

# Housing Market Profile

Southeast/Caribbean • HUD Region IV



## Raleigh, North Carolina

Located in north-central North Carolina, the Raleigh metropolitan area consists of Franklin, Johnston, and Wake Counties and is part of the larger region known as the Triangle, which includes the cities of Durham and Chapel Hill. The Triangle is home to several large colleges and universities, including Duke University, North Carolina State University, and The University of North Carolina at Chapel Hill. According to the Census Bureau, between 2007 and 2008, the population of the Raleigh metropolitan area increased by 4.3 percent, making it the fastest growing metropolitan area in the country during that period. Between 2000 and 2008, Wake County, where the city of Raleigh is located, had the fourth largest population increase among U.S. counties, averaging a gain of more than 29,800 a year. Strong employment growth, relatively affordable housing, and access to educational institutions have contributed to population growth in the area. As of June 1, 2009, the population of the Raleigh metropolitan area is estimated at 1.13 million.

Situated in both Wake County and neighboring Durham County, Research Triangle Park is one of the leading employment centers in the Triangle, with approximately 170 companies that employ 42,000 full-time and 10,000 contract employees. Major employers in the park include International Business Machines Corporation, GlaxoSmithKline plc, and Cisco Systems, Inc. Leading employers in the Raleigh metropolitan area outside Research Triangle Park include North Carolina State University, with 8,000 employees, and WakeMed Health & Hospitals, with 7,500 employees.

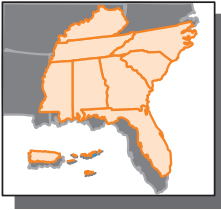
During the past 5 years, nonfarm employment in the Raleigh metropolitan area increased by an average of 16,700 jobs, or 3.8 percent, a year, ranking the metropolitan area as one of the leading job growth areas in North Carolina. In 2008, employment growth began to slow to 4,400 jobs, or less than 1 percent. During the 12 months ending May 2009, employment declined by 7,600 jobs, or 1.5 percent, to an average of 519,500 jobs. A decrease of 5,900 jobs in the mining, logging, and construction sector, primarily in residential construction employment, accounted for 78 percent of job losses in the metropolitan area. Only the government sector, primarily the local government subsector, and the other services sector recorded employment increases of 3,000 and 1,700 jobs, respectively. During the 12 months ending May 2009, the unemployment rate increased to an average of 6.7 percent from 4.4

percent during the 12 months ending May 2008. The unemployment rate is currently higher than it has been for more than 20 years.

As a result of the declining economy, the sales market in the Raleigh metropolitan area has become soft. According to data from Triangle Multiple Listing Service, Inc., during the first 5 months of 2009, approximately 4,600 new and existing homes were sold in Wake and Johnston Counties, a 35-percent decline compared with the number of homes sold during the same period a year earlier. For the first 5 months of 2009, the median sales price of a home in Wake and Johnston Counties was \$199,900 and \$151,000, respectively, 5 and 8 percent lower, respectively, than the prices recorded during the same period in 2008. Prices for new single-family three-bedroom, two-bathroom starter homes in suburban areas start at \$140,000; prices for townhomes with similar configurations start at \$120,000.

In response to the slowing economy and declining home sales in the metropolitan area, single-family construction activity, as measured by the number of building permits issued, has decreased in recent years. During the 12 months ending May 2009, the number of single-family homes permitted totaled 8,425, a 40-percent decline compared with the number of homes permitted during the previous 12 months. Construction activity has declined each year since 2005, when a record-setting 14,000 homes were permitted. The number of multifamily units permitted increased 4 percent during the past 12 months ending May 2009 to 3,750 units. The volume of multifamily construction, as measured by the number of multifamily units permitted, has been elevated since 2006, when approximately 900 condominium units entered the pipeline. With the slowdown in the sales housing market during the past 2 years, multifamily construction has become more concentrated on apartments. More than 95 percent of all multifamily units currently under construction in the metropolitan area are estimated to be apartments; in 2006, apartments accounted for 80 percent of multifamily units under construction.

The apartment market in the Raleigh metropolitan area is soft. According to RealData, Inc., which only reports data for Wake County, the vacancy rate in January 2009 was 9.6 percent, up from 7.9 percent a year earlier. Because employment levels declined and the number of completed apartment units increased during the past 12 months, the vacancy rate is estimated to have increased to more than 10 percent in June 2009. The number of apartments under construction



increased from approximately 2,100 units in January 2007 to 3,000 units in January 2008 and 3,900 units in January 2009. Because a large number of units are still under construction, the vacancy rate is expected to continue to increase during the next year. During the 12 months ending January 2009, rents declined by less than 1 percent to an average of approximately \$760. In the past 2 years, approximately 40 percent of all apartment units started in Wake County were located in the Southwest submarket, which contains the quickly expanding suburban towns of Cary, Apex, and Morrisville. The submarket has access to highways and Research Triangle Park. As a result of the completion of nearly 1,800 units in the submarket during the past 2 years, the vacancy rate increased from 7.1 percent in January 2007 to 10.2 percent in January 2009. During the same period, the average rent in the submarket fell 2 percent to approximately \$780.

According to Real Data, Inc., the Central submarket, where North Carolina State University is located, had a vacancy rate of 9.1 percent in January 2009, up from 5.7 percent in January 2008. The vacancy rate fell in 2007 and early 2008 because of strong housing demand from students and downtown employees and the conversion of more than 200 apartments to condominium units. Demand has spurred an increase in development in the submarket, from 100 units completed in the 12 months ending January 2008 to 530 units completed in the 12 months ending January 2009. With nearly 1,100 additional units under construction, the vacancy rate in the submarket is expected to increase during the next 12 months. During the 12 months ending January 2009, rents increased 1 percent in the submarket to an average of \$713.