

# HUD PD&R Housing Market Profiles

## Durham-Chapel Hill, North Carolina



### Quick Facts About Durham-Chapel Hill

Durham, North Carolina

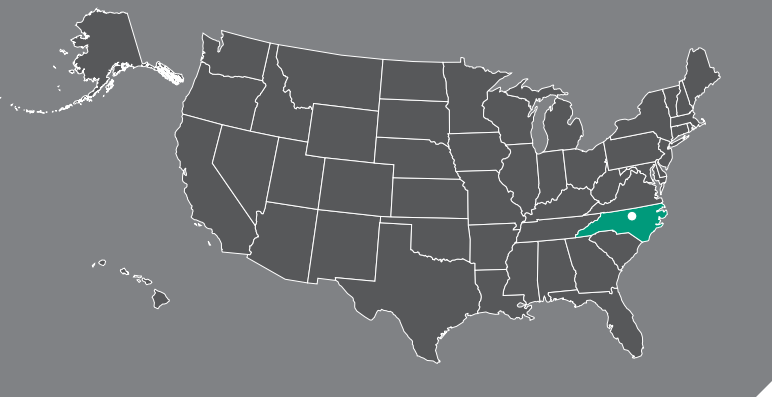
By Maciej Misztal | As of February 1, 2021

- **Current sales market conditions: tight**
- **Current rental market conditions: balanced but softening**
- **The Durham metropolitan area is home to Duke University (hereafter, Duke) and the University of North Carolina Chapel Hill (UNC-CH), both top-tier research institutions with attached research hospitals and healthcare systems. The area between Duke, UNC-CH, and neighboring North Carolina State University (NCSU) is referred to as the “Research Triangle” with a reputation for a highly educated workforce in a tranquil suburban setting.**

### Overview

The Durham-Chapel Hill metropolitan area (hereafter, Durham metropolitan area) consists of Chatham, Durham, Orange, and Person Counties in central North Carolina and is coterminous with the Durham-Chapel Hill, NC Metropolitan Statistical Area (MSA). UNC-CH is the flagship of the public university system in the state with 30,000 students and was the fifth ranked public school in the nation by *U.S. News and World Report* in 2020. In the same rankings, Duke—with 16,600 students—was the top university in the Southeast region. The two universities and their affiliated health networks account for four out of the top five employers in the metropolitan area and anchor the two largest nonfarm payroll sectors. Duke is part of the education and health services sector, and UNC-CH is part of the government sector, representing 22 and 20 percent of total nonfarm payrolls in the metropolitan area, respectively. Of the population that is 25 years or older, 48 percent have at least a bachelor’s degree and 24 percent have a graduate or professional degree, compared with 32 and 12 percent for the nation, respectively (2010 and 2019 American Community Survey [ACS] 5-year estimates, adjustments by the analyst). The downtown Durham area has become revitalized during the past two decades, with

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the addition of The Durham Bulls Athletic Park, Durham Performing Arts Center, and the American Tobacco Historic District.

- The current population is estimated at 590,900, with an average increase of 6,850, or 1.2 percent, annually since 2017, slowing from an average gain of 8,550, or 1.6 percent, annually from 2010 to 2017. Net in-migration averaged 4,850 people annually since 2017, down from an average of 5,700 people annually from 2010 to 2017, when job growth was faster (Census Bureau population estimates as of July 1 and estimates by the analyst).
- Durham County, which includes much of the economic core of the MSA and is more urbanized than Orange and Chatham Counties, is the largest county in the metropolitan area by population and smallest in area. Durham County contains 55 percent of the population of the Durham

metropolitan area and grew by an average of 5,575 a year, or 67 percent of population growth from 2010 to 2019.

- Residents aged 55 and older are the only age cohort to increase proportionately during the past decade, contributing to the steady decline of net natural change during this time. Their share of the population increased from 22 percent in 2010 to 27 percent in 2019. The fastest growing population segment is recent retirees aged 65 to 74 (2010 and 2019 ACS 5-year estimates, adjustments by the analyst).
- Undergraduate and graduate students account for an estimated 8 percent of the population in the metropolitan area and primarily fall in the cohort aged 15 to 24 years, which increased overall but decreased as a proportion of the population, from 17 percent in 2010 to 15 percent in 2019.

## Economic Conditions

Nonfarm payrolls in the Durham metropolitan area declined significantly during the past year because of the statewide restrictions put in place in early March 2020 to slow the spread of COVID-19. Job losses were severe at the beginning of the COVID-19 pandemic in March and April 2020. Although a recovery began in May, nonfarm payrolls remain well below recent highs. From May 2020 through January 2021, the Durham metropolitan area added 14,900 jobs, or 46 percent,

of the 32,100 jobs lost in March and April 2020 (not seasonally adjusted). As of January 2021, nonfarm payrolls in the Durham metropolitan area remain approximately 17,900 jobs, or 5.2 percent, below the February 2020 level before the impact of the COVID-19 pandemic. The nonfarm payroll sectors that were most impacted were heavily reliant on tourism and those dependent on in-person interactions that precluded adherence to social distancing guidelines. Job losses associated with

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### The leisure and hospitality sector was the most affected by the pandemic, followed by the manufacturing sector.

	3 Months Ending		Year-Over-Year Change	
	January 2020 (Thousands)	January 2021 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	333.0	318.1	-14.9	-4.5
Goods-Producing Sectors	42.8	42.7	-0.1	-0.2
Mining, Logging, & Construction	9.3	9.5	0.2	2.2
Manufacturing	33.5	33.2	-0.3	-0.9
Service-Providing Sectors	290.2	275.4	-14.8	-5.1
Wholesale & Retail Trade	33.4	31.9	-1.5	-4.5
Transportation & Utilities	7.1	7.9	0.8	11.3
Information	5.4	5.7	0.3	5.6
Financial Activities	15.8	16.2	0.4	2.5
Professional & Business Services	46.1	48.7	2.6	5.6
Education & Health Services	73.2	70.6	-2.6	-3.6
Leisure & Hospitality	28.4	19.9	-8.5	-29.9
Other Services	12.2	10.8	-1.4	-11.5
Government	68.6	63.7	-4.9	-7.1
<b>Unemployment Rate</b>	3.1%	5.1%		

Note: Numbers may not add to totals due to rounding.  
Source: U.S. Bureau of Labor Statistics



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the pandemic were primarily in the leisure and hospitality and the manufacturing sectors. However, restrictions at Duke and UNC-CH, which tend to mitigate job losses in the Durham metropolitan area during economic downturns, also contributed to a relatively muted recovery.

During the 3 months ending January 2021 —

- Nonfarm payrolls in the Durham metropolitan area averaged 318,100 jobs, a decline of 14,900 jobs, or 4.5 percent, compared with nonfarm payrolls during the same period a year earlier. The decline in payrolls is primarily because of measures taken to limit the spread of COVID-19, including a reduction in nonessential travel and limited consumer spending.
- Job losses were concentrated in the leisure and hospitality sector, which was down by 8,500 jobs, or 29.9 percent. The leisure and hospitality sector is responsible for 57 percent of net jobs lost in the metropolitan area during the most recent 3-month period. During the 3 months ending January 2020, the sector increased by 300 jobs, or 1.1 percent.
- Out of the five sectors that gained jobs, the professional and business services sector accounted for 60 percent of net jobs gained and increased by 2,600 jobs, or 5.6 percent, from a year earlier. Many businesses in this sector were able to convert to remote working, preserving many jobs while offices were closed.
- The unemployment rate averaged 5.1 percent, up from 3.1 percent a year earlier and the highest level since 2015.

Research Triangle Park (RTP) consists of 70,000 acres of unincorporated land, mostly in Durham County, which serves as a catalyst for cooperation among the three universities (Duke, UNC-CH, and NCSU) and more than 300 companies and organizations. The park is one of the most popular locations for contract research organizations (CROs), which contract to manage and support clinical trials by pharmaceutical, biotechnology, and medical device firms. Of the top 10 CROs internationally, 8 have some presence at RTP, and 3 of the top 5 are headquartered within the Research Triangle. Among a myriad of cooperative endeavors, RTP is a location for conducting research, development, testing, and manufacturing

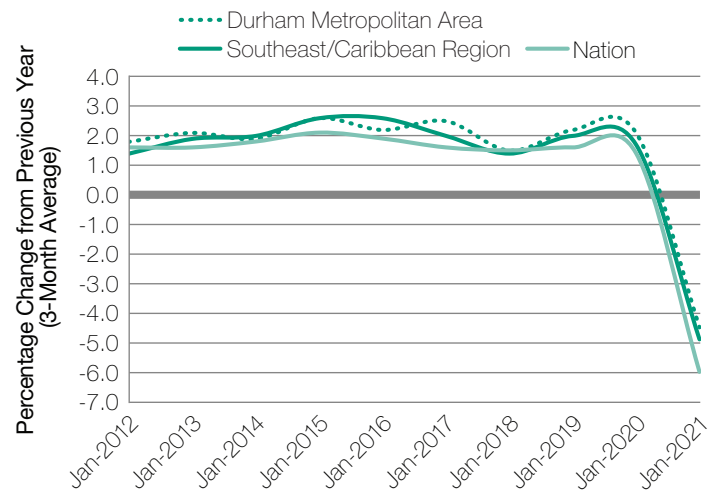
of vaccines. In September 2020, a \$1.5 billion hub project that is expected to encompass more than 44 acres of residential, retail, and hotel space broke ground at RTP after a 60-year ban on such development. In the manufacturing sector, the \$800 million ApiJect vaccine and injector factory is under construction and expected to open in early 2022. The facility is anticipated to produce up to 3 billion single-dose prefilled injectors a year and create 650 jobs.

### Largest Employers in the Durham Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Duke University and Duke University Health System	Education & Health Services	32,000
University of North Carolina at Chapel Hill and UNC Health	Government	18,150
International Business Machines Corporation	Information	9,050

Note: Excludes retailers, local school districts, and local governments. Sources: *Triangle Business Journal*; Duke University; University of North Carolina at Chapel Hill; estimates by the analyst

### Nonfarm payrolls had been increasing consistently for a decade in the Durham metropolitan area, North Carolina, and the nation before an unprecedented drop due to the pandemic.



Source: U.S. Bureau of Labor Statistics

## Sales Market Conditions

Sales housing market conditions in the Durham metropolitan area are currently tight, with an estimated sales vacancy rate of 1.2 percent, down from 2.6 percent in 2010 when market conditions were soft. A limited supply of for-sale inventory,

in conjunction with strong population and economic growth before the pandemic, resulted in increased demand for sales housing and contributed to the decline in the vacancy rate. The inventory of homes for sale has been less than 6 months

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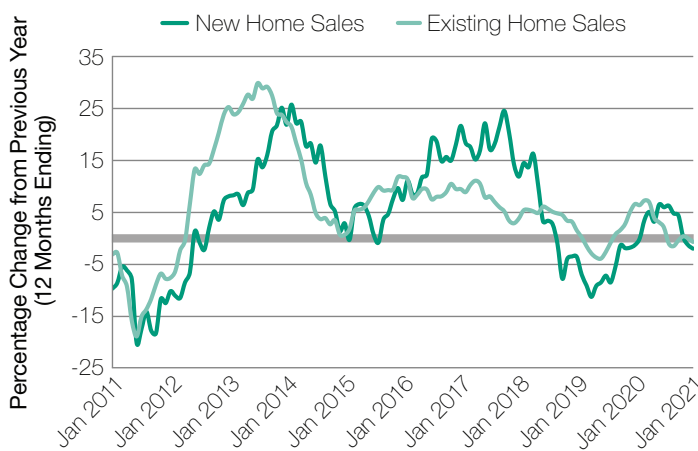


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(typically indicative of a balanced market) since the first quarter of 2013 (CoreLogic, Inc.). As of January 2021, a 1.8-month supply of homes was available for sale, compared with 2.5 months of inventory a year ago. Contributing to the decline in for-sale inventory are would-be sellers who have been reluctant to list homes and make them available for tours due to the pandemic.

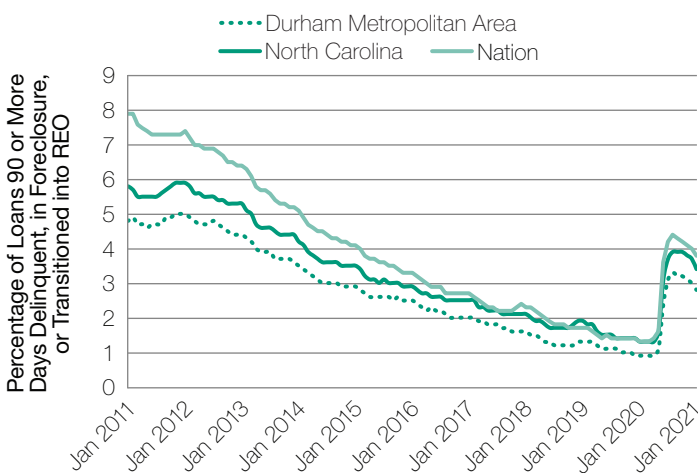
Despite a tightening of the sales market in 2020, mortgage delinquencies have risen because of the economic downturn. The share of seriously delinquent home loans (90 or more days delinquent or in foreclosure) and real estate owned (REO)

**New and existing home sales in the Durham metropolitan area increased for most of the decade.**



Note: Includes single-family homes, townhomes, and condominium units. Source: Zonda

Since 2011, the percentage of home loans that were 90 or more days delinquent, in foreclosure, or recently transitioned to REO status in the Durham metropolitan area has been lower than the North Carolina and national rates.



REO = real estate owned. Source: CoreLogic, Inc.

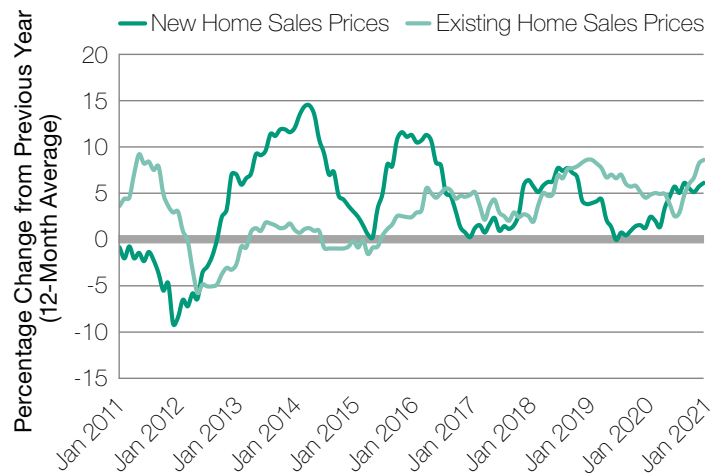
properties was 2.8 percent in January 2021 compared with 0.9 percent in January 2020 (CoreLogic, Inc.). This rate increased due to the number of home loans that are 90 or more days delinquent—which rose by 263 percent; meanwhile, the number of loans in foreclosure and REO status fell by 33 percent. The number of loans in foreclosure or in REO status has not increased because a national moratorium on foreclosures for federally backed mortgages is in place through June 2021.

During the 12 months ending January 2021 —

- Existing home sales, including regular resale home sales and REO sales, decreased 1 percent from the previous 12 months to 7,700 homes; by comparison, sales increased 7 percent a year earlier. During the most recent 12 months, sales were 9 percent higher than the 7,075 sales in 2006, before the housing crisis (Zonda).
- The average price of an existing home increased 9 percent to \$334,800, a significant increase from the 5-percent increase a year earlier. The current average price is 33 percent, or \$82,350, above the 2011 low.
- New home sales fell 2 percent to 1,725, a larger decline than the 1-percent decrease a year earlier. The number of new homes sold during the most recent 12 months was approximately 130 below the recent high in 2017 and 340 below the historic high in 2007.
- The average new home sales price was \$437,700, up 6 percent from the 12 months ending January 2020, which

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New and existing home prices in the Durham metropolitan area increased during the past 5 years and have increased at a faster pace since the beginning of the pandemic.



Note: Includes single-family homes, townhomes, and condominium units. Source: Zonda



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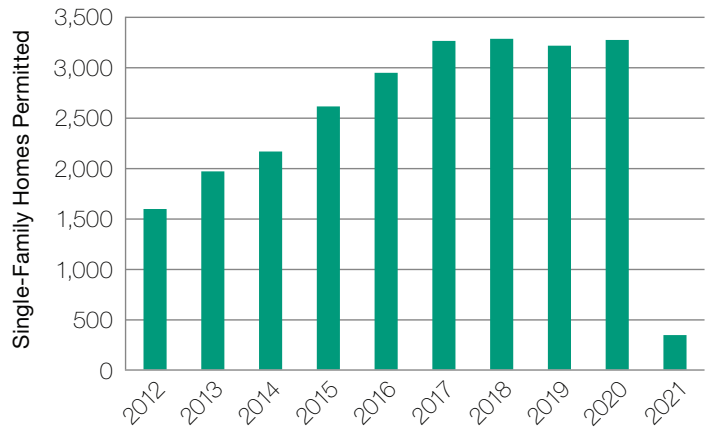
itself reflected a 1-percent increase from January 2019. The average new home sales price is currently 31 percent, or \$102,900, higher than the average existing home sales price.

From 2011 through 2018, single-family homebuilding, as measured by the number of homes permitted, increased every year to 3,300 homes in 2018 as economic conditions strengthened and excess supply was absorbed. Construction declined slightly in 2019, followed by recovery in 2020.

- Despite the economic downturn due to COVID-19 countermeasures, single-family home construction increased 2 percent, to 3,275 homes permitted in 2020 compared with a drop of 2 percent in 2019.
- During 2020, most Durham metropolitan area homes were constructed in Durham County, followed by Chatham and Orange Counties at 65, 19, and 10 percent of the metropolitan area total, respectively. Chatham County has permitted more single-family homes than neighboring Orange County every year for the past 10 years, despite having roughly one-half of the population.
- A notable development in Chatham County is the Legacy at Jordan Lake, with 450 home lots, 300 of which are

developed. The community will include a golf course, a clubhouse, and 14 floor plans available for home lots with three-, four-, and five-bedroom models starting at \$370,000, \$390,000, and \$433,000, respectively.

**The number of single-family homes permitted in the Durham metropolitan area increased from 2012 through 2018 but have since leveled off.**



Note: Includes preliminary data from January 2020 through January 2021. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

## Rental Market Conditions

As of February 1, 2020, overall rental housing market conditions in the Durham metropolitan area are balanced, but softening, with an estimated 6.8-percent vacancy rate for all rental units (including single-family homes, townhomes, mobile homes, and apartments); this rate is down from a 9.5-percent vacancy rate in 2010 when market conditions were soft. Students account for an estimated 9 percent of rental households in the metropolitan area. Off-campus student apartments associated with Duke and UNC-CH account for approximately 11 and 6 percent of all apartment units in the metropolitan area, respectively. Single-family homes, including townhouses, made up 34.8 percent of the occupied rental units in the metropolitan area in 2019, up from 30.2 percent in 2010 (2010 and 2019 ACS 5-year estimates). In 2019, approximately 12 percent of renter households lived in buildings with two to four units, and 48 percent lived in multifamily buildings with five or more units, typically apartments.

During the fourth quarter of 2020—

- Apartment market conditions in the Durham metropolitan area are currently balanced, with an average vacancy rate of 5.4 percent, up from 4.7 a year earlier, but down from 5.6 during the fourth quarter of 2016 (RealPage, Inc.).

- The average rent for apartments in the metropolitan area was \$1,189, an increase of 2 percent from the average of \$1,169 during the fourth quarter of 2019, continuing a 5-year trend of annual increases.
- The highest vacancy rate was in the RealPage, Inc.-defined Chapel Hill/Carrboro market area, the primary market for students attending UNC-CH, which had a 6.0-percent vacancy rate, up from 5.9 percent a year earlier. The average rent increased 2 percent to \$1,222.
- The highest rents were in the RealPage, Inc.-defined Northwest Durham/Downtown market area, the primary market for students attending Duke, which averaged \$1,297, up 2 percent from a year earlier. The average vacancy rate in the market area increased to 5.9 percent, compared with 4.0 percent a year earlier, partially because restrictions on local businesses due to the pandemic limited the appeal of living in a walkable downtown with indoor entertainment venues.

As measured by the number of units permitted, multifamily construction activity decreased in 2016 and 2017 as builders reacted to a softening market despite strong in-migration.

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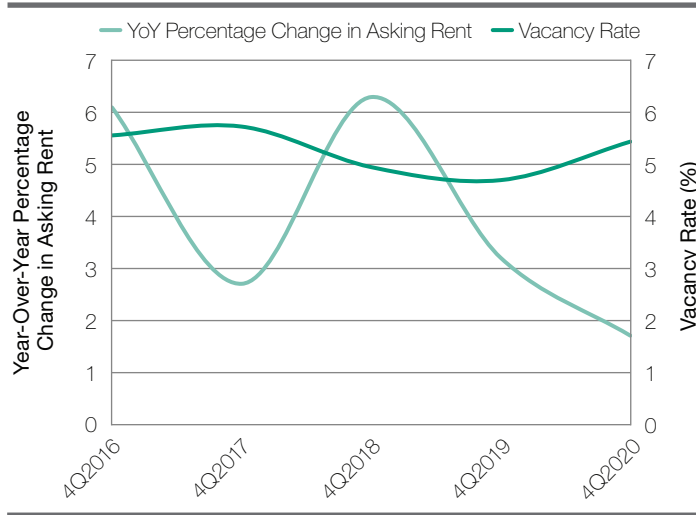


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Builders adjusted construction activity upward as the market tightened until 2020, when economic conditions deteriorated due to the pandemic.

- During 2020, 1,800 multifamily units were permitted, down 20 percent from 2019 and similar to the average number of units permitted each year from 2014 through 2018 (preliminary data).
- Currently, two dormitories are under construction near the Duke campus, totaling 1,475 beds.

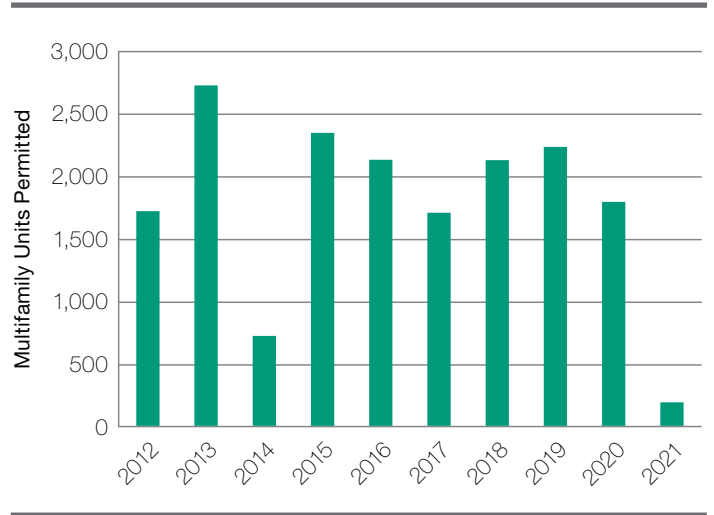
**Apartment rents in the Durham metropolitan area have increased every year since 2015 while vacancy rates were declining before the pandemic.**



4Q = fourth quarter. YoY = year-over-year.  
Source: RealPage, Inc.

- From 2009 through 2019, Durham County accounted for 83 percent of apartment construction in the metropolitan area, followed by Orange and Chatham Counties, with 14 and 3 percent of the metropolitan area total, respectively.
- Trilogy Chapel Hill is a 328-unit apartment nearing completion along the crucial U.S. Route 15-501 corridor, which connects Duke and UNC-CH. The property currently offers studio, one-, two-, and three-bedroom apartments starting at \$1,165, \$1,275, \$1,995, and \$2,900, respectively.

**The number of multifamily units permitted in the Durham metropolitan area has been relatively stable since 2016 compared with earlier in the decade.**



Note: Includes preliminary data from January 2020 through January 2021.  
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

