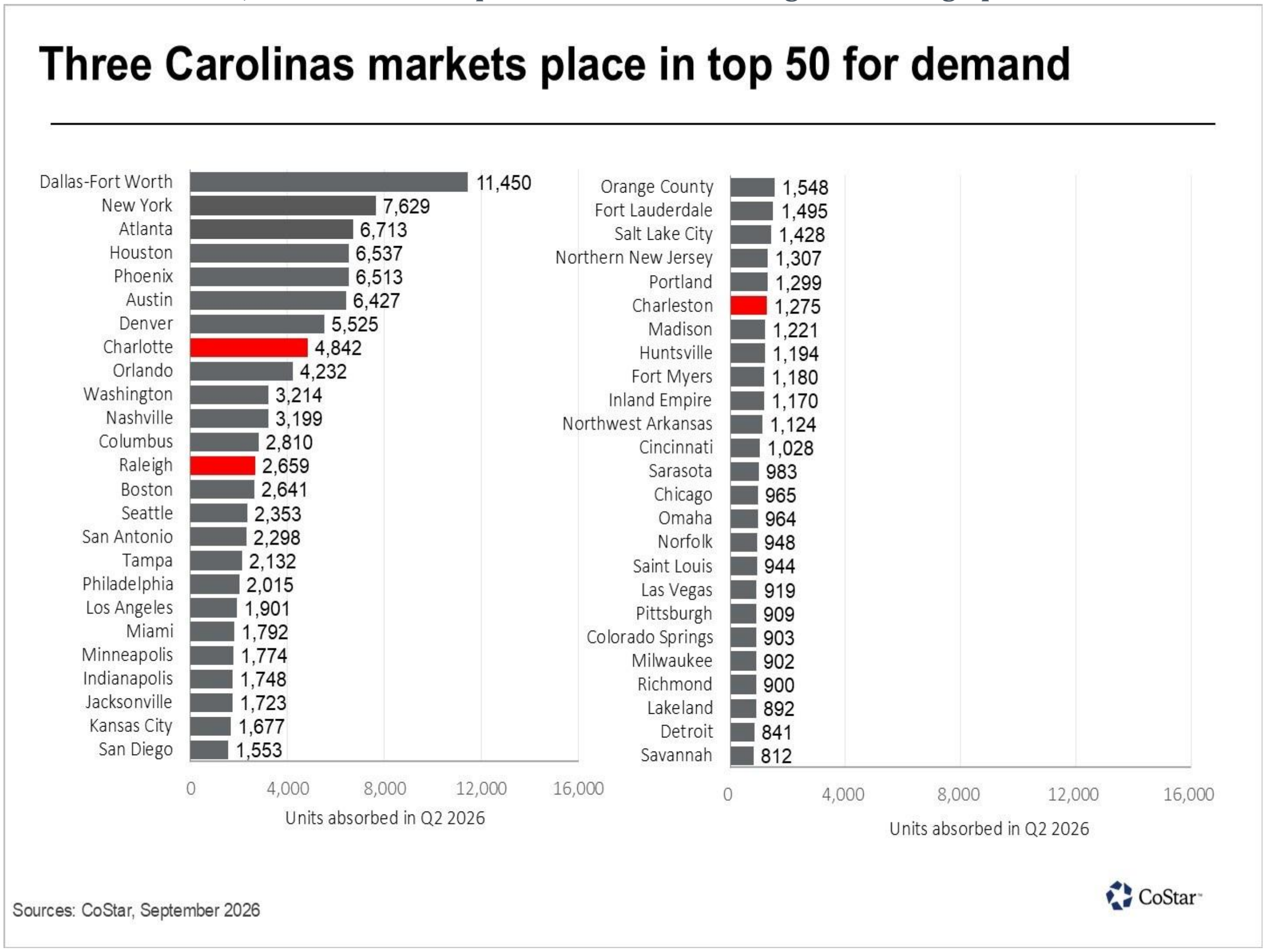
The Carolinas are winning the apartment demand race

Markets in North, South Carolina punch above their weight in filling apartments



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September 8, 2026 | 11:41 AM

Demand for apartments is robust in the Carolinas, with three of its cities ranking among the leading markets for net absorption — the difference in units occupied versus vacated — in the second quarter.

The high demand comes as North and South Carolina have emerged as two of the fastest-growing states in the country.

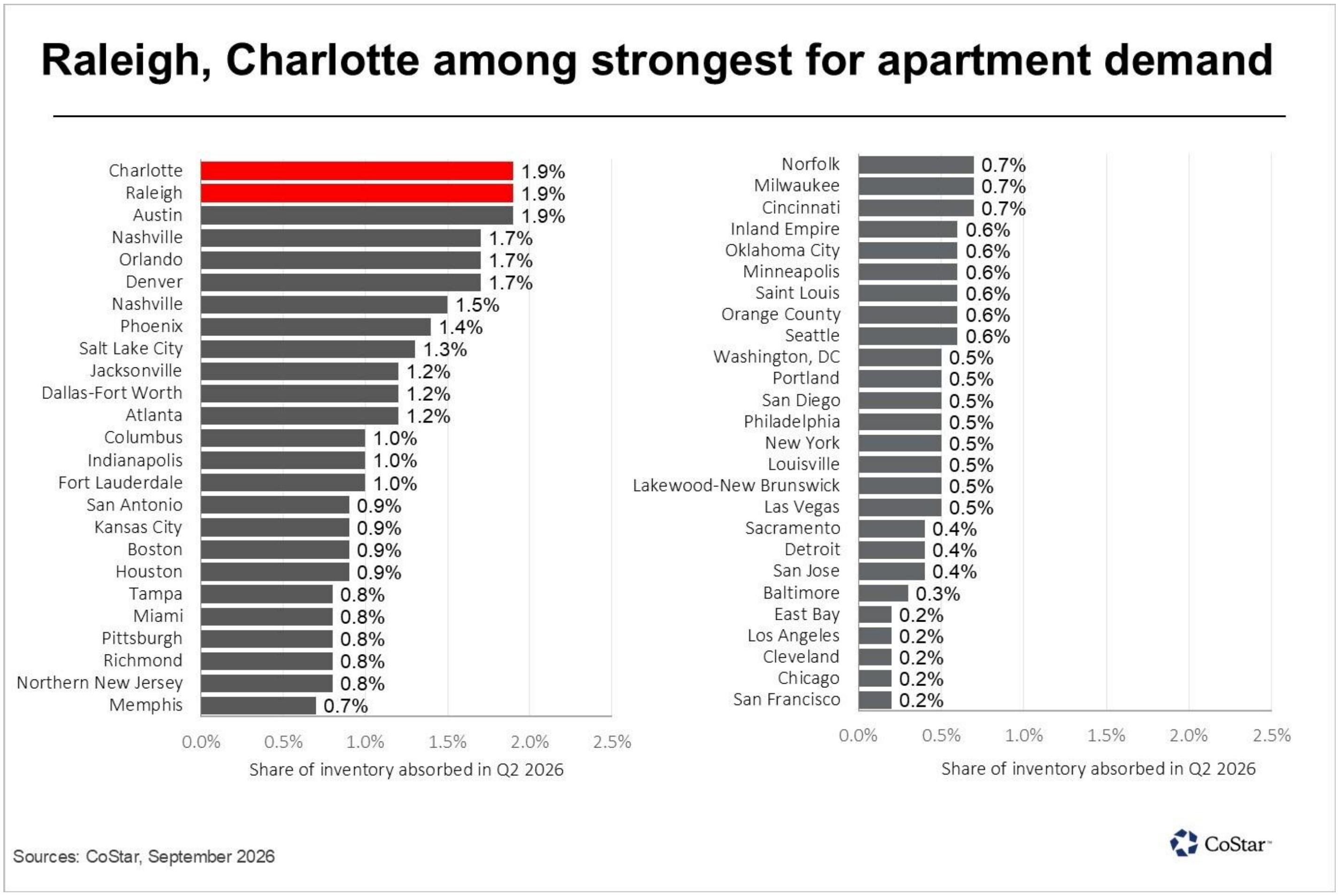
South Carolina had the highest population growth rate in the United States last year at 1.5%, while North Carolina was third at 1.3%, according to U.S. Census Bureau data. The rates for each state slowed slightly from 2024, but growth in the Carolinas is not slowing as much as in most parts of the country.

Both Carolinas are popular destinations for residents moving from other parts of the U.S. due to robust job growth, the lower cost of living and an appealing lifestyle. Domestic migration accounts for the majority of growth in each state.

That population growth is leading to strong demand for apartments. Charlotte, North Carolina, had the eighth-highest quarterly net absorption nationally in the second quarter, with over 4,800 more move-ins than move-outs, CoStar data shows.

Raleigh, North Carolina, ranked 13th in the country during that time with nearly 2,700 units absorbed, while Charleston, South Carolina, ranked 31st with 1,275 units absorbed.

The outperformance of the Carolinas markets is even clearer when controlling for market size.



When absorption is measured as a share of inventory, Charlotte and Raleigh place in the top two among the 50 largest markets in the U.S.

Charleston is not on the list because it is not one of the nation's 50 largest markets. However, if it were, it would have placed it in the top 10 as well. Net absorption in Charleston represented about 1.7% of the coastal city's inventory.

Driven by surging demand, Charleston is one of a few markets in the Carolinas that has returned to significant positive year-over-year asking rent growth. The combination of continued demand and a steep decline in new supply has helped bring vacancies down to 8.2%, more than a 400-basis-point decline in one year. As a result, year-over-year asking rent growth accelerated to 3%.

In Charlotte, continued strong job growth supported outsized demand. Overall employment was up 1.5% year over year as of June, according to the US Bureau of Labor Statistics, well above the national 0.3% growth rate. That represents the addition of about 20,500 jobs over the past year.

Still, supply remains a challenge for the Carolinas' largest apartment market. The 4,800 units absorbed in the second quarter were matched with the completion of nearly as many units. The vacancy rate has ticked down in the Charlotte market over the past year, but it remains elevated at 11.4%, well above the national average of 7.9%. As a result, asking rents continue to fall, with rents down 0.8% year over year, and owners continue to offer significant concessions, often as much as two months' free rent. With an additional 17,000 units under construction, supply pressure is likely to linger through 2027.

In Raleigh, the nearly 2,700 units absorbed in the second quarter account for 1.9% of the market's inventory. The strong demand, combined with a moderate amount of completions, is causing the market's vacancies to decline rapidly. Raleigh's vacancy rate was 9.1% at the end of the second quarter, down from 11.5% a year ago and 12.2% two years ago.

Residents are drawn to Raleigh for a variety of reasons, including the area's healthy economy, low crime rate and high quality of life. The area also has a reasonable cost of living, as evidenced by its average apartment asking rent of just $1,580 per month. That is far below the U.S. average of about $1,800 per month.

While population growth in the Carolinas has moderated slightly from the rates earlier in the decade, it continues to outpace most of the nation. That relative strength is likely to spur continued demand for apartments in its major markets.