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From the Charlotte Business Journal:

<https://www.bizjournals.com/charlotte/news/2020/01/29/apartment-project-adding-micro-units-in-south-end.html>

Apartment project adding 'micro-units' in South End nears completion

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A project in South End that has mostly smaller-than-average studios — sometimes called micro-units — has begun pre-leasing.

Centro Railyard, which wraps the parking deck for The RailYard development on the Winnifred Street side, includes 91 apartments, two-thirds of which are studios measuring about 400 square feet. The project is somewhat unique for Charlotte because of its below-average unit sizes and few on-site amenities, a hallmark of most luxury multifamily developments that have been built, especially in South End.

The idea behind adding smaller studio units was that they could provide comparatively lower rents than the rest of the pricey neighborhood while still being



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Centro Railyard includes 91 units, two-thirds of which are "micro-units" measuring about 400 square feet.

market rate.

Centro Railyard has begun pre-leasing units with base rents starting at \$1,188 for a 396-square-foot unit. Slightly larger units at 418 square feet have advertised rates between \$1,233 and \$1,308 per month.

The rents are largely still below what's seen in South End today but are also for apartments smaller than much of the current inventory, and without splashy extras on site like a pet spa, wine cellar or Peloton bikes, although Centro Railyard does have a resident lounge and clubroom. Being close to lots of retail, transit and a vibrant neighborhood is the amenity, the developers have said. The ground floor of the building will accommodate retailers, too.

David Furman of Centro Cityworks, which is developing Centro Railyard with Ascent Real Estate Capital, said Tuesday that the project was never intended to be affordable housing in the traditional sense. But he said construction costs have also spiked dramatically in the past two years since planning and construction for Centro Railyard began.

Underwriting for the development years ago estimated the smallest units could potentially rent for around \$850 a month. When groundbreaking began in late 2018, the goal was still to have some units starting below \$1,000. But with construction costs rising about 10% annually since then, primarily because of a labor shortage, that led to across-the-board increases, Furman said.

"Construction costs are just crazy," he said. "You set out to do something and by the time you do the math two years later, it's so hard to squeeze through the funnel to do the affordability we set out to do. We're trying to be a little less than everybody else."

The city has seen a huge wave of apartment development in this cycle — many of the projects that have been built include upscale apartments and lots of amenities, the list of which has only gotten longer and more elaborate as more deals get done. Many of those luxury projects have been in areas like South End.

But demand for housing across the city hasn't waned and the units that have delivered, including top-of-market ones, are leasing up fast. It's created a squeeze for Charlotteans who can't afford to pay \$1,172 per month in rent, the average rate for an apartment here in 2019, according to CoStar Group.

Pre-leasing interest at Centro Railyard, expected to be complete in April, has been good so far.

Marcie Williams, president at RKW Residential — the property management firm for Centro Railyard — said prospective tenants have so far not pushed back on the unit size. She said the firm usually sees the fastest lease-ups in studios and one-bedroom units in its portfolio.

"Honestly, I think people still want that location," Williams said. "With how fast things are leasing up and how the rents are increasing in that submarket, it is still growing and becoming more popular and the location of choice."

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