

North Carolina Pro-Business Policies Steer Charlotte Investor Rankings to Number One

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When Pat McCrory ran for North Carolina Governor in 2012, the state had been under two decades of Democratic rule and was suffering from the effects of sustained tax hikes, government inefficiencies and allegations of wrong doing. Mr. McCrory, a former mayor of Charlotte with a clear pro-business agenda, campaigned on the promise of job creation, shrinking the state's debt and the size of government, cutting taxes and improving North Carolina's business "brand image". He won by a handy margin.

No sooner did he take office, the new governor used his mandate to trim government anti-business regulations and implement cost savings aimed at decreasing the size of the public purse; he expanded vocational training in high schools and he introduced a modified flat tax which aims to cut personal rates up to two percentage points to under 6%, and corporate tax rates to as low as 3%, by 2017. While this initiative is set to shrink tax revenues by \$2.4bn over the next 5 fiscal years, according to the state's Fiscal Research Division, Mr. McCrory believes that the strong stimulus will be good for employment: "If I get more people to work, we'll have more money".

It looks like his pro-business legislation is working: from a peak of 11.3% in Jan 2010, the state's unemployment fell to 5.3% in 2015. And Charlotte has become the 2nd fastest growing city in the United States.

Charlotte is a clean, modern, vibrant metropolis and fast becoming the destination city of the Southeast on the back of its pro-business policies, growth, warm mild climate, low crime rate and high quality of life. "The business climate is amazing" marvels Chris Epstein, President of BECO South, a property construction and engineering firm. Mr. Epstein operated in the Baltimore and DC areas for more than 25 years; five years ago he was looking for new expansion markets and saw the opportunity here: "Charlotte shot to Number One, hands down".

This sentiment is now reflected in recent investor rankings. In November 2015, HomeUnion, an on line real estate investment and management firm based in Irvine, California, released the results of a study of the top 10 markets where investors can affordably and prudently purchase single family real estate for rental: Charlotte came in at number 1.

MARKET ANALYSIS BY GREYSTONE



In creating the rankings, HomeUnion focused on non-owner-occupied properties and used a combination of median prices of investment properties, year-to-year job growth, gross rental yield, and housing affordability. Charlotte topped the rankings because it offered the highest job growth of any of the top ten cities in the survey, and displayed the 3rd best job growth amongst the top 55 Metropolitan Areas in the United States.

How does this translate into yields for the investor? A recent Metrostudy report, dated May 2016, revealed housing starts were up 12.3% YoY, with the greatest opportunity for growth in the markets continuing to come from the large pool of price-sensitive buyers who have yet to be addressed in volume.

Jay Colvin, Director of Metrostudy's Charlotte office remarked that "at a 4.9 months' supply, the \$150-\$199k segment is considered extremely short on inventory". With the associated costs of land acquisition, construction and development, this investor niche will cause demand to continue to outstrip supply and push home prices up beyond the \$200,000 threshold, and drive investor yields down.

Currently, investors can still commission new construction 4 Bed/2 Bath Single Family Residences in family focused, leafy neighborhoods with hiking and biking trails, fishing lakes, association club houses with sporting amenities for under \$200,000, translating to rental yields in the mid-7% range but industry experts are expecting these yields to be bid down to below 7% as long as Charlotte continues to show the exceptional growth conditions that are making this city so attractive to businesses and families to relocate to, thereby reinforcing Charlotte as a top ranked location for investments in single family rentals.

If you would like to know more about investing in one of our Class "A" properties in Charlotte or any one of our other hand-picked locations in the United States, please call us on 586.482.8156 or write to us on info@buildgreystone.com and one of our experienced Client Advisors will be happy to answer any of your questions.

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