

# Charlotte Multifamily Acquisition

A Strategic Purchase  
Below Replacement Cost

## Executive Summary

This case study examines the successful acquisition of a 65-unit, Class A multifamily property in Charlotte, NC, with Greysteel serving as the buyer's advisor.

The buyer, a high-net-worth family office, sought to enter the Charlotte market with a high-quality asset positioned for long-term hold.

With the guidance of the Greysteel team, they purchased the 2020-built property for \$12.3 million (\$189,230 per unit), a price approximately \$60,000 per unit below replacement cost. Despite challenging leasing conditions and an 84% occupancy rate at the time of the offer, the deal closed in just 65 days.

The transaction highlights the opportunity to acquire newer assets at a significant discount in a corrected market, securing strong potential for long-term cash flow and wealth preservation.

## Deal Overview

### THE CHALLENGE

The buyer, a high-net-worth family office, was strategically diversifying its holdings into multifamily real estate to ensure long-term wealth preservation for future generations. Their primary goal was to acquire a newer, Class A asset in the growing Charlotte market.

The key challenges were:

- **Market Entry:** Finding the right asset to anchor their expansion into a new, competitive market.
- **Operational Instability:** The target property was experiencing rocky operations and low occupancy (84%) in a difficult leasing environment, which posed a significant risk to securing financing and achieving immediate cash flow.
- **Complex Financing:** The deal involved assuming an existing FNMA loan, a process that can be lengthy and complicated, especially with suboptimal property performance metrics.
- **Competitive Landscape:** The property was listed by a competitor, requiring the Greysteel team to demonstrate unique value and expertise to secure the deal for their client.



## THE SOLUTION

To overcome these challenges, the Greysteel team implemented a multi-faceted approach, combining market expertise, strategic negotiation, and diligent process management.

- **Identifying a Unique Opportunity:** The Greysteel team identified a high-quality asset trading significantly below its replacement cost. This presented a rare chance to acquire a modern property at a basis that mitigated market risks and created a strong foundation for future returns. The property's proximity to a light rail station and a major university added to its long-term appeal.
- **Building Buyer Confidence:** The Greysteel team leveraged deep local market knowledge to help the buyer understand the asset's intrinsic value beyond its current operational struggles. This expertise gave the buyer, who was new to the market, the confidence to proceed despite the low occupancy.
- **Accelerating the Loan Assumption:** The Greysteel team took a proactive approach to expedite the FNMA loan assumption. Appropriate pressure was applied to the seller and their management company to ensure all necessary documentation and requirements were met swiftly. This diligent management was crucial in navigating the lender's requirements and achieving a closing timeline of just 65 days from PSA execution.
- **Strategic Vision for Value Creation:** The Greysteel team developed a clear post-acquisition plan to address the property's underperformance. The strategy included minor interior updates, enhancements to community amenities, and implementing operational efficiencies through new, more effective property management. This plan demonstrated a clear path to stabilizing the asset and increasing its value.

## THE RESULTS AND OUTCOMES

The transaction successfully met and exceeded the buyer's strategic objectives, delivering significant immediate and long-term benefits.

- **Portfolio Growth and Diversification:** The acquisition more than tripled the buyer's multifamily assets under management in a single purchase, firmly establishing their presence in the Charlotte market with a premier asset.
- **Favorable Acquisition Price:** The property was purchased for \$12.3 million, a price that was slightly higher than what the previous owner paid in 2021 (previous PP was \$12.1M or \$186,154/unit), reflecting the market value correction.
- **Secured Attractive Financing:** The buyer successfully assumed a 3.7% interest rate loan. With a Year 1 capitalization rate exceeding the loan's interest rate by over 200 basis points, the asset is positioned to generate substantial cash flow for years to come.
- **Long-Term Wealth Preservation:** The acquisition provides a stable, cash-flowing asset that aligns perfectly with the family's goal of building a legacy portfolio for future generations.
- **Demonstrated Market Insight:** The deal underscored that even in a challenging macroeconomic environment, there is strong demand for quality assets that are priced correctly and offer clear potential for positive cash flow.