina-South Carolina



Source: U.S. Census Bureau OnTheMap, 2020

Population and Households

Current Population: 2.77 Million

> Supported by high domestic net in-migration, population growth in the Charlotte HMA has been generally steady since 2014.

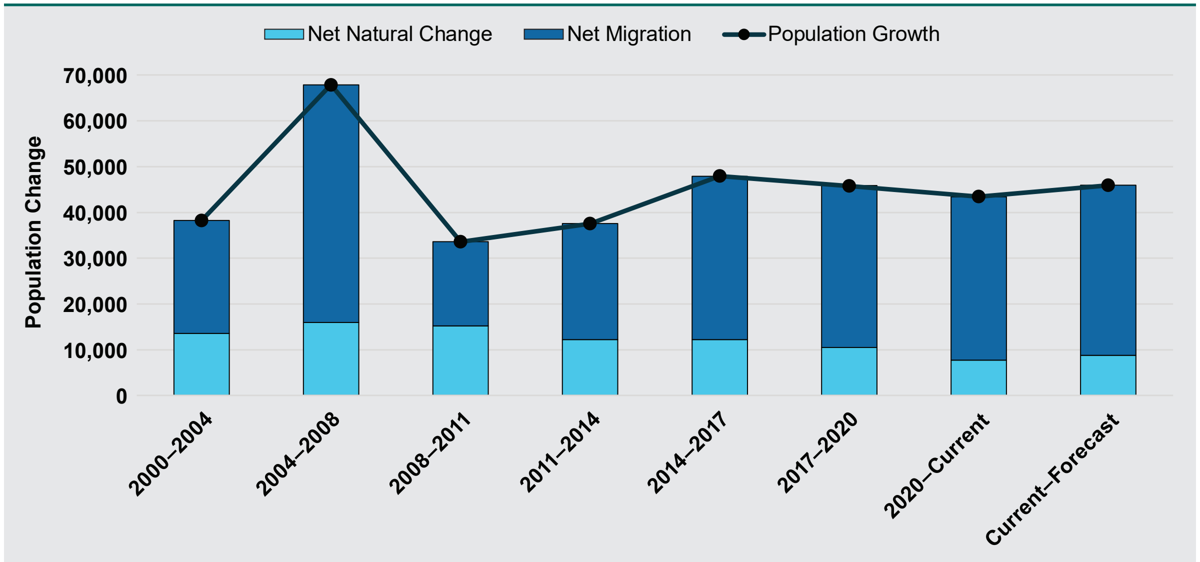
Population Trends

The population of the HMA has increased every year since 2000 and has tended to follow changes in economic conditions. All three submarkets have similar trends in net in-migration and net natural change. The population of the HMA grew faster than the nation during every period of significance described in the following analysis, averaging 2.2 percent growth since 2000 compared with 0.8 percent nationally.

2000 to 2011

Population growth peaked in the mid-2000s, supported by rapid job growth and relatively low housing prices that drew new residents to the HMA. Population growth averaged 38,250 people, or 2.2 percent, annually from 2000 to 2004 and accelerated to an average of 67,950 people, or 3.4 percent, annually from 2004 to 2008 (Census Bureau decennial census counts and population estimates as of July 1; Figure 5). The rate of population growth increased primarily because of relatively high job growth rates in the HMA, which attracted workers. Net in-migration increased from an average of 24,700 people, annually, from 2000 to 2004 to 51,950 people from 2004 to 2008. From 2004 through 2008, net natural change (resident births minus resident deaths) averaged 16,000 people annually, the most of any period since 2000. The Great Recession and housing crisis caused population growth to slow, because limited job opportunities made moving to the HMA less attractive to potential in-migrants. Population growth in the HMA averaged 33,600 people, or 1.5 percent, a year from 2008 to 2011. Slower net in-migration and net natural change, which averaged 18,350 and 15,250 people annually, respectively, caused the slowdown from 2008 to 2011.

Figure 5. Components of Population Change in the Charlotte-Concord-Gastonia HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (April 1, 2023) to April 1, 2026.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

2011 to 2020

Population growth accelerated when the economy in the HMA improved in the aftermath of the Great Recession. From 2011 to 2014, the population of the HMA increased by an average of 37,600, or 1.6 percent, annually. During this period, net in-migration averaged 25,350 people annually, but net natural change slowed to an average of 12,250 people a year. High job growth rates supported population growth, which accelerated from 2014 to 2020. Population growth averaged 47,450, or 1.9 percent, annually, with net in-migration and net natural change averaging 35,950 and 11,500 people annually, respectively. Net natural change in the HMA has continued trending downward since 2008 due to an aging population that tended to have fewer children.

2020 to Current

Since 2020, the population of the HMA has increased by 42,700, or 1.6 percent, annually to 2.77 million as of April 1, 2023. During this period, net natural change slowed further, averaging 7,775 people a year because of an aging population with fewer births and increased COVID-19-related mortality. Net in-migration averaged 34,950 people a year, supported by strong job growth relative to the rest of the nation following the onset of the COVID-19 pandemic.

Migration Trends

Since 2011, nearly 80 percent of net in-migration to the HMA has originated domestically, while international net in-migration, primarily to the Central submarket, was the source of the remaining 20 percent. People from outside the United States make up 35 percent of net in-migration to the Central submarket but only 6 and 4 percent, respectively, of total net in-migration to the North Carolina Suburbs and South Carolina Suburbs submarkets.

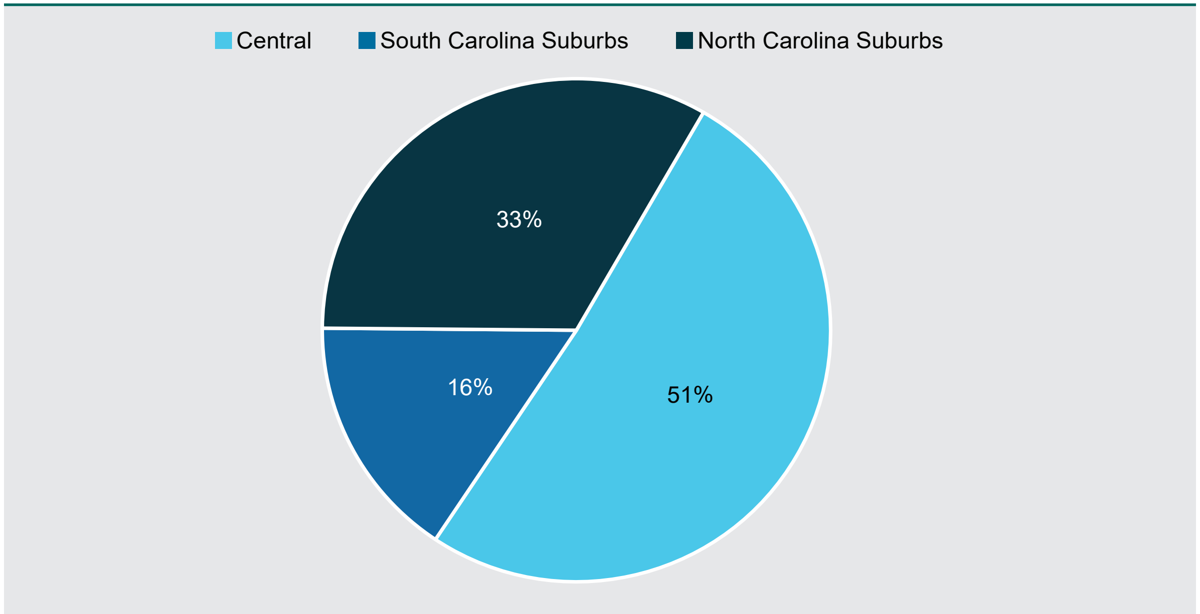
The largest source of domestic net in-migration to the HMA was from the New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area (hereafter, New York MSA) , averaging 6,550 people annually from 2016 to 2020 (2016–2020 ACS 5-year data; Census Bureau Metro-to-Metro Migration Flows). Five of the top 10 sources of net in-migration to the HMA from 2016 to 2020 included large metropolitan areas outside the Southeast Region. Migrants are attracted to the lower relative cost of housing in the HMA compared with large metropolitan areas outside the region, with average home prices 49 percent lower than in the New York MSA during the 12 months ending March 2023. By contrast, from 2016 to 2020, the top 10 destinations for net out-migration from the HMA were rural counties or other metropolitan areas in North Carolina or South Carolina.

Population Trends by Submarket

Central Submarket

Although the Central submarket accounts for more than one-half of the HMA population (Figure 6), limited land availability and rising housing costs in and around the Charlotte urban core have constrained the population growth since 2014 compared with suburban submarket growth. From 2011 to 2014, the submarket

Figure 6. Current Population in the Charlotte-Concord-Gastonia HMA, by Submarket



Source: Estimates by the analyst

population increased by an average of 24,300, or 2.1 percent, annually. Population growth in the Central submarket remained robust from 2014 to 2017, when the population grew by an average of 25,000, or 2.0 percent, annually. However, recent population growth has steadily declined. From 2017 to 2020 and 2020 to the current date, the average annual population growth was 21,500 and 19,250 people, or 1.6 and 1.4 percent, respectively.

In contrast, population growth in the submarket outpaced growth in the suburban submarkets before 2014. From 2000 to 2004, population growth in the Central submarket averaged 24,750 people, or 2.9 percent, annually, then accelerated to an average of 39,300 people, or 4.0 percent, annually from 2004 to 2008. During and immediately following the Great Recession, population growth slowed to an average of 21,700 people, or 2.0 percent, annually from 2008 to 2011.

North Carolina Suburbs Submarket

Population growth in the North Carolina Suburbs submarket typically trails the other two submarkets, partly due to an older population and generally lower rates of net natural change. Approximately 18 percent of the submarket population is aged 65 or older compared with 12 and 16 percent in the Central and South Carolina Suburbs submarkets, respectively (2017–2021 ACS 5-year data). Since 2014, population growth in the submarket has increased because of rising net in-migration, supported by generally strong economic conditions in the HMA and lower housing costs compared with the other two submarkets. From 2014 to 2017 and 2017 to 2020, population growth averaged 14,250 and 15,700 people, or 1.8 and 1.9 percent, a year, respectively. Since 2020, the population in the submarket has increased by an average of 14,800, or 1.7 percent, annually, and lower net natural change offset continued increases in net in-migration to the submarket.

From 2000 to 2004, population growth in the submarket averaged 8,675 people, or 1.3 percent, annually before rising to an average growth of 17,850 people, or 2.5 percent, annually from 2004 to 2008. A weaker economy caused average annual population growth to slow to 6,350 people, or 0.8 percent, from 2008 to 2011. When economic conditions improved, the population of the submarket increased by an average of 7,625, or 1.0 percent, annually from 2011 to 2014.

South Carolina Suburbs Submarket

Population growth in the South Carolina Suburbs submarket has outpaced the other two submarkets since 2015, when economic conditions improved and home prices increased in the HMA, making relatively affordable suburban homes more attractive. From 2014 to 2017, the population in the submarket rose by an average of 8,750, or 2.4 percent, annually, outpacing the growth in the Central submarket for the first time since 2000. The population growth in the submarket accelerated to an average increase of 9,750, or 2.5 percent, annually from 2017 to 2020. Population growth in the submarket slowed to an average increase of 8,600, or 2.1 percent, annually since 2020, yet it remained the fastest growing submarket in the HMA.

Prior to 2014, population growth in the South Carolina Suburbs submarket outpaced the North Carolina Suburbs submarket but lagged behind the Central submarket. The submarket population increased by an average of 4,825, or 1.8 percent, annually from 2000 to 2004. The growth then accelerated to an average of 10,750, or 3.6 percent, a year from 2004 to 2008. Like the other submarkets, high rates of job growth prior to 2008 supported faster population growth, which then slowed during and after the Great Recession. From 2008 to 2011, population growth declined to an average increase of 5,550 people, or 1.7 percent, annually. From 2011 to 2014, population growth remained subdued, averaging 5,675 people, or 1.6 percent, annually.

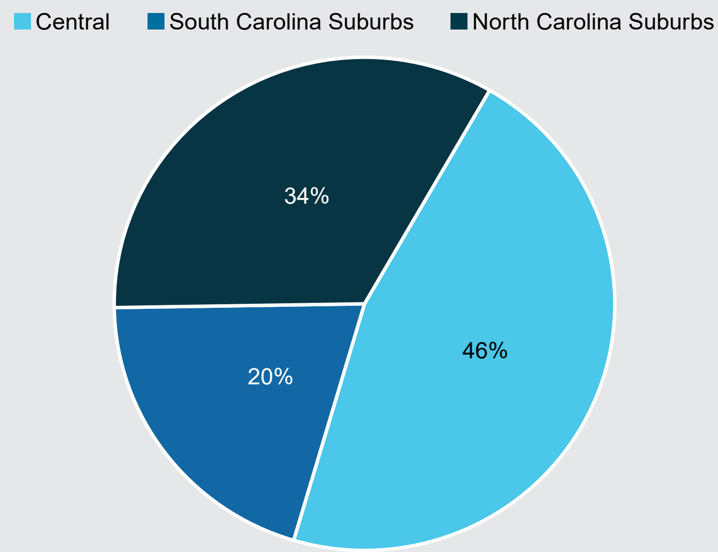
Population Forecast

During the next 3 years, the population of the HMA is expected to increase by an average of 46,050, or 1.6 percent, a year—slightly higher than the annual gains from 2020 to the current date. Net natural change is expected to trend upward due to COVID-19-related mortality declines, whereas net in-migration is expected to increase marginally because of continued strong economic growth. In all three submarkets, population growth is expected to strengthen compared with 2020 through the current date, with average annual growth of 21,300 people, or 1.5 percent, in the Central submarket; 15,450 people, or 1.7 percent, in the North Carolina Suburbs submarket; and 9,300, or 2.1 percent, in the South Carolina Suburbs submarket. Although the South Carolina Suburbs submarket accounts only for 16 percent of the current HMA population, it is expected to continue being the fastest growing submarket, accounting for 20 percent of total HMA population growth (Figure 7).

Household Trends

Household growth in the HMA has generally followed population trends since 2000. Since 2010, household growth has shifted away from the Central submarket to the suburban submarkets, reflecting the shift in population growth. The HMA currently includes 1.08 million households, up by an average of 18,150, or 1.9 percent, annually since 2010 (Table 3). By comparison, the number of households increased by an average of 19,025, or 2.6 percent, annually from 2000 to 2010. Since 2010, the number of households has increased faster than the population, because the average household size has declined. A smaller share of households with children contributed to declining average household sizes, which decreased 2.9 percentage points between 2010 and 2021 (2006–2010 and 2017–2021 ACS 5-year data).

Figure 7. Share of Forecast Population Growth by Submarket



Source: Estimates by the analyst

Table 3. Charlotte-Concord-Gastonia HMA Population and Household Quick Facts

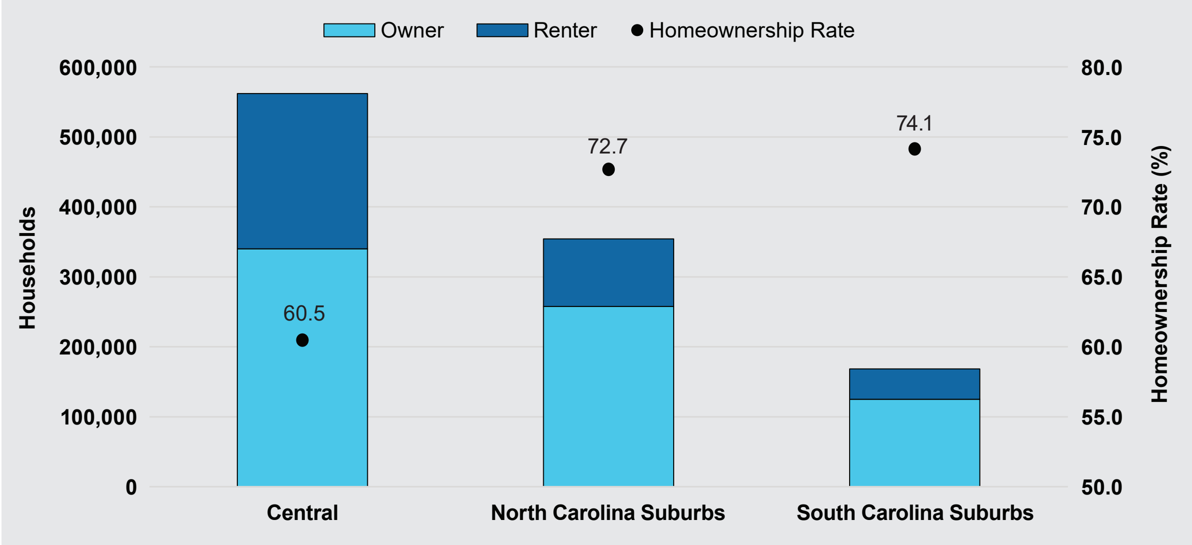
		2010	Current	Forecast
Population Quick Facts	**Population**	2,217,012	2,766,700	2,904,000
	Average Annual Change	49,975	42,275	46,050
	Percentage Change	2.6	1.7	1.6
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	848,745	1,084,750	1,145,000
	Average Annual Change	19,025	18,150	19,975
	Percentage Change	2.6	1.9	1.8

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (April 1, 2023) to April 1, 2026.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

At the same time, the percentage of households with a member aged 60 or older, which are typically smaller than households with younger members, increased 7.1 percentage points. The largest divergence between household and population growth rates occurred in the Central submarket, where the number of households increased 2.1 percent annually, or 0.3 percentage point more than the population growth rate. In this submarket, rental construction is primarily geared toward smaller households, with more than one-half of the new rental construction activity, or nearly one-third of all new housing units built, as studio or one-bedroom apartments (CoStar Group). The number of households in the South Carolina Suburbs submarket increased 2.1 percent annually, or 0.1 percentage point above the average rate of population growth, whereas the number of households in the North Carolina Suburbs submarket grew 1.5 percent annually, the same rate as population growth.

The homeownership rate in the HMA is estimated at 66.6 percent as of April 1, 2023, down from 67.9 percent in April 2010. A decrease in the homeownership rate from 63.9 to 60.5 percent in the Central submarket offset increased homeownership rates in the suburban submarkets (Figure 8). In the North Carolina and South Carolina Suburbs submarkets, the homeownership rates increased from 71.3 to 72.7 percent and 73.3 to 74.1 percent, respectively, during the same period.

Figure 8. Households by Tenure and Homeownership Rate by Submarket in the Charlotte-Concord-Gastonia HMA



Note: The current date is April 1, 2023.
Sources: Estimates by the analyst.

Household Forecast

Household growth during the next 3 years is expected to average 19,975 households, or 1.8 percent, annually—marginally higher than from 2010 to the current date and above the forecast population growth rate. The trends contributing to rates of household growth higher than population growth from 2010 to the current date are expected to continue into the forecast period. In the North Carolina and South Carolina Suburbs submarkets, annual household growth is expected to average 1.8 and 2.2 percent, respectively, whereas growth is expected to slow to an average of 1.7 percent annually in the Central submarket.

Home Sales Market Sales Market—Charlotte HMA

Market Conditions: Slightly Tight

Home sales decreased during the 12 months ending March 2023, whereas the inventory of homes for sale increased, and the market transitioned from tight to slightly tight.

Current Conditions

The home sales market in the Charlotte HMA is slightly tight, with an overall sales vacancy rate of 1.3 percent as of April 1, 2023 (Table 4), down from 2.8 percent in 2010 when conditions were soft. The volume of home sales declined during the past year, but price growth remained high compared with the previous 12-month period. Rising mortgage interest rates contributed to falling home sales during the past year, with the average 30-year fixed-rate mortgage up 1.7 percentage points year over year in March 2023 (Freddie Mac). Assuming a 20-percent down payment, the rate rise effectively increased the monthly mortgage payment by $306 for an average-priced home in the HMA, contributing to reduced affordability. As a result, the number of home sales decreased 24 percent to 62,400 during the 12 months ending March 2023, following an increase of 11 percent during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst).

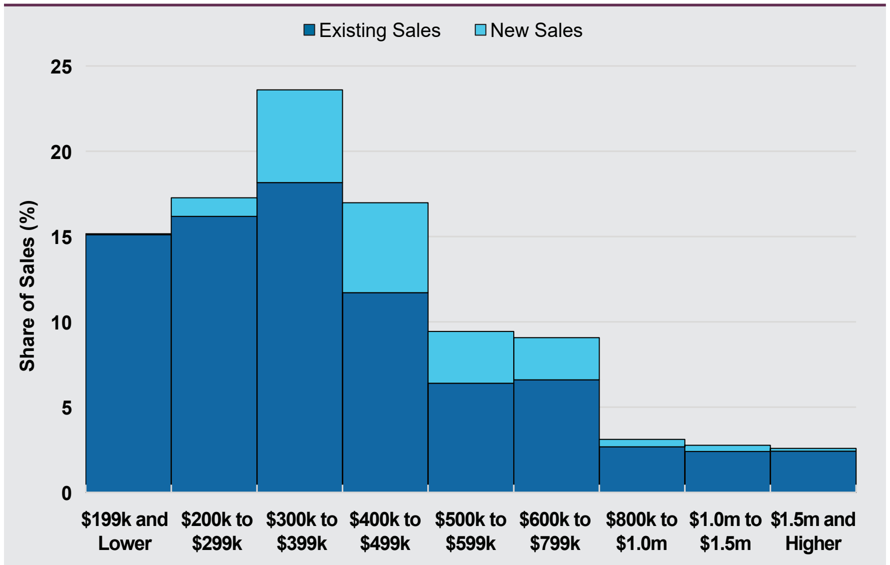
Table 4. Home Sales Quick Facts in the Charlotte-Concord-Gastonia HMA

		Charlotte-Concord-Gastonia HMA	Nation
Home Sales Quick Facts	Vacancy Rate	1.3%	NA
	Months of Inventory	1.8	2.0
	Total Home Sales	62,400	5,901,000
	1-Year Change	-24%	-23%
	New Home Sales Price	$492,300	$495,200
	1-Year Change	18%	12%
	Regular Resales Price	$400,000	$396,200
	1-Year Change	11%	4%
	Mortgage Delinquency Rate	0.8%	1.1%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending March 2023; and months of inventory and mortgage delinquency data are as of March 2023. The current date is April 1, 2023.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—CoreLogic, Inc., with adjustments by the analyst

Decreased home sales during the past 12 months contributed to an increase in for-sale inventory. The HMA had an inventory of approximately 6,675 single-family homes, condominiums, and townhomes for sale during March 2023, representing a 1.8-month supply, up from 4,425 homes for sale, or a 1.0-month supply, during March 2022 (Redfin, a national real estate brokerage). By comparison, 11,750 homes, equivalent to a 3.1-month supply, were available for sale in March 2019 before the COVID-19 pandemic. Although the supply of homes for sale in the HMA increased during the past year, the average home sales price increased 13 percent to approximately $416,000 during the 12 months ending March 2023 compared with the previous 12-month period when home prices increased 16 percent (CoreLogic, Inc., with adjustments by the analyst). Strong economic conditions, high population growth rates, and a limited, albeit growing, supply of homes for sale supported continued home price growth. Figure 9 shows the share of overall sales by price range during the 12 months ending March 2023.

Figure 9. Share of Overall Sales by Price Range During the 12 Months Ending March 2023 in the Charlotte-Concord-Gastonia HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

Forecast

During the 3-year forecast period, demand is expected for 47,050 new homes (Table 5). The 5,900 homes currently under construction will satisfy a portion of the demand in the first year of the forecast period. Approximately 57 percent of the demand will be in the suburban submarkets, which have slightly less than one-half of the HMA population but the most available vacant developable land for single-family home construction.

Table 5. Demand for New Sales Units in the Charlotte-Concord-Gastonia HMA During the Forecast Period

	Sales Units
Demand	47,050 Units
Under Construction	5,900 Units

Note: The forecast period is from April 1, 2023, to April 1, 2026.
Source: Estimates by the analyst

Sales Market—Central Submarket

Current Conditions

Home sales market conditions in the Central submarket are slightly tight. The sales vacancy rate is currently estimated at 1.2 percent, less than the other two submarkets and down from 3.1 percent in 2010 (Table 6). Approximately 3,050 single-family homes, condominiums, and townhomes were available for sale in March 2023, representing a 1.6-month supply, up from 1.0 months during March 2022 (Redfin, a national real estate brokerage). In the Central submarket, the vacancy rate and for-sale inventory supply are lower than in the suburban submarkets, signifying a relatively tighter market. During the 12 months ending March 2023, the average price of all homes sold, including new and existing home sales, increased 14 percent to $485,000. The average home sales price in the submarket is 44 and 30 percent higher than the averages in the North Carolina and South Carolina suburbs submarkets, respectively. Approximately 23 percent of home sales in the submarket are priced at $600,000 or more compared with 10 and 16 percent in the North Carolina Suburbs and South

Table 6. Home Sales Quick Facts in the Central Submarket

		Central Submarket	Charlotte-Concord-Gastonia HMA
Home Sales Quick Facts	**Vacancy Rate**	1.2%	1.3%
	Months of Inventory	1.6	1.8
	Total Home Sales	30,700	62,400
	1-Year Change	-25%	-24%
	New Home Sales Price	$531,300	$492,300
	1-Year Change	18%	18%
	Regular Resales Price	$474,700	$400,000
	1-Year Change	13%	11%
	Mortgage Delinquency Rate	0.7%	0.8%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending March 2023; and months of inventory and mortgage delinquency data are as of March 2023. The current date is April 1, 2023.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—CoreLogic, Inc., with adjustments by the analyst

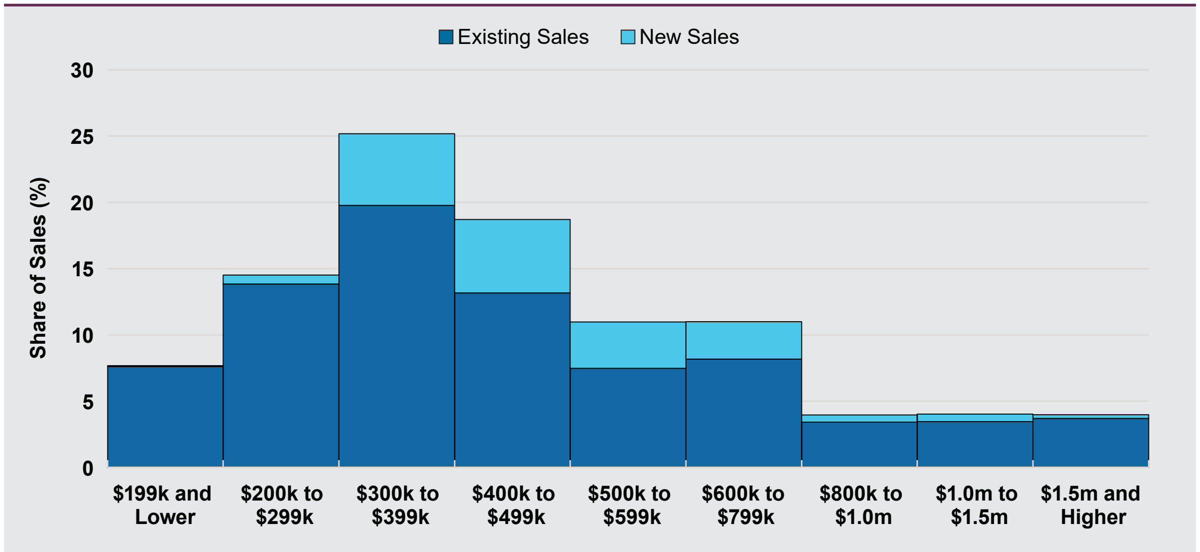
Carolina Suburbs submarkets, respectively (Figure 10). During the same 12-month period, the number of home sales in the Central submarket decreased 25 percent to 30,700, a greater decline than the other submarkets.

Home Sale and Price Trends

Home sales increased throughout the 2010s following declining home sales associated with the Great Recession and the late 2000s and early 2010s housing crisis. Home sales reached a low of 14,200 in 2011, then increased by an average of 3,725 homes, or 20 percent, annually from 2012 through 2015 (CoreLogic, Inc., with adjustments by the analyst), supported by improving economic conditions and strong population growth. Home sales growth slowed to an average of 1,775 homes, or 6 percent, annually from 2016 through 2019, because population growth in the submarket slowed and home sales approached pre-Great Recession levels. A declining inventory of lower priced distressed properties contributed to slowing home sales during this period. Distressed sales (real estate owned [REO] and short sales) accounted for 12 percent of all home sales from 2012 through 2015 but only 3 percent of all home sales from 2016 through 2019 (Figure 11).

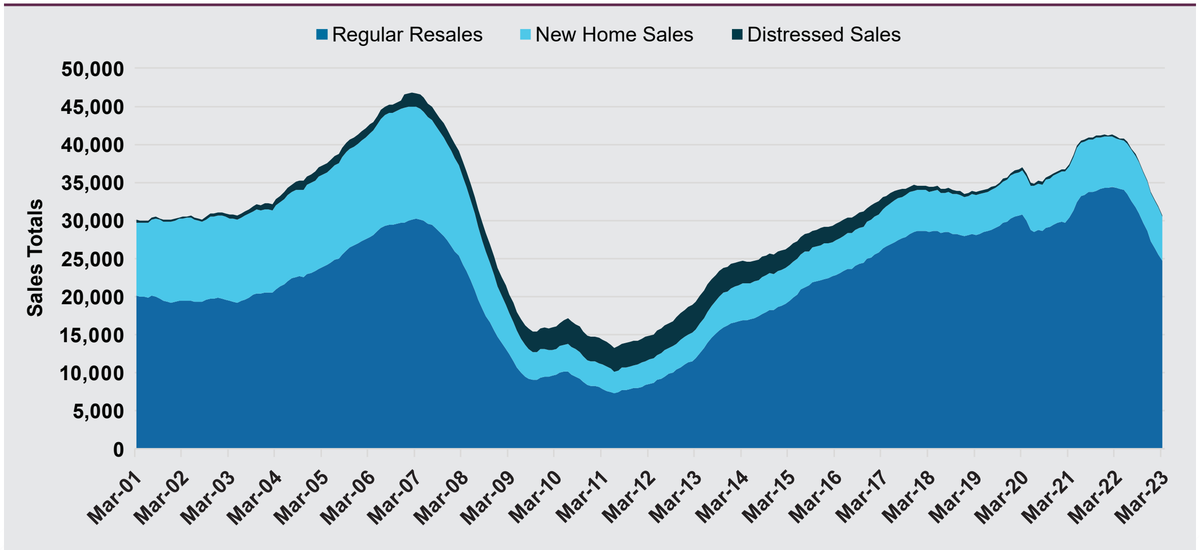
The average home sales price in the submarket was $232,100 from 2010 through 2012 and increased each following year through 2022. From 2013 through 2017, prices for all home sales increased at an average rate of 4 percent

Figure 10. Share of Overall Sales by Price Range During the 12 Months Ending March 2023 in the Central Submarket



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

Figure 11. 12-Month Sales Totals by Type in the Central Submarket



Source: CoreLogic, Inc., with adjustments by the analyst

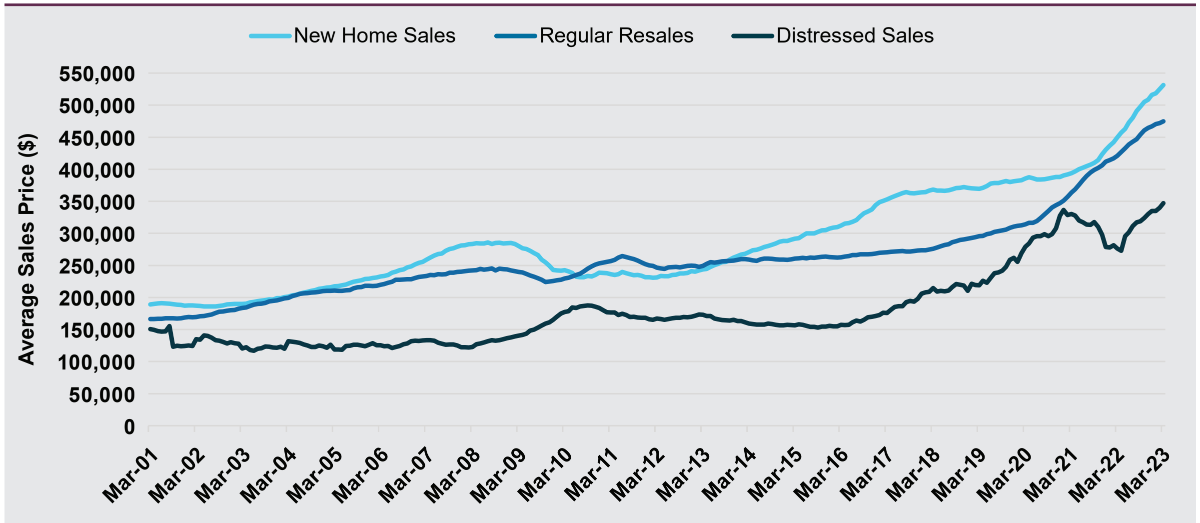
annually (Figure 12). A falling supply of available homes contributed to home price growth. During March 2013, 9,050 homes were available for sale, or a 5.9-month supply, which fell to 7,150 homes available for sale, or a 3.1-month supply, during March 2017. Home price growth accelerated to average annual increases of 6 percent during 2018 and 2019, supported by strong job growth, fewer distressed properties for sale, and a limited supply of available homes for sale.

The home sales market tightened further during the COVID-19 pandemic. During 2020 and 2021, home sales and prices increased by averages of 7 and 14 percent annually, respectively. Low mortgage rates made homebuying more attainable, and the proliferation of remote work contributed to a shift in demand away from rental units such as apartments, which are typically smaller, because remote workers sought more space. Both demand and supply of homes decreased in 2022 with the fall in supply outpacing the decline in demand. The number of home sales fell 18 percent in response to rising interest rates, while the average home price grew 15 percent.

Sales Construction

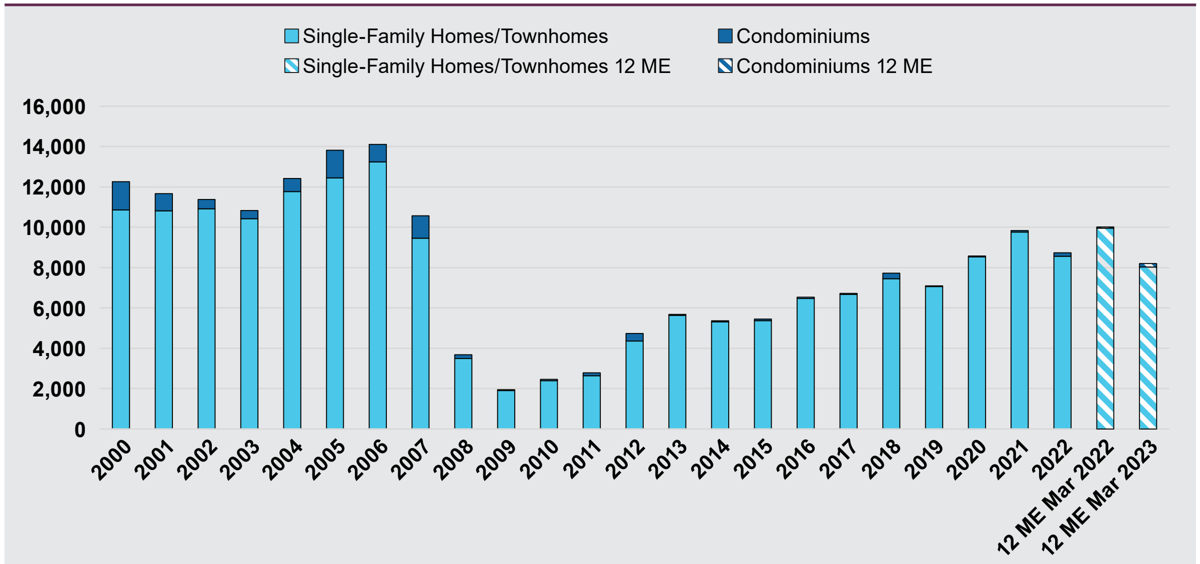
As measured by the number of single-family homes, townhomes, and condominium units permitted (building permits), homebuilding activity has increased in the HMA since the end of 2009 and has reached its highest level since the 2021 housing crisis (Figure 13). Homebuilding peaked previously from 2004 through 2006 at an average of 13,450 homes permitted annually, then declined sharply to 1,900 homes during 2009. Developers responded

Figure 12. 12-Month Average Sales Price by Type of Sale in the Central Submarket



Source: CoreLogic, Inc., with adjustments by the analyst

Figure 13. Annual Sales Permitting Activity in the Central Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

to improved housing market conditions by increasing production beginning in 2010, and the number of homes permitted increased an average of 16 percent annually from 2010 through 2018, with a brief 9-percent decline in 2019.

Following the onset of the COVID-19 pandemic, rapid home price growth and robust demand led home builders to increase construction. In 2020 and 2021, approximately 8,550 and 9,825 homes were permitted, respectively. Rising interest rates constrained demand for new homes during the 12 months ending March 2023, causing homebuilding to fall nearly 18 percent to 8,200 homes compared with the previous 12 months (preliminary data). Although homebuilding in the submarket increased during most of the past 10 years, recent construction levels are 36 percent less than levels from 2000 to 2007. By comparison, current construction in the North Carolina Suburbs and South Carolina Suburbs submarkets is 10 percent less than respective levels from 2000 to 2007.

Mecklenburg County accounted for three-fourths of homebuilding in the Central submarket from 2020 through 2022. An estimated 80 percent of the homes built in Mecklenburg County are in the city of Charlotte. City Park – The Heights Series by Meritage, a 170-unit townhome community in the city of Charlotte, is a typical example of homebuilding in the city. Located 5 miles southwest of uptown Charlotte, the community is nearly completely built out, with the remaining unsold homes starting at $440,000.

Forecast

During the next 3 years, demand is expected for 20,050 new homes (Table 7), with demand distributed evenly throughout the 3-year forecast period. The 2,725 homes under construction will satisfy some of the demand during the first year. The city of Charlotte and Mecklenburg County are expected to continue to account for most of the sales demand in the submarket.

Table 7. Demand for New Sales Units in the Central Submarket During the Forecast Period

Sales Units	
Demand	20,050 Units
Under Construction	2,725 Units

Note: The forecast period is from April 1, 2023, to April 1, 2026.
Source: Estimates by the analyst

Sales Market— North Carolina Suburbs Submarket

Current Conditions

The sales housing market in the North Carolina Suburbs submarket is slightly tight, with a 1.4 percent vacancy rate (Table 8), down from 2.6 percent in 2010. In March 2023, 2,525 homes were available for sale, representing a 2.2-month supply, up from 1,675 homes, or a 1.2-month supply, in March 2022 (Redfin, a national real estate brokerage). The for-sale inventory in the submarket ranges from a 1.9-month supply in Cabarrus and Gaston Counties to a 2.9-month supply in Iredell County. Although market conditions and price trends are broadly similar to the other two submarkets, the North Carolina Suburbs submarket has the highest owner vacancy rate and months of inventory of available homes for sale in the HMA. A relatively greater supply of homes available for sale limited average home price growth to 11 percent during the 12 months ending March 2023, which was a smaller increase than the other two submarkets. The average home price in the submarket was

Table 8. Home Sales Quick Facts in the North Carolina Suburbs Submarket

		North Carolina Suburbs Submarket	Charlotte-Concord-Gastonia HMA
Home Sales Quick Facts	**Vacancy Rate**	1.4%	1.3%
	Months of Inventory	2.2	1.8
	Total Home Sales	21,100	62,400
	1-Year Change	-21%	-24%
	New Home Sales Price	$432,500	$492,300
	1-Year Change	16%	18%
	Regular Resales Price	$320,000	$400,000
	1-Year Change	10%	11%
	Mortgage Delinquency Rate	1.0%	0.8%

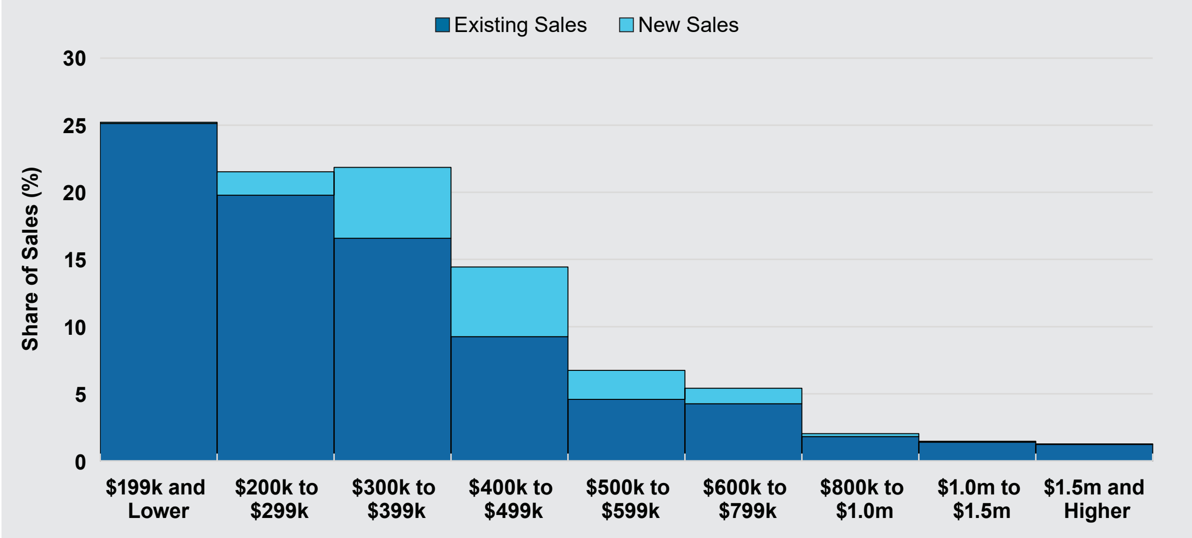
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending March 2023; and months of inventory and mortgage delinquency data are as of March 2023. The current date is April 1, 2023.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—CoreLogic, Inc., with adjustments by the analyst

$336,900, 31 and 10 percent less than in the Central and South Carolina Suburbs submarkets, respectively. Approximately 47 percent of all home sales in the submarket were priced below $300,000 compared with 23 and 35 percent in the Central and South Carolina Suburbs submarkets, respectively (Figure 14). Relatively lower home prices moderated the effects of rising interest rates and supported continued home sales in the submarket. During the 12 months ending March 2023, the number of home sales decreased 21 percent to 21,100 compared with the previous 12-month period, a slower rate of decline than the other two submarkets.

Home Sale and Price Trends

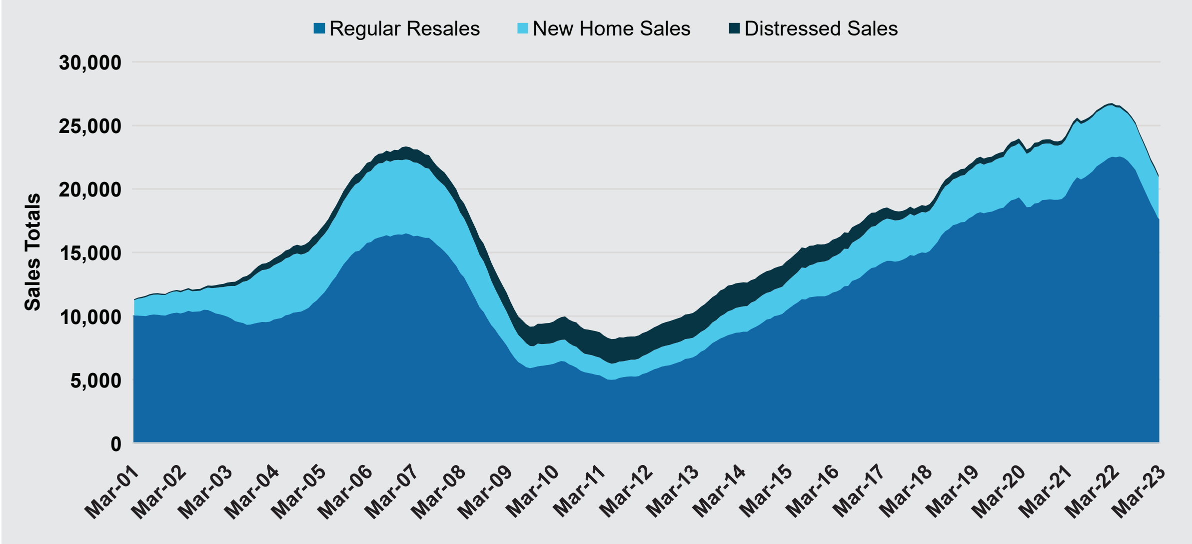
Both home sales and prices in the submarket increased throughout the 2010s. During 2010 and 2011, home sales and prices reached historically low levels, averaging 8,650 sales and $163,800 annually (CoreLogic, Inc., with adjustments by the analyst). As economic conditions continued to improve and population growth in the submarket accelerated, home sales and average home prices increased. The number of home sales increased, averaging 16 percent annually from 2012 through 2016 and 9 percent annually from 2017 through 2019 (Figure 15). Like the Central submarket, home sales slowed because of declining for-sale inventory and included fewer distressed properties, which made up 2 percent of home sales in 2019 compared with 22 percent in 2011. Home price growth steadied throughout

Figure 14. Share of Overall Sales by Price Range During the 12 Months Ending March 2023 in the North Carolina Suburbs Submarket



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

Figure 15. 12-Month Sales Totals by Type in the North Carolina Suburbs Submarket



Source: CoreLogic, Inc., with adjustments by the analyst

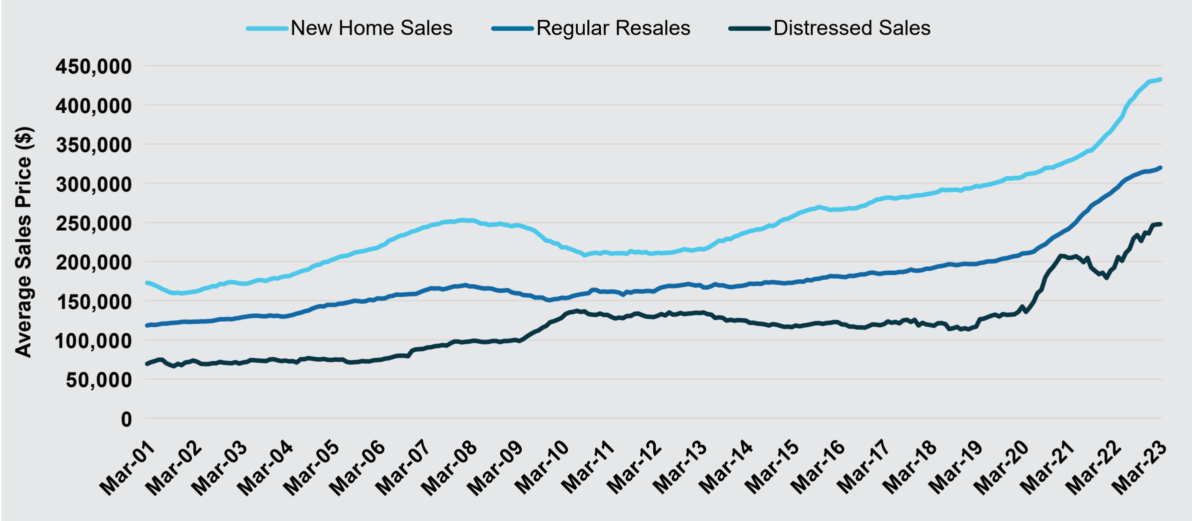
the 2010s, averaging 4 percent annually from 2012 through 2019 (Figure 16). Both home sales and prices increased during 2020 and 2021, rising an average of 6 and 15 percent annually, respectively. Rising mortgage interest rates led to both reduced demand and supply of for-sale homes in 2022, contributing to a 12-percent decline in home sales, whereas the average home sales price increased 13 percent.

Sales Construction

Homebuilding in the submarket peaked at an average of 7,300 homes permitted annually from 2004 through 2007 (Figure 17). Following the housing crisis and Great Recession, homebuilding decreased an average of 34 percent annually from 2008 through 2011. From 2012 through 2017, homebuilding increased an average of 23 percent annually—faster than the other two submarkets—before slowing to an average increase of 3 percent annually during 2018 and 2019.

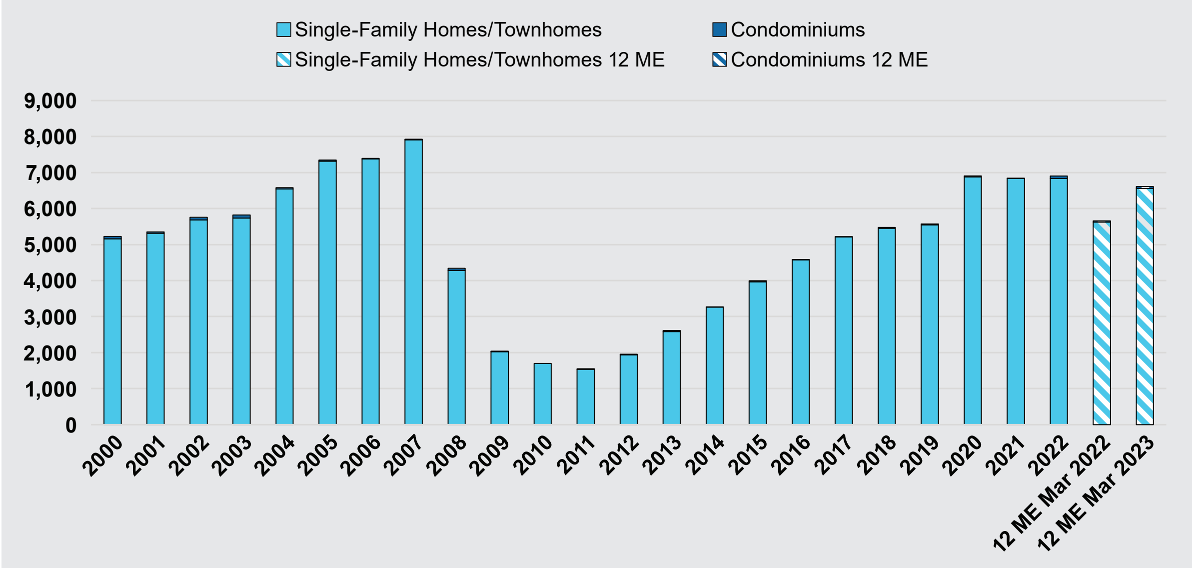
Builders responded to rapidly rising home prices during the pandemic by increasing production. In 2020, the number of homes permitted increased 24 percent year over year, then stabilized. An average of 6,875 homes were permitted annually from 2020 through 2022. Despite rising interest rates, the number of homes permitted increased 17 percent to 6,600 homes during the 12 months ending March 2023 compared with the previous 12 months (preliminary data). The increased prevalence of remote work has supported home construction in this submarket since 2020.

Figure 16. 12-Month Average Sales Price by Type of Sale in the North Carolina Suburbs Submarket



Source: CoreLogic, Inc., with adjustments by the analyst

Figure 17. Annual Sales Permitting Activity in the North Carolina Suburbs Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Homebuilding occurs throughout the submarket and is not concentrated in one geographic cluster but is predominantly along Interstates 85 and 77 corridors. From 2020 through 2022, Cabarrus, Gaston, Iredell, Lincoln, and Rowan Counties accounted for 25, 24, 26, 15, and 10 percent of for-sale construction, respectively. Home construction in Iredell and Rowan Counties has increased sharply in recent years, rising an average of 13 and 16 percent annually from 2018 through 2022. An example of current homebuilding in the submarket is Nolen Farm, a 411-home master-planned community in the city of Gastonia in Gaston County, with single-family homes starting at approximately $400,000. D. R. Horton is building approximately two-thirds of the homesites in the community.

Forecast

During the next 3 years, demand is expected for 16,550 new homes in the North Carolina Suburbs submarket, supported by consistent population growth and a limited inventory of available homes (Table 9). The 2,050 homes under construction will meet a portion of the demand in the first year. Demand is expected to continue supporting homebuilding throughout most areas in the submarket.

Table 9. Demand for New Sales Units in the North Carolina Suburbs Submarket During the Forecast Period

	Sales Units
Demand	16,550 Units
Under Construction	2,050 Units

Note: The forecast period is from April 1, 2023, to April 1, 2026.
Source: Estimates by the analyst

Sales Market— South Carolina Suburbs Submarket

Current Conditions

The sales market in the South Carolina Suburbs submarket is slightly tight. The sales vacancy rate is 1.3 percent (Table 10), down from 2.4 percent in April 2010. During March 2023, 1,100 homes were available for sale, or a 1.9-month supply, up from 650 homes for sale, or a 0.9-month supply, in March 2022. Chester County had a 4.5-month supply of homes available for sale, whereas Lancaster and York Counties had 1.7 and 1.8 months of supply, respectively. The volume of home sales decreased sharply throughout the submarket during the past 12 months because of rising interest rates, contributing to an increased inventory of homes for sale. The number of homes sold fell 24 percent year over year to 10,600 homes sold during the 12 months ending March 2023. The average home price continued increasing, rising 12 percent to $373,800 during the same period. Figure 18 shows the share of overall sales by price range during the 12 months ending March 2023.

Table 10. Home Sales Quick Facts in the South Carolina Suburbs Submarket

		South Carolina Suburbs Submarket	Charlotte-Concord-Gastonia HMA
Home Sales Quick Facts	Vacancy Rate	1.3%	1.3%
	Months of Inventory	1.9	1.8
	Total Home Sales	10,600	62,400
	1-Year Change	-24%	-24%
	New Home Sales Price	$477,900	$492,300
	1-Year Change	15%	18%
	Regular Resales Price	$347,200	$400,000
	1-Year Change	11%	11%
	Mortgage Delinquency Rate	0.9%	0.8%

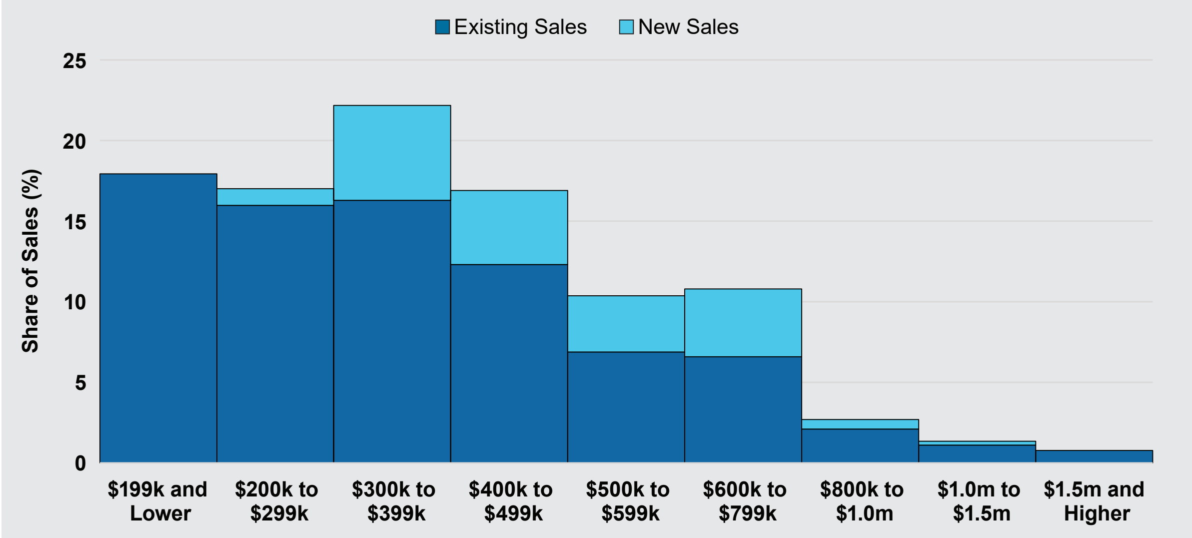
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending March 2023; and months of inventory and mortgage delinquency data are as of March 2023. The current date is April 1, 2023.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—CoreLogic, Inc., with adjustments by the analyst

Home Sales and Prices

The housing crisis and the Great Recession affected home sales in the submarket to a lesser extent, so that they were more stable than in the HMA as a whole. During 2010 and 2011, home sales averaged 5,250 annually, down 54 percent from the 2006 and 2007 averages (CoreLogic, Inc., with adjustments by the analyst). By comparison, home sales in the Central and North Carolina Suburbs submarkets decreased 67 and 61 percent between the two periods, respectively. As the economy improved, home sales increased an average of 17 percent annually from 2012 through 2015, then slowed to an average of 6 percent annually from 2016 through 2019 (Figure 19). Despite the relatively strong increases in home sales in this submarket, home sales growth trailed the other submarkets from 2012 through 2019. In addition, the number of seriously delinquent mortgages (90 or more days delinquent or in foreclosure) or in REO status peaked at 6.5 percent in March 2010 compared with 7.5 and 7.2 percent in the Central and North Carolina Suburbs submarkets, respectively.

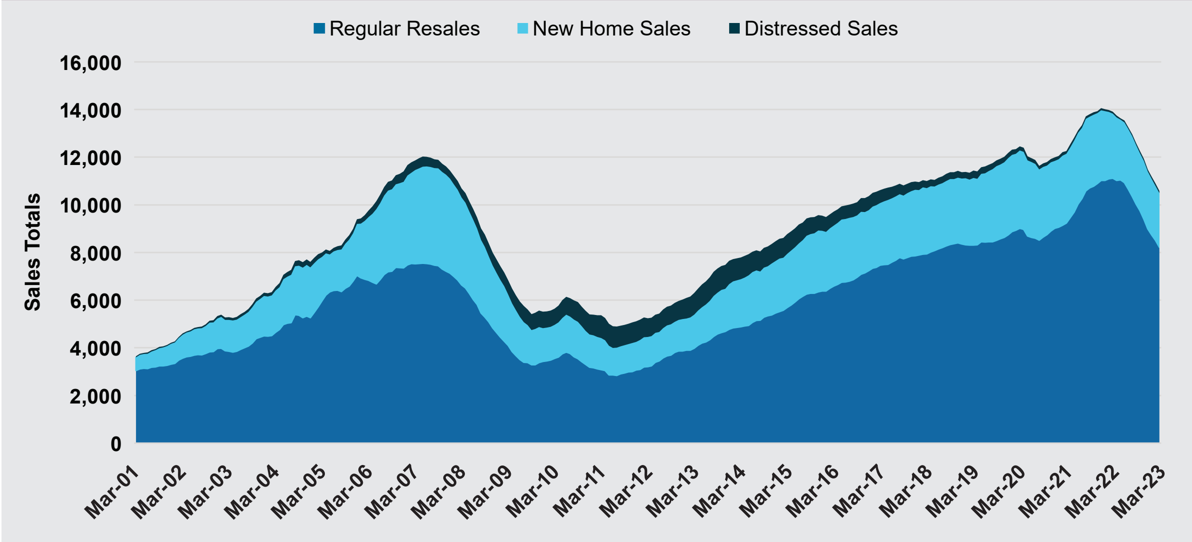
The South Carolina Suburbs submarket led home price growth in the HMA from 2011 through 2019, supported by strong demand for suburban homes and accelerating population growth. The average home sales price was $168,500 during 2010 and 2011. As the housing market began recovering from the housing crisis, home prices increased rapidly, rising an average of 7 percent annually from 2012 through 2015, then slowing to average

Figure 18. Share of Overall Sales by Price Range During the 12 Months Ending March 2023 in the South Carolina Suburbs Submarket



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

Figure 19. 12-Month Sales Totals by Type in the South Carolina Suburbs Submarket



Source: CoreLogic, Inc., with adjustments by the analyst

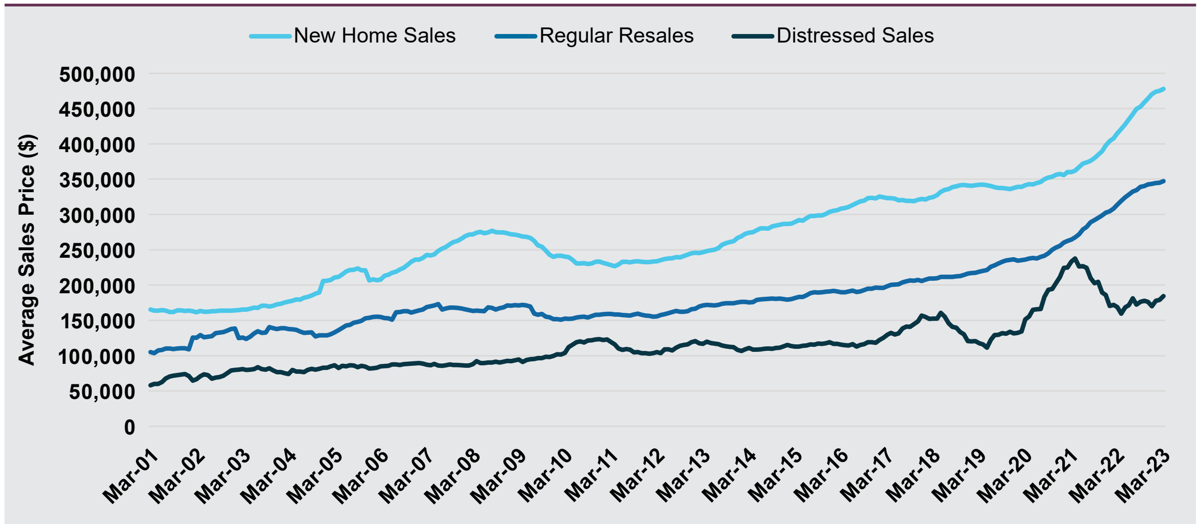
annual growth of 5 percent from 2016 through 2019 (Figure 20). From 2012 through 2019, home price growth averaged 6 percent annually compared with 4 percent annually in the other submarkets. A smaller percentage of lower priced distressed sales contributed to strong price growth, accounting for 17 percent of home sales in 2011 compared with 22 percent in the other submarkets.

During 2020 and 2021, home sales and prices increased at averages of 7 and 11 percent annually, respectively. Although home price growth was rapid during this period, the rate of growth was lower than in the other two submarkets. New home construction in the submarket increased to a greater degree than in the other submarkets, increasing the supply of homes for sale and limiting price growth. During 2022, the number of home sales decreased 18 percent, although home prices rose 15 percent.

Sales Construction

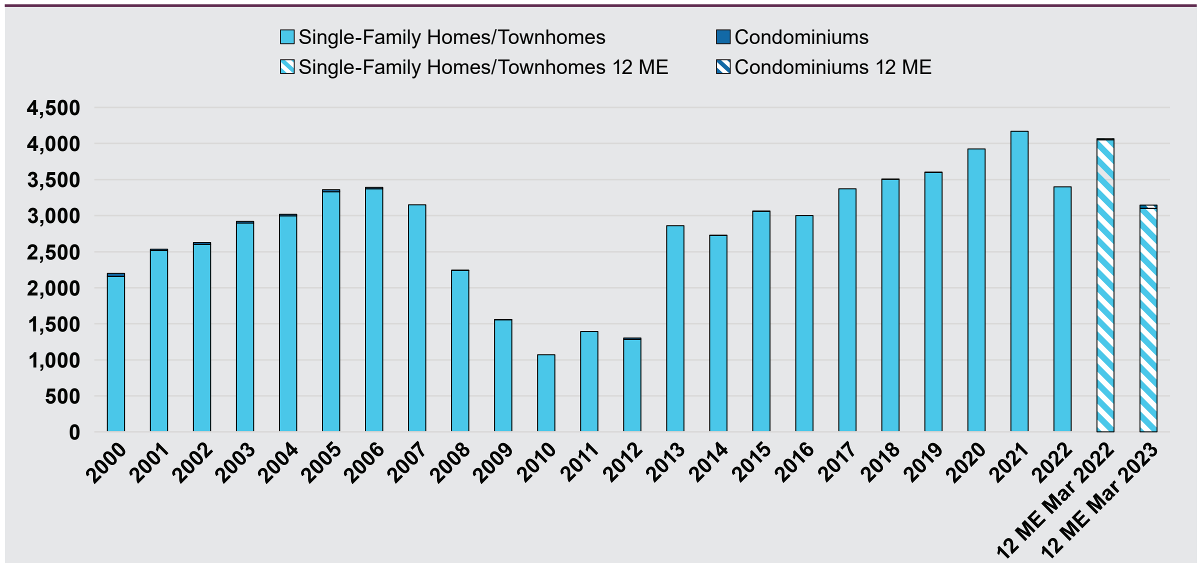
Sales housing construction recovered from the housing crisis more quickly in the South Carolina Suburbs submarket than in the other submarkets. Homebuilding averaged 3,225 homes annually from 2004 through 2007, then declined to an average of 1,250 homes annually from 2010 through 2012, a 61-percent decline from the previous peak (Figure 21). However, homebuilding rose to 2,850 homes in 2013, which was more than double the number permitted a year earlier and nearly reached pre-housing crisis levels. Higher price growth for existing homes and lower

Figure 20. 12-Month Average Sales Price by Type of Sale in the South Carolina Suburbs Submarket



Source: CoreLogic, Inc., with adjustments by the analyst

Figure 21. Annual Sales Permitting Activity in the South Carolina Suburbs Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

levels of relatively lower priced distressed homes available for sale than in the other two submarkets supported rapid housing production increases. From 2014 through 2019, homebuilding trended upward, rising an average of 4 percent annually and surpassing the 2006 pre-housing crisis high. During 2020 and 2021, homebuilding increased an average of 8 percent annually, peaking at 4,175 homes in 2021, then decreasing 18 percent to 3,400 homes in 2022. In 2021 and 2022, homebuilding exceeded pre-housing crisis levels, whereas homebuilding in the other two submarkets remained lower than mid-2000 levels. During the 12 months ending March 2023, 3,150 homes were permitted, down 23 percent from the previous 12-month period.

York County accounted for 64 percent of home construction in the submarket from 2020 to 2022 compared with 34 and 2 percent in Lancaster and Chester Counties, respectively. Homebuilding in York and Lancaster Counties clustered in areas bordering Mecklenburg County, making it a popular location for residents commuting to the city of Charlotte for work. Walnut Creek, an 886-acre master-planned community in the city of Indian Land in Lancaster County, is one of the larger new home communities in the HMA. During 2022, approximately 190 homes sold at Walnut Creek, with sales prices starting at $300,000.

Forecast

During the next 3 years, demand is expected for 10,450 new homes in the South Carolina Suburbs submarket (Table 11). The 1,125 homes under construction will meet a portion of the demand in the first year. Although the estimated demand in the submarket is less than in the other submarkets, it is 69 and 33 percent greater on a per-capita basis than in the Central and North Carolina Suburbs submarkets, respectively, because of high homeownership rates and strong anticipated household growth in the submarket. During the 3-year forecast period, demand is expected to continue to concentrate near the Central submarket and the city of Charlotte.

Table 11. Demand for New Sales Units in the South Carolina Suburbs Submarket During the Forecast Period

	Sales Units
Demand	10,450 Units
Under Construction	1,125 Units

Note: The forecast period is from April 1, 2023, to April 1, 2026.
Source: Estimates by the analyst

Rental Market

Rental Market—Charlotte HMA

Market Conditions: Slightly Soft

> Rental market conditions eased during the past year, because a large number of new apartments came online, and rental unit absorption slowed.

Current Conditions and Recent Trends

The overall rental market in the Charlotte HMA—including apartments, single-family homes, and other housing units available for rent—is slightly soft. The estimated 9.0-percent vacancy rate is down from 11.5 percent in April 2010 when rental conditions were softer. Rental market conditions range from soft in the North Carolina Suburbs submarket to balanced in the South Carolina Suburbs submarket. The decline in the rental vacancy rate since 2010 reflected an increased demand for rental units. Since 2010, the share of renter households residing in larger apartment buildings has increased modestly, whereas the percentage of renter households living in single-family homes has remained unchanged (Table 12).

Apartment Market Conditions

The apartment market is slightly soft. The overall apartment vacancy rate, including units in lease-up, has been above 7.0 percent during each first quarter from 2014 through 2021. High rates of apartment production have led to elevated vacancy rates despite the relatively strong absorption of new units. The stabilized apartment vacancy rate was below 6.0 percent during every first quarter, but units not yet absorbed in apartment properties that had opened during the preceding 12 months contributed to a higher overall apartment vacancy rate. As of the first quarter of 2023, the average apartment vacancy rate in the HMA had increased to 9.4 percent compared with 6.6 percent as of the first quarter of 2022, representing the highest first quarter apartment vacancy rate since before 2010 (CoStar Group; Figure 22).

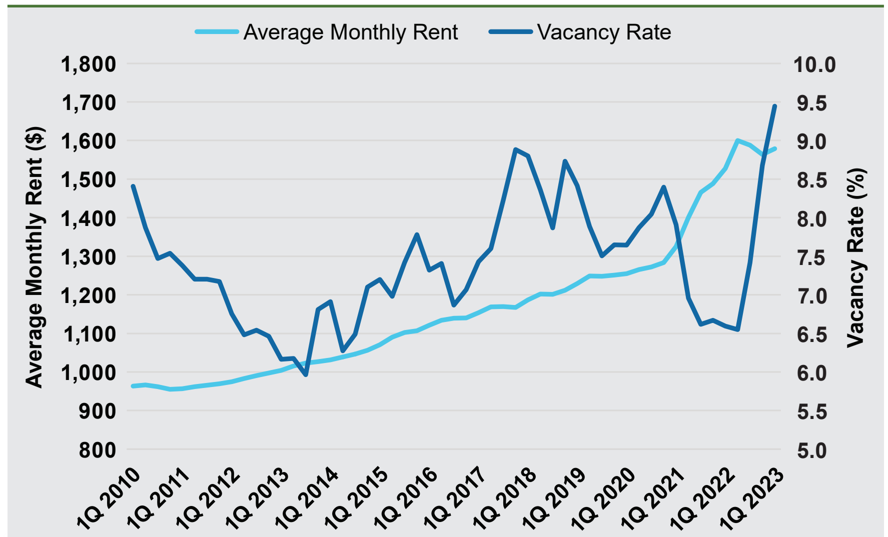
Table 12. Rental and Apartment Market Quick Facts in the Charlotte-Concord-Gastonia HMA

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	11.5	9.0
		2010 (%)	2017–2021 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	38	38
	Multifamily (2–4 Units)	11	9
	Multifamily (5+ Units)	41	45
	Other (Including Mobile Homes)	9	7

		1Q 2023	YoY Change
Apartment Market Quick Facts	Apartment Vacancy Rate	9.4	2.9
	Average Rent	$1,578	3%
	Studio	$1,471	3%
	One-Bedroom	$1,444	3%
	Two-Bedroom	$1,707	4%
	Three-Bedroom	$2,058	4%

1Q = first quarter. YoY = year-over-year.
Notes: The current date is April 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2006–2010 and 2017–2021 American Community Survey 5-year data; apartment data—CoStar Group

Figure 22. Apartment Rents and Vacancy Rates in the Charlotte-Concord-Gastonia HMA



1Q = first quarter.
Source: CoStar Group

High apartment construction rates and slowing absorption recently contributed to the increasing vacancy rate and slowing rent growth. During the 12 months ending March 2023, 10,450 apartment units were completed, although only 3,875 apartments were absorbed, representing the highest completion and lowest absorption rate of any comparable period since 2010. The apartments entering the market and undergoing lease-up during the first quarter of 2023 also contributed to the stabilized apartment vacancy rate, increasing 2.1 percentage points year over year to 6.9 percent, the highest rate since 2012. Average asking rents increased 3 percent year over year to $1,578 as of the first quarter of 2023, following 15-percent growth as of the first quarter of 2022. By comparison, rent growth averaged 3 percent annually from 2015 through 2020.

Single-Family Rental Market Conditions

The single-family home rental market in the HMA was balanced in 2022, unchanged from 2021 and tighter than the apartment market. The greater use of remote work has increased the appeal of suburban, single-family homes relative to urban apartments, contributing to stronger demand for single-family rental homes. As of December 2022, single-family rental homes in the HMA had a vacancy rate of 6.7 percent, up from 6.3 percent a year earlier (John Burns Real Estate Consulting LLC). The median single-family rent was $1,813 during the same period, up 8 percent from December 2021. Single-family home rent growth has been high since 2020, averaging 8 percent annually during 2020 and 2021.

In recent years, builders began constructing single-family homes and townhome developments intended for renter occupancy. Since 2020, five of these developments have begun or completed construction, including HARMON Five Points by Crescent Communities, a townhome community in Charlotte. In the summer of 2023, 76 three-bedroom townhomes will be complete and available for rent, starting at $2,350 a month. All recently built single-family and townhome rental communities in the HMA are in the Central submarket.

Forecast

During the next 3 years, demand is estimated for 22,050 rental units in the HMA (Table 13). Consistent job and population growth, alongside increasing home prices and interest rates, continue making the shift from renting to homeownership more difficult, supporting rental demand. The 22,850 rental units under construction in the HMA are expected to be complete during the next 3 years, surpassing the total demand throughout the 3-year forecast period. The discrepancy between rental unit demand and units currently under way varies by submarket. More than 80 percent of all rental units under construction are in the Central submarket, and 34 percent of total demand is in the suburban submarkets. As such, the rental units under construction in the suburban submarkets are not expected to exceed the demand in those submarkets.

Table 13. Demand for New Rental Units in the Charlotte-Concord-Gastonia HMA During the Forecast Period

	Rental Units
Demand	22,050 Units
Under Construction	22,850 Units

Note: The forecast period is April 1, 2023, to April 1, 2026.
Source: Estimates by the analyst

Rental Market—Central Submarket

Current Conditions and Recent Trends

The Central submarket accounts for 52 percent of households in the HMA and 61 percent of all renter households. Rental market conditions in the submarket are currently slightly soft, with an estimated vacancy rate of 8.9 percent, down from 11.1 percent in 2010 (Table 14). Since 2010, renter households have accounted for 51 percent of household growth in the submarket, contributing to increased demand for rental units and declining rental vacancy rates. Developers have responded to increasing rental demand by sharply increasing levels of apartment construction since 2010, limiting the decline in the rental vacancy rate and contributing to consistently slightly soft rental market conditions. Approximately 56 percent of all renter households in the submarket lived in multifamily buildings with five or more units per building, typically apartments, from 2017 through 2021, which was up slightly from 54 percent from 2006 through 2010 and compared with 27 and 39 percent in the North Carolina Suburbs and South Carolina Suburbs submarkets, respectively (2006–2010 and 2017–2021 5-year ACS data).

Apartment Market Conditions

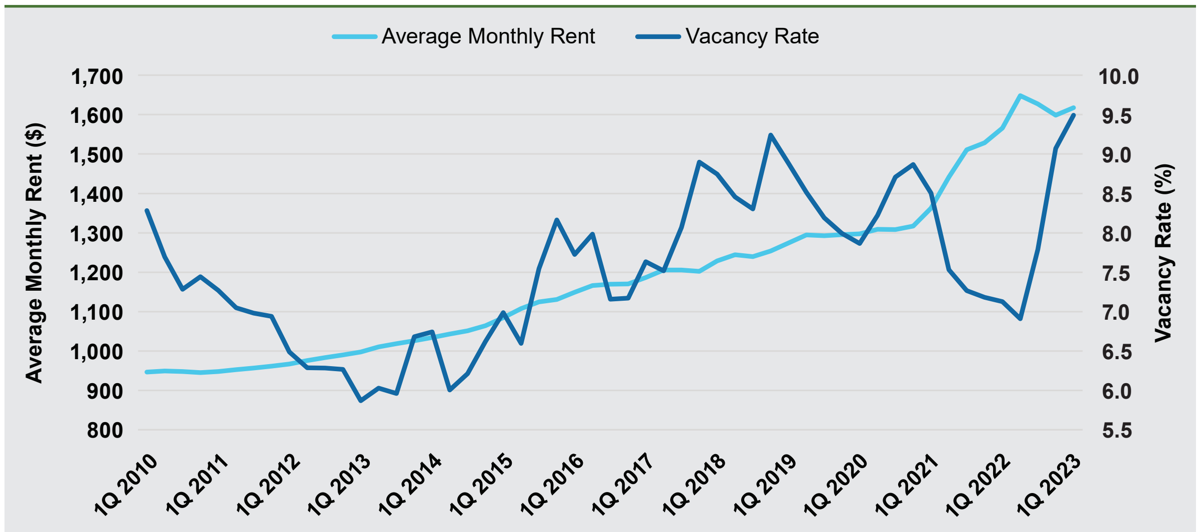
The apartment market in the Central submarket is slightly soft. The submarket accounts for approximately 75 percent of the large apartment communities surveyed by CoStar Group in the HMA, with most in the city of Charlotte. Apartment market conditions were also slightly soft prior to the COVID-19 pandemic, when the apartment vacancy rate increased from 7.0 percent in the first quarter of 2015 to 8.9 percent as of the first quarter of 2019 (Figure 23). Approximately 5,700 apartments were delivered annually during this period, whereas 4,700 units were absorbed. High apartment construction levels limited rent growth to an average of 4 percent annually (CoStar Group). Apartment demand increased following the onset of COVID-19. During 2020 and 2021, an average of 7,350 units were absorbed annually, contributing to the vacancy

Table 14. Rental and Apartment Market Quick Facts in the Central Submarket

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	11.1	8.9
		2010 (%)	2017–2021 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	32	34
	Multifamily (2–4 Units)	11	8
	Multifamily (5+ Units)	54	56
	Other (Including Mobile Homes)	3	2
		1Q 2023	YoY Change
Apartment Market Quick Facts	Apartment Vacancy Rate	9.5	2.4
	Average Rent	$1,617	3%
	Studio	$1,471	3%
	One-Bedroom	$1,444	3%
	Two-Bedroom	$1,707	4%
	Three-Bedroom	$2,058	4%

1Q = first quarter. YoY = year-over-year.
Notes: The current date is April 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2006–2010 and 2017–2021 American Community Survey 5-year data; apartment data—CoStar Group

Figure 23. Apartment Rents and Vacancy Rates in the Central Submarket



1Q = first quarter.
Source: CoStar Group

rate falling to 7.1 percent as of the first quarter of 2022, as average asking rents increased 15 percent year over year. However, this period of elevated apartment absorption was short lived, and only 3,550 apartments were absorbed in 2022, the lowest annual total since 2014. Slowing absorption contributed to the apartment vacancy rate rising to 9.5 percent as of the first quarter of 2023, while rent growth slowed to 4 percent year over year.

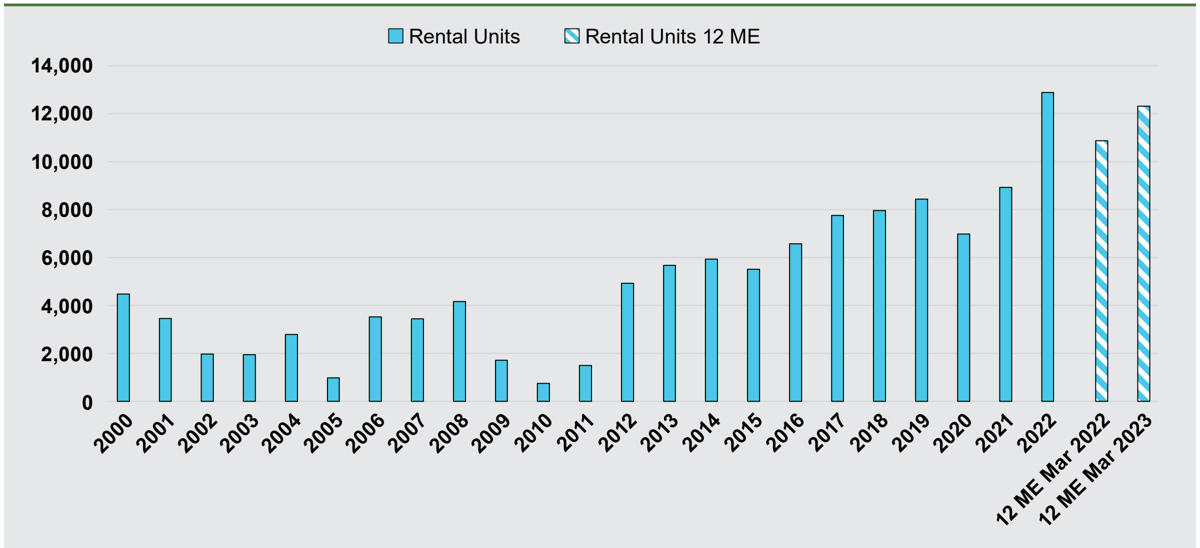
The areas within the Central submarket with the most units entering the market had the highest apartment market vacancy rates. The CoStar Group-defined Lower South End, University, and Union County market areas had apartment vacancy rates of 18.0, 15.4, and 14.6 percent, respectively, during the first quarter of 2023, when the apartment inventory increased 15, 10, and 15 percent year over year, more than any of the other eight market areas within the Central submarket. By comparison, the whole submarket apartment inventory increased 5 percent during the same period. The three lowest apartment vacancy rates were in the CoStar Group-defined East Charlotte, Uptown Charlotte, and South Charlotte market areas at 6.1, 6.9, and 7.0 percent, respectively. The apartment inventory expanded 3 percent or less in each of these three market areas.

Rental Construction Activity

Builders responded to strong renter household growth and the absorption of new apartments by increasing levels of rental construction during the 2010s. Rental construction in the submarket, as measured by the number of units permitted, averaged 2,975 units annually from 2000 through 2008, then fell to an average of 1,325 units annually from 2009 through 2011 because of soft rental market conditions associated with the Great Recession (Figure 24). Rental construction increased sharply in 2012 and averaged 5,500 units annually from 2012 through 2015. Developers responded to strengthening economic conditions by further increasing rental production. From 2016 through 2019, the number of rental units permitted increased an average of 11 percent annually to 8,425 units in 2019, contributing to rising apartment vacancy rates.

The rate of apartment construction has accelerated since 2020, when rental construction fell 17 percent because of COVID-19 pandemic-associated disruptions. During 2021 and 2022, developers responded to strong rent growth and apartment absorption by increasing rental construction an average of 36 percent annually to 8,925 and 12,900 units during 2021 and 2022, respectively. Despite the softer market conditions, apartment construction remained strong during the 12 months ending March 2023, with approximately 12,300 rental units permitted, up 13 percent from the previous 12-month period (preliminary data).

Figure 24. Annual Rental Permitting Activity in the Central Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Approximately 95 percent of apartments under construction in the submarket are in the city of Charlotte. Savona Mill, one of the larger rental properties under construction, is a mixed-use redevelopment of a textile mill in the West End neighborhood of Charlotte that will also include a 180,000-square-foot office space and a 14,000-square-foot retail space. The first phase of development consists of 321 apartment units. A second phase of 329 units at Savona Mill is expected to begin construction when the first phase nears completion in 2024.

Forecast

During the 3-year forecast period, demand is expected for an additional 14,600 rental units (Table 15). Demand is expected to continue to concentrate in the city of Charlotte. The 18,950 units currently under construction are expected to exceed demand during the next 3 years.

Table 15. Demand for New Rental Units in the Central Submarket During the Forecast Period

	Rental Units
Demand	14,600 Units
Under Construction	18,950 Units

Note: The forecast period is April 1, 2023, to April 1, 2026.
Source: Estimates by the analyst

Rental Market—North Carolina Suburbs Submarket

Current Conditions and Recent Trends

The rental market in the North Carolina Suburbs submarket is soft, with an estimated 10.0-percent rental vacancy rate, down from 12.1 percent during 2010 (Table 16). Although market conditions are currently soft, the rental vacancy rate has decreased since 2010 due to an increasing population and improving economic conditions in the submarket. However, relatively slow renter household growth and a large number of completed units in the past year contributed to the current soft rental market conditions.

Table 16. Rental and Apartment Market Quick Facts in the North Carolina Suburbs Submarket

		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	12.1	10.0
		2010 (%)	**2017–2021 (%)**
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	47	47
	Multifamily (2–4 Units)	13	13
	Multifamily (5+ Units)	24	27
	Other (Including Mobile Homes)	17	14

		1Q 2023	YoY Change
Apartment Market Quick Facts	**Apartment Vacancy Rate**	10.0	4.6
	Average Rent	$1,416	4%
	Studio	$1,062	6%
	One-Bedroom	$1,274	4%
	Two-Bedroom	$1,446	3%
	Three-Bedroom	$1,761	4%

1Q = first quarter. YoY = year-over-year.
Notes: The current date is April 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2006–2010 and 2017–2021 American Community Survey 5-year data; apartment data—CoStar Group

Apartment Market Conditions

The apartment market in the submarket is soft, accounting for 27 percent of the overall rental market—less than the other two submarkets (2017–2021 ACS 5-year data). As of the first quarter of 2023, the apartment vacancy rate was 10.0 percent, up from 5.4 percent during the first quarter of 2022 and 6.2 percent during the first quarter of 2021 (CoStar Group). The vacancy rate increased as of the first quarter of 2023, because 2,575 apartments were completed during the 12 months ending March 2023—with 1,300 units completed in the first quarter of 2023 alone—whereas only 860 units were absorbed. Average asking rents increased 4 percent as of the first quarter of 2023 to $1,416, following growth of 17 and 9 percent as of the first quarters of 2022 and 2021, respectively. By comparison, annual rent growth averaged 4 percent as measured in the first quarters of 2015 through 2020, when the apartment vacancy rate averaged 6.3 percent (Figure 25).

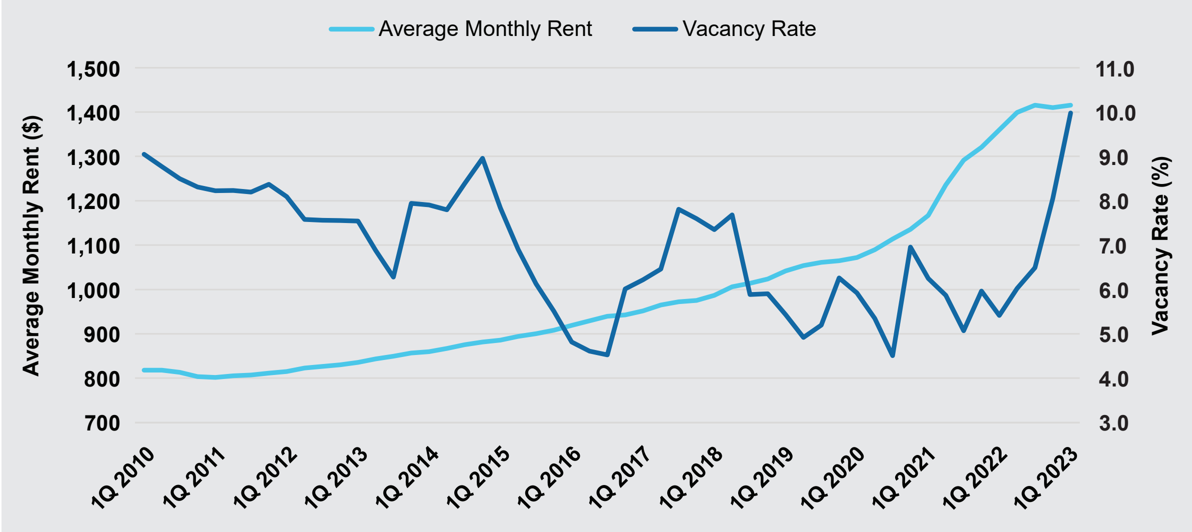
Iredell and Cabarrus County had the highest apartment vacancy rates in the submarket during the first quarter of 2023 at 14.0 and 11.2 percent, up from

4.9 and 6.6 percent a year earlier, respectively. High rates of construction primarily caused increases in apartment vacancy rates in these counties. Iredell and Cabarrus Counties delivered 43 and 41 percent of apartments in the submarket during the past year, respectively. Higher attainable rents in these counties attract developers. Iredell and Cabarrus Counties have the highest average asking apartment rents in the submarket at $1,505 and $1,484, respectively.

Rental Construction Activity

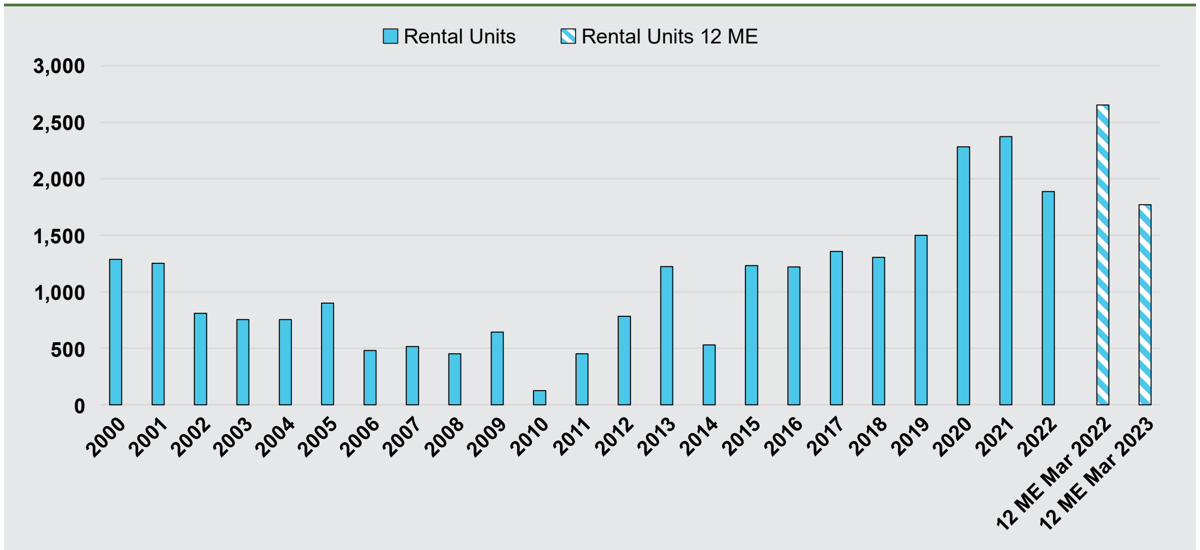
Rental construction activity has increased sharply in the North Carolina Suburbs submarket since 2020. During 2020 and 2021, an average of approximately 2,325 rental units were permitted annually, because developers responded to rapidly increasing rents and low vacancy rates by increasing production. Rental construction declined to 1,875 units during 2022 but remained well above pre-COVID-19 levels. During the 12 months ending March 2023, approximately 1,775 units were permitted, down 33 percent from the preceding 12-month period (preliminary data). Rental construction averaged 780 rental units permitted annually from 2000 through 2009 before falling to a low of 120 units permitted during 2010. As economic conditions improved and population growth increased, rental construction increased by an average of 370 units annually from 2011 through 2013 to 1,225 units in 2013 (Figure 26). Rental production fell to 530 units in 2014 but increased slightly to an average

Figure 25. Apartment Rents and Vacancy Rates in the North Carolina Suburbs Submarket



1Q = first quarter.
Source: CoStar Group

Figure 26. Annual Rental Permitting Activity in the North Carolina Suburbs Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

of 1,325 units permitted annually from 2015 through 2019, partly because of consistent rent growth and average apartment vacancy rates lower than the Central submarket and city of Charlotte.

Apartment construction occurs throughout the submarket, similar to the units built for sale. Evolve at Parkway Apartment Homes, a 300-unit apartment property, is under construction in the city of Concord in Cabarrus County. One-, two- and three-bedroom units will be complete and available during the second quarter of 2023, starting at $1,400, $1,750, and $2,100, respectively.

Forecast

During the next 3 years, demand is estimated for 4,350 rental units in the North Carolina Suburbs submarket (Table 17). Demand is expected to be evenly distributed among all years of the 3-year forecast period, although the current large pipeline of approximately 2,275 units under construction will meet most demand during the first and second years. Demand during the forecast period is expected to be distributed throughout the submarket.

Table 17. Demand for New Rental Units in the North Carolina Suburbs Submarket During the Forecast Period

Rental Units	
Demand	4,350 Units
Under Construction	2,275 Units

Note: The forecast period is April 1, 2023, to April 1, 2026.
Source: Estimates by the analyst

Rental Market—South Carolina Suburbs Submarket

Current Conditions and Recent Trends

The South Carolina Suburbs submarket accounts for 16 percent of households in the HMA but only 12 percent of renter households. Although a minority of renter households in the submarket live in multifamily buildings with more than five units, the share of these households has increased more than elsewhere in the HMA, rising 12 percentage points between 2010 and 2021, supported by strong suburban growth and construction of new apartment properties (2006–2010 and 2017–2021 ACS 5-year data; Table 18). Rental market conditions in the submarket are balanced but easing, with a 7.0-percent rental vacancy rate as of April 1, 2023, down from 11.5 percent in 2010. The rental vacancy rate in the submarket has declined more than in

Table 18. Rental and Apartment Market Quick Facts in the South Carolina Suburbs Submarket

		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	11.5	7.0
		2010 (%)	**2017–2021 (%)**
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	43	38
	Multifamily (2–4 Units)	12	9
	Multifamily (5+ Units)	27	39
	Other (Including Mobile Homes)	19	0

		1Q 2023	YoY Change
Apartment Market Quick Facts	**Apartment Vacancy Rate**	7.9	3.8
	Average Rent	$1,507	2.5%
	Studio	$1,189	6.0%
	One-Bedroom	$1,394	3.2%
	Two-Bedroom	$1,539	1.9%
	Three-Bedroom	$1,844	5.8%

1Q = first quarter. YoY = year-over-year.
Notes: The current date is April 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2006–2010 and 2017–2021 American Community Survey 5-year data; apartment data—CoStar Group

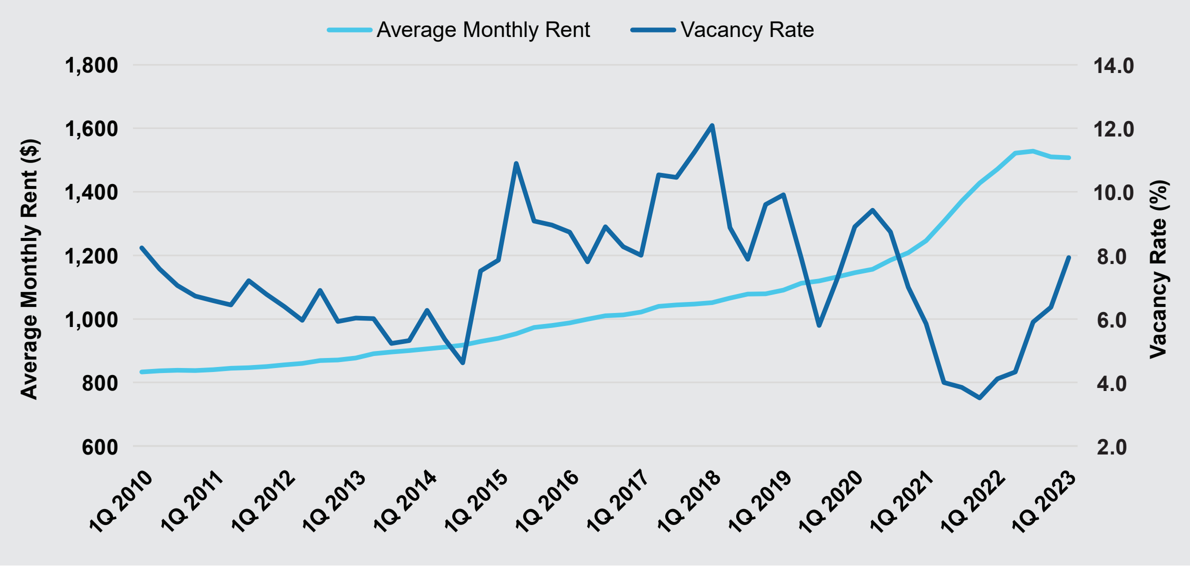
the other submarkets since 2010, supported by higher population growth rates. However, like the other submarkets, absorption of rental units slowed in the past year, contributing to easing market conditions.

Apartment Market Conditions

The apartment market in this submarket is slightly soft compared with slightly tight conditions a year ago. As of the first quarter of 2023, the apartment vacancy rate was 7.9 percent compared with 4.1 percent as of the first quarter of 2022 and 5.8 percent as of the first quarter of 2020 (Figure 27; CoStar Group). During the 12 months ending March 2023, apartment absorption in the submarket was negative, with 140 fewer occupied apartments than in the previous 12-month period. By comparison, apartment absorption averaged 920 units annually in the previous 5 years. Rising apartment vacancy rates constrained apartment managers from increasing rents. As of the first quarter of 2023, the average asking apartment rent in the submarket was $1,507, up 2 percent year over year. By comparison, year-over-year rent growth was 9 and 18 percent as measured in the first quarters of 2021 and 2022, respectively. Rent growth was relatively low prior to the COVID-19 pandemic, averaging 4 percent annually as measured in the first quarters of 2015 through 2020.

Approximately 85 percent of the apartment units CoStar Group surveyed in the submarket are in York County. The apartment vacancy rate in York County was 6.6 percent as of the first quarter of 2023, up from 4.1 percent a year earlier. Lancaster County accounted for nearly all the remaining 15 percent of surveyed apartment units in the HMA and had a 16.6 percent vacancy rate as of the first quarter of 2023, up from 4.4 percent a year earlier. The completion of 300 apartment units during the first quarter of 2023, increasing the apartment inventory in the county 15 percent, caused the sharp rise in the apartment vacancy rate. Vacancy rates at stabilized apartment properties are similar in both counties at 6.0 and 5.4 percent in York and Lancaster Counties, respectively.

Figure 27. Apartment Rents and Vacancy Rates in the South Carolina Suburbs Submarket



1Q = first quarter.
Source: CoStar Group

Rental Construction Activity

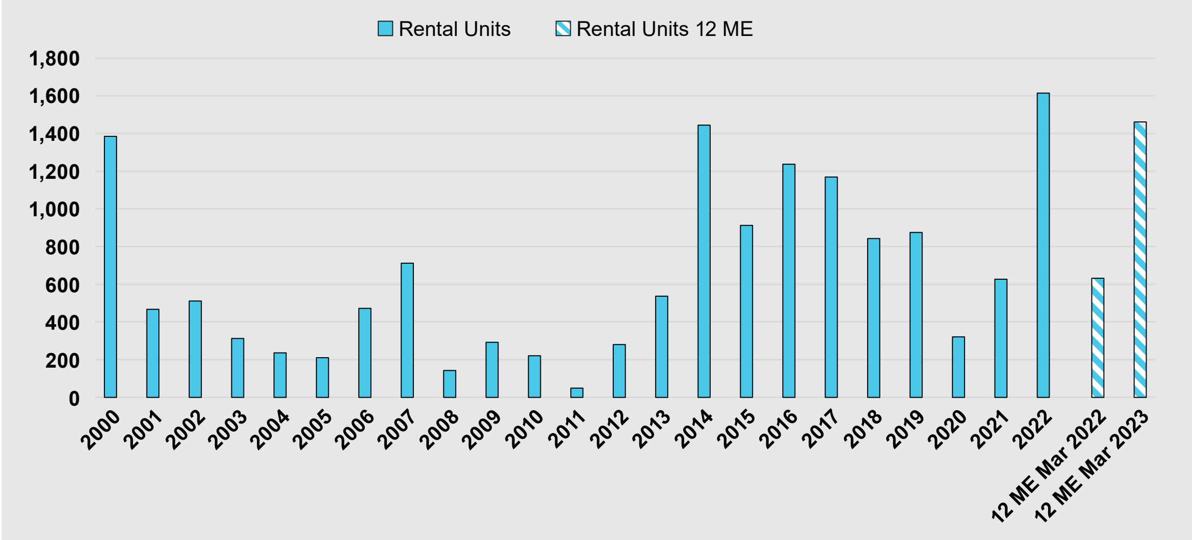
Rental construction in the South Carolina Suburbs submarket has been high since 2014, supported by relatively high and accelerating rates of population growth. After 1,375 rental units were permitted in 2000, rental construction from 2001 through 2010 averaged 360 units annually (Figure 28). After only 50 units were permitted in 2011, rental construction increased from 2012 through 2014 and 2014 through 2019, with an average of 1,075 rental units permitted annually. Following the onset of the COVID-19 pandemic, rental production dropped, averaging 470 units annually during 2020 and 2021 but increased to 1,625 units during 2022. During the 12 months ending March 2023, approximately 1,450 rental units were permitted, up from 630 units during the previous 12-month period (preliminary data). High rates of rent growth during 2021 and 2022 and a relatively lower apartment vacancy rate than the remainder of the HMA supported increased rental construction during the past 12 months.

Most apartment construction occurs in the northern portions of York and Lancaster Counties. Tapestry Patterson Lane, a 352-unit apartment complex in the city of Indian Land in Lancaster County is a typical example of apartment development in this submarket. The apartment development will offer one-, two-, and three-bedroom units starting at $1,450, $1,750, and $2,250, respectively, when complete in mid-2023.

Forecast

During the next 3 years, demand is estimated for 3,100 rental units (Table 19), supported by continued high rates of population growth. Approximately 1,625 rental units under construction are anticipated to meet some of this demand. Demand is expected to continue to concentrate in York County, especially in the portion closest to the city of Charlotte.

Figure 28. Annual Rental Permitting Activity in the South Carolina Suburbs Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Table 19. Demand for New Rental Units in the South Carolina Suburbs Submarket During the Forecast Period

Rental Units	
Demand	3,100 Units
Under Construction	1,625 Units

Note: The forecast period is April 1, 2023, to April 1, 2026.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Apartment Vacancy Rate/ Average Rent	Apartment vacancy rates and average rents are for market-rate and mixed market-rate/affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease-up.
Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in a housing market area. 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.
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.
Distressed Sales	Short sales and real estate owned (REO) sales.
Existing Home Sales	Includes resale sales, short sales, and REO sales.
Forecast Period	4/1/2023–4/1/2026—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.

Rental Market/ Rental Vacancy Rate	**Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.**
Seriously Delinquent Mortgages	**Mortgages 90 or more days delinquent or in foreclosure.**
Southeast Region	**The HUD Southeast Region includes Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Puerto Rico, Tennessee, and the U.S. Virgin Islands.**
Stabilized Apartment Vacancy Rate	**Includes only properties that have finished lease-up. A stabilized property is older than 18 months or has reached 90 percent occupancy.**

B. Notes on Geography

1.	**The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.**
2.	**Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.**
3.	**The census tracts referenced in this report are from the 2010 Census.**

C. Additional Notes

1.	**The National Association of Home Builders (NAHB)/Wells Fargo Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.**

2.	**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.**
3.	**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.**

D. Photo/Map Credits

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